19 August 2019
ASX Announcement

AMENDMENT TO MONTHLY UPDATE – JULY 2019

Duxton Water Limited ("Duxton Water" or "The Company") wishes to clarify a discrepancy contained within the Water Portfolio Diversity ("Portfolio") pie chart on page 1 of the Monthly Update – July 2019 lodged on 15 August 2019; which incorrectly states the Portfolio is 66% unleased and 34% leased.

As at the end of July 2019, the Portfolio is 46% unleased and 54% leased.

Please find attached an updated Monthly Report- July 2019.

Yours sincerely,

Katelyn Adams
Company Secretary
Duxton Water Ltd

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DUXTON WATER

$1.56

Net Asset Value per Share

ASX CODE (Shares) D20

Shares on Issue (July) 121,265,761

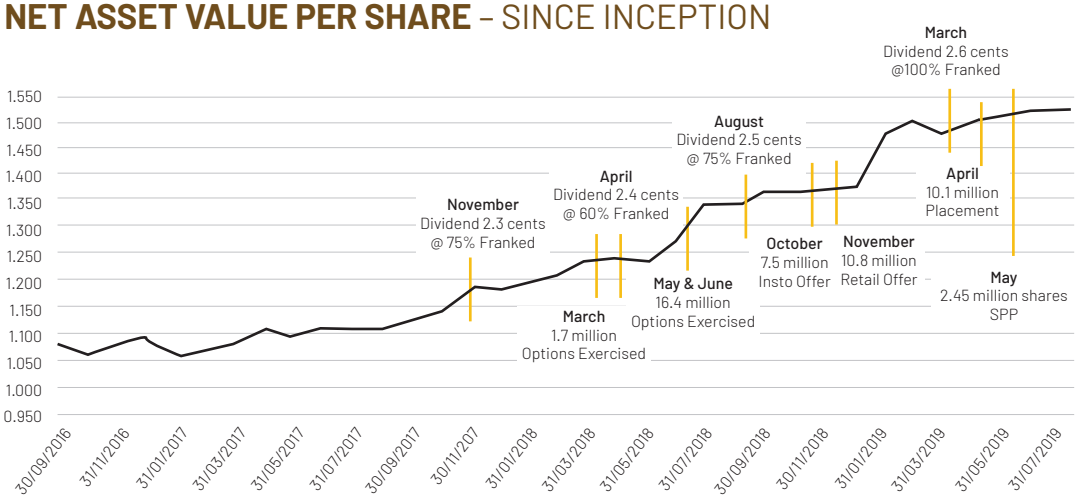
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

NET ASSET VALUE PER SHARE

Duxton Water's NAV as at 31 July 2019 was $1.56 per share.

The after tax NAV figure takes into account the provision for deferred tax on set-up costs and estimates of net tax provisions that may arise should the entire portfolio be disposed of on the above date. The Company does not expect to trigger these tax provisions through the turnover of these assets and expects to maintain its low entitlement turnover ratio. **The NAV excluding tax provisions for unrealised capital gain is $1.72.** NAV is calculated based on an independent monthly portfolio valuation performed by Aither Pty Ltd ("Aither").

NET ASSET VALUE PER SHARE – SINCE INCEPTION



PERFORMANCE*

1 Month	3 Months	6 Months	12 Months	Inception
1.37%	4.10%	8.22%	21.85%	58.31%

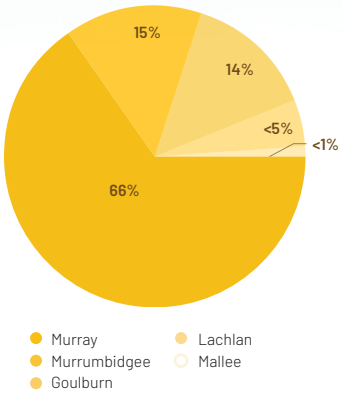
*These figures are based on NAV movements and include franked dividends for the period.

INVESTMENT UPDATE

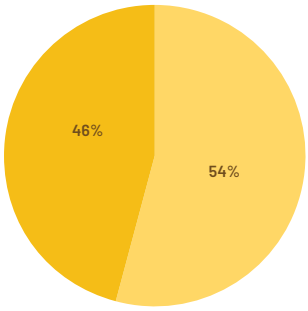
At 31 July 2019, Duxton Water Ltd is invested in approximately ~$262.3 million of water assets with the remainder of the portfolio held in cash and net current assets. The Company currently has approximately 415.14 ML ($2.4 million) of water entitlements in its acquisition pipeline at 31 July 2019.

Rainfall was 59% below average levels across the Murray Darling Basin (MDB) throughout July. Inflows were higher than in recent months but still over 31% lower than the long term average. With the dry conditions persisting, the Murray Darling Basin Authority (MDBA) have continued the movement of stored water from Dartmouth Dam through the Murray system in preparation for summer irrigation demands. The transfer of stored water from the upper storages usually occurs considerably later in the year and provides an operational insight into the MDBA's expectations of rainfall and inflows over the coming months. The current volume of water available within the Murray-Goulburn system is 41% of storage capacity levels; 17% lower than 12 months ago. Northern basin storage levels are 10%, 22% lower than 12 months ago.

Entitlement Portfolio Value by Region

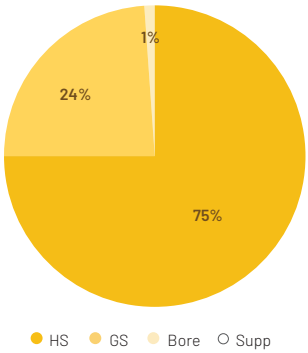


Water Portfolio Diversification



*Inclusive of contracted leases, commencing 1 July 2019, the leased portfolio is 41%.

Water Security Breakdown



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With lower storages and current observed inflows, the 19/20 water year is shaping up to be one of collective constrained supply. Even with resource improvements and the potential to see increased allocation in SA and VIC, carry over levels were significantly lower than seen in the 18/19 water year.

Duxton Water continues to support its irrigation farming partners into the 19/20 water year. The wine industry is one of a number of industries to which we provide water supply solutions. In 2019 our water will irrigate ~2600 Ha of vineyards which will produce over 58 million bottles of wine. Through the provision of a range of risk management tools such as water entitlement leases and forward allocation contracts, we provide irrigators an ability to better manage Australia's climatic variability.

ENTITLEMENT MARKET

Duxton Water Ltd is engaged in building a targeted portfolio of water entitlements predominantly across the southern Murray-Darling Basin. The Company has invested in both surface and ground water assets. At 31 July 2019 the Company holds approximately 75,150 ML of water entitlement across 20 different asset types and classes.

Ongoing maturity of permanent plantings has seen greater water demand from high value crop industries such as almonds and citrus. Demand for long-term water security such as high security entitlement ownership and long-term leases continues to increase. The Company's view in this regard has been further supported by a new report released by the Victorian Government (www.waterregister.vic.gov.au/) which indicates that demand by the horticultural industries is estimated to be 55% greater at crop maturity than ABARES have previously estimated*.

Aither Pty Ltd values the Duxton Water Ltd portfolio on a monthly basis on a dry (without allocation) equivalent basis. Register pricing data remained fairly stable through July. There were notable movements in values and are shown below:

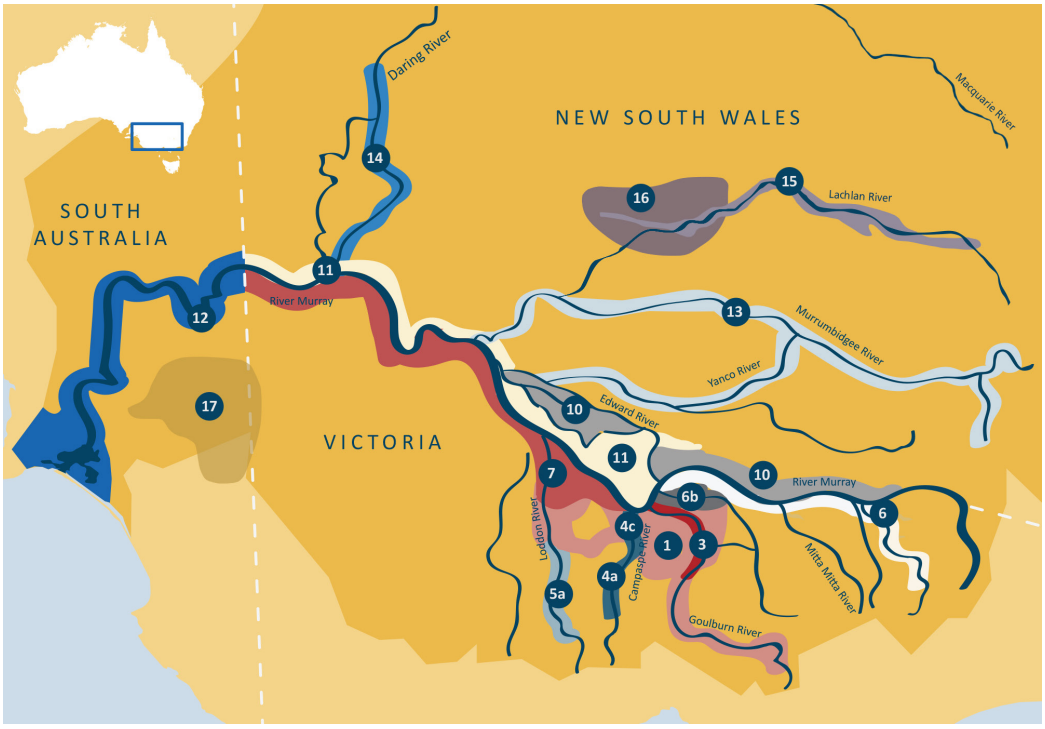
SOUTHERN BASIN

- ↑3% in SA High Security (~8.6% of portfolio)
- ↑9.5% in SA Parilla Green Groundwater (~0.5% of portfolio)

Whilst register pricing data remained flat, market pricing for a number of high security entitlements saw further uplift, particularly Goulburn High Reliability which the Company expects to be reflected in the valuations in coming months.

NORTHERN BASIN

There was no change in northern pricing.



Interstate Water Trading Zones

- 1 – Greater Goulburn
- 3 – Lower Goulburn
- 4a – Part Campaspe
- 4c – Lower Campaspe
- 5a – Part Loddon
- 6 – Vic Murray above Barmah Choke
- 6b – Lower Broken Creek
- 7 – Vic Murray from Barmah Choke to SA Border
- 10 – NEW Murray above Barmah Choke
- 11 – NSW Murray below Barmah Choke
- 12 – South Australia Murray
- 13 – Murrumbidgee
- 14 –Lower Darling
- 15 – Lachlan
- 16 – Lower Lachlan Groundwater
- 17 – SA Mallee Groundwater
- Murray Darling Basin
- River

DUXTON WATER PORTFOLIO – SMDB EXPOSURE

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ALLOCATION MARKET

On the back of low opening allocations and challenging forward looking climatic outlook, July's allocation market opened between $610-$645/ML, over $100/ML above the June close.

Trading limits between zones are already having an impact, with both the Goulburn out-trade and Barmah Choke limits being reached. The Murrumbidgee out trade limit is also heading steadily towards closure. These closures will limit the transfer of any further allocation to the below choke Murray Region reducing the supply pool of available allocation to this region as we come into the Spring and Summer months. The impact of these trade closures are likely to have further impact on price, which may see prices fragment across the different regions due to the trading restrictions.

LEASES

Duxton Water executed 2 further lease agreements through July adding to the 31 that were executed in June. These leases commencing on the 1 July 2019, take the portion leased to ~ 54%.

This represents ~70% of the company's high security entitlement portfolio (entitlements likely to deliver water under the current dry conditions).

The company is in contractual agreement or final negotiation for the lease of a further 3-4% of the portfolio which would be back dated and commence on the 1 July 2019.

The current weighted average lease expiry is 3.40 years. The company continues to works towards its long-term goal of having 70-80% of the portfolio under lease.

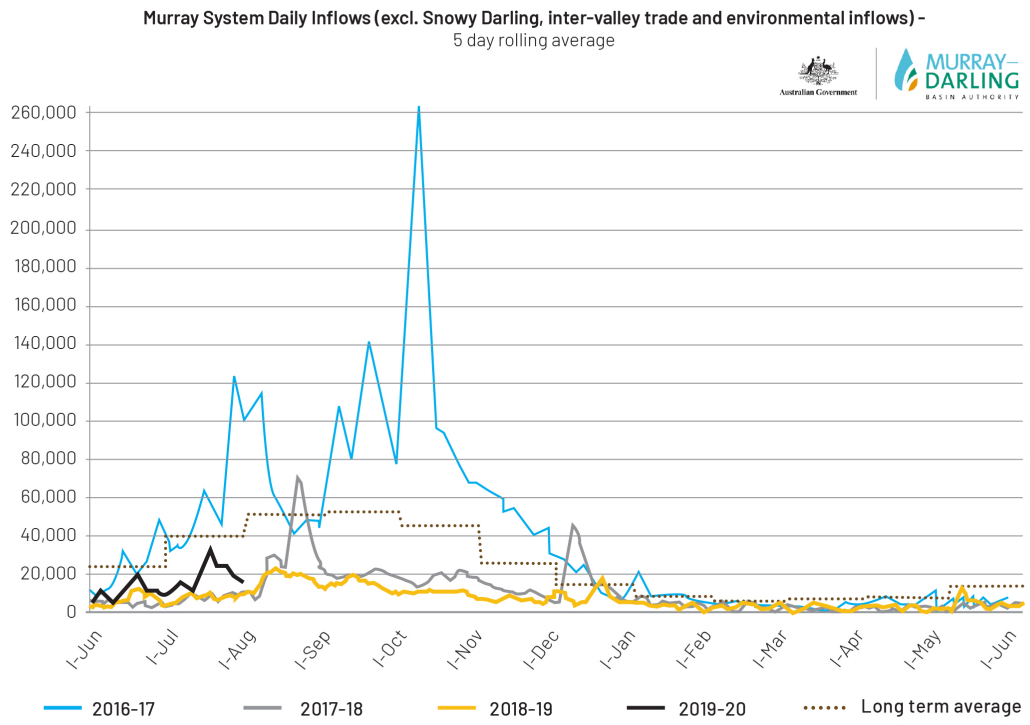
DIVIDENDS

On the 27 March 2019 the company paid its most recent dividend of 2.6 cents (fully franked).

The Company announced on the 9 August 2019 that it will pay an interim dividend of 2.7 cents ($0.027), fully franked, to be paid on the 18 September 2019.

The Board maintains its commitment to providing our shareholders with a bi-annual dividend and has reaffirmed a target of paying a fully franked final dividend of 2.8 cents ($0.028), payable in March 2020.

DAILY INFLOWS TO THE MDB



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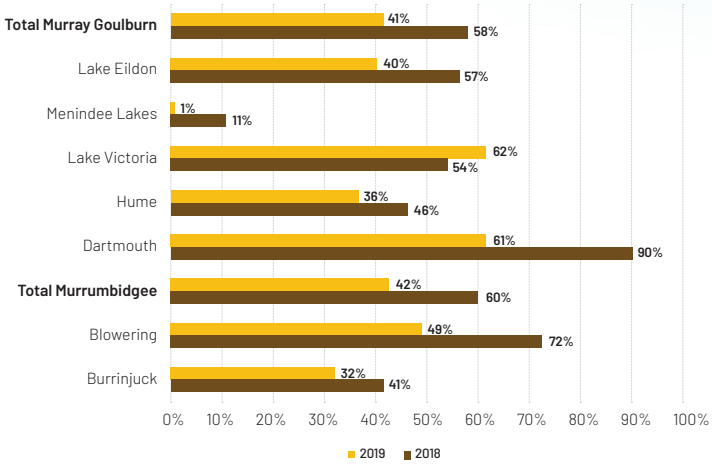
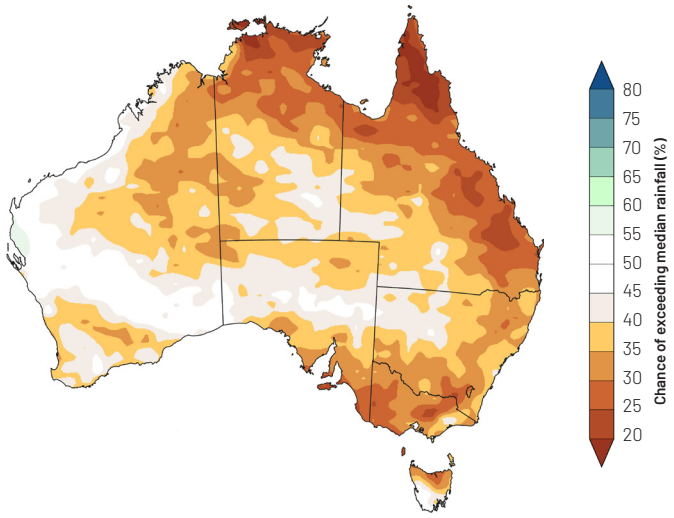
STORAGE LEVELS IN MAJOR DAMS



CHANCE OF ABOVE-AVERAGE RAINFALL

AUGUST – OCTOBER



MARKET UPDATE & OUTLOOK

Dry and warmer than average conditions experienced through the start of winter have continued and are likely to for the remainder of winter and into spring. Key agriculture regions through the Basin received below average rainfall with soil moisture remaining as average to below average. Inflows into the MDB storages over the month were 580GL which is 37% below the 10 year average of 927GL. Storages in the northern MDB are now 10% and 43% in the southern, compared to 32% and 59% this time last year.

The respective state natural resource managers have released further allocations through July and early August with SA Murray moving to 50% up from 31%, Victorian Murray HR to 16% and Goulburn HR to 25%, both up from 2% allocation at the start of the water year. NSW Murrumbidgee HS entitlements remain at 95% allocation, while NSW Murray HS remains at 97%. General security entitlements in both NSW Murray and Murrumbidgee valleys look likely to currently deliver little to no allocations for the 19/20 water year.

The BoM's recent outlook forecast indicates average to drier than average conditions for much of Australia, with a 70-75% chance of not exceeding the median rainfall in August through tp October across the key agricultural regions of the MDB. The temperature outlook is forecasting a 70-80% chance of higher than average daytime temperatures. Stream flow in most catchments in the MDB will likely remain below average. Clear nights and dry soil also raise the risk of frost across many key agricultural regions of the MDB.

The Southern Oscillation (ENSO) moved back to neutral through the first half of 2019 after flirting with El Nino over the last 12 months. Whilst in the last 6 months we have seen better in-valley rainfall conditions through Victoria and southern NSW than for the previous 12 to 18 months, rainfall has still tracked well below average. It has also not translated into the type of in catchment rainfall needed to reset the system from a water storage perspective. This may be partly due to the positive Indian Ocean Dipole (IOD) currently being experienced off the Western Australian coast. A positive IOD often results in below average winter-spring rainfall over southern and central Australia. It also typically means warmer than average winter-spring days for the southern two-thirds of Australia. It is likely that this condition will persist across the bulk of the traditional water inflow period.

VALUATION METHODOLOGY

Aither undertake a monthly valuation of the Duxton Water portfolio. Total assets of the Company are valued based on an assessment of fair market value. Aither has adopted the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement definition of fair value. Further information can be found on www.duxtonwater.com.au

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