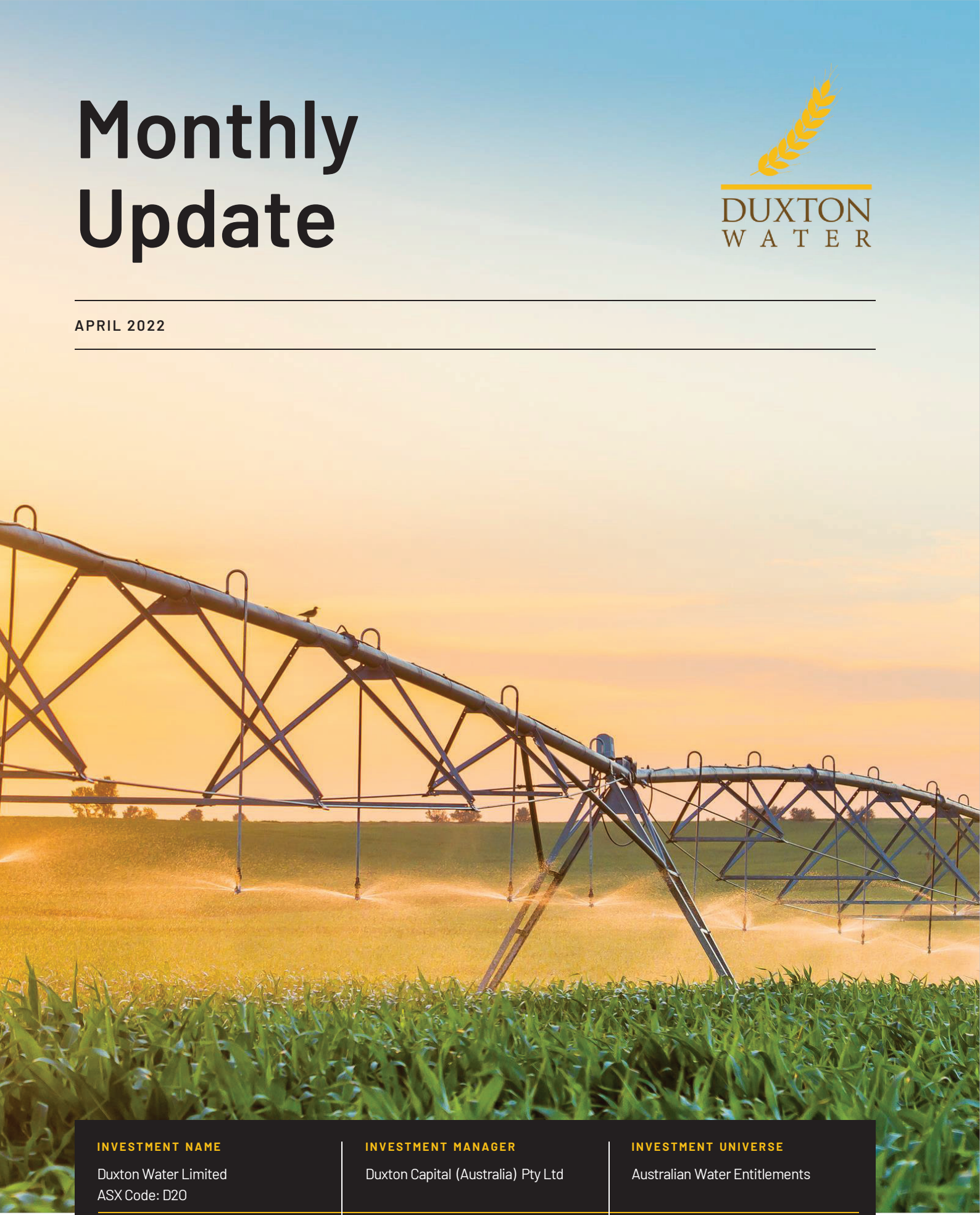
Monthly Update

DUXTON WATER

APRIL 2022



INVESTMENT NAME	INVESTMENT MANAGER	INVESTMENT UNIVERSE
Duxton Water Limited ASX Code: D20	Duxton Capital (Australia) Pty Ltd	Australian Water Entitlements
NET ASSET VALUE (POST-TAX)	**SHARES ON ISSUE**	**WATER PORTFOLIO VALUE**
$1.86 per share	120,066,629	$366 million

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.

Portfolio Managers' Update

As the end of the 2021/22 Water Year (WY) approaches, irrigators have continued to reposition their businesses in preparation for another irrigation season. While some continue to sell down unused allocation holdings, others purchase allocation water to fill carryover space. It has been evident that in this environment of lower allocation prices, irrigators are happy to hold back from transacting as the allocation market continues to move downwards (as it tends to do leading up to the new water year). Conversations around forward and leasing products have continued to become more frequent as repositioning from irrigators stems the thoughts of long-term water security.

Throughout April, we continued to be active within the entitlement market, deploying capital to assets that fit within our target portfolio composition. The Company has continued to strategically deploy capital into preferred regions and zones, even though market turnover has been relatively low. During the month, we were able to add an additional 22 parcels to the portfolio, with an additional 3 parcels in the entitlement acquisition pipeline, ready for contract execution. These acquisitions will be reflected in the Company's May portfolio holdings.

Entitlement values softened slightly during April, on the back of limited parcels transacting in the market, with a weighted average decrease of 0.2% experienced across the portfolio. Strong interest for specific entitlement types continues to be seen within some markets.

The allocation holdings that come from the Company's unleased entitlements (usable water) were well hedged earlier in the irrigation season. Small residual holdings have however continued to be sold down into the spot market, providing irrigators any last-minute water requirements.

Throughout April, two new leases were contracted to begin 1 July 2022. These leases provide diversity to the leasing book, visibility to long term revenue, while strengthening the Company's WALE. These agreements also help to strengthen our ties and build new partnerships with our irrigator customers. A number of other conversations with existing and future lessees are also underway.

On Friday 29 April 2022, the Company was pleased to pay shareholders its tenth consecutive and increasing dividend to shareholders of 3.2 cents per share (franked to 100%).

The Board of Duxton Water remains committed to achieving its long-term dividend targets and maintains its commitment to provide shareholders with a bi-annual dividend, franked to the maximum extent possible.



Lachlan Campbell
Portfolio Manager



Lachlan Beech
Portfolio Manager

COMPANY PERFORMANCE

1 Month	3 months	6 Months	12 Months	Inception
1.31%	4.82%	13.36%	23.28%	109.87%

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

Water Lease Update

At 30 April 2022, Duxton Water had 67% of its permanent water portfolio (by value) leased to Australian farming businesses. This accounts for 86% of the Company's high security portfolio (by value).

Demand for leasing products remains constant, as irrigators consider future water security ahead of the new water year. Throughout April, the Company contracted two new leases to begin 1 July 2022. These leases include both Goulburn high reliability and low reliability leases. These leases provide further diversity to the lease book and allow the Company to partner with another farming family.

The current Weighted Average Lease Expiry ("WALE") is 1.0 years. Inclusive of renewal options, this increases the WALE to 3.3 years. From 1 July 2022, the Company's WALE is expected to be 1.7 years or 4.8 years including renewal options. The Company's forecasted WALE is expected to increase between now and 1 July 2022 as new leases are finalised.

Through long-term leasing arrangements, Duxton Water is able to satisfy the water needs of its customers, enabling them to risk manage a key input into their business. Long-term water leases give irrigators reliable access to water at a fraction of the cost of owning the same water outright.



Irrigated Vegetable Field

QUICK FACTS SUMMARY

	March 2022	April 2022
Water Entitlements	82.2GL	83.7GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	68%	67%
Weighted Average Lease Expiry (WALE)	1.1 years	1.0 years
WALE (incl. renewal options)	3.3 years	3.3 years

Entitlements Market Update

At 30 April 2022, Duxton Water holds approximately 83.7GL of permanent water entitlements across 18 different asset types and classes. An additional 22 parcels of entitlement water were added to the portfolio throughout April, with 3 new parcels in the acquisition pipeline ready for contract execution.

Permanent water pricing across the southern Murray Darling Basin (sMDB) softened marginally throughout April, with a weighted average decrease of 0.2%. This comes on the back of a quieter entitlement market that has shown reduced transactional activity. It has however been evident that parcels at auction continue to attract strong bidding from buyers. The Company continues to deploy capital into valleys and zones that fit its target portfolio composition, as well as those entitlements that provide greater flexibility when it comes to the delivery of water to its irrigator customers.

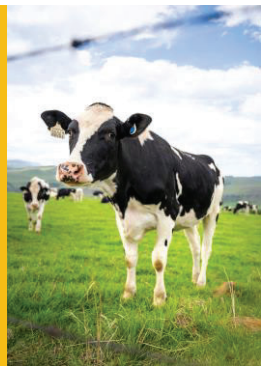
Allocation Market Update

As the end of the 21/22 water year (WY) comes closer to an end, allocation prices have continued to follow typical trends of price softening. Allocations traded between $45-$55/ML in the Lower Murray, $20-$30/ML in the Goulburn system, $5-$10/ML in the Murrumbidgee, and $5-$10/ML in the Upper Murray throughout April.

WATER LEASE CASE STUDY: GOULBURN

Duxton Water recently finalised a 2,300ML water lease to a family farming business located in the Goulburn region, Victoria. This lessee is a dairy farmer. Through our partnership, this family can continue to grow irrigated pastures as a way of feeding livestock. Irrigated pastures allow farmers to stockpile feed for year-round use, and prepare for future dry periods. By entering into a long-term water lease, this family now has fixed cost of water for 5 years. This allows them to both hedge against future allocation pricing movements and have a fixed cost of feed production. It also significantly reduces the cost to produce feed based on having access to the characteristics of these water entitlements at a fraction of the cost of owning them outright.

Through this type of partnership, Duxton Water continues to build a stronger Australian economy by supporting Australian farming businesses.



Finance Update

At 30 April 2022, Duxton Water had total debt drawn of $111 million. The Company's debt facility has been used to acquire permanent water entitlements that will be leased to irrigators, further strengthening the Company's visible leasing revenue stream. Sensible debt funding continues to be used to enhance shareholder returns with interest rates being lower than lease income rates. At full deployment, D20 will have approximately 40% of its debt locked into 5 and 10-year interest rate swaps that expire between 2024 and 2031.

Duxton Water's post-tax NAV decreased 2 cents to $1.86 per share during the April, as a result of the Company's dividend payment made on 29 April 2022.

The Company's NAV excluding tax provisions for unrealised capital gain decreased 2 cents during the month to $2.14 per share.

The NAV primarily consists of the fair value of its water asset portfolio, cash, and net current assets. The Company uses an independent Fair Market Unit Value for entitlement and allocations provided by Aither Pty Ltd ("Aither") to undertake the NAV assessment on a monthly basis.

At 30 April 2022, the Company's Net Debt to Water Assets is 30%. The Company's maximum Net Debt Covenant is 40%.

NAV (post tax)	NAV (pre tax)
$1.86 per Share	**$2.14 per Share**

Share Buyback

At 30 April 2022, the Company has bought back a total of 511k shares at an average price of $1.52 per share since November 2021. The Board believes buying back shares at the current discount to NAV is in the interest of all shareholders.

Dividends

On 29 April 2022, Duxton Water paid its tenth consecutive and increasing dividend to shareholders of 3.2 cents per share (franked to 100%).

The Board of Duxton Water was pleased to see continued support from shareholders who elected to participate in the Company's Dividend Re-investment Plan.

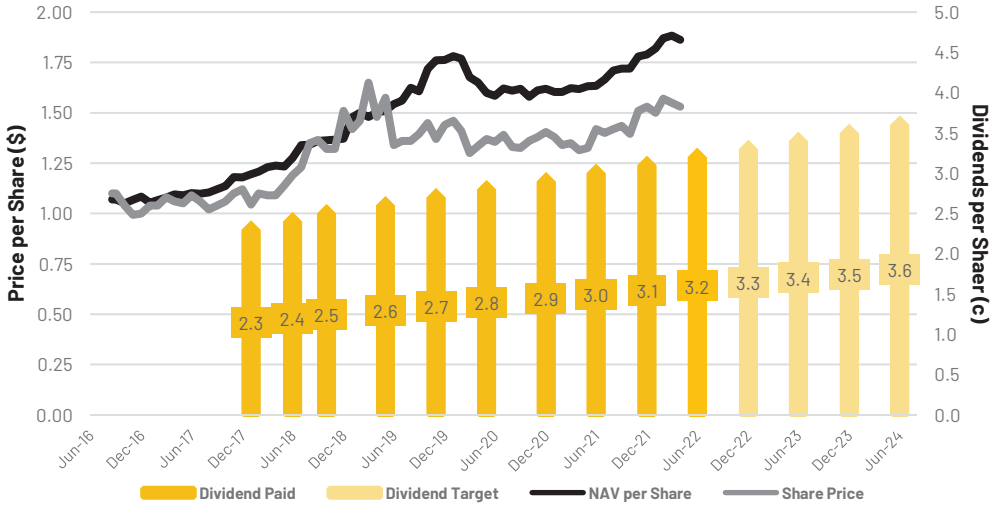
The Board maintains its commitment to providing shareholders with a bi-annual dividend, franked to the maximum extent possible.

With the Company's high percentage of leased entitlements and visible revenue streams, the Board is pleased to reaffirm targets for the following four dividends:

DIVIDEND GUIDANCE

	Cents Per Share	Franking Target
Interim 2022	3.3 cps	Fully Franked
Final 2022	3.4 cps	Fully Franked
Interim 2023	3.5 cps	Fully Franked
Final 2023	3.6 cps	Fully Franked

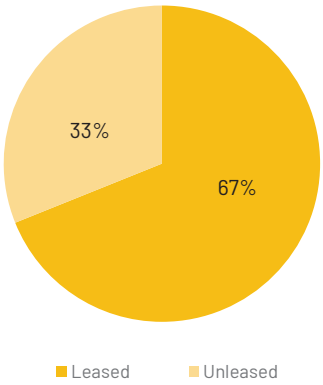
NET ASSET VALUE PER SHARE – SINCE INCEPTION



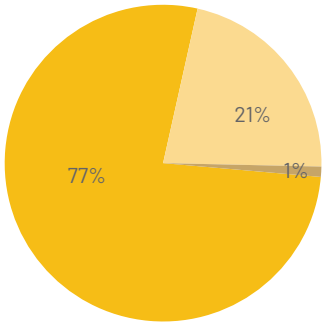
VALUATION METHODOLOGY

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

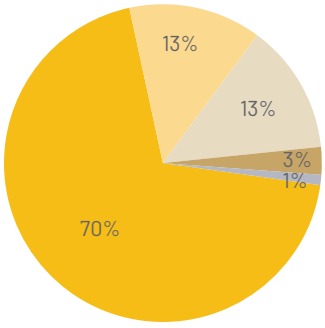
WATER PORTFOLIO DIVERSIFICATION



WATER SECURITY BREAKDOWN



ENTITLEMENT VALUE BY REGION



Weather Update

April Rainfall was 27% above average for Australia as a whole, with a majority of the eastern half of the country receiving strong rainfall. Large areas of New South Wales received above average rainfalls, with parts of the southern MDB getting an early autumn break. Rainfall was however below average for coastal south-eastern South Australia, south-western Victoria and a large area of central Australia. Rainfall for the MDB area was 40% above average for April.

Temperatures across the country were warmer than average, with this month being the 7th highest on record for April. Soil moistures to the north continue to be below average as a result of warmer temperatures. However, in the south-east and south-west of the country, soil moisture is generally higher than average.

The La Nina event in the topical Pacific Ocean remains active, however it is forecast by the Bureau of Meteorology (BOM) that it will likely return to a neutral ENSO by winter.

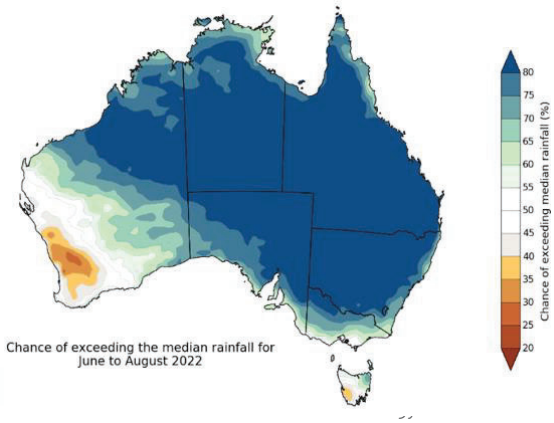
The Madden-Julian Oscillation (MJO) has shown some small strengthening and weakening fluctuations. Should the MJO re-strengthen in the Maritime Continent region, it can enhance rainfall in north-eastern Australia.

The Southern Annular Mode (SAM) is currently positive and forecast to remain positive for the coming four weeks. As we approach winter, the SAM often has a drying influence for parts of south-west and south- east of Australia.

The Indian Ocean Dipole (IOD) is neutral. However, all model outlooks surveyed suggest a negative IOD may develop in the coming months. A negative IOD typically increases the chances of above average winter-spring rainfall for much of Australia.

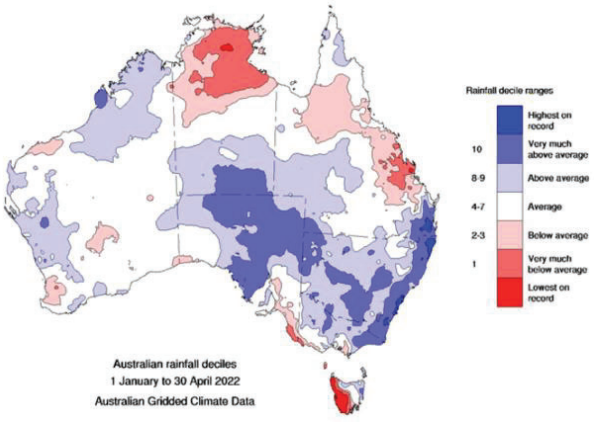
CHANCE OF ABOVE-AVERAGE RAINFALL

JUNE 2022 - AUGUST 2022



RAINFALL DECILE CHART

JANUARY 2022 - APRIL 2022



Source: Bureau of Meteorology

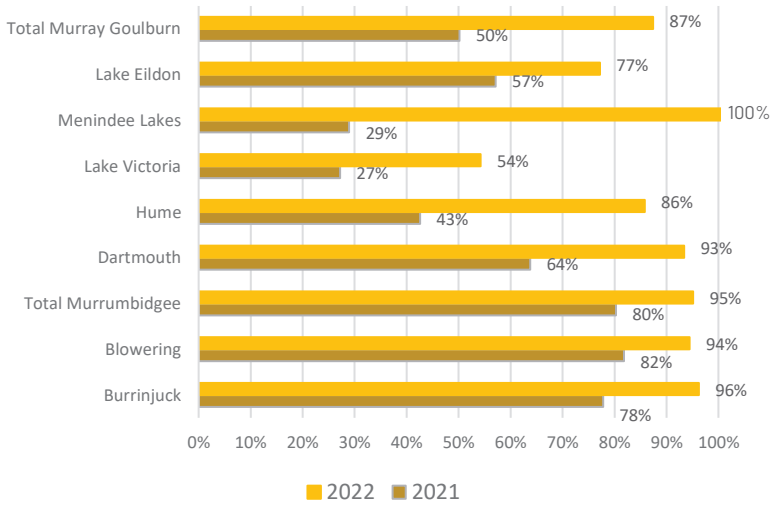
Outlook & Storages

The June to August outlook suggests a wetter than average winter for most of Australia, except for the south-west and far south-east of the country. The La Nina event in the tropical Pacific Ocean will likely return to a neutral ENSO by early winter, however this may continue to influence rainfall until then. Models suggest the potential for a negative IOD to form in the coming months, which typically brings more rainfall to central and southern Australia.

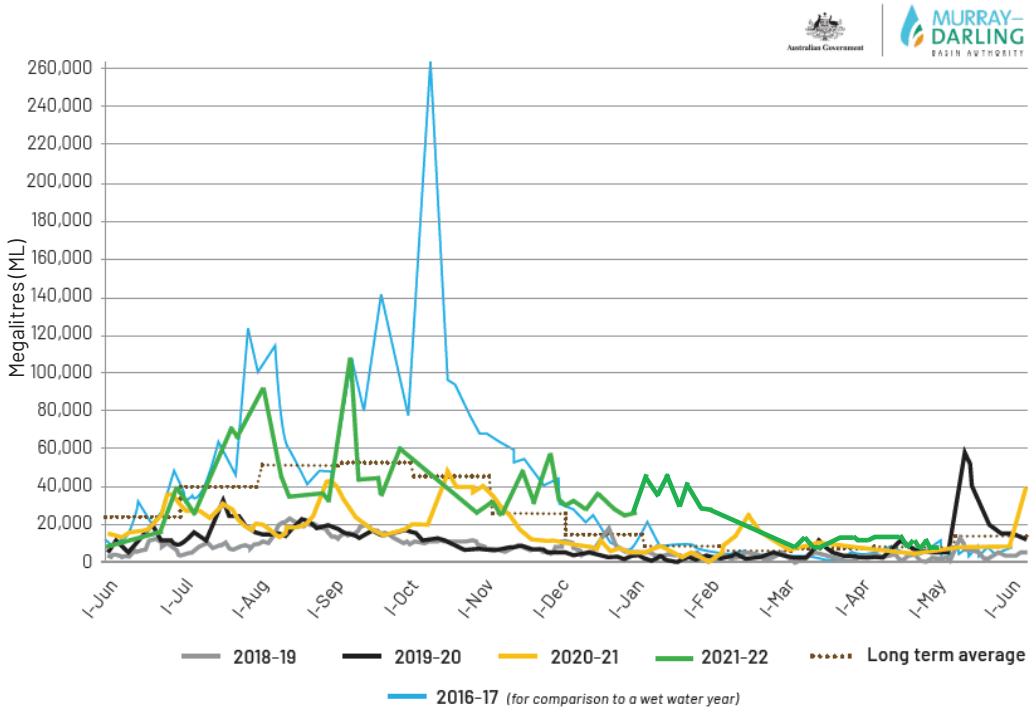
April to June streamflow's are forecast to be high in the south-east and near median in the north. Cooler days can be expected for inland, central and southern Australia, with warmer daytime temperatures expected in the north, south-west and south-east. Nighttime temperatures are likely to remain warm across the country until July.

In the northern and southern MDB, storages are now at 95% and 87%, compared to 49% and 50% the same time last year.

STORAGE LEVELS IN MAJOR DAMS



DAILY INFLOWS TO THE MURRAY DARLING BASIN



Murray System Daily Inflows (excl. Snowy Darling, inter-valley trade and environmental inflows) - 5 day rolling average

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

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