

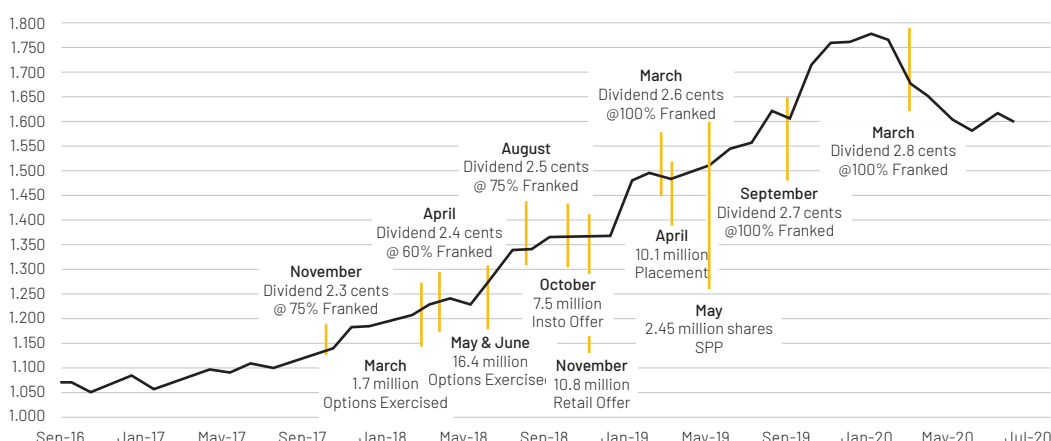
The primary investment objective of Duxton Water is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering Irrigators a range of supply solutions including long term entitlement leases, forward allocation contracts and spot allocation supply.

NET ASSET VALUE PER SHARE

Duxton Water's NAV at 31 August 2020 was \$1.61 per share.

The after-tax NAV figure takes into account the provision for deferred tax on set-up costs and estimates of net tax provisions that may arise should the entire portfolio be disposed of on the above date. The Company does not expect to trigger these tax provisions through the turnover of these assets and expects to maintain its low entitlement turnover ratio. **The NAV excluding tax provisions for unrealised capital gain is \$1.79.** The Company's NAV is primarily the fair value of its water asset portfolio at the stated date. The Company uses an independent Fair Market Unit Value for entitlement and allocations provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment.

NET ASSET VALUE PER SHARE – SINCE INCEPTION



PERFORMANCE*

1 Month	3 Months	6 Months	12 Months	Inception
-0.76%	0.62%	-6.72%	3.91%	69.95%

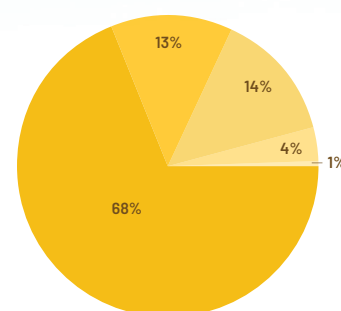
*These figures are based on NAV movements and include franked dividends for the period.

INVESTMENT UPDATE

As of the 31 August 2020, Duxton Water Ltd is invested in approximately \$322.76 million of water assets with the remainder of the portfolio held in cash and net current assets. The Company currently has approximately 474.4ML (\$2.54 million) of water entitlements in its acquisition pipeline at 31 August 2020.

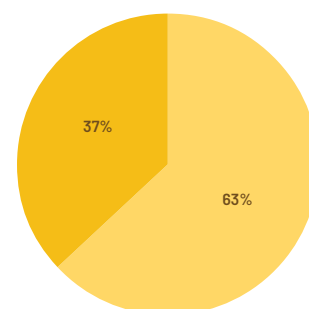
Through the 19/20 water year we saw significant pressure on available supply due to a 36-40 month period of below average rainfall and inflows. The water market facilitated the movement of available allocation between Irrigators and industries to meet critical demand. Many Irrigators took advantage of water supply products such as leases and forward allocation contracts to assist them in the management of their water requirement. Over the last couple of months of the 19/20 water year we saw an easing in allocation pricing with an average price in June of ~\$200/ML. This enabled both perennial and annual cropping producers to mitigate supply risk into the 20/21 water year, which while beginning

Entitlement Portfolio Value by Region



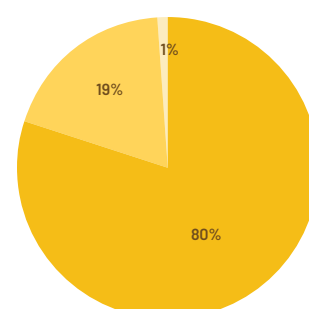
● Murray
● Murrumbidgee
● Goulburn
● Lachlan
● Mallee

Water Portfolio Diversification



● Unleased
● Leased

Water Security Breakdown



● HS
● GS
● Bore

with some promise for improved resource availability, has currently not see the inflow yields needed to substantially restore storage levels.

Through the first half of 2020 we have seen a retracement in permanent entitlement values of approximately 6.1% from their peak in January 2020. For context since January 2014, water entitlement values have increased 253%, reflective of the long-term structural drivers, rather than the short-term climatic conditions. Irrigators have over the last 10 years significantly enhanced their marginal return per megalitre through both more efficient use of water and conversion to higher value commodities. At the same time, we have seen significant steps taken to return water to the environment with Government purchases of between 20-22% of entitlements that were previously available to the consumptive pool. The combined impact has seen stronger demand for a reducing available water supply and subsequent increased asset prices. Irrigators themselves have been the greatest beneficiaries from this capital appreciation as they collectively own the majority of water entitlement on issue in the market.

While August rainfall was slightly above average, it has not been enough to counter the overall dry winter experienced across the MDB. Whilst storage levels are higher than they were 12 months ago, they remain a third below average long-term levels. The current volume of water available within the Murray-Goulburn system is 56% of storage capacity levels; 10% higher than 12 months ago. Northern basin storage levels are currently 27%, 17% higher than 12 months ago.

Duxton Water continues to support its irrigating farming partners as they prepare for peak 20/21 water requirements. This involves the provision of leases to over 70 family farming and corporate businesses. Through June we saw many Irrigators take advantage of seasonally low allocation pricing and acquire allocation to carry over into the new water year.

The Company has further supported Irrigator water risk management through the provision of forward allocation contracts for the 20/21 water year. The Company actively manages its allocation holding in order to deliver on demand for spot allocation sales, meet its obligation for the provision of forward allocation sales and deliver on new entitlement lease arrangements. With low storage levels, visible water supply through the provision of these products are a critical tool that Irrigators use to risk manage their water requirement. In the offering of these products, the Company supports market liquidity and risk management options for our irrigation partners.

*<https://waterregister.vic.gov.au/images/documents/Water-supply-and-horticulture-demand-in-the-sMDB-2020-Update.pdf>

ENTITLEMENT MARKET

Duxton Water Ltd is engaged in building a targeted portfolio of water entitlements predominantly across the southern MDB. The Company has invested in both surface and ground water assets. At 31 August 2020, the Company holds approximately 84,106ML of water entitlements across 19 different asset types and classes. Since January 2020 we have seen a level of retracement in the value of permanent entitlement on the back of relatively low levels of trade. Permanent market activity is increasing after a period of low levels of activity.

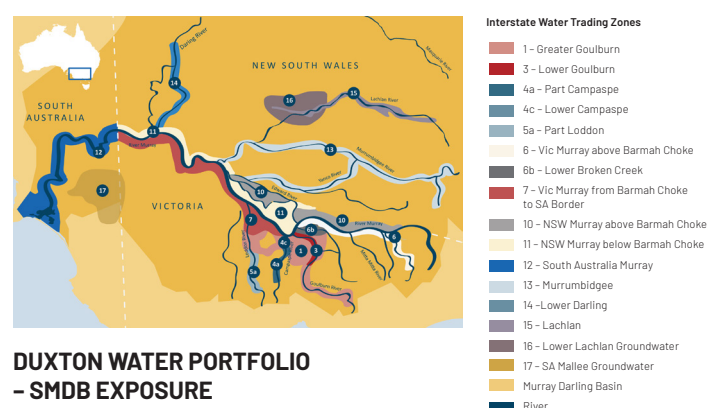
On the 27 June 2020, the Victorian Government released* an update to their previous work on increasing horticulture demand within the southern MDB. This report reaffirmed, with a higher degree of accuracy, the previous findings, that the continued maturity of inelastic horticultural demand in the lower Murray will create a structural shortfall under extreme dry conditions. It remains the Company's view, that over the next 2-3 years, this demand pressure will become further evident, as a number of new projects come into full production and peak water use.

The Company uses an independent Fair Market Unit Value for entitlement and allocations provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment.

Aither Pty Ltd provide a Fair Market Unit Value for entitlement on a monthly basis on a dry (without allocation) equivalent basis.

Notable Entitlement pricing movement:

- ↑10.0% in NSW Lachlan GS (~3.2% of portfolio)
- ↓1.3% in NSW Murrumbidgee HS (~8.42% of portfolio)



ALLOCATION MARKET

Prices eased slightly through the back half of August however firmed on a less optimistic rainfall outlook by the BOM for September. The closure of trading limits from the Upper Murray, Goulburn and Murrumbidgee has seen a level of price fragmentation from the lower Murray, where allocation is currently trading between \$300-\$310/ML.

LEASES

The leased portion of the water entitlement portfolio is ~63%. This represents ~74.2% of the Company's High Security Entitlement holding.

The current weighted average lease expiry (WALE) remains at 2.6 years. Inclusive of renewal options this pushes the WALE to 4.9 years. The Company continues to work towards its long-term goal of having 70-80% of the portfolio under lease.

DIVIDENDS

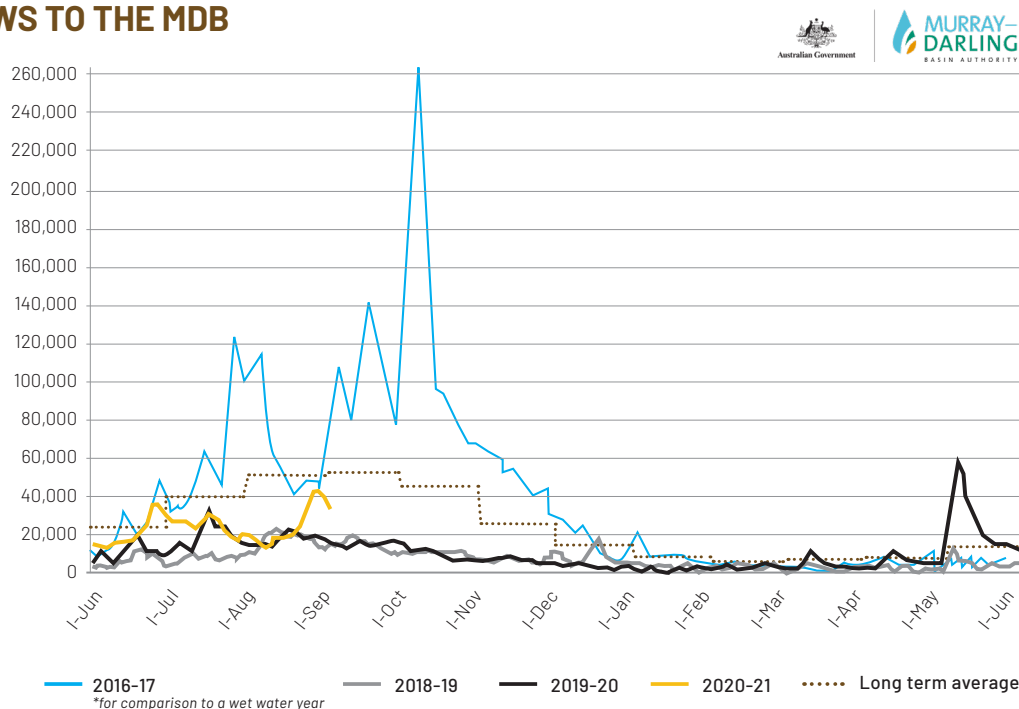
The Board maintains its commitment to providing shareholders with a bi-annual dividend franked to the maximum extent possible. With the Company's high percentage of leased entitlements, the Directors have previously advised the next four targeted dividends and are pleased to provide the fifth dividend target in its recent half year report.

The Company has targeted fully franked payments of:

- 2.9 cents (\$0.029) as the interim 2020 dividend;
- 3.0 cents (\$0.030) as the final 2020 dividend;
- 3.1 cents (\$0.031) as the interim 2021 dividend;
- 3.2 cents (\$0.032) as the final 2021 dividend; and
- 3.3 cents (\$0.033) as the interim 2022 dividend.

The dividend targets are to be paid in the following reporting periods.

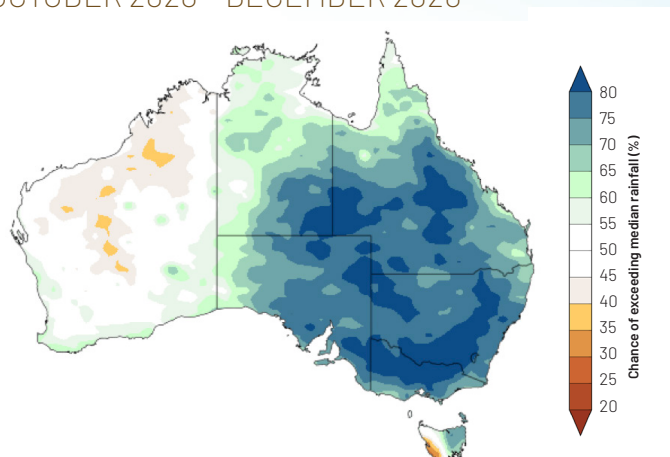
DAILY INFLOWS TO THE MDB



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

CHANCE OF ABOVE-AVERAGE RAINFALL

OCTOBER 2020 – DECEMBER 2020



MARKET UPDATE & OUTLOOK

Winter is a critical period where consistent rainfall should wet catchments and yield strong inflows to storages, unfortunately earlier BOM forecasts for above average rainfalls have not eventuated. The BOM reports that winter was the sixth warmest on record with below average rainfalls leading to inflows being in the driest 40% on record.

The BOM are seeing signs of the large-scale climate drivers of a La Nina and a negative Indian Ocean Dipole forming, both of which typically result in above average rainfall across much of Australia and the MDB. Although these drivers are yet to lock into the wetter part of their cycle, the BOM has projected above average rainfall for October to December 2020. While the BOM have some confidence that conditions will be wetter than average, catchments are looking less likely to deliver the significant inflows required to reset storages.

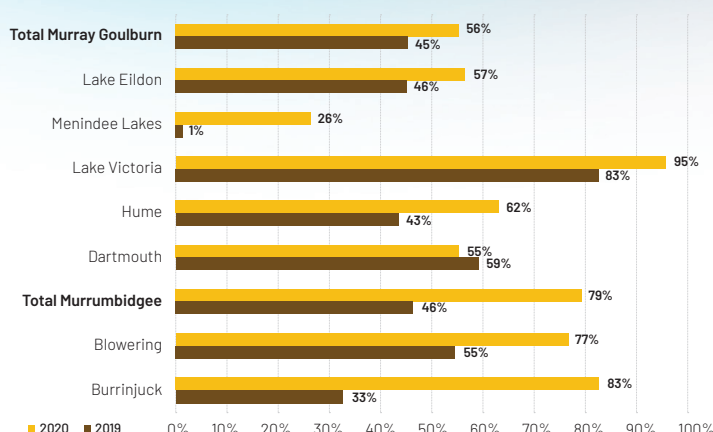
In the northern and southern MDB, storages are now at 27% and 56%, compared to 10% and 45% this time last year.

ACCC

On 30 July 2020, the ACCC released the interim report into the Southern Murray Darling Basin Water Market.

The ACCC has spent almost a year reviewing the markets operation and engaging with key stakeholders. The Commission has had an ongoing role in monitoring the Australian Water Markets, having issued reports on its operation since 2012.

STORAGE LEVELS IN MAJOR DAMS



The Company believe it is a thorough and well-balanced report.

We note the ACCC has stated that: "Water trading has brought substantial benefits to water users across the Basin. Water markets allow irrigators to increase their water supplies, to earn income by selling their water rights when they are more valuable to someone else, to expand production, or to release capital for investment in their businesses. The benefit of water markets is demonstrated by the fact that, despite tough and volatile climatic conditions, the value of production from irrigated agriculture in the Southern Basin has trended upwards in real terms since 2010-11."

"Water investors, meanwhile, can help irrigators free up capital by buying and leasing out water; they can increase water market liquidity; and they can help irrigators manage water-supply risks, by providing water products such as leases and forward contracts.

"We note the report has identified opportunities to improve governance, regulatory and operational frameworks that support Australian water markets. We believe that a focus in these areas will benefit all stakeholders and Duxton will actively engage in that process.

The ACCC have received an extension to the due date of the final report. This report will now be delivered to the Treasurer on the 26 February 2021.

The interim report can be found at:
<https://www.accc.gov.au/focus-areas/inquiries-ongoing/murray-darling-basin-water-markets-inquiry/interim-report>

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

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

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