Quarterly Update

DUXTON WATER

DECEMBER 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**
$1.91 per share	118,038,179	$377 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.

Operational Update

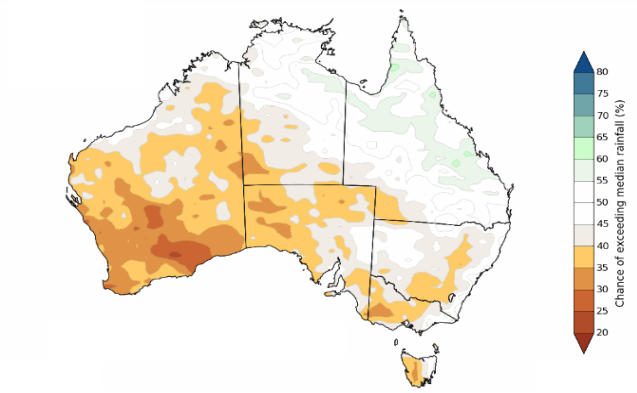
The extreme wet conditions seen over the last 2.5 years are reflective of a rare alignment of climatic drivers that has only been seen twice in recorded history, causing severe floods across the country. A triple La Niña, coinciding with a Negative Indian Ocean Dipole, has only been seen once before in 1974, this being the catalyst for the 1974 Australian floods.

The current La Niña, which was announced in September 2022, is expected to end by the end of summer. The Bureau of Meteorology is now forecasting a possible shift to El Niño conditions by June 2023. El Niño typically brings drier than average conditions to the eastern half of Australia.

The prospect of a drier outlook has resulted in an increased demand for leases and forward contracts. Duxton Water will continue to work alongside its farming customers to provide flexibility and security for their water supply ahead of the upcoming water years.

During the quarter, two permanent entitlement sales were executed at attractive valuations, resulting in the Company unlocking statutory earnings. Sale proceeds from these transactions can be used to redeploy into different zones or reduce debt.

Chance of exceeding median rainfall for March – May 2023:



COMPANY SNAPSHOT

	September 2022	December 2022
Water Entitlements	84.5GL	83.6GL
Leased % of Portfolio	55%	54%
Weighted Average Lease Expiry (WALE)	1.6 years	1.4 years
WALE (incl. renewal options)	4.7 years	4.4 years
Shares on Issue	119.2m	118.0m
Market Capitalisation	$192m	$191m
Total Water Assets	$382m	$377m

Entitlement Market

At 31 December 2022, Duxton Water holds 83.6GL of permanent water entitlements across 18 asset types and classes. Duxton Water continues to monitor the market for well priced parcels that fit the Company's target portfolio composition.

Since the last quarter, several permanent entitlements across the southern Murray Darling Basin (sMDB) registered an uplift in valuation, particularly in December.

Water entitlements across the sMDB experienced an average price increase of 7% in the 12 months to 31 December 2022.

Allocation Market

Low allocation prices persisted this quarter due to extremely wet conditions and full storages. In December, stronger demand for allocation lifted prices after months of softening. Duxton Water currently has minimal exposure to allocation prices, as most of the Company's unleased holdings were sold earlier in the season.

During the quarter, allocation water traded between $20-$40/ML in the Lower Murray, $15-$40/ML in the Goulburn, $15-$25/ML in the Murrumbidgee, and $15-$25/ML in the Upper Murray.

COMPANY PERFORMANCE – DECEMBER 2022

1 Month	3 months	6 Months	12 Months	Inception
1.25%	1.39%	1.91%	11.74%	118.72%

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

Leases

The lease market saw an increased level of activity in the December quarter, with irrigators looking to secure water for upcoming seasons. During the quarter, the Company executed several new lease agreements, adding 6,000ML of leases to the portfolio from 1 July 2023. These lease arrangements will strengthen both the Company's annualised leasing revenue and Weighted Average Lease Expiry (WALE) from 1 July 2023. The Portfolio Management Team continues to negotiate new leases and forward contracts with several counterparties.

At 31 December 2022, Duxton Water had 54% of its permanent water portfolio (by value) leased to Australian farming businesses, which accounts for 70% of the Company's high-security portfolio (by value).

The Company's WALE at 31 December 2022 is 1.4 years or 4.4 years, including renewal options.

Investment Update

The Company is pleased to report that shareholders received a total return of 12% over the 12 months to 31 December 2022. This comprised of a 6% gross dividend yield and 6% share price growth. A strong result when compared to the performance of the major Australian S&P Indices over the same period.

The Company's post-tax NAV increased 7% over the 12 months to 31 December 2022, resulting in a 12% total portfolio return on a post-tax NAV basis (including fully franked dividends).

During the December quarter, Duxton Water's post-tax NAV decreased by 2 cents to $1.91 per share, primarily due to the October 2022 dividend payment.

The Company's NAV, excluding tax provisions for unrealised capital gain decreased by 1 cent during the quarter to $2.22 per share.

September 2022 NAV (post-tax)	December 2022 NAV (post-tax)
$1.93 per Share	**$1.91 per Share**

Share Buyback

At 31 December 2022, Duxton Water has bought back a total of 2.8 million shares (equivalent to 2% of the Company), at an average price of $1.61 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 28 October 2022, Duxton Water paid its 11th consecutive and increasing dividend to shareholders of 3.3 cents per share (fully franked). Total dividends of 30.8 cents per share have been paid to shareholders since the Company's maiden dividend in November 2017.

Including franking credits, shareholders invested in D20 since IPO (September 2016) have received a 38% gross cash return on their investment.

During the quarter, Duxton Water also advised that following the 24-month dividend guidance provided to the end of FY24, the Company will return to a 12-month dividend guidance to better align with standard market practices.

The Board is pleased to reassure shareholders that the following four dividend targets remain unchanged:

	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

Debt Update

At 31 December 2022, Duxton Water has $130 million of debt facilities, with $125 million drawn at the end of the quarter. Debt facility details are outlined in the Appendix 4C attached to this report.

The Company's Net Debt to Water Assets (LVR) at the end of the quarter was 30%, representing a 1% reduction in the Company's LVR since 30 September 2022. The current LVR is well within the Company's LVR bank covenant limit of 40%.

Payments to Associates/Related Parties

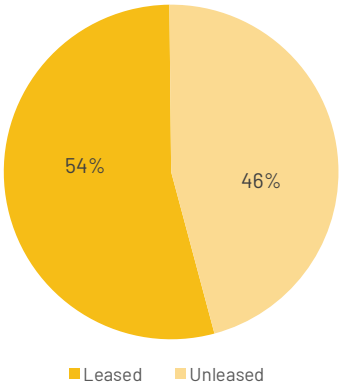
During the December 2022 quarter, the following cash payments to Associates and Related Parties occurred (GST Inclusive):

	December 2022 Quarter	YTD
Duxton Capital - Administration Fees *(Admin & Accounting Services)*	$68k	$285K
Duxton Capital - Management Fees *(As per the Management Agreement)*	$595k	$2,643k
Duxton Capital – Reimbursements *(On-charged Reimbursements)*	$20k	$78k

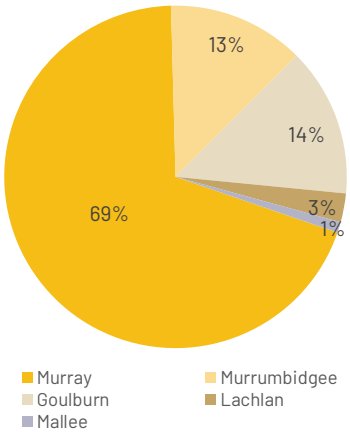
VALUATION METHODOLOGY

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

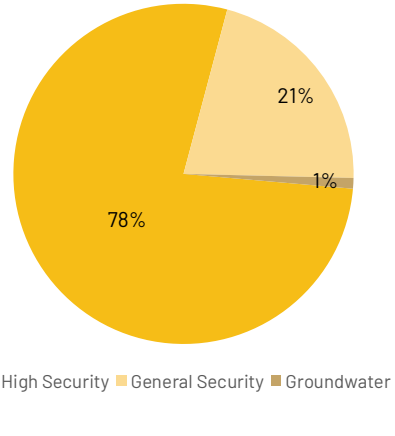
WATER PORTFOLIO DIVERSIFICATION



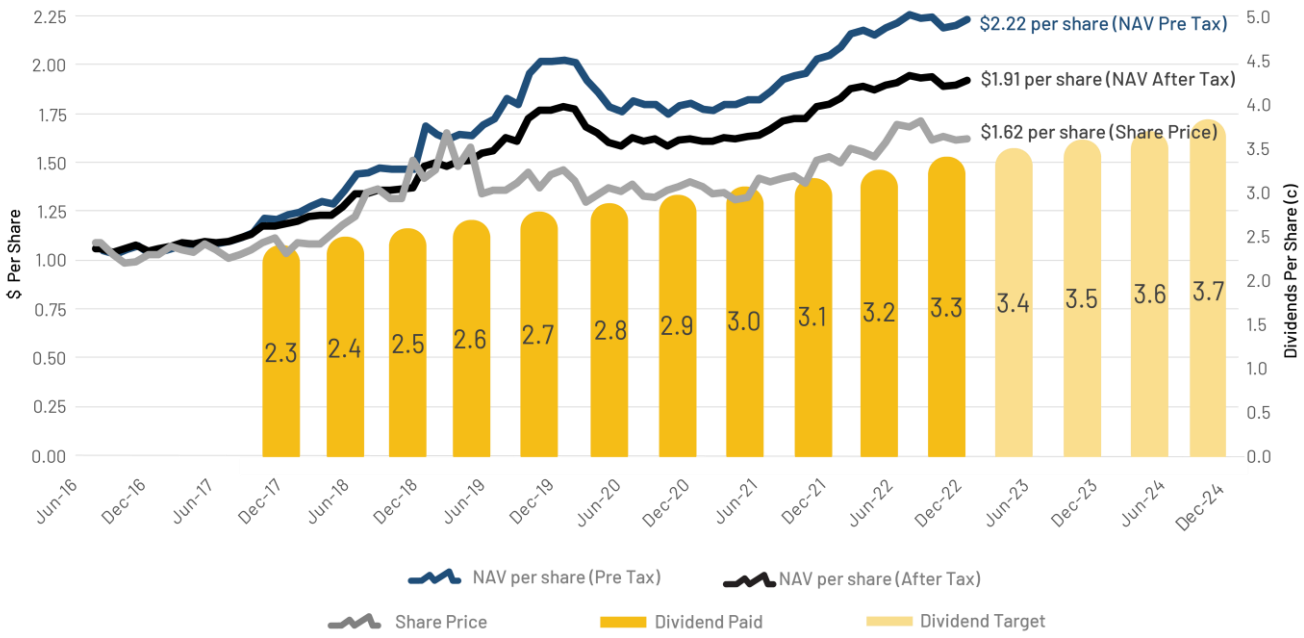
WATER SECURITY BREAKDOWN



ENTITLEMENT VALUE BY REGION



HISTORICAL PERFORMANCE – SINCE INCEPTION



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

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Appendix 4C

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

Name of entity	
Duxton Water Limited	
ABN	**Quarter ended ("current quarter")**
53 611 976 517	31 December 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	3,543	12,034
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(78)	(527)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	-	-
	(f) administration and corporate costs	(546)	(1,296)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(1,143)	(3,635)
1.6	Income taxes paid	(58)	(2,898)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
	- Management Fees	(563)	(2,403)
	- Performance Fee	-	-
1.9	**Net cash from / (used in) operating activities**	**1,155**	**1,275**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	(2,967)	(27,446)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	3,379	13,375
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	- Net Deposits (Paid)/Received	-	3
2.6	**Net cash from / (used in) investing activities**	**412**	**(14,068)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(2,943)	(4,474)
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(6)	(11)
3.5	Proceeds from borrowings	1,500	19,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(2,860)	(6,697)
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(4,309)**	**7,818**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,987	6,220
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,155	1,275

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	412	(14,068)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4,309)	7,818
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,245**	**1,245**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	1,245	3,987
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,245**	**3,987**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	683
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	130,000	125,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**	**130,000**	**125,000**

7.5	**Unused financing facilities available at quarter end**	**5,000,000**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Debt Facility A
Lender: National Australia Bank
Max Debt: $106,000,000
Variable Interest Rate: BBSY plus 0.65% p.a. + Facility Fee of 0.65%
Maturity Date: 31 March 2024
Secured: Yes

Debt Facility B
Lender: National Australia Bank
Max Debt: $24,000,000
Variable Interest Rate: BBSY plus 0.725% p.a. + Facility Fee of 0.725%
Maturity Date: 31 March 2024
Secured: Yes

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	1,155
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,245
8.3	Unused finance facilities available at quarter end (Item 7.5)	5,000
8.4	Total available funding (Item 8.2 + Item 8.3)	6,245
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**5.4**

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A	

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by: The Chairman of the Board
.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.