

Quarterly Update



JUNE 2024

INVESTMENT NAME

Duxton Water Limited
ASX Code: D20

INVESTMENT MANAGER

Duxton Capital (Australia) Pty Ltd

INVESTMENT UNIVERSE

Australian Water Entitlements

NET ASSET VALUE (POST-TAX)

\$1.51 per share

WATER PORTFOLIO VALUE

\$354 million

SHARES ON ISSUE: 156,413,838

OPTIONS ON ISSUE: 38,165,906



The primary investment objective of Duxton Water ("the Company") is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering irrigators a range of supply solutions including long-term entitlement leases, forward allocation contracts, and spot allocation supply.



Operational Update

At 30 June 2024, the Company held approximately 87 gigalitres (GL) of permanent water entitlements, valued at \$354 million.

During the quarter, the Company settled on the sale of 2.8 GL of NSW high security entitlements after Treasury Wine Estates ("TWE") exercised its call option to buy back water entitlements from Duxton Water. The funds received from this transaction have since been used to offset against the Company's debt facility. This provides the Company with additional balance sheet flexibility to redeploy into well priced opportunities should they arise.

The June 2024 quarter presented drier than usual conditions, particularly in southern regions of Australia, including the Murray Darling Basin ("MDB"). Allocation trade volume was above average across the southern MDB ("sMDB") for the quarter, as irrigators relying on late seasonal rainfall were obligated to enter the market, due to the drier than average conditions in the months prior.

In early July 2024, the Government announced that it aims to purchase 70 GL of water entitlements through an open tender, which will commence the week of 15 July 2024. The tender will be restricted to the southern connected Basin covering the Murray, Murrumbidgee, and Ovens catchments.

This tender is part of the voluntary water purchases program for the delivery of 450 GL of environmental water by 31 December 2027. As of June 2024, only 27.5 GL of progress has been made towards this target. Future water purchase programs will be announced after evaluating the results of the current tender.

Although no new leases were entered into during the quarter, the Company entered into several forward contracts with irrigators seeking to secure a stable water supply at a fixed cost for the upcoming season. These forward contracts allow irrigators to hedge against potential allocation market price volatility in advance.

COMPANY PERFORMANCE - JUNE 2024

1 Month	3 months	6 Months	12 Months	Inception
-1.63%	-3.01%	-3.88%	-10.63%	95.06%

COMPANY SNAPSHOT

	March 2024	June 2024
Water Entitlements	90.5 GL	87.3 GL
Leased % of Portfolio	57%	61%
Weighted Average Lease Expiry (WALE)	2.8 years	2.6 years
WALE (incl. renewal options)	4.8 years	4.6 years
Shares on Issue	152.7m	156.4m
Total Water Assets	\$394m	\$354m

Water Markets – Industry Update

Entitlement Market

The aggregated entitlement market in the MDB decreased by 3.8% during the June 2024 quarter. This was largely due to lower prices being observed for Victorian high security water entitlements.

Farmers continue to sell water entitlements to generate working capital. Challenging conditions for many agricultural sub-sectors continue to be the driving force behind this trend. Farmers continue to be faced with higher input costs, higher interest costs, and lower commodity prices. This trend has resulted in a supply-side disparity, with more irrigators selling entitlements to realise capital for operating activities.

Allocation Market

Allocation prices softened in early 2024 due to extensive rainfall that provided optimal soil moisture levels and increased inflows to dam storages. In contrast, Autumn conditions saw lower than average rainfall across the sMDB. This led to a slight increase in allocation prices in some zones towards the end of the water year. Additionally, spot prices were influenced by irrigators aiming to fulfil carry-over contracts for the 2024-2025 water year.

At the end of June, spot water trading between \$5-\$6/ML in the Murrumbidgee, \$20-\$35/ML in the Goulburn, \$20-\$40/ML in the lower Murray, and \$10-\$40/ML in the upper Murray.

^These figures are based on NAV movements and include franked dividends for the period.



Investment Update

At 30 June 2024, Duxton Water's post-tax NAV was \$1.51 per share, decreasing by 10 cents during the quarter.

The Company's pre-tax NAV, which excludes tax provisions, closed at \$1.60 per share, decreasing by 14 cents during the quarter.

The recent decline in NAV can primarily be attributed to softening water entitlement values seen over the past three months, and from the Company paying its 14th consecutive dividend of 3.6 cents per share (fully franked) on 26 April 2024.

March 2024 NAV (post-tax)	June 2024 NAV (post-tax)
\$1.61 per Share	\$1.51 per Share

Debt Facility

At 30 June 2024, the Company has total debt drawn of \$106 million. This leaves the Company with \$24 million of debt facility headroom. The Company's net debt to water assets ratio ("LVR") is 29%, which continues to be well below the Company's maximum LVR covenant of 40%.

In May 2024, the Company received approximately \$25.2 million from TWE. These funds were received in relation to TWE exercising their call option that was granted as part of the transaction announced on 3 July 2023. Further information can be found in the Company's ASX announcements. Proceeds from this transaction have been used to offset against the Company's debt facilities.

Share Buyback

On 4 June 2024, the Company was pleased to announce the commencement of an on-market share buyback program ("Share Buyback").

The Share Buyback represents an opportunity to enhance shareholder value, as the Board believes the current share price does not accurately reflect the underlying value of the Company's assets. Shares will only be bought back at prices the Board is confident represents a discount to the intrinsic value of the Company. The Board considers the Share Buyback to be in the interests of all existing shareholders.

The Company can buyback up to 10% of issued capital within a 12-month period without shareholder approval. There is however no certainty that the Company will acquire 100% of the shares available for purchase under the Share Buyback. At 30 June 2024, the Company has bought back a total of 40,000 shares, at an average price of \$1.39 per share.

Finance

During the quarter, the Company received increased receipts from customers when compared to the same period last year. Receipts from customers include cash received from the provision of leases, forwards, carry over contracts, and water allocation sales.

Net operating cash outflows were recorded during the quarter. This was primarily due to a significant income tax payment that was incurred in June 2024, which resulted from the sale of water entitlements to TWE. Additionally, interest costs were higher, although proceeds received from recent entitlement sales have been used to offset against the Company's debt facilities.

The Company reported net cash inflows of \$36 million from investing activities. This was primarily driven by the sale of water entitlements as part of a rebalancing strategy.

During the quarter, \$24.5 million was allocated to repaying borrowings. An additional \$4.7 million was spent on the April 2024 dividend.

Overall, the company achieved positive net cash flows of \$7.8 million from operating, investing, and financing activities for the June 2024 quarter.

Dividends

On 26 April 2024, Duxton Water paid its Final 2023 dividend of 3.6 cents per share (fully franked). This dividend marks the Company's 14th consecutive and increasing dividend paid to shareholders. The Board would like to reaffirm the Company's dividend guidance for the remainder of 2024:

	Cents Per Share	Franking Target
Final 2023 (Paid)	3.6 cps	Fully Franked
Interim 2024 (Target)	3.7 cps	Fully Franked

Payments to Associates/Related Parties

During the June quarter, the following cash payments to Associates and Related Parties occurred (GST exclusive):

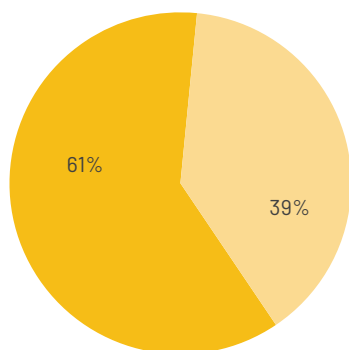
	June 2024 Quarter	YTD
Duxton Capital - Administration Fees (Admin, & Accounting Services)	\$104k	\$184k
Duxton Capital - Management Fees (As per the Management Agreement)	\$614K	\$1.24m
Duxton Capital - Performance Fees (As per the Management Agreement)	-	-
Duxton Capital - Reimbursements (On-charged Reimbursements)	\$48k	\$101k

VALUATION METHODOLOGY

The Company uses an Independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement. It is a non IFRS measure that is not reviewed or audited by the Company's auditor. Further information can be found at www.duxtonwater.com.au

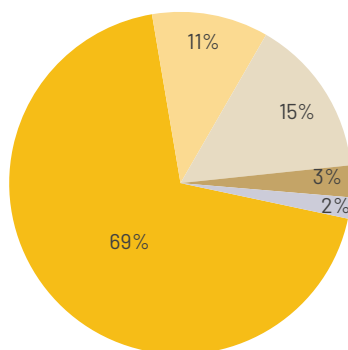


WATER PORTFOLIO DIVERSIFICATION



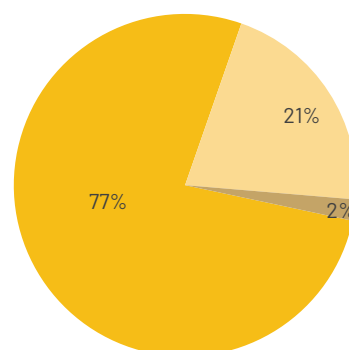
■ Leased ■ Unleased

ENTITLEMENT VALUE BY REGION



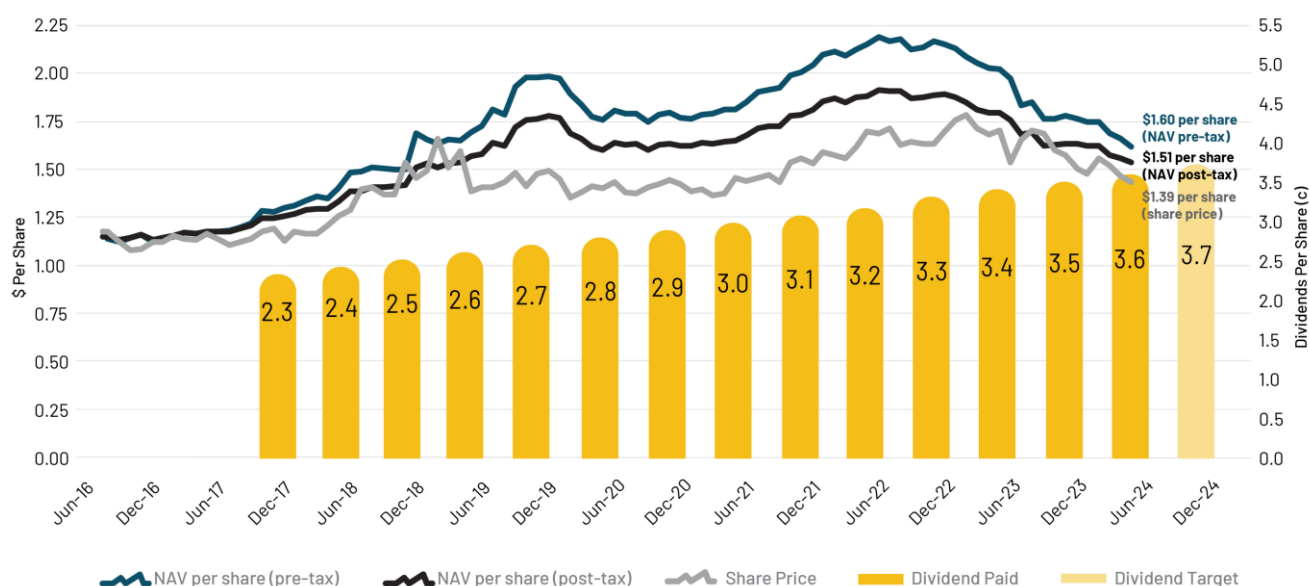
■ Murray ■ Murrumbidgee
■ Goulburn ■ Lachlan
■ Mallee

WATER SECURITY BREAKDOWN



■ High Security ■ General Security ■ Groundwater

HISTORICAL PERFORMANCE - SINCE INCEPTION



This announcement has been authorised for release by the Chairman of Duxton Water Limited.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Duxton Water Limited

ABN

53 611 976 517

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,626	4,668
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(204)	(254)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	-	-
(f) administration and corporate costs	(563)	(1,069)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,398)	(3,278)
1.6 Income taxes paid	(2,518)	(3,978)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- Management Fees	(560)	(1,190)
- Performance Fee	-	-
1.9 Net cash from / (used in) operating activities	(3,617)	(5,101)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	(22,158)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	36,280	40,619
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	36,280	18,461

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,444	4,444
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	4
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(162)	(162)
3.5	Proceeds from borrowings	-	13,500
3.6	Repayment of borrowings	(24,500)	(24,500)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(4,677)	(4,677)
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	(24,895)	(11,391)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	(3,967)	1,832
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,617)	(5,101)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	36,280	18,461
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(24,895)	(11,391)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,801	3,801

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,801	1,033
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	(5,000)
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,801	(3,967)

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	766
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	130,000	105,500
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	Total financing facilities	130,000	130,000
7.5	Unused financing facilities available at quarter end		24,500
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Following the Company's annual facility review with NAB, Debt Facilities A and B have been consolidated into a single Facility A. The Company's total facility headroom remains unchanged at \$130 million:</p> <p>Debt Facility A Lender: National Australia Bank Max Debt: \$130,000,000 Variable Interest Rate: BBSY plus 0.65% p.a. + Facility Fee of 0.65% Maturity Date: 31 March 2026 Secured: Yes</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,617)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,801
8.3	Unused finance facilities available at quarter end (item 7.5)	24,500
8.4	Total available funding (item 8.2 + item 8.3)	28,301
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	7.8
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: **N/A**

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2024

Authorised by: The Chairman of Duxton Water Limited
.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.