DUXTON WATER LIMITED

2022 JUNE

HALF-YEAR REPORT



DUXTON WATER

PROUDLY SUPPORTING AUSTRALIAN IRRIGATORS AND FARMERS

ACN 611 976 517



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HALF-YEAR
2022 SNAPSHOT

Duxton Water's Investment Manager is part of the broader Duxton group of companies that operates **Australian agricultural businesses in viticulture**, **dried fruit**, **nuts**, **broadacre**, **bees**, **dairies**, **apples** and **water.** In any given year, the Duxton businesses produce **15-20** different commodities and provide jobs for over **500 people** living in **rural communities** every year.

13.5%
TOTAL SHAREHOLDER RETURNS (6 MONTHS)

$381M
WATER PORTFOLIO VALUE

$1.90
PER SHARE
NON-STATUTORY NET ASSET VALUE (POST TAX)

$1.69
PER SHARE
SHARE PRICE

84.6GL
TOTAL WATER OWNED

67%
LEASED %

HALF-YEAR
KEY HIGHLIGHTS

Dear Shareholders

It is my pleasure to present to you, the 2022 half-year financial report for Duxton Water Limited ("the Company") or ("Duxton Water"). While this calendar year has been a challenging period for global equity markets and businesses more generally, I'm pleased to report that Duxton Water has delivered an outstanding result for shareholders over the last 6 months. Shareholders have enjoyed a 13.5% total return in the last 6-months, which comprises of both share price uplift and gross dividends paid.

OPERATIONAL PERFORMANCE

Duxton Water delivered a net profit after tax of $4.4 million for the half-year ended 30 June 2022. This is our strongest ever half-year result since Duxton Water started in 2016. This result is largely underpinned by the Company's strong leasing revenue stream, improved allocations on the Company's general security portfolio, and favourable mark-to-market movements in the Company's fixed interest rate swap portfolio.

The Board remains confident of Duxton Water's ability to continue to derive strong annual returns through to shareholders and is committed to providing visibility to future dividend targets.

Historically, Duxton Water has generated a stronger profit in the second half of the financial year due to the overlap of the Company's financial year (Jan-Dec) and the water year (Jul-Jun). New season allocations, the commencement of new long-term water leases and the settlement of forward allocation sale contracts heading into the peak irrigation season are anticipated to contribute to delivering a strong second half return.

We have continued to support our irrigator partners through the provision of long-term leases. Long-term water leases provide our shareholders with a stable and visible leasing revenue stream that gives us greater visibility to the Company's future revenue generating capabilities.

Conversely, long-term water leases allow farmers to access water at approximately 1/20th of the cost of owning the same water entitlements outright. These leases also provide farmers with visibility to water supply and price, while freeing up capital that can be used to pay down debt, expand production assets, or invest in water efficiency improvements.

While the leasing marketing has been a little quieter than usual, there has been significant demand for leases to commence 1 July 2023. This is largely due to the persistent wet conditions and lower allocation prices that have been experienced across most of the Murray Darling Basin ("Basin") over the last 2 years.

We know that Australia has a variable and at times harsh climate, and as such has the tendency to experience extreme droughts and extreme wet periods over the course of a climatic cycle (e.g. 10 years). Australia is currently in an extremely wet part of the climatic cycle and Duxton Water remains committed to offering its leasing products to the market. We expect demand for long-term water leases to significantly increase as the water year progresses and conditions begin to normalise which may occur in the not too distant future.

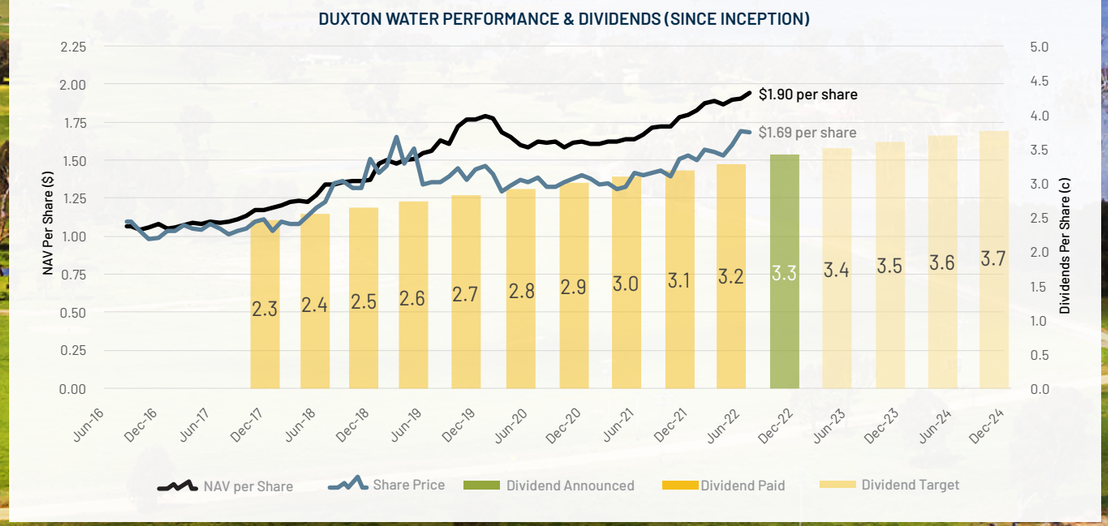
DIVIDENDS

Duxton Water remains committed to providing shareholders with a bi-annual dividend. During the half-year ended 30 June 2022, in line with previously provided targets, Duxton Water paid a 3.2 cent (fully franked) dividend to shareholders on 29 April 2022.

Given Duxton Water's strong performance, the Board is pleased to formally announce and declare the interim 2022 dividend of 3.3 cents (fully franked) to be paid to shareholders on 28 October 2022.

Our portfolio composition means we are able to provide shareholders with balanced returns over the climatic cycle (in both wet and dry years). With that said, it gives me great pleasure to extend our long-term dividend guidance out to the end of 2024. We are pleased to announce a fully franked Interim 2024 dividend target of 3.7 cents per share, to be paid in the second half of 2024.

Our long-term dividend history and future guidance provided to the market can be seen below:



SHARE PRICE

At 30 June 2022, Duxton Water's share price closed at $1.69, which resulted in a total market capitalisation of over $200 million for the first time since inception. The share price increase experienced over the past 6 months is reflective of a 10.5% share price return for shareholders from $1.53 on 31 December 2021.

Inclusive of gross dividends paid, Duxton Water has generated a total shareholder return of 13.5% over the last 6 months. This trend continued throughout July 2022, when the share price reached a new record high of $1.76, representing a market capitalisation of c.$210 million.

Since inception, Duxton Water has consistently outperformed the ASX300 (TR Index) in the months the index experienced a substantial loss (as can be seen from the table below). This is a testament to the defensive nature and low correlation that water as an asset class exhibits.

D2O VS ASX300 (TOTAL RETURN INDEX)

Period	S&P/ASX 300 Total Return	Total D2O Return	Difference
March 2020	-20.83%	-4.96%	+15.86%
June 2022	-8.97%	5.62%	+14.59%
February 2020	-7.76%	-3.42%	+4.34%
January 2022	-6.45%	-1.96%	+4.49%
October 2018	-6.16%	-3.30%	+2.86%
March 2018	-3.73%	-0.91%	+2.82%
September 2020	-3.59%	-0.38%	+3.22%
May 2022	-2.76%	4.58%	+7.33%

The table above details the largest negative monthly returns to June 2022 for the ASX 300 (TR), since the inception of Duxton Water (September 2016).

This is compared to Duxton Water's total performance over the same months.



NET ASSET VALUE (NAV) PERFORMANCE

Duxton Water's non-statutory (post-tax) NAV has increased by 11 cents from $1.79 per share to $1.90 per share in the 6-months to 30 June 2022. Adding back the 3.2 cent fully franked dividend that was paid to shareholders in April 2022, Duxton Water has generated a 9% non-statutory NAV return to shareholders over the last 6 months. This positive result is largely reflective of capital appreciation in the underlying assets during this period across both high and general security assets held within the portfolio.

Overlaying this strong 6-month performance within the current economic environment, this demonstrates how robust and resilient water as an asset is. Following from the half-year, the Company's non-statutory post-tax NAV at 31 July 2022, has increased to $1.93 per share.

The Company's statutory NAV is prepared in accordance with Australian Accounting Standards which stipulate that water assets are to be carried at the lower of cost or net realisable value. Therefore, asset revaluation uplift is not able to be booked in the statutory accounts and is subsequently excluded from the statutory NAV of $1.22 per share.

At 30 June 2022, there is $117 million of unrealised capital gain excluded from the Company's statutory financial statements. From a statutory perspective, should Duxton Water be able to recognise this $117 million of revaluation uplift, the statutory NAV for Duxton Water at 30 June 2022 (net of tax provisions) would be in line with the Company's monthly NAV statement of $1.90 per share.

At 30 June 2022:

- **Share Price:** $1.69 per share
- **Non-statutory Post-tax NAV:** $1.90 per share
- **Non-statutory Pre-tax NAV:** $2.20 per share
- **Statutory NAV:** $1.22 per share

The Board and I would like to thank you for your continued support and investment in Duxton Water Limited, and we look forward to reporting on our full year results in early 2023.

Kind regards



Ed Peter
Chairman



DIRECTORS' **REPORT**
FOR THE HALF-YEAR ENDING
30 JUNE 2022

DUXTON WATER

The Directors of Duxton Water Limited submit herewith the Directors' report, the financial report of Duxton Water Limited ("the Company") or ("Duxton Water") for the half-year ended 30 June 2022 and the Independent Auditor's Review Report thereon. In order to comply with provisions of the Corporations Acts 2001, the Directors' report as follows:

DIRECTORS

The names of the Directors of the Company that held office during and since the end of the interim period are:

Mr Edouard Peter

Mr Stephen Duerden

Mr Dirk Wiedmann

Mr Dennis Mutton

Dr Vivienne Brand

Mr Brendan Rinaldi (appointed 1 April 2022)

The above named directors held office since the start of the financial year unless otherwise stated.

The office of Company Secretary is held by Mrs Katelyn Adams.

PRINCIPAL ACTIVITIES

There has been no change in the principal activities of the Company. The Company has continued to acquire and manage a portfolio of Australian water entitlements primarily focused in the southern Murray Darling Basin. Income is derived through the provision of water supply solutions to mainly primary producers through a combination of long-term lease arrangements and sale of temporary water allocations, to support Australian agricultural production.

There were no significant changes in the nature of the activities of the Company during the period.

REVIEW OF OPERATIONS

OPERATIONAL PERFORMANCE

Duxton Water has continued to perform well in what has been an exceptionally challenging time for global equity markets and businesses alike:

Over the last 6 months:	HY2022	HY2021	Difference
Share Price	$1.69	$1.42	+27 cents
Non-statutory NAV (post-tax)	$1.90	$1.63	+27 cents
Dividends Paid	3.2 cents	3.0 cents	+0.2 cents
Water Portfolio Valuation ($m)	$381m	$310m	+$71m
Water Owned (GL)	84.6GL	79.5GL	+5.1GL
Leased %	67%	67%	-

Duxton Water has delivered its highest ever half-year net profit after tax of $4.4 million for the period ended 30 June 2022. This positive result is underpinned by the Company's visible leasing revenue stream, turn-over of permanent water assets in line with the Company's portfolio rebalancing strategy as well as favourable mark-to-market movements in the Company's fixed interest rate swap portfolio.

Duxton Water's share price closed at $1.69 on 30 June 2022, representing a 10.5% increase from $1.53 on 31 December 2021. Inclusive of the April 2022 dividend, the Company has generated total gross shareholder returns of 13.5% over the last 6 months.

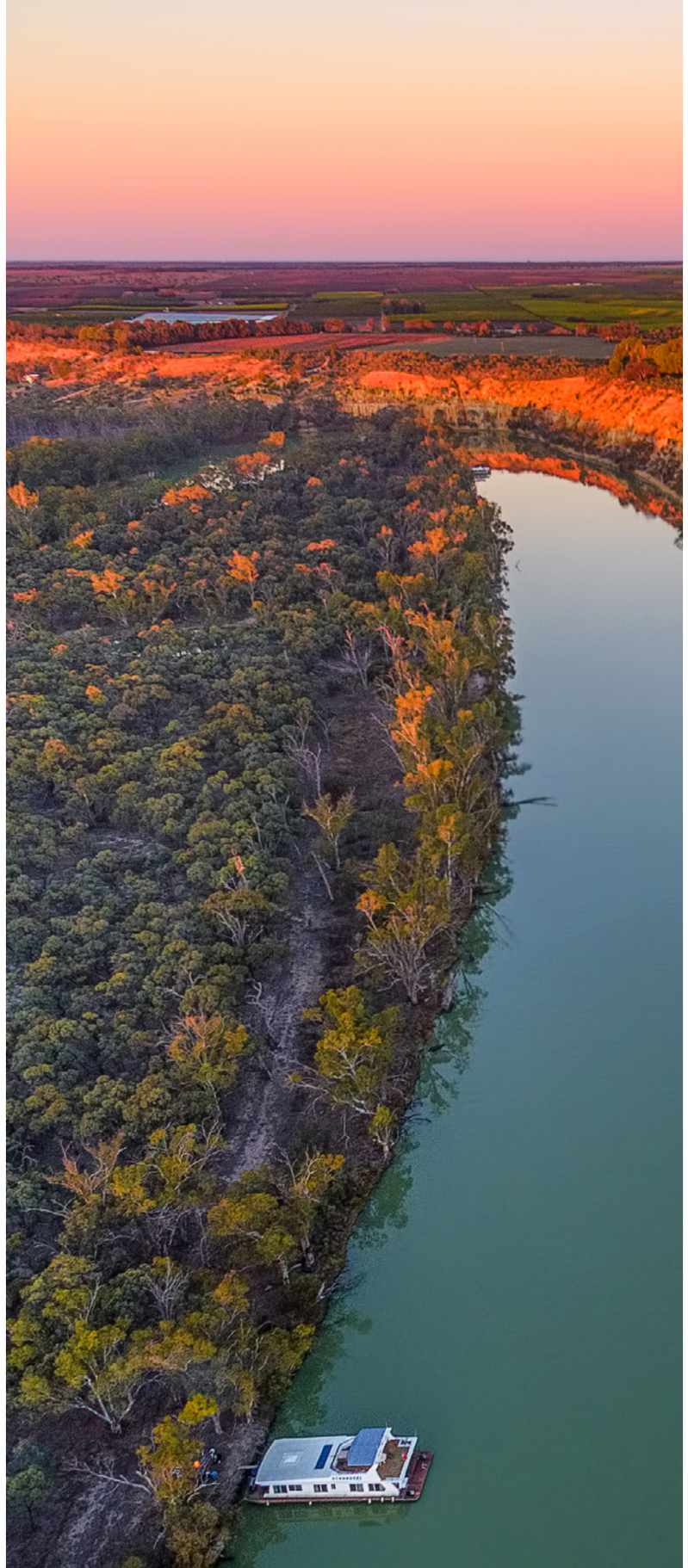
The Company's non-statutory (post-tax) NAV has increased by 11 cents from $1.79 per share to $1.90 per share in the 6-months to 30 June 2022. Adding back the 3.2 cent fully franked dividend that was paid to shareholders on 30 April 2022, Duxton Water has generated a 9% non-statutory NAV return to shareholders over the last 6 months.

Considering the Company's strong performance, the Board is pleased to formally announce and declare the interim 2022 dividend of 3.3 cents (fully franked) to be paid to shareholders on 28 October 2022.

The Board remains confident of the Company's ability to continue to derive strong annual returns and is committed to providing visibility to future dividend targets. Historically, Duxton Water generates a stronger profit in the second-half of the financial year due to the overlap of the Company's financial year (Jan-Dec) and the water year (Jul-Jun). New season allocations, the commencement of new long-term water leases and the settlement of forward allocation sale contracts heading into the peak irrigation season (summer) all contribute to delivering a strong second-half return.

Throughout the last 6 months, Duxton Water has continued to support its customers through the provision of long-term water leases. Long-term water leases provide shareholders with a stable and visible leasing revenue stream that enables greater visibility to the Company's future revenue generating capabilities.

These long-term water leases allow farmers to access water at approximately 1/20th of the cost of owning the same water entitlements outright, provide visibility to water supply, and free up capital that famers can use to pay down debt, expand production assets or invest in water efficiency improvements. While the leasing market has been little slower than usual due to the persistent wet conditions and lower allocation prices, the Company is actively working towards its long-term goal of having 70-80% of the portfolio locked into long-term leases.



ACTIVE MANAGEMENT OF THE COMPANY'S LONG-TERM WATER LEASES

Duxton Water continues to look for new opportunities to expand and strengthen its portfolio of long-term water leases. Focusing on long-term water leases not only provides Duxton Water with a stable and visible revenue stream, but also reduces the Company's exposure to the spot allocation market. Due to the nature of the Company's lease book, every year existing leases will expire, and new leases will commence.

While Duxton Water will continue to enter into new long-term leases to support Australian farming business to strengthen the overall leased percentage of the portfolio, the leasing market has been somewhat quieter than usual, due to the persistent wet conditions and lower allocation prices that have been experienced across most of the Basin over the last 2 years.

Throughout the 21/22 water year, Duxton Water executed 8.5 GL of new long-term leases with its customers, to commence 1 July 2022. These leases provide these customers with excellent visibility to water supply and cost for the next 3-5 years. While these new leases don't replace 100% of the leases rolling off on 30 June 2022, they make a significant contribution towards maintaining the Company's leasing revenue stream.

From 1 July 2022, Duxton Water's current annualised leasing revenue is $7.4 million. This is down from $9.0 million in the previous water year. Its important to note that while current annualised leasing revenue is down on last year due to the persistent wet conditions, the Company is actively looking to replace all leases that have rolled off. Further to this, the reduction in leasing revenue is somewhat offset by the additional allocation water received on the Company's general security water holdings that can be sold down into the temporary allocation market.

Australia has a variable and at times harsh climate, and as such has the tendency to experience extreme droughts and extreme wet periods over the course of a climatic cycle (e.g. 10 years). Australia is currently in an extremely wet part of the climatic cycle and Duxton Water remains committed to offering its leasing products to the market. The Company expects demand for long-term water leases to significantly increase as the water year progresses and conditions begin to normalise which may occur in the not too distant future.

The current conditions have provided irrigators with an excellent opportunity to proactively plan for upcoming seasons. The Company is continuing to see irrigators outsourcing their water supply requirements through the provision of long-term water leases. Long-term water leases enable an efficient use of capital, thus allowing farmers to risk manage their annual water supply and reinvest capital into land and production assets.

As part of Duxton Water's active management of the lease portfolio, it's important for the Company to enter into leases that have terms that are attractive to lessees, but also are sufficient enough to provide the stable cashflows required to meet the Company's dividend targets.

The Board of Duxton Water maintains its long-term target of having between 70%-80% of the portfolio deployed into long-term lease arrangements. With the provision of these flexible water supply solutions to irrigators, the Company is able to provide Shareholders with visibility to future earnings through this stable and recurring revenue stream.

PERFORMANCE FEE

For the half-year ended 30 June 2022, a performance fee accrual of $1.5 million has been included in the Statement of Profit or Loss and Other Comprehensive Income. While this is an accrual only and is subject to change before 31 December 2022, it is a reflection of the strong performance that Duxton Water has generated for shareholders over the last two and a half years.

The High Water Mark (HWM) for Duxton Water's performance fee was last set as the closing adjusted PNAV at 31 December 2019, representing the last time Duxton Water paid a performance fee to the Investment Manager. Taking the HWM into consideration, the current performance fee accrual is based on the estimated portfolio investment return for the period 1 January 2020 to 31 December 2022, after surpassing the 8% benchmark return hurdle.

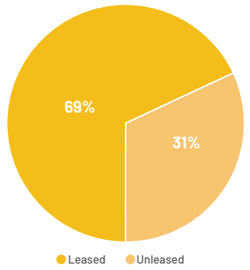
Duxton Water's diversified portfolio of water assets has generated a total investment return of $40 million which has been passed through to shareholders in the form of NAV appreciation and dividends. During this period (1 January 2020 to 30 June 2022), shareholders have received 5 fully franked dividends, totalling $20 million or 15.0 cents per share (21.4 cents per share when grossed up for franking).

Ultimately, the performance fee is a reflection of the strong returns passed through to shareholders in the form of NAV appreciation and dividends. Through active management of the Company's portfolio of water assets, the Portfolio Management Team's ability to deploy capital in an efficient and meticulous manner, and utilising Duxton Capital's network of Australian agricultural contacts, the team is well placed to continue to meet the returns targets and investment objectives of the fund.

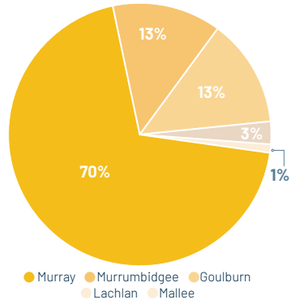
PORTFOLIO SUMMARY AT 30 JUNE 2022

Duxton Water owns and manages a diversified portfolio of Australian water entitlements across 19 different entitlement types and zones. At 30 June 2022, Duxton Water's portfolio is valued at $381 million (30 June 2021: $309 million):

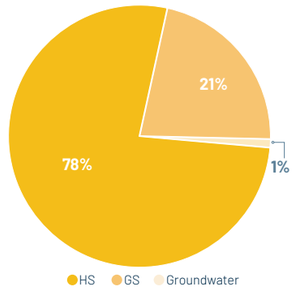
WATER PORTFOLIO DIVERSIFICATION



WATER SECURITY BREAKDOWN



ENTITLEMENT VALUE BY REGION



DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2022

ENTITLEMENT TYPE HELD	31/12/2021	ML CHANGE	30/06/2022
VIC 1A Goulburn HR	10,189	772	10,961
VIC 1A Goulburn LR	94	1,258	1,352
VIC 1B Goulburn HR	376	-	376
VIC 3 Goulburn HR	421	-	421
VIC 6 Murray HR	6,647	(500)	6,147
VIC 6 Murray LR		313	313
VIC 6B Murray HR	556	651	1,207
VIC 7 Murray HR	5,220	762	5,982
NSW Murray 10 HS	3,010	-	3,010
NSW Murray 10 GS	14,491	-	14,491
NSW Murray 11 HS	7,296	390	7,686
NSW Murray 11GS	7,825	(299)	7,526
NSW Murray 11 Supp	83	-	83
NSW Murrumbidgee 13 HS	2,754	100	2,854
NSW Murrumbidgee 13 GS	7,822	1,000	8,822
NSW Lachlan GS - Jemalong Irrigation	2,660	-	2,660
NSW Lachlan GS	4,504	-	4,504
SA Murray HS	4,673	216	4,888
SA Mallee Prescribed Wells Area - Parilla Red Zone	500	-	500
SA Mallee Prescribed Wells Area - Parilla Green Zone	846	-	846
Total	**79,967**	**4,662**	**84,629**

Breakdown by zone of permanent water entitlements held by the Company at 30 June 2022.



DEBT SUMMARY & INTEREST RATE SWAPS

Duxton Water has used a sensible level of debt funding to acquire permanent water entitlements over the last 4-5 years, which has overall provided a significant benefit to shareholders. The Company also took the opportunity to lock into several fixed interest rate swaps during the peak of the COVID-19 pandemic to take advantage of historically low interest rates and to hedge against future interest rate rises.

The Company has $55 million of fixed interest rate swaps that are due for expiry between 2024 and 2031. A summary of the Company's debt position at 30 June 2022 can be seen below:

D2O DEBT SUMMARY

	HY2022	HY2021	Difference
Total Debt Drawn	$116m	$106m	**+$10m**
Total LVR	30%	31%	**-1%**
Total Fixed Debt	$55m	$55m	-
Total Variable Debt	$61m	$51m	**+$10m**
Effective Cost of Borrowings	2.3%	2.3%	-

It should be noted that given the homogenous nature of water entitlements, they can be easily sold and converted into cash to pay down debt, should the Board see this to be in the interests of shareholders. Cash generated from the sale of water entitlements is typically received 4-6 weeks after contracts have been executed.

Due to the Australian Accounting Standards, interest rate swaps are required to be held at fair value on the Statement of Financial Position. As such, a non-cash $4.4 million (before-tax) interest benefit has been recorded in the Company's Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2022.

There has been no change to the Company's effective cost of borrowings during the period as the Company's variable debt was locked into a fixed rate 3-month rolling cycle fdor the period 1 April 2022 to 30 June 2022 (i.e. prior to the RBA increasing rates in April 2022).



FINANCIAL OVERVIEW

During the period ended 30 June 2022, the Company:

- Delivered the Company's highest half-year net profit after tax of $4.4 million (HY2021: $2.1 million);
- In-line with dividend guidance, paid a final 2021 fully franked dividend of 3.2 cents per share in April 2022;
- Generated total shareholder returns of 13.5% in the 6 months to 30 June 2022 (share price appreciation & dividends paid);
- Rebalanced the portfolio to realise $1.8 million of capital gain on permanent entitlement sales; and
- Reaffirmed and extended the Company's dividend guidance out to late 2024, with an interim 2024 (fully franked) dividend target of 3.7 cents provided.

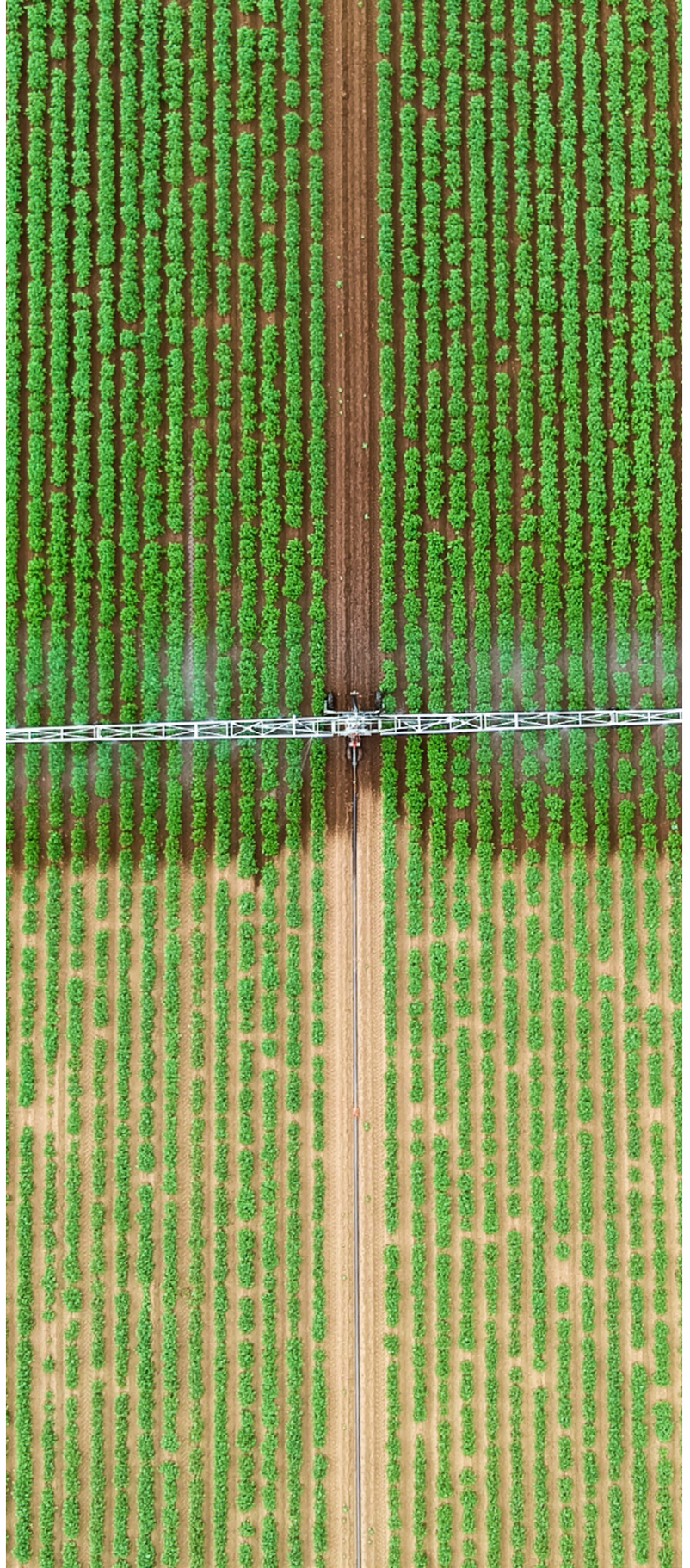
Duxton Water's permanent water portfolio has continued to see strong capital growth over the 6-month period to 30 June 2022. The Company has continued to strategically deploy capital via a $24 million extension to the Company's debt facility that was approved in March 2022. Currently, Duxton Water has $55 million of its $116 million debt facility locked into fixed interest rate swaps. The Investment Manager took advantage of historically low interest rates seen through 2020-2021 to fix a portion of its debt into interest rate swaps that expire between 2024 and 2031. The base rate weighted average interest rates for these swap arrangements is 1.26% (plus customer margin and facility fees).

Through taking a strategic and active management approach to managing the portfolio, Duxton Water has continued to create value for shareholders, when both buying and selling permanent water entitlements. The Portfolio Management Team continues to outperform the market by acquiring mispriced parcels of permanent water entitlements, often achieving uplift on the subsequent monthly valuations. During the period, $1.8 million was realised on the sale of two parcels of permanent water entitlements, these were both sold above their respective valuations.

As the Basin has seen a significant increase to inflows into the system, Lower Murray allocation prices opened at c.$70-$85 in July 2022, compared to the recent highs in 2019 of c.$1,000/ML. Overall the impact of lower pricing has been offset by the Company's strategic deployment of capital into low reliability water that has been yielding 100% allocations in most zones during the period. The strategic composition of the portfolio is set up to ensure the financial stability of Duxton Water's portfolio as Australia moves through the climatic cycle.

The non-statutory (post-tax) NAV from a Fair Market Value perspective at 30 June 2022 was $1.90 per share compared to $1.63 per share at 30 June 2021.

At 30 June 2022, the Company is carrying $117 million (or $0.97 per share) of unrealised capital gain on the water portfolio. This is excluded from the statutory financial statements due to the application of Australian Accounting Standards.



DIRECTORS' **REPORT** FOR THE HALF-YEAR ENDED **30 JUNE 2022**

FINANCIAL OVERVIEW (CONTINUED)

The statutory NAV of the Company in accordance with Australian Accounting Standards (which excludes unrealised capital gains) at 30 June 2022 is $1.22 per share (31 December 2021: $1.21 per share). Whilst the statutory NAV movement is minimal, it also incorporates the 3.2 cent fully franked dividend that was paid to shareholders during the period in April 2022.

Fair value adjustments on the Company's interest rate swap arrangements of $4.4 million have also been included in the statutory NAV at 30 June 2022. This represents the future value the Company will receive on the portfolio of debt that has been locked into fixed interest rate swaps. At 30 June 2022, the Company has $55 million of debt committed to long-term fixed interest rate swaps that expire between 2024 and 2031. These fixed interest rate swaps represent 47% of the Company's drawn debt at 30 June 2022. During the period, these fair value adjustments positively impact the Statement of Profit and Loss and Other Comprehensive Income and statutory retained earnings of the Company through financing income.

VALUATION EXPERT

The portfolio continues to be valued on a dry equivalent basis by Aither Pty Ltd ('Aither'). Aither employs a market valuation approach to determine a Fair Market Value which draws on publicly available water trade data from the relevant state water registers as well as analysis of trade data obtained from market intermediaries to calculate a dollar per ML volume weighted average price for each entitlement and allocation type. The Fair Market Value is not in accordance with the recognition and measurement requirements of the Australian Accounting Standards in relation to the accounting treatment of water assets (intangible assets). Therefore, increases in the Fair Market Value of water assets are not reported in the statutory accounts.

For financial statement reporting purposes, in accordance with the basis of preparation described in Note 2 of the financial statements, the Company's permanent water entitlements are carried at cost less any accumulated impairment losses. Temporary water allocations related to these entitlements are recognised in the Statement of Financial Position at zero cost initially. Purchased temporary water allocations are recognised at cost when acquired. Presented below is a summary of the Company's NAV on a Fair Market Value basis compared to the basis of preparation described in Note 2 of the financial statements.

30 June 2022	Company Statement of Financial Position $'000	Fair Market Value* $'000 (unreviewed)	Variance $'000
ASSETS			
Permanent water entitlements	263,363	380,436	117,072
Temporary water entitlements	4	73	69
Net current and deferred tax assets	(1,253)	(36,340)	(35,087)
Other net (liabilities)/assets	(164)	(164)	-
Other non-current liabilities	(116,000)	(116,000)	-
TOTAL NET ASSETS	**145,951**	**228,005**	**82,054**
NET ASSET VALUE PER SHARE	**$1.22**	**$1.90**	**$0.69**

30 June 2021	Company Statement of Financial Position $'000	Fair Market Value* $'000 *(unreviewed)*	Variance $'000
ASSETS			
Permanent water entitlements	238,998	313,726	74,728
Temporary Water entitlements	1,128	1,131	3
Net current and deferred tax assets	945	(21,714)	(22,659)
Other net (liabilities)/assets	8,640	8,640	-
Other net non-current liabilities	(106,799)	(106,000)	799
TOTAL NET ASSETS	**142,912**	**195,783**	**52,871**
NET ASSET VALUE PER SHARE	**$1.19**	**$1.63**	**$0.44**

* Fair Market Value is prepared in accordance with the Company's monthly NAV statement. The water portfolio is evaluated on a monthly basis by the Company's independent valuer "Aither Pty Ltd". Fair Market Value is a non IFRS measure that is not reviewed or audited by the Company's auditor and includes fair value gains or losses on interest rate swaps whereas these are included in the total non-current liabilities recognised in the Statement of Financial Position.

Further detail by reported segment is disclosed in Note 5 of the Financial Statements.

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. Given Duxton Water's strong performance, the Board is pleased to formally announce and declare the interim 2022 dividend of 3.3 cents per share (fully franked) to be paid to shareholders on 28 October 2022.

Duxton Water's portfolio composition enables the Company to provide shareholders with balanced returns over the course of the climatic cycle (in both wet and dry years). With the Company's high percentage of leased entitlements and visible revenue streams, the Board is pleased to further extend its dividend guidance to shareholders. Duxton Water is targeting an interim 2024 dividend target of 3.7 cents per share (fully franked), to be paid in the second half of 2024:

Dividend Guidance	Cents Per Share	Franking Target
Final 2022	3.4 cps	Fully Franked
Interim 2023	3.5 cps	Fully Franked
Final 2023	3.6 cps	Fully Franked
Interim 2024	3.7 cps	Fully Franked

GOVERNMENT WATER BUYBACKS

Since being elected earlier this year, the Labor Government continues to publicly declare their intention to recommence on-market water buybacks. On-market water buybacks are a mechanism by which the Government voluntarily buys-back water licences from water holders and transfers these licences to the Commonwealth Water Holder. By doing so, water that was once available for agricultural use is transferred to the Commonwealth Water Holder and allocated to environmental use, therefore reducing the consumptive pool of water available for agricultural use. At 30 June 2022, the Commonwealth Water Holder owns approximately 24% of water entitlements on issue in the Murray Darling Basin.

Following amendments made to the Murray Darling Basin Plan (MDBP) in 2018, the overall target for water recovery was reduced by 605GL per year to 2,075GL. In addition to this target which has almost been met, there exists the enhanced environmental outcomes recovery target of 450GL per year which under the current MDBP, is to be achieved through efficiency measures by 30 June 2024. Since the commencement of the MDBP, only 2GL/450GL of water has been recovered under this initiative.

While the Government has not yet commenced any on-market water buybacks since taking office earlier this year, Duxton Water would like to reaffirm that it does not foresee this having an adverse impact to the key operations of its business. Duxton Water will continue to provide its range of water supply products to Australian farming business to help improve the long-term water security and annual water flexibility of the Australian irrigator community.

MARKET OVERVIEW

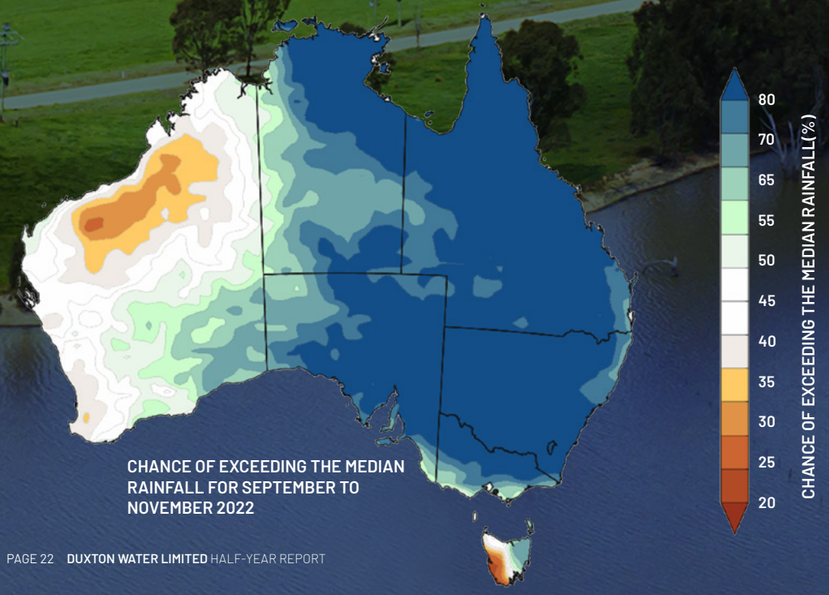
Throughout 2022, Australian Agriculture has continued to demonstrate its strong resilience and low correlation to most other markets. On the back of appreciating agricultural land values, high commodity prices and favourable climatic conditions, farmers generally, are well placed for a favourable upcoming season of production.

The wet conditions that have been seen across most of the Basin over the last 2 years have provided some much-needed rainfall relief after the most recent 2018/2019 drought. While persistent wet conditions have brought a significant improvement in rainfall, in some areas of the Basin this has caused flooding and dam spill events over the last 6 months, which has caused some harvest and crop quality challenges for Basin irrigators.

The Duxton Water portfolio is well equipped to handle prolonged periods of wet conditions as a significant portion of the portfolio is held in general security water entitlements. General security water entitlements are second tier entitlements that typically only receive an allocation in wetter years or when dam storages are sufficient enough to support allocations to general security entitlements. Given these wetter conditions, the Company has also received interest from irrigators in relation to leasing general security entitlements. Leasing general security water entitlements provide irrigators with water in wet years and access to carry over capabilities in both wet and dry years.

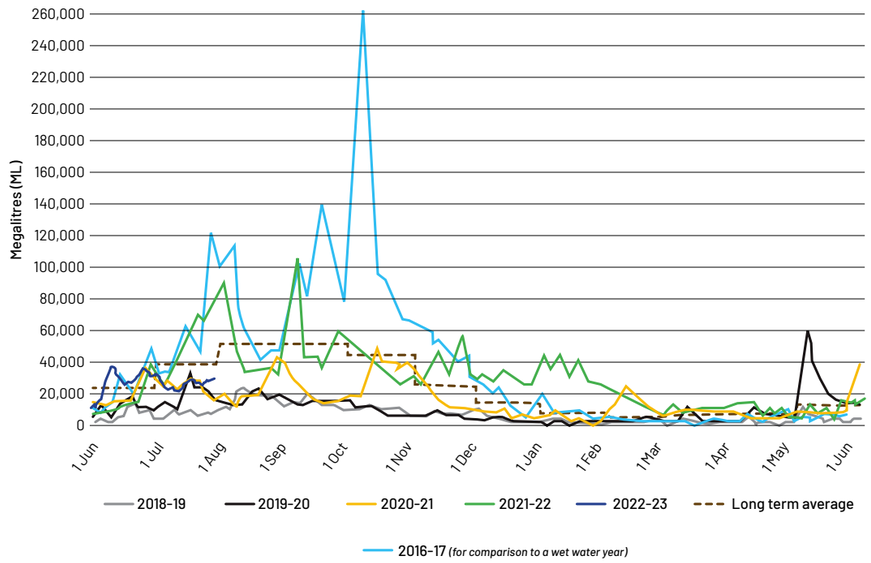
Throughout the last 6 months, a La Niña event in the Pacific Ocean has continued to present above average rainfall for the east of the country. While this event has now dissipated, a negative Indian Ocean Dipole (IOD) has taken effect, bringing a higher likelihood for above average rainfall across the eastern half of Australia throughout Spring. This anticipated increased rainfall onto already full dam storages, wet soils, and full river systems, continues to present both opportunities and challenges to buyers and sellers in the market.

The latest outlook (September 2022 – November 2022) suggests above average rainfall for most of Australia. For a second year in a row, a negative Indian Ocean Dipole (IOD) is likely to develop. The Bureau of Meteorology ("BOM") recently declared that a negative IOD event is officially under way, increasing the chances of above-average winter to spring rainfall for much of Australia. It has been close to or exceeding negative thresholds over the past 8 weeks. All models suggest that negative IOD conditions may likely persist until late spring.



CHANCE OF EXCEEDING THE MEDIAN RAINFALL FOR SEPTEMBER TO NOVEMBER 2022

DAILY INFLOWS TO THE MURRAY DARLING BASIN (MDB)

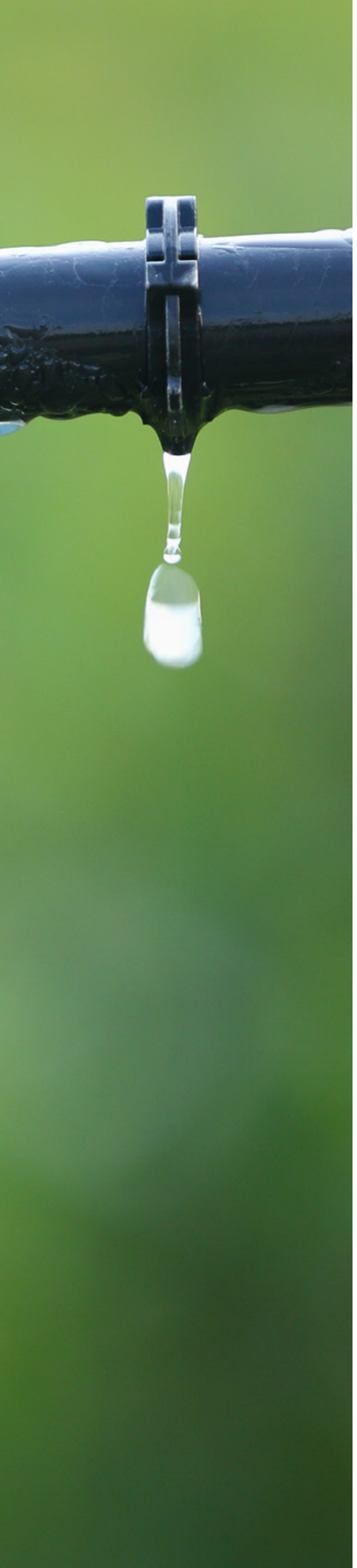


The El Niño-Southern Oscillation (ENSO) remains neutral. However, the BOM recently moved the ENSO Outlook from La Niña Watch to La Niña ALERT, meaning there is now approximately a 70% chance, or three times the normal likelihood of a La Niña forming later in 2022. Back-to-back La Niña conditions are not unusual, however only three times in recorded history has there been three consecutive La Niña events occur, and only once in 1974, has there been a triple La Niña coinciding with a negative IOD.

Significant inflows to major dam storages over the last 12 months have kept major dam storages full. Northern and southern MDB storages are now at 98% and 91% respectively, compared to 75% and 80% at the same time last year. Murray dam storages, Dartmouth and Hume are at 96% and 92% respectively, compared to 72% and 91% at the same time last year. Murrumbidgee dam storages Blowering and Burrinjuck are at 92% and 90% respectively, compared to 95% and 89% last year.

With respect to demand for allocation water, improved soil moistures and reduced plant transpiration continue to reduce the need for irrigation requirements. As a result, a decrease to demand and greater supply of available water in the river system, has continued to present low allocation prices to the market. Despite the extremely wet conditions and lower allocation prices, Duxton Water continues to actively manage its portfolio to deliver on all its contracted obligations through to its customers.

Despite lower allocation prices, entitlement prices are trading at near all time highs. In the 12 months to 30 June 2022, entitlement values across major water zones in the southern Murray Darling Basin have seen an uplift of 19%, compared to 6% in the previous year. High commodity prices and favourable weather conditions resulted in an overall strong last 12 months for the agriculture sector. The underlying long-term drivers supporting permanent entitlement prices continue to be the expansion of permanent horticulture in the Basin, which has an inelastic demand for water, and irrigators buying entitlements to improve their long-term water security on the back of a strong last season.



COVID-19

The Investment Manager and Board of Duxton Water continue to monitor the on-going COVID-19 pandemic. The Investment Manager has put in place measures to ensure staff are able to continue to operate effectively whilst adhering to Government recommendations. This has enabled the day-to-day operations of the Company to continue with little impact and while the Board will continue to monitor and advise of any change, it does not currently foresee any significant operational impact to the business.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the Directors of the Company with an Independence Declaration. This Lead Auditor's Independence Declaration is included on page 25. Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

Edouard Peter
Chairman

Dennis Mutton
Independent Non-Executive Director

Stirling, South Australia
30 August 2022

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Duxton Water Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Duxton Water Limited for the half-year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Darren Ball
Partner

Adelaide

30 August 2022

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STATEMENT OF **PROFIT OR LOSS** AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2022

	Note	30 Jun 2022 $'000	30 Jun 2021 $'000
Revenue	4	5,139	10,052
Gain on entitlement sales		1,778	6,659
Total revenue and other income		**6,917**	**16,711**
Cost of sales and leasing		(810)	(10,112)
Management fees	11	(1,093)	(907)
Performance fees	11	(1,528)	-
Legal and professional fees		(61)	(83)
Other expenses		(689)	(831)
Impairment reversal of water entitlements	6a	17	94
Impairment reversal/(impairment) of water allocation	6b	255	(1,669)
Total expenses		**(3,909)**	**(13,508)**
Profit before net finance income		3,008	3,203
Finance income		-	-
Finance expense[1]		3,328	(133)
Net finance income/(cost)		**3,328**	**(133)**
Profit before tax		6,336	3,070
Income tax expense		(1,901)	(980)
Profit for the half-year attributable to shareholders of Duxton Water Limited		**4,435**	**2,090**
Other comprehensive income, net of income tax		-	-
Total comprehensive profit for the half-year to shareholders of Duxton Water Limited		**4,435**	**2,090**
Earnings per share attributable to shareholders of Duxton Water Limited			
Basic earnings per share (dollars)		0.037	0.017
Diluted earnings per share (dollars)		0.037	0.017

[1]Finance expense comprises of $1.01 million of interest expense and a $4.4 million non-cash fair value adjustment on interest rate swap arrangements (2021: $1.33 million interest expense and $1.19 million interest rate swap adjustments). Refer to note 9 for details.

The condensed notes on page 30 to 39 are an integral part of these half-year financial statements

STATEMENT OF **FINANCIAL POSITION** AS AT 30 JUNE 2022

	Note	30 Jun 2022 $'000	31 Dec 2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents		3,529	6,220
Trade and other receivables		824	6,784
Tax assets		48	-
Water allocations	6b	4	238
Other current assets		172	488
Total current assets		**4,577**	**13,730**
Non-current assets			
Water entitlements	6a	263,363	241,111
Deferred taxation		-	242
Financial derivative assets	9	5,141	718
Total non-current assets		**268,504**	**242,071**
Total assets		**273,081**	**255,801**
LIABILITIES			
Current liabilities			
Trade and other payables		7,835	944
Unearned revenue		2,042	1,370
Tax liability		-	1,447
Total current liabilities		**9,877**	**3,761**
Non-current liabilities			
Interest-bearing liabilities	9	116,000	106,000
Deferred taxation		1,253	-
Total non-current liabilities		**117,253**	**106,000**
Total liabilities		**127,130**	**109,761**
Net assets		**145,951**	**146,040**
EQUITY			
Issued capital	7	137,257	137,938
Retained earnings		8,694	8,101
Total equity		**145,951**	**146,040**

The condensed notes on page 30 to 39 are an integral part of these half-year financial statements

STATEMENT OF CHANGES IN **EQUITY**
FOR THE HALF-YEAR ENDED 30 JUNE 2022

	Note	Issued capital $'000	Retained earnings/ (accumulated losses) $'000	Total equity $'000
Balance at 1 January 2021		**137,230**	**6,863**	**144,093**
Profit for the period			2,090	2,090
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive income for the period		**-**	**2,090**	**2,090**
Transactions with owners of the Company:				
Shares issued		320	-	320
Payment of dividends		-	(3,591)	(3,591)
Balance at 30 June 2021		**137,550**	**5,362**	**142,912**
Balance at 1 January 2022		137,939	8,101	146,040
Profit for the period			4,435	4,435
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive income for the period		**-**	**4,435**	**4,435**
Transactions with owners of the Company:				
Shares issued	7	526	-	526
Share buyback		(1,205)	-	(1,205)
Share issue costs – net of taxes		(3)	-	(3)
Payment of dividends	8	-	(3,842)	(3,842)
Balance at 30 June 2022		**137,257**	**8,694**	**145,951**

The condensed notes on page 30 to 39 are an integral part of these half-year financial statements

STATEMENT OF **CASH FLOWS**
FOR THE HALF-YEAR ENDED 30 JUNE 2022

	Note	30 Jun 2022 $'000	30 Jun 2021 $'000
Cash flows from operating activities			
Receipts from customers		5,403	8,901
Payments to suppliers		(2,017)	(4,496)
Interest paid		(1,131)	(1,080)
Income tax paid		(1,848)	(1,073)
Net cash provided by operating activities		**407**	**1,577**
Cash flows from investing activities			
Purchase of permanent water entitlements		(16,534)	(1,325)
Deposits paid for the purchase of permanent water entitlements		(2,042)	(4,449)
Proceeds from sale of of permanent water entitlements		9,996	11,718
Net cash (used in)/provided by investing activities		**(8,580)**	**5,944**
Cash flows from financing activities			
Payment of share buyback		(678)	-
Transaction costs related to issue of shares		(3)	-
Proceeds/(repayment) of borrowings	9	10,000	(3,300)
Payment of Dividends	8	(3,837)	(3,267)
Net cash provided by/(used in) financing activities		**5,482**	**(6,567)**
Cash and cash equivalents at the beginning of the period		6,220	2,760
Net (decrease)/increase in cash and cash equivalents		(2,691)	934
Cash and cash equivalents at end of period		**3,529**	**3,694**

The condensed notes on page 30 to 39 are an integral part of these half-year financial statements

1. CORPORATE INFORMATION

Duxton Water Limited (the 'Company') is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange under the symbol D2O. Its registered office and principal place of business is located at 7 Pomona Road Stirling SA 5152.

The Company is a for-profit entity.

The half-year financial statements were authorised for issue by the Directors on 30 August 2022.

2.BASIS OF PREPARATION

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention except for financial derivative liabilities which are at fair value. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

At 30 June 2022 the Company has statutory net assets of $145.941 million (2021: $146.040 million). However, as at 30 June 2022 the Company has a net current asset deficiency of $5.3 million (2021: $9.949 million surplus), principally arising from the timing of permanent water entitlement purchases. As the company has $14 million in un-drawn financing facilities, the directors have determined it is appropriate to prepare the financial statements by applying the going concern basis of accounting. They are based on historical costs and do not take into account changing money values, except for financial derivatives which are measured at Fair Value.

STATEMENT OF COMPLIANCE

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard AASB 134 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with Australian Accounting Standards Board (AASBs) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:



a) Permanent water entitlements

Permanent water entitlements are treated as intangible assets on the Statement of Financial Position at cost (in accordance with AASB 138 Intangible Assets). It has been determined that there is no foreseeable future limit to the period over which the asset is expected to generate net cash inflows for the entity, therefore the entitlements will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water entitlements will be tested annually for impairment, unless there are indications present that the asset is impaired or if there are indications present that a previously impaired asset is no longer impaired.

b) Temporary water allocations

Temporary water allocations purchased are treated as items of inventory available for resale in accordance with AASB 102 Inventories. Temporary water allocations are measured at the lower of its individual cost and net realisable value.

3. SIGNIFICANT ACCOUNTING POLICIES

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2021.

4. REVENUE

	30 Jun 2022 $'000	30 Jun 2021 $'000
Lease income from water entitlements	4,501	4,620
Sale of temporary water allocations	603	5,429
Other income	35	3
	5,139	**10,052**

5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The amounts provided to the Board of Directors with respect to profit or loss, liabilities and assets other than water entitlement assets is measured in a manner consistent with that of the financial statements, while permanent water entitlement assets and temporary water allocations are allocated to a segment based on the geographical region of the water entitlement assets and measured on a "fair market value" basis.

"Fair market value" for purposes of valuing the Company's water entitlement and allocation portfolio that is reported to the Board of Directors, is based on the independent monthly valuation that is undertaken by an independent expert.

Segment revenue and results For the year ended 30 June 2022	Permanent Water $'000	Temporary Water $'000	Unallocated $'000	Total $'000
Profit & Loss				
Reportable segment revenue	4,501	603	35	5,139
Gain on entitlement sales	1,778	-	-	1,778
Total segment Revenue and other income	**6,280**	**603**	**35**	**6,917**
Expenses	(279)	(452)	(3,178)	(3,909)
Finance costs	-	-	(3,328)	(3,328
Tax benefit (expense)	**-**	**-**	**(1,901)**	**(1,901)**
Net Profit/(loss) after tax	**6,001**	**151**	**(1,717)**	**4,435**

Balance Sheet	Murray $'000	Murrumbidgee $'000	Goulburn $'000	Other[1] $'000	Unallocated $'000	Total $'000
Permanent water entitlements at fair value	267,067	48,494	50,412	14,463	-	380,436
- Less fair market value adjustment[2]	(92,566)	(13,103)	(3,553)	(7,697)	-	(116,918)
- Less accumulated impairment	(154)	-	-	-	-	(154)
Permanent water entitlements at cost	**174,347**	**35,391**	**46,859**	**6,766**	**-**	**263,363**
Temporary water allocations at fair value	72	1	-	-	-	73
- Less fair market value adjustment[3]	(68)	(1)	-	-	-	(69)
- Less accumulated impairment	-	-	-	-	-	-
Temporary water allocations at cost	**4**	**-**	**-**	**-**	**-**	**4**
Total segment assets as disclosed in the financial statements[4]	174,197	35,391	46,859	6,766	9,868	273,081
Total segment liabilities as disclosed in the financial statements	**-**	**-**	**-**	**-**	**(127,130)**	**(127,130)**

Segment revenue and results For the year ended 30 June 2021	Permanent Water $'000	Temporary Water $'000	Unallocated $'000	Total $'000
Profit & Loss				
Reportable segment revenue	4,620	5,429	3	10,052
Gain on entitlement sales	6,659	-	-	6,659
Total segment revenue and other income	**11,279**	**5,429**	**3**	**16,711**
Finance income	-	-	-	-
Expenses	(249)	(11,438)	(1,821)	(13,508)
Finance costs	-	-	(133)	(133)
Tax expense	-	-	(980)	(980)
Net Profit/(loss) after tax	**11,030**	**(6,009)**	**(2,931)**	**2,090**

Balance Sheet	Murray $'000	Murrumbidgee $'000	Goulburn $'000	Other[1] $'000	Unallocated $'000	Total $'000
Permanent water entitlements at fair value	216,596	39,918	44,541	12,672	-	313,727
- Less fair market value adjustment[2]	(60,075)	(6,618)	(1,890)	(5,910)	-	(74,493)
- Less accumulated impairment	(118)	-		-	-	(118)
Permanent water entitlements at cost	**156,403**	**33,300**	**42,651**	**6,762**	**-**	**239,116**
Temporary water allocations at fair value	1,108	20	2	1	-	1,131
- Less fair market value adjustment[3]	3,065	272	(2)	-	-	3,335
- Less accumulated impairment	(1,532)	(136)	-	-	-	(1,668)
Temporary water allocations at cost	**2,641**	**156**	**-**	**1**	**-**	**2,798**
Total segment assets as disclosed in the financial statements [4]	157,394	33,320	42,651	6,763	11,353	251,481
Total segment liabilities as disclosed in the financial statements	**-**	**-**	**-**	**-**	**(108,569)**	**(108,569)**

1. "Other" comprises of the Lachlan and Parilla regions which individually account for less than 10% of the Company's revenue, loss before taxation, total liabilities and total assets.
2. In accordance with the Australian Accounting Standards requirements on measuring permanent water entitlements subsequent to initial recognition, fair market value increments are not included in the amounts recognised in the financial statements.
3. In accordance with the requirements of the Australian Accounting Standards, temporary water allocations obtained through owned permanent water entitlements are not recognised as assets in the Statement of Financial Position. Only those allocations separately acquired are recognised.
4. "Total segment assets" is a measure used by the Company for internal reporting purposes. For purposes of determining this measure, all assets excluding water entitlements are measured consistent with the financial statements and water entitlements are measured at fair value. The measure of water entitlements does not comply with the recognition and measurement requirements of the Australian Accounting Standards.



6. WATER ENTITLEMENTS AND ALLOCATIONS

a) Permanent water entitlements

Permanent water entitlements - at cost	$'000
Balance at 1 January 2021	240,031
Additions	10,051
Disposals	(8,800)
Balance at 31 December 2021	241,282
Balance at 1 January 2022	241,282
Additions	23,924
Disposals	(1,689)
Balance at 30 June 2022	263,517

Accumulated impairment	$'000
Balance at 1 January 2021	212
Impairment (reversal)/loss recognised in profit or loss	(41)
Balance at 31 December 2021	171
Balance at 1 January 2022	171
Impairment (reversal)/loss recognised in profit or loss	(17)
Balance at 30 June 2022	154

b) Temporary water allocations

	30 Jun 2022 $'000	31 Dec 2021 $'000
Temporary water allocations (cost)	4	493
Less impairment[1]	-	(255)
Total carrying amount	**4**	**238**

The recoverable amount the cash generating unit to which each water entitlement belongs is determined at least annually, using a market based approach. Each cash generating unit constitutes a discrete zone within a river system, or entitlement type. The key assumption applied to determining the recoverable amount of each cash generating unit is the estimated price per megalitre (ML).

The recoverable amount of each water entitlement is determined by an independent expert who employs a market valuation approach which draws on publicly available water trade data from the relevant state water registers as well as analysis of trade data obtained from market intermediaries to calculate a dollar per ML volume weighted average price for each entitlement and allocation type.

Water entitlements are classified as Level 3 fair value hierarchy assets. The determination of fair value is subject to unobservable judgment applied by the independent expert in selecting transactions sourced from state water registers and intermediary transaction data as input in calculating a dollar per ML volume weighted average price.

Details of information to which reportable segment the impairment relates to, is disclosed in Note 5.

[1]At 30 June 2022, impairment reversal of 0.255 million was recognised in the Profit and Loss, the balance of the movement from 31 December 2021 has been recognised through cost of sales and leasing. As there is no statutory impairment on the temporary allocation water at 30 June 2022, no impairment or reversal is recognised in note 6b.

7. ISSUED CAPITAL AND SHARE OPTIONS

Issued capital as at 30 June 2022 amounted to $137.3 million (119,695,944 ordinary shares). Issued capital as at 31 December 2021 amounted to $137.9 million (120,112,469 ordinary shares). During the half-year to 30 June 2022:

- 350,160 ordinary shares ($0.5 million) were issued under the Company's Dividend Reinvestment Plan.

At 30 June 2022 the Company does not have any share options on issue (30 June 2021: nil).

8. DIVIDENDS PAID

Total dividends paid for the half-year ended 30 June 2022 were $3.8 million (June 2021: $3.6 million). This consisted of cash distributions of $3.3 million (June 2021: $3.3 million) and shares issued under the DRP to the value of $0.5 million (June 2021: $0.3 million).

9. INTEREST-BEARING LIABILITIES

	30 Jun 2022 $'000	31 Dec 2021 $'000
Bank Loans - secured	116,000	106,000
	116,000	**106,000**

SUMMARY OF BORROWING ARRANGEMENTS

i) On 23 December 2021 the Company renewed the existing $106.0 million Facility A, this facility was drawn to $106 million at the time.

ii) In March, the facility agreement was amended to add Facility B with a limit of $24.0 million and reset the repayment date of both Facilities A&B to be 31 March 2024.

iii) At 30 June 2022, Facility A was fully dawn to $106.0 million, and facility B was drawn $10.0 million with $14.0 million available.

iv) Variable interest payable on these debt facilities are as follows:

Facility A: BBSY plus 0.65% p.a. + Facility Fee of 0.65%

Facility B: BBSY plus 0.725% p.a. + Facility Fee of 0.725%

v) These facilities are secured by mortgages on the Company's permanent water entitlements.

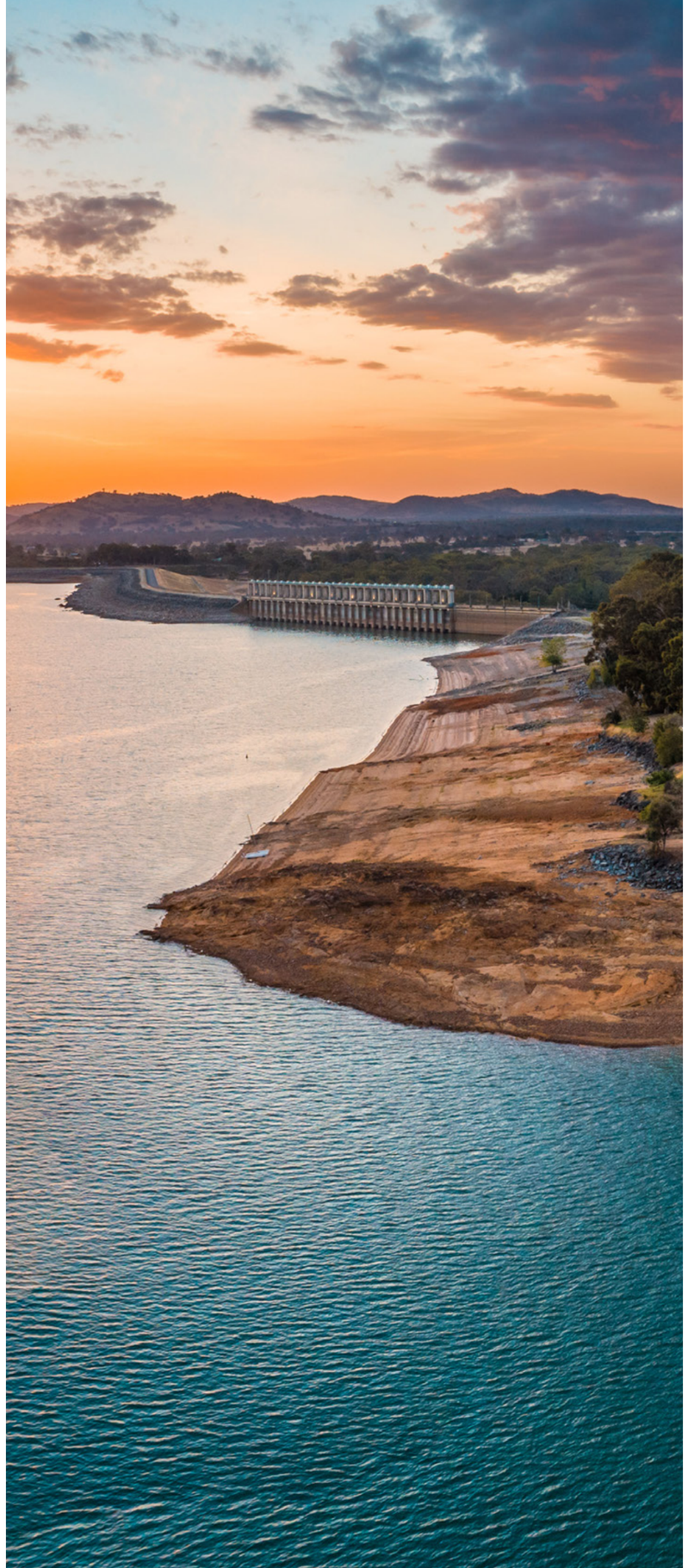
vi) With the addition of Facility B changes to the bank covenants were amended as follows:

Interest Coverage Ratio to be greater than 2.5:1 (no change)

Maximum Net Debt to independent water valuation to not exceed 40% (previously 35%)

Maximum Gross debt to independent water valuation to not exceed 45% (previously 40%)

vii) Interest charged is offset by $55.0 million of interest rate swap arrangements with a 5-10 year horizon. BBSY swaps Range from 0.63% and 1.67%.



CONDENSED NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE HALF-YEAR ENDED 30 JUNE 2022

FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs)

FAIR VALUE ASSESSMENT OF FINANCIAL DERIVATIVES

The fair value of the Company's interest rate swaps are calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates.

Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps.

The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices. Interest rate swaps are classified as Level 2 fair value financial instruments. Fair values are not based on any significant unobservable inputs.

During the period, fair value changes of $4.4 million were recognised in the Statement of Profit or Loss and Other Comprehensive Income. There were no transfer between fair value levels during the year.

The Company's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable, interest bearing borrowings and interest rate swaps. The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies in the Company's annual report, are as follows:

	30 Jun 2022 $'000	31 Dec 2021 $'000
Financial Assets		
Cash and cash equivalents	3,529	6,220
Trade and other receivables	824	6,784
Financial Derivative Assets	5,141	718
Total financial assets	**9,494**	**13,722**
Financial Liabilities		
Trade and other payables	6,305	944
Interest-bearing liabilities	116,000	106,000
Total financial liabilities	**122,305**	**106,944**

10. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel and of the Investment Manager (Duxton Capital (Australia) Pty Ltd) are disclosed in, and remains unchanged from the latest annual financial report.

Mr Edouard Peter, Chairman of the Company, controls the Investment Manager and is a shareholder and Director of the Investment Managers' parent Company Duxton Capital Holdings Pty Ltd and as such, may receive remuneration from the Investment Manager for services provided by the Investment Manager.

Company Director, Mr Stephen Duerden, is also a shareholder and Director of the Investment Managers' parent Company and as such, may receive remuneration from the Investment Manager for Services provided by the Investment Manager.

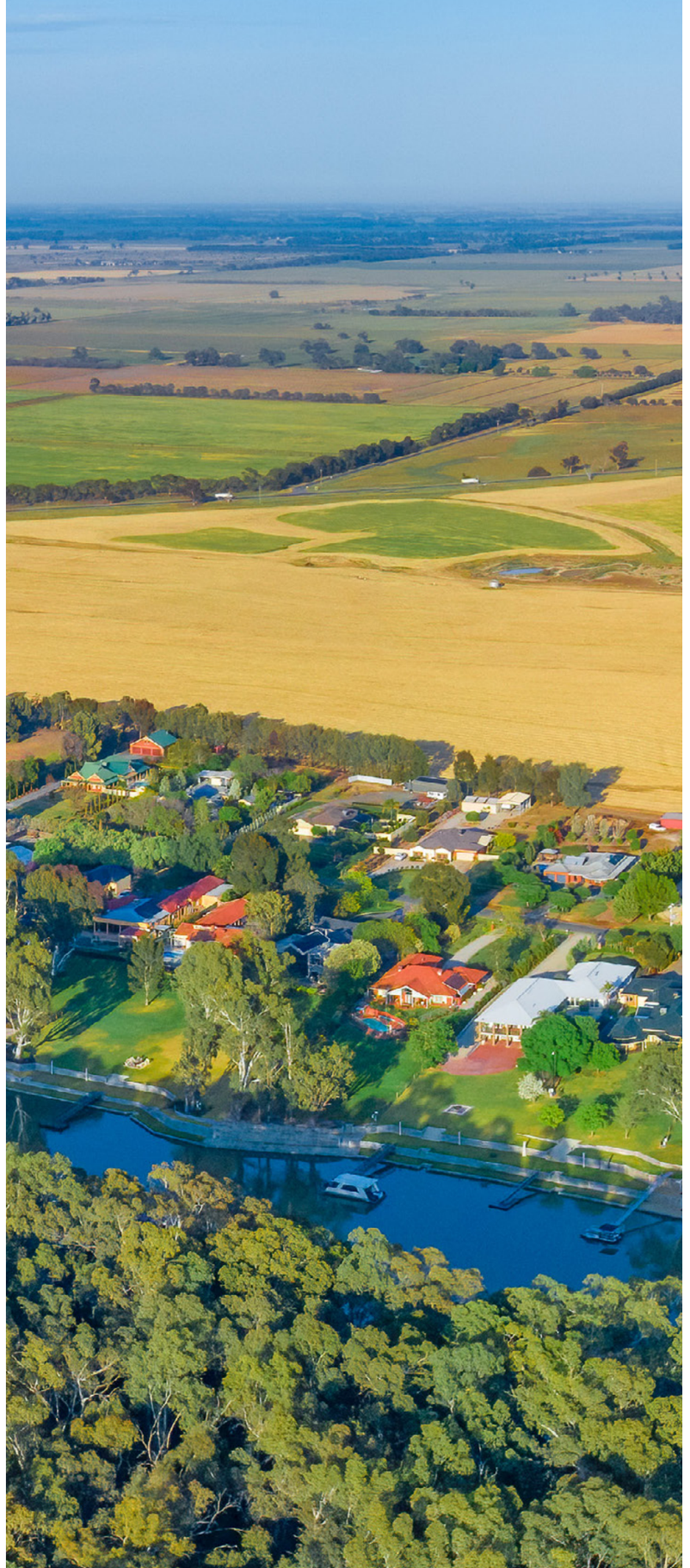
As Shareholders of the Investment Manager, Mr Peter and Mr Duerden may receive a financial benefit from the Company as a result of payment of fees by the Company to the Investment Manager.

The Investment Management Agreement is on arms-length commercial terms and was approved by the Non-Executive Directors of the Company.

Neither Mr Edouard Peter nor Mr Stephen Duerden have received Directors' fees from the Company.

Mr Edouard Peter has a direct interest of 414,348 shares (June 2021: 424,529) in the Company and an indirect interest of 7,394,805 (June 2021: 11,141,996) shares in the Company. Mr Edouard Peter's indirect interest is inclusive of shares owned by the Duxton Group. The Duxton group owns 2,159,401 shares in the Company at 30 June 2022 (June 2021: 1,839,932).

Mr Stephen Duerden has a direct interest of 41,353 shares (June 2021: 41,353) in the Company and an indirect interest of 210,644 shares (June 2021: 186,365) in the Company. Mr Stephen Duerden's indirect interest is inclusive of shares owned by the Duxton Group. The Duxton group owns 2,159,401 shares in the company at 30 June 2022 (June 2021: 1,839,932).



CONDENSED NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE HALF-YEAR ENDED 30 JUNE 2022

11. RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties during the half-year ended 30 June 2022 (and the half-year ended 30 June 2021):

	30 Jun 2022 $'000	30 Jun 2021 $'000
Management fee – Duxton Capital (Australia) Pty Ltd	1,093	907
Administration fee – Duxton Capital (Australia) Pty Ltd	128	146
Performance fee accrual – Duxton Capital (Australia) Pty Ltd	1,528	-
Lease revenue – Duxton Viticulture Pty Ltd	1,155	1,295
Lease revenue – Duxton Farms Ltd	109	106
Lease revenue – Duxton Dairies (Cobram) Pty Ltd	46	49
Lease revenue – Duxton Dried Fruits Pty Ltd	-	28

Transactions between related parties are on commercial terms and conditions.

The following balances are outstanding between the Company and its related parties:

	30 Jun 2022 $'000	31 Dec 2021 $'000
Amount due to (from) Duxton Capital (Australia) Pty Ltd	197	(74)
Amount due to (from) Duxton Dairies (Cobram) Pty Ltd	-	(23)
Amount due to (from) Duxton Farms Ltd	(3)	(47)
Amount due to (from) Duxton Viticulture Pty Ltd	-	(1)

12. SUBSEQUENT EVENTS

As a result of the evolving nature of the COVID-19 pandemic and the rapidly evolving government policies of restrictive measures put in place to contain it, as at the date of these financial statements, the Company is not in a position to reasonably estimate the financial effects of the COVID-19 pandemic on the future financial performance and financial position of the Company.

Other than the above, there have been no events subsequent to reporting date which would have a material impact on the Company's 30 June 2022 financial statements.



DIRECTOR'S **DECLARATION**
FOR THE HALF-YEAR ENDED 30 JUNE 2022

In the opinion of the Directors of Duxton Water Limited ("the Company"):

1. the condensed financial statements and notes set out on pages 30 to 39, are in accordance with the Corporations Act 2001 including:
   a. giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance of the 6 months period ended on that date; and
   b. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Edouard Peter
Chairman

Dennis Mutton
Independent Non-Executive Director

Stirling, South Australia
30 August 2022

Independent Auditor's Review Report

To the shareholders of Duxton Water Limited

Conclusion

We have reviewed the accompanying Half-year Financial Report of Duxton Water Limited (the Company).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Duxton Water Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Half-year Financial Report comprises:

- Statement of Financial Position as at 30 June 2022;
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the Half-year ended on that date;
- Condensed notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information; and
- Directors' Declaration.

The Interim Period is the 6 months ended on 30 June 2022.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2022 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Darren Ball
Partner

Adelaide

30 August 2022

CORPORATE **DIRECTORY**

Non-Executive Chairman
Edouard Peter
Non-Executive Director
Stephen Duerden

Independent Non-Executive Directors
Dirk Wiedmann
Dennis Mutton
Vivienne Brand
Brendan Rinaldi

Company Secretary
Katelyn Adams

Principal and Registered Office
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Telephone: (08) 8130 9500
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Share Registry
Computershare

Auditors
KPMG
151 Pirie Street
Adelaide SA 5000

Computershare Investor Services
Level 5, 115 Grenfell Street
Adelaide SA 5000

Stock Exchange Listing
Australian Securities Exchange
Share Code: D20



DUXTON
WATER