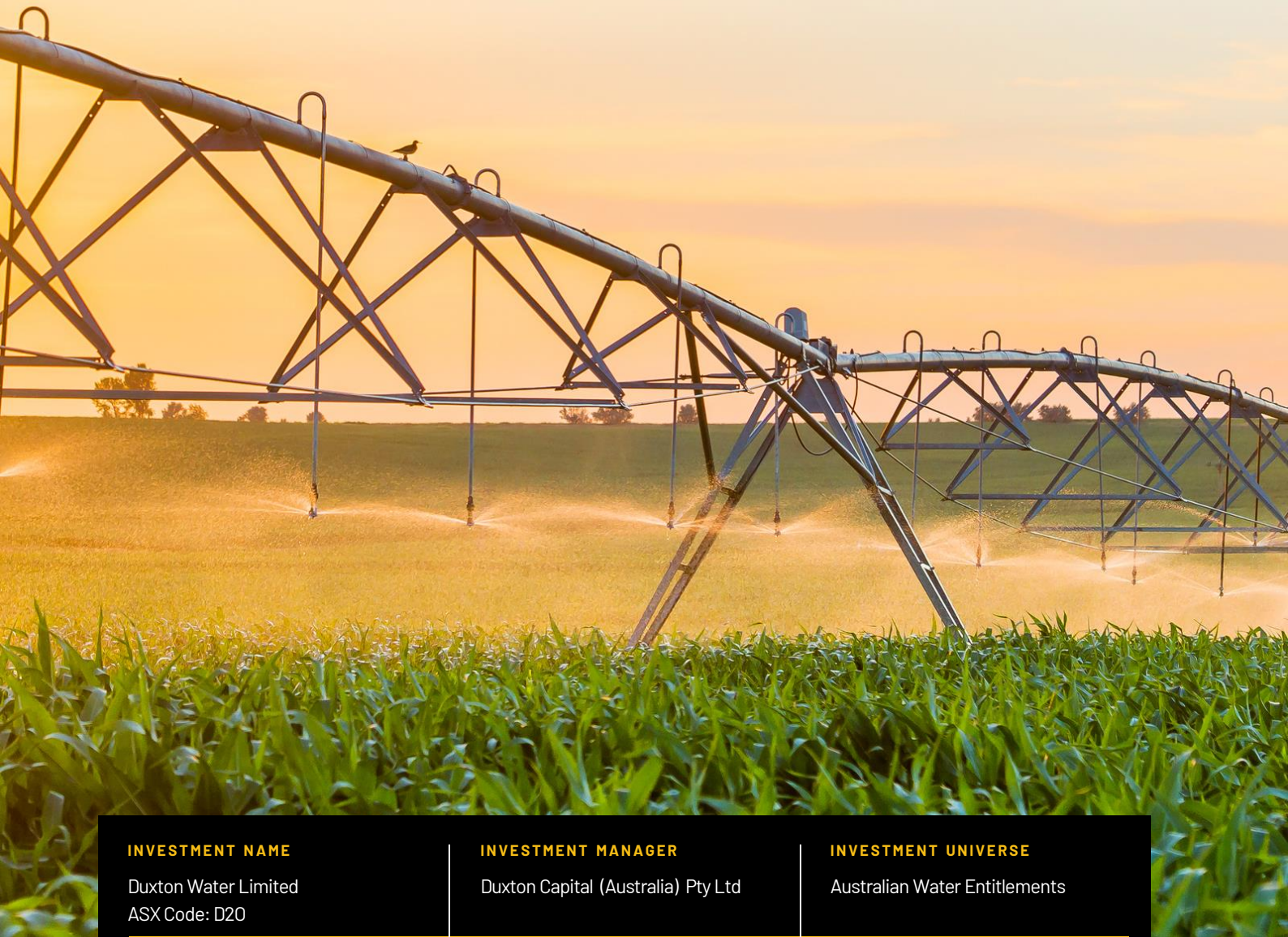
Monthly Update

DUXTON WATER

APRIL 2023



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**
$1.82 per share	117,948,814	$372 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

During the month, Duxton Water paid its 12th consecutive and increasing dividend to shareholders of 3.4 cents per share (fully franked). New shares were issued to participants in the Company's Dividend Reinvestment Plan ("DRP") on 28 April 2023, at $1.72 per share. This represents a 3% discount to the 5-day VWAP prior to the Record Date of 14 April 2023.

The weather outlook continues to forecast drier than average conditions in the coming months, with the Bureau of Meteorology ("BOM") maintaining their forecast of a ~50% chance of El Niño, and a high likelihood of a positive Indian Ocean Dipole ("IOD") forming later this year. Both of which commonly cause below average rainfall for the eastern half of Australia. The BOM's next El Niño-Southern Oscillation ("ENSO") outlook is due to be released on 23 May 2023.

On 11 May 2023, the National Ocean Atmospheric Administration ("NOAA"), the USA's equivalent to the BOM, updated their forecasts to a greater than 90% chance of El Niño forming over the coming months - https://www.climate.gov/enso.

Finalising new leases has been one of our key priorities over the last month. There remains consistent demand for new leases to commence 1 July 2023, with counterparties still favouring longer term options (5-10 years).

We continue to have discussions with our customers about forward sale of allocations for next season. Forward allocation sales act as a price hedging tool for irrigators, as they provide visibility to cost and supply of allocation for the year ahead.

Given the drier than average outlook and receding floodwaters, annual crop producers (i.e. vegetables, rice, cotton, grains, etc.) look well suited to take full advantage of the current conditions.

Low allocation prices, strong dam storages, and good subsoil moistures will likely result in there being a large volume of annual crops planted next season. This will lead to a strong demand for allocations in the upcoming year, especially if the current weather forecast is accurate.

Entitlement values remained relatively flat during April, with several zones seeing a minor pull back in valuation, and others seeing some upwards movement. We have started to see an increase in the volume of water available for purchase, relative to what we have seen over the last six months. This has provided us with the ability to strategically reposition parts of the portfolio at attractive valuations.

This month, the Company's NAV reduced by four cents per share. This is a reflection of the Company paying its most recent dividend, along with a couple of entitlement zones seeing a small drop in market value (i.e. $50-$100ML).

We look forward to hosting our Annual General Meeting on 18 May 2023. Shareholders who are unable to attend in person can access a live webcast of the event using the link as outlined in our announcement "AGM Webcast Details", released to the ASX on 8 May 2023.



Lachlan Campbell
Portfolio Manager



Lachlan Beech
Portfolio Manager

COMPANY PERFORMANCE

1 Month	3 Months	6 Months	12 Months	Inception
0.78%	-2.01%	-0.58%	3.10%	115.26

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

Water Lease & Forward Update

At 30 April 2023, Duxton Water had 58% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 78% of the Company's high-security portfolio (by value).

The current Weighted Average Lease Expiry ("WALE") is 1.2 years and inclusive of renewal options, this takes the WALE to 4.1 years.

The Company has continued to work alongside irrigators to organise leases and forwards ahead of the upcoming season. It is important for irrigators to have a clear water strategy in place ahead of the expected drier conditions.

Over the last few months, Duxton Water has finalised a range of new leases with various counterparties (both new and existing). These new leases commence 1 July 2023 and will provide water security and visibility to these customers for at least the next five years.

While the Company is not expecting a drop off in lease percentage from 1 July 2023, it will continue to assess new leasing opportunities as they present themselves. The Board maintains its target of having 70-80% of the portfolio locked into long-term water leases at any one time. The Company is actively working towards getting back to this target.

Duxton Water's range of water supply products (leases, allocation, forwards, and carry over) enable farmers to risk manage a key input into their business. The Company structures its water products to suit its customers as there is no one size fits all approach when it comes to water security.



Irrigated vegetables

QUICK FACTS SUMMARY

	March 2023	April 2023
Water Entitlements	83.8GL	83.8GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	58%	58%
Weighted Average Lease Expiry (WALE)	1.3 years	1.2 years
WALE (incl. renewal options)	4.2 years	4.1 years

Entitlement Market Update

At 30 April 2023, Duxton Water holds 83.8GL of permanent water entitlements across 18 different asset types and classes.

Throughout April, the Company added one small parcel of entitlement to the portfolio. Transactional activity in the entitlement market gradually increased during the month when compared to the previous 6 months. This has provided the Company with greater opportunity to actively manage its entitlement portfolio.

On average, entitlement values fell by 0.71% during the month with several zones experiencing a small decline in valuations, and other zones seeing a small shift upwards in valuations.

Allocation Market Update

As expected, allocation prices continued to decline in value across most water zones in the southern Murray Darling Basin ("MDB"). This typically occurs in the months leading into the new water year (i.e. April-June), as there tends to be less demand for water.

Allocation water in April traded between $6-$10/ML in the Lower Murray, $8-$12/ML in the Goulburn, $5-$10/ML in the Murrumbidgee, and $3-$8/ML in the Upper Murray.

Forecasted opening allocations for the new water year remain strong, with most high security entitlements likely to reach 100% throughout the year. The NSW Government is forecasting general security allocations in the NSW Murray and Murrumbidgee to open at 35% and 15% respectively.

WATER CARRY-OVER CONTRACT CASE STUDY: MURRAY

Duxton Water recently executed a carry-over parking contract with an almond grower. Carry-over products allow irrigators to park allocation water against D2O's entitlement holdings in any given year. This allows allocation water to be carried from one water year to the next. The risk of spill can either sit with the irrigator or the Company, depending on how the contract is structured. This transaction has allowed the counterparty to take well-priced allocation from this water year into next water year.

Through this type of partnership, Duxton Water continues to enable Australian farming businesses to take a multi-year approach to managing their annual water supply strategy.



Finance Update

At 30 April 2023, Duxton Water's post-tax NAV decreased by four cents to $1.82 per share. This movement in NAV was largely due to the most recent dividend that was paid to shareholders on 28 April 2023.

The Company's NAV, excluding tax provisions also decreased by four cents during April to $2.09 per share.

Duxton Water's share price closed the month at $1.71.

The Company's Net Debt to Water Assets sits at 33% at the end of April, which is below the Company's maximum Net Debt covenant of 40%.

The Company continues to closely monitor interest rate markets and actively manage its interest rate swap portfolio and debt position.

NAV (post-tax)	NAV (pre-tax)
$1.82 per Share	**$2.09 per Share**

Share Buyback

Since November 2021, Duxton Water has bought back a total of 3.2 million shares (equivalent to 2.8% of the Company's shares), at an average price of $1.63 per share.

Dividends

On 28 April 2023, Duxton Water paid its 12th consecutive and increasing dividend to shareholders of 3.4 cents per share.

This dividend is in line with the previously stated dividend target and is fully franked (30% tax rate) for Australian taxation purposes.

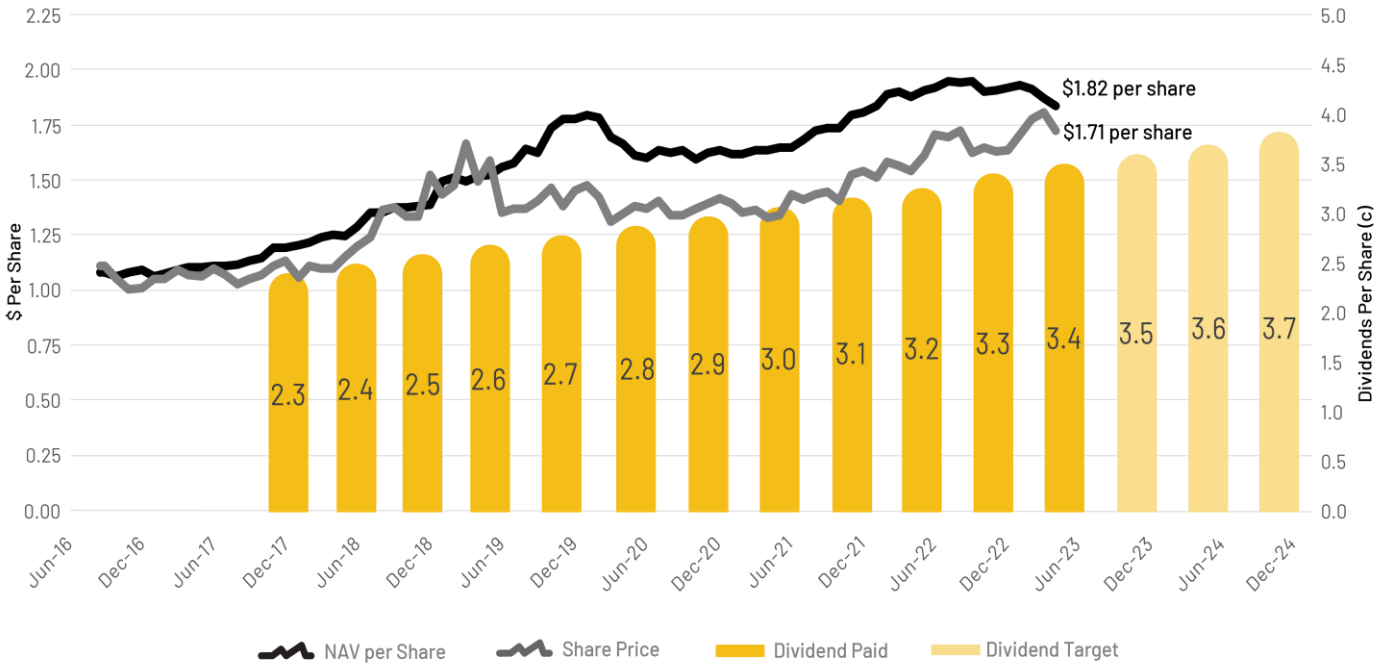
Duxton Water was pleased to continue offering shareholders with an ability to participate in the Company's DRP. Participants were eligible to receive a 3% discount on new shares issued under the DRP.

The Board would like to reaffirm the Company's dividend guidance provided out to the end of 2024:

DIVIDEND GUIDANCE

	Cents Per Share	Franking Target
Final 2022 (Paid)	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

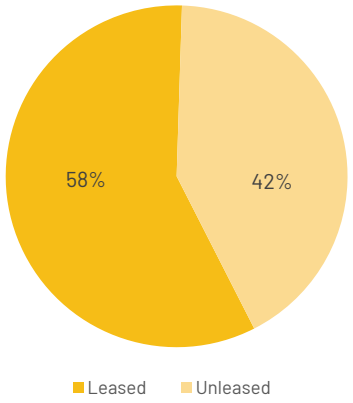
HISTORICAL PERFORMANCE – SINCE INCEPTION



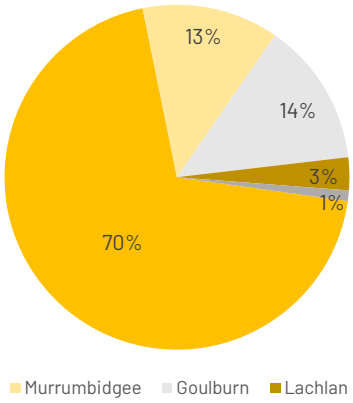
VALUATION METHODOLOGY

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

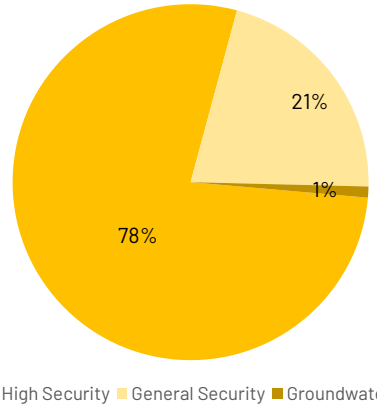
WATER PORTFOLIO DIVERSIFICATION



ENTITLEMENT VALUE BY REGION



WATER SECURITY BREAKDOWN



Weather Update

National rainfall for April 2023 was 35.7% above the long-term April average, the highest since 2006.

Rainfall was well above average for most of Western Australia, Northern Territory, South Australia, much of New South Wales and Queensland's south-west, and most of central and western Victoria. Drier conditions were seen throughout central and north-eastern parts of the MDB, and in southern Queensland.

Across the MDB, April rainfall was 29% above the long-term average. Soil moistures across the southern MDB have shifted from average to above average. Soil moistures across large parts of the northern MDB are continuing to dry.

National average temperatures in April 2023 were the coldest since 2015, as the mean maximum temperatures were 0.05°C below average, and the national mean minimum temperature was 0.08°C above average.

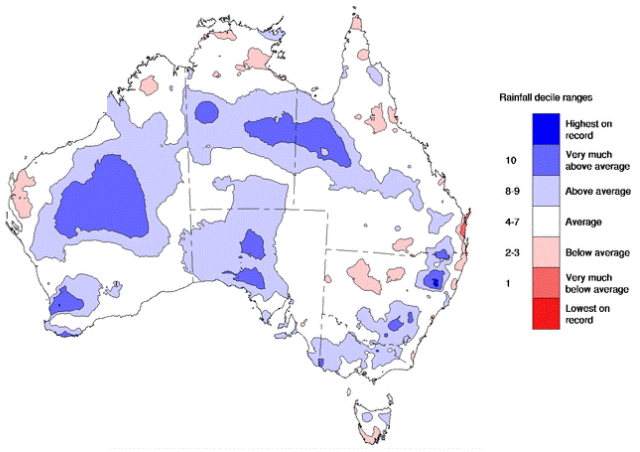
The ENSO is currently neutral (neither La Niña nor El Niño). International models suggest neutral ENSO conditions are likely to persist through autumn. The BOM maintains their forecast of an El Niño watch, which means there is a ~50% chance of El Niño developing later in 2023.

The IOD indicator is neutral and typically has little influence on the Australian climate from December to April. Most climate models are however forecasting a positive IOD event to develop in the coming months. A positive IOD can reduce winter and spring rainfall over much of Australia, while potentially exacerbating the dry effects of El Niño.

The Southern Annular Mode ("SAM") index is currently neutral and is expected to remain neutral over the coming three weeks. A neutral SAM has little influence on Australia's rainfall and temperature outlook.

RAINFALL DECILE CHART (AUTUMN)

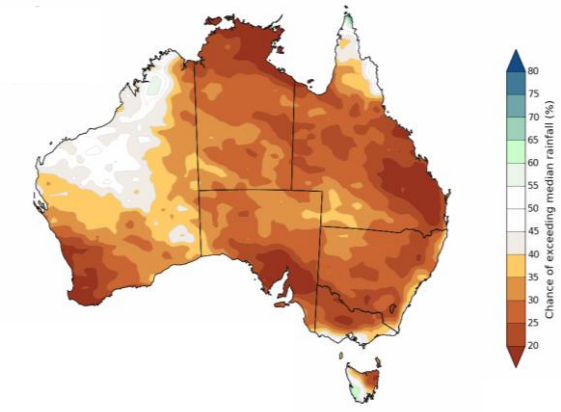
MARCH 2023 - APRIL 2023



Source: Bureau of Meteorology

CHANCE OF ABOVE-AVERAGE RAINFALL

MAY 2023 - JULY 2023



Source: Bureau of Meteorology

Outlook & Storages

The May to July outlook suggests the coming months are likely to be drier than average for most of Australia, excluding southern Victoria and parts of Tasmania.

For most of Australia, May to July is also expected to be warmer than average. Above median maximum temperatures are likely for most of the country, with warmer than average nights for the west, south-east, and coastal regions.

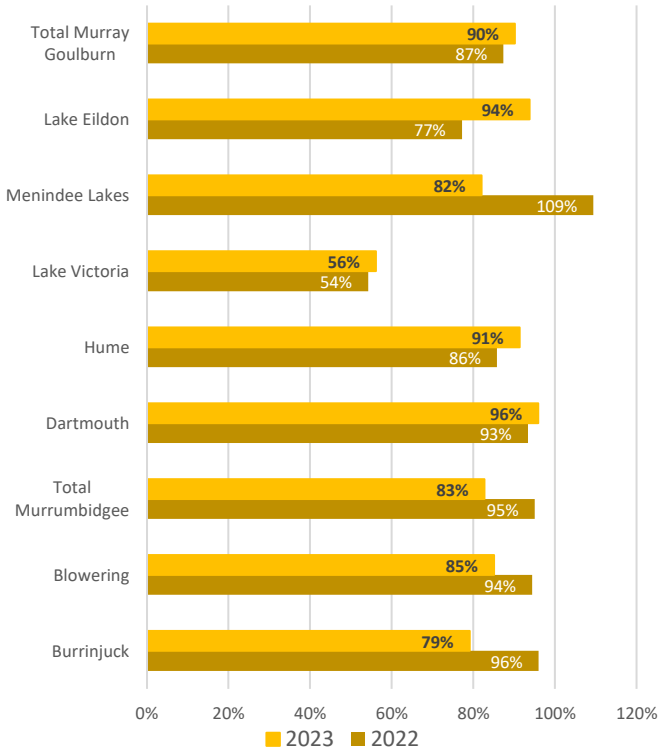
The ENSO outlook is currently at El Niño Watch as there are signs of El Niño forming later in 2023. El Niño Watch means there is a 50% chance of El Niño developing this year. El Niño increases the chances of below-average rainfall for winter and spring.

River inflows to the Murray system were well above the long-term average for April. This month's inflows were the second highest since April 2012.

High streamflow's in the upper Murray and Murrumbidgee catchments have led to the Northern Victorian Resource Manager increasing the risk of spill to 90%.

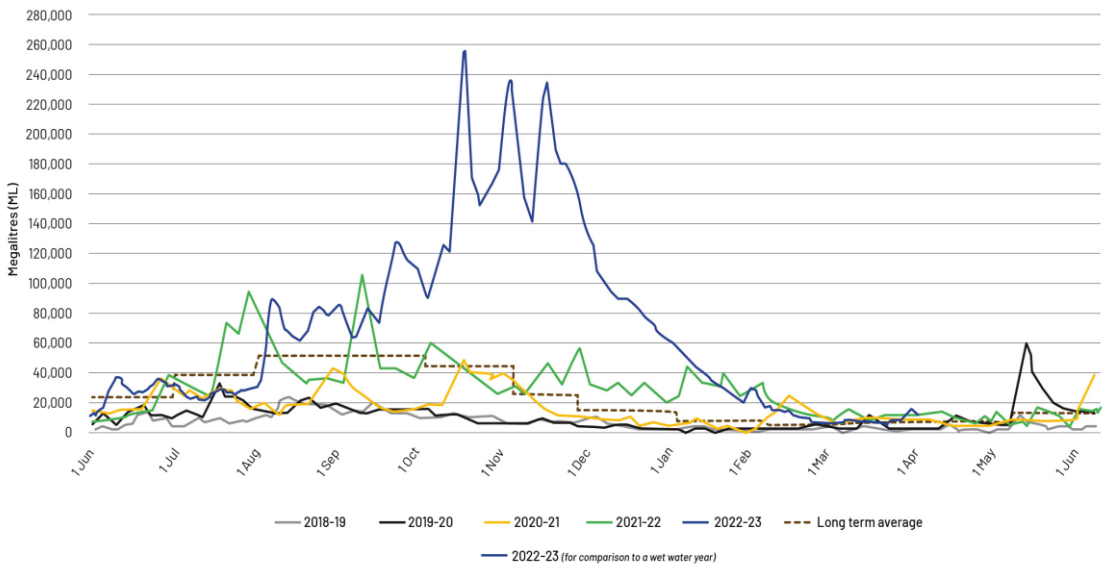
Storages are now at 95% in the northern Basin and 88% in the southern Basin, compared to 95% and 86% at the same time last year.

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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