

Quarterly Update



MARCH 2024

INVESTMENT NAME

Duxton Water Limited
ASX Code: D20

INVESTMENT MANAGER

Duxton Capital (Australia) Pty Ltd

INVESTMENT UNIVERSE

Australian Water Entitlements

NET ASSET VALUE (POST-TAX)

\$1.61 per share

SHARES ON ISSUE

152,722,498

WATER PORTFOLIO VALUE

\$394 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 southern Murray Darling Basin (“sMDB”) experienced wetter than usual conditions at the beginning of 2024, however February and March saw a slight increase in demand for water allocations due to hotter and drier weather. By the end of March 2024, the Company had sold most of its unleased allocation holdings, with only a small portion remaining to be sold to irrigators looking to close out their 2023/2024 irrigation plans.

At 31 March 2024, the lease portfolio accounted for 57% of the permanent portfolio by value. No new leases were entered into during the quarter. However, there has been an increase in lease enquiries from irrigators in preparation for the new season. Additionally, discussions with existing customers regarding potential lease renewals are ongoing.

In relation to the forward allocation market, Duxton Water has successfully entered into multiple contracts for delivery in 2024/2025. Following the peak irrigation season, irrigators are looking to secure water supply for the water year ahead. The Company typically assigns a portion of the unleased portfolio to forward contracts, which helps mitigate exposure to price volatility in the spot market.

During the quarter, the Australian Government also provided some additional details about the water purchase program that was carried out in 2023. The Minister for the Environment and Water confirmed that the Government purchased 26.25 GL of water licences for approximately \$205 million. The purchase included both high security and general security licences across various regions and valleys (including from both the northern and southern Murray Darling basins).

In early January, the Government released a draft framework for delivering the 450 GL. The framework outlined the guiding principles and the three main programs that will take place from 2024 to 31 December 2027. It also states that voluntary water licence purchases will begin in 2024. The public consultation period closed on 4 March 2024, and a further update from the Government is expected soon.

COMPANY PERFORMANCE - MARCH 2024

1 Month	3 months	6 Months	12 Months	Inception
-0.09%	-0.89%	-1.56%	-8.23%	99.58%

COMPANY SNAPSHOT

	December 2023	March 2024
Water Entitlements	90.5GL	90.5GL
Leased % of Portfolio	60%	57%
Weighted Average Lease Expiry (WALE)	3.1 years	2.8 years
WALE (incl. renewal options)	5.0 years	4.8 years
Shares on Issue	152.7	152.7
Total Water Assets	\$390m	\$394m

Water Markets – Industry Update

Entitlement Market

The aggregated entitlement market in the sMDB has increased by approximately 1% since the end of December 2023.

This was primarily driven by general security and low-reliability entitlements, which continue to perform well in the current environment. This likely reflects the strong demand for carry-over space and the anticipation of receiving strong allocations in the 2024–2025 irrigation season.

Allocation market

Allocation prices have reduced significantly since December 2023. Substantial rainfall events at the end of 2023 and early 2024 caused allocation prices to soften over the 3 months.

Murrumbidgee high security entitlements and most low reliability entitlements in Victoria have now received 100% allocations. This put further downward pressure on prices, and despite a slight increase in demand during March, allocation prices remained low.

At the end of March 2024, spot water traded at \$20–\$25/ML in the Murrumbidgee, \$25–\$30/ML in the Goulburn, \$25–\$30/ML in the lower Murray, and \$15–\$20/ML in the upper Murray.

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



Investment Update

At 31 March 2024, Duxton Water's post-tax NAV was \$1.61 per share, decreasing 1 cent per share during the quarter.

The decrease in the post-tax NAV was primarily due to a slight decrease in the value of several high security water entitlements in the portfolio.

The Company's pre-tax NAV, which excludes tax provisions, closed at \$1.74 per share, decreasing by 4 cents during the quarter.

The fall in the pre-tax NAV was also due to movements in the portfolio, as well as the timing of tax payments and deferred tax movements.

December 2023 NAV (post-tax)	March 2024 NAV (post-tax)
\$1.62 per Share	\$1.61 per Share

Dividends

Duxton Water paid a final 2023 dividend of 3.6 cents per share on 26 April 2024. This dividend was in line with the previously stated dividend target and was fully franked (30% tax rate) for Australian tax purposes. The record date for this dividend was Friday, 12 April 2024.

Once again, Duxton Water offered shareholders the opportunity to participate in the Company's Dividend Reinvestment Plan ("DRP"). Participants in the DRP were entitled to receive additional shares at a 5% discount to the share price. The discount was based on a 5-day volume-weighted average share price leading up to and including the record date of 12 April 2024.

	Cents Per Share	Franking Target
Final 2023 (paid 26 April)	3.6 cps	Fully Franked
Interim 2024	3.7 cps	Fully Franked

Call option

On 5 April 2024, Duxton Water received formal notice from Treasury Wine Estates ("TWE") that it has exercised its call option on the NSW water entitlements that were purchased by Duxton Water in July 2023. This means that TWE will buyback 2,799 ML of NSW high security water entitlements from Duxton Water. As per the terms of the call option, the leaseback associated with these entitlements will be terminated.

Proceeds from this sale are expected to be used to reduce debt in the interim. This will provide the Company with additional flexibility and capacity to reinvest in well-priced water entitlements as opportunities present. Further information can be found in the official ASX announcement.¹

Finance

In the first quarter of 2024, the Company received higher receipts from customers compared to the same period last year. This amount includes both lease payments and proceeds from allocation sales. Compared to Q1 2023, the Company sold a larger volume of its unleased allocation holdings in Q1 2024, resulting in higher income for the quarter.

Overall operating costs were as expected. However, due to increased interest rates, interest payments were higher when compared to the same period last year.

During the quarter, the Company rebalanced its entitlement portfolio and conducted several trades, including sales and purchases of permanent water entitlements. Due to timing differences between entitlement payables and receivables, the Company utilised a short-term overdraft facility to settle transactions in its acquisition pipeline. The short-term overdraft facility was initiated on 15 March 2024 and was paid back in full on 5 April 2024.

The Company's net debt to water assets ratio ("LVR") was 32% at the end of March 2024, which continues to be well below the Company's maximum LVR of 40%.

Payments to Associates/Related Parties

During Q1, the following cash payments to Associates and Related Parties occurred (GST exclusive):

	March 2024 Quarter	YTD
Duxton Capital - Administration Fees (Admin, & Accounting Services)	\$80k	\$80k
Duxton Capital - Management Fees (As per the Management Agreement)	\$630K	\$630k
Duxton Capital - Performance Fees (As per the Management Agreement)	-	-
Duxton Capital - Reimbursements (On-charged Reimbursements)	\$53k	\$53k

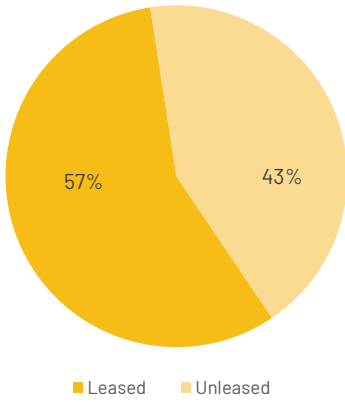
1. ASX Announcement: Treasury Wine Estates exercises call option to acquire NSW water entitlements from Duxton Water Limited.

VALUATION METHODOLOGY

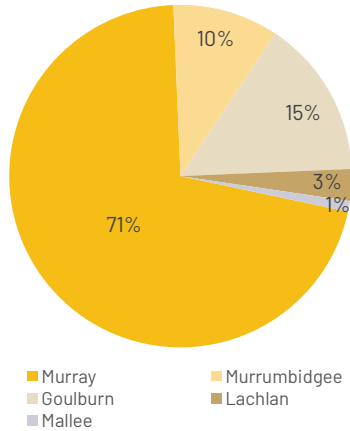
The Company uses an Independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ("Aither") to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement. 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



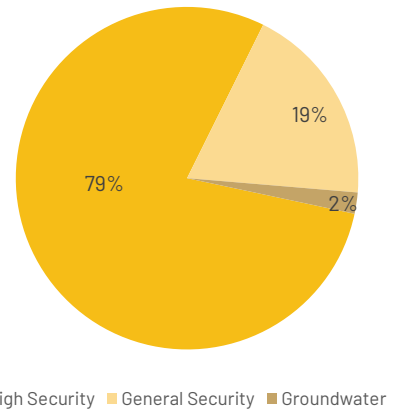
WATER PORTFOLIO DIVERSIFICATION



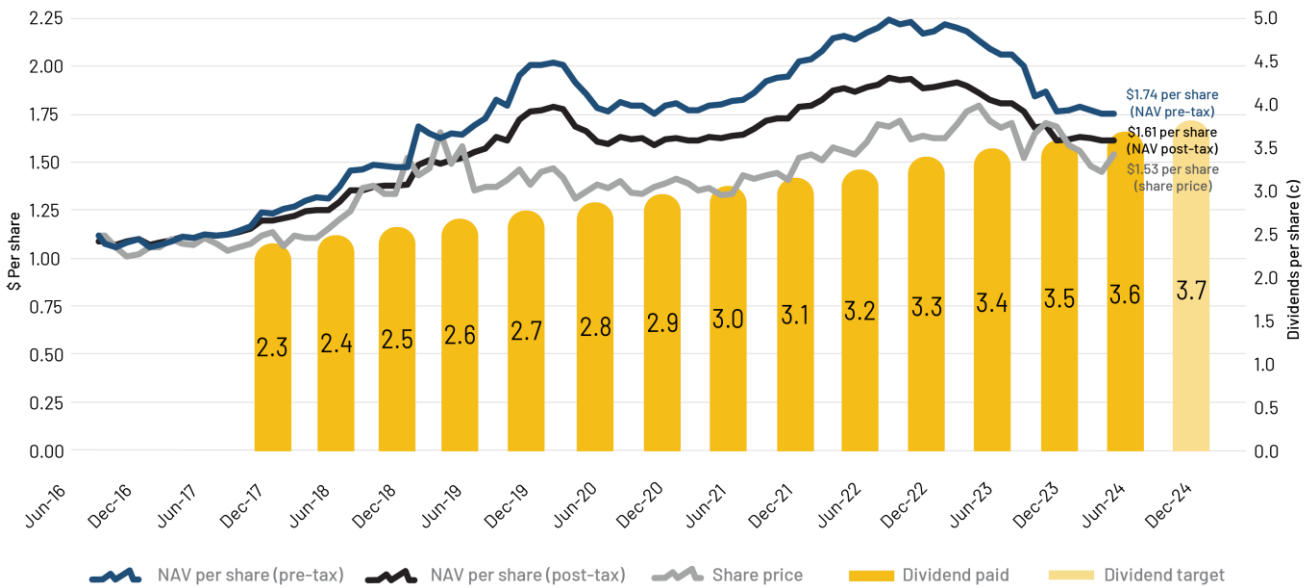
ENTITLEMENT VALUE BY REGION



WATER SECURITY BREAKDOWN



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

53 611 976 517

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,042	3,042
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(50)	(50)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	-	-
(f) administration and corporate costs	(506)	(506)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,880)	(1,880)
1.6 Income taxes paid	(1,460)	(1,460)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- Management Fees	(630)	(630)
- Performance Fee	-	-
1.9 Net cash from / (used in) operating activities	(1,484)	(1,484)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	(22,158)	(22,158)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	4,339	4,339
(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)	-	-
2.6 Net cash from / (used in) investing activities	(17,819)	(17,819)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	4	4
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	13,500	13,500
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other	-	-
3.10 Net cash from / (used in) financing activities	13,504	13,504

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,832	1,832
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,484)	(1,484)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(17,819)	(17,819)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	13,504	13,504
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	(3,967)	(3,967)

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	1,033	1,832
5.2	Call deposits	-	-
5.3	Bank overdrafts	(5,000)	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(3,967)	1,832

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	763
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

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

7.	Financing facilities <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	130,000	130,000
7.2	Credit standby arrangements		
7.3	Other (Bank Overdraft)	5,000	5,000
7.4	Total financing facilities	135,000	135,000
7.5	Unused financing facilities available at quarter end		-
7.6	<p>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.</p> <p>On 23rd April 2024, Duxton Water Ltd successfully renegotiated its debt facility with NAB as follows. Noting that Facility A and B have now been consolidated into Facility A:</p> <p>Debt Facility A Lender: National Australia Bank Max Debt: \$130,000,000 Variable Interest Rate: BBSY plus 0.65% p.a. + Facility Fee of 0.65% Maturity Date: 31 March 2026 Secured: Yes</p> <p>Due to an unforeseen delay with receiving funds on a water entitlement sale, on 15 March 2024, the Company implemented a short-term overdraft facility to assist with settling several transactions that were sitting in the Company's water entitlement acquisition pipeline. The overdraft facility was paid back in full on 5 April 2024.</p> <p>Short-Term Overdraft Facility Lender: National Australia Bank Max Debt: \$5,000,000 Variable Interest Rate: 10.72% Maturity Date: 14 April 2024 Secured: No</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,484)
8.2	Cash and cash equivalents at quarter end (item 4.6)	(3,967)
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)	1,033
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.7
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

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

8.6.1 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: As at 31/03/2024, the Company has an accounts receivable balance of \$11 million that it expects to collect on in the coming quarter (primarily from water entitlement sales). In the interim, a short-term overdraft funding arrangement was put in place with NAB as per the disclosure in item 7.6.

8.6.2 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: Yes, the Company is very likely to be successful in collecting outstanding receivables owed by its customers/transactional counterparties. The commencement of the new water year (1 July 2024) will also result in the Company receiving additional water allocations that can be sold to generate cash inflows. Finally, the Company expects to receive a material cash inflow in due course as part of TWE exercising their call option over the NSW water entitlements acquired in 2023.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The nature of the Company's revenue streams provides the Board with a high degree of visibility to its cash flows through allocation sales, long-term leasing arrangements, and forward sale contracts. This gives the Board confidence that the Company can continue its operations and meet its business objectives as and when they fall due.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 30 April 2024
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Authorised by: The Chairman of Duxton Water Limited
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(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.