

DUXTON WATER LIMITED JUNE 2023 HALF-YEAR REPORT

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DUXTON
WATER

PROUDLY SUPPORTING AUSTRALIAN IRRIGATORS AND FARMERS

ACN 611 976 517



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HALF-YEAR 2023 SNAPSHOT

Duxton Water's Investment Manager 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.**

-2.81%
TOTAL
SHAREHOLDER
RETURNS
(6 MONTHS)¹

\$401M
WATER
PORTFOLIO
VALUE²

\$1.80
PER SHARE
NET ASSET VALUE
(POST TAX)²

\$1.70
PER SHARE
SHARE PRICE

88.8GL
TOTAL WATER
OWNED

53%
LEASED
PORTFOLIO

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¹ Total portfolio return is based on NAV movements and includes franked dividends for the 6 month period to 30 June 2023.

² Non-statutory value, adjusting for water entitlements held at cost in Financial Statements of \$303.2m.

HALF-YEAR KEY HIGHLIGHTS

Dear Shareholders,

I am pleased to share with you the 2023 half-year financial report for Duxton Water Limited ("the Company" or "Duxton Water"). Over the last 6 months, the devastating effects from the recent southern Murray Darling Basin ("sMDB") floods have continued to impact basin irrigators. As a business, we remain committed to supporting our customers through this difficult period.

Our balance sheet has remained resilient through one of the wettest periods of the last 60 years. Our diversified portfolio of water entitlements has continued to bode well for shareholders, with our general security portfolio being a stand out in terms of performance.

I'm also pleased to report that in line with previously stated dividend guidance, we paid a 3.4 cent (fully franked) dividend to shareholders in April 2023. The Company is committed to continuing to provide Shareholders with a bi-annual dividend franked to the maximum extent possible.

GROWTH

We were pleased to announce on 3 July 2023, that Duxton Water has entered into an agreement to acquire \$39.1 million of high-security water entitlements from Treasury Wine Estates ("TWE") on 30 June 2023.

We see this transaction as an important move towards expanding our business and continuing to support Australian farming businesses. This transaction includes the acquisition of 4,770 megalitres of high security entitlements in the Lower Murray, a region known for having a high density of permanent horticulture plantations. This acquisition not only allows us to scale our portfolio but also increases our exposure to high-security water entitlements ahead of forecasted dry conditions.

The transaction involves the leaseback of 3,815 megalitres (80% of acquired water entitlements) for the next five years. The transaction includes a call option for TWE to buy the entitlements back from D20. Details of this transaction are available in the Company's recent ASX announcements.

This type of transaction allows Australian farming businesses to free up capital from their balance sheets, giving them the flexibility to invest in land and production assets, all while still maintaining access to water security in the long term.

To fund the acquisition, the Company invited its existing Eligible Shareholders to participate in a partially underwritten 1:4 Non-renounceable Entitlement Offer ("Offer"). This represented an opportunity for existing shareholders to acquire additional shares in the Company at \$1.50 per share. The Offer was successfully completed and raised its maximum of \$44.2 million, with new shares being issued on 8 August 2023.



In July 2023, the Company also successfully completed a \$7.25 million underwritten Institutional Placement to institutional and sophisticated investors. Any surplus funds raised through the Company's recent capital raising activities will be used to further expand the Company's water portfolio or to reduce debt.

OPERATIONAL PERFORMANCE

Duxton Water reported a net profit after tax of \$2.8 million (half-year ended 30 June 2022: \$4.4 million) for the half-year ended 30 June 2023. Despite the wettest conditions in 60 years, which resulted in extremely low water allocation prices, the Company's leasing revenue and realisation of capital gains from rebalancing its permanent portfolio contributed to this positive result.

We sold most of our unleased water allocations before the end of 2022 to support summer irrigation. As a result, the sale of these unleased water allocations were recorded in FY2022, and did not have a material impact to the current half year results.

Over the past six months, one of our main priorities has been to expand our leased portfolio. I am pleased to inform you that starting from 1 July 2023, Duxton Water's annualised leasing revenue is expected to increase to \$7.6 million, compared to \$7.4 million last year at the same time.

Annualised leasing revenue is expected to rise to \$9.0 million once settlement of the TWE transaction takes place, and the new leases commence.

With great pleasure, I am pleased to announce that during the period, our portfolio exceeded a market value of above \$400 million for the first time. Our portfolio composition of high security, general security, and groundwater entitlements allows us to generate balanced results over the climatic cycle.

Looking forward, there are several factors that may lead to positive performance over the next 6-12 months. This will largely be driven by the normalisation of weather conditions which has already seen demand for leases, allocation prices, and lease yields improve on the back of recent weather outlooks.

We will continue to actively manage and position our portfolio to work within the climatic cycle. This will give us the best chance to continue to meet our business objectives and provide balanced returns to our shareholders over a longer term period.

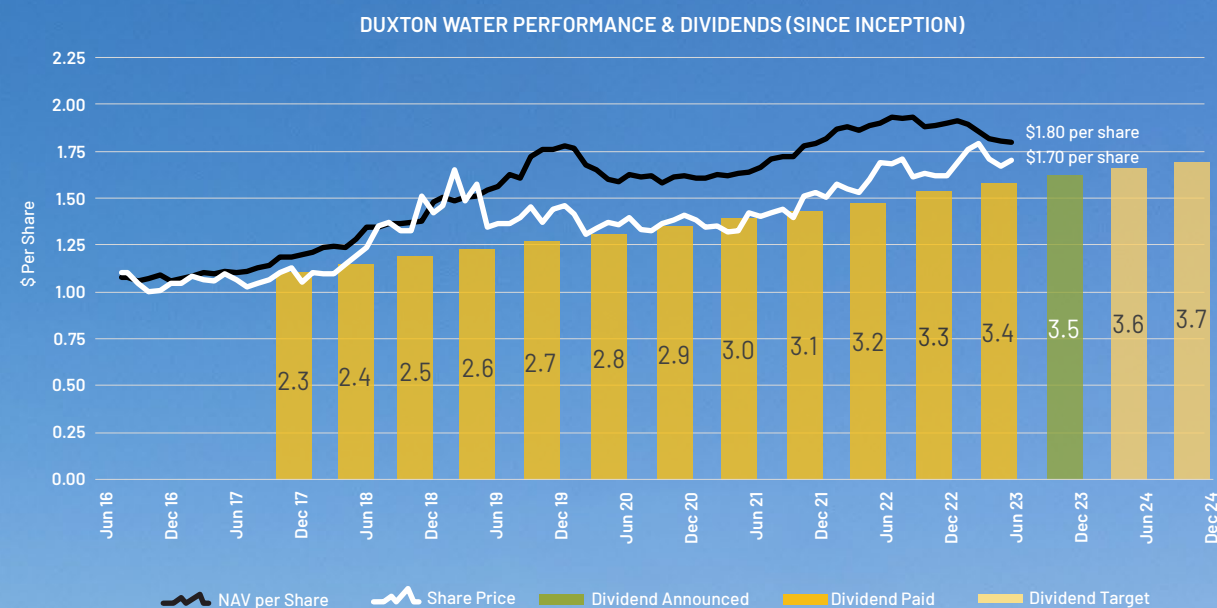
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DIVIDENDS

Duxton Water remains committed to providing shareholders with a bi-annual dividend. During the half-year ended 30 June 2023, in line with previously provided targets, Duxton Water paid a 3.4 cent (fully franked) dividend to shareholders on 28 April 2023.

The Board of Duxton Water is pleased to formally announce and declare the interim 2023 dividend of 3.5 cents (fully franked) to be paid to shareholders on 27 October 2023. Owning a diverse portfolio of water entitlements helps to generate returns across extreme parts of the climatic cycle. In particular, the Company's general security assets have continued to perform exceptionally over the last couple of years.

With that said, it gives me great pleasure to reaffirm our long-term dividend guidance to the end of 2024. Our long-term dividend history and guidance can be seen below:



NET ASSET VALUE (NAV) PERFORMANCE

Duxton Water's (post-tax) NAV¹ decreased by 10 cents from \$1.90 per share to \$1.80 per share in the 6 months to 30 June 2023. Adding back the 3.4 cents per share fully franked dividend that was paid to shareholders in April 2023, Duxton Water has generated a -2.81% NAV¹ return over the last 6 months. This result is largely reflective of a fall in entitlement values across both high and general security assets held within the portfolio.

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 2023, the Company has \$98 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 \$98 million of revaluation uplift, the statutory NAV for Duxton Water at 30 June 2023 (net of tax provisions) would be in line with the Company's non-statutory NAV of \$1.80 per share.

At 30 June 2023:

- **Share Price:** \$1.70 per share
- **Non-statutory Post-tax NAV:** \$1.80 per share
- **Non-statutory Pre-tax NAV:** \$2.06 per share
- **Statutory Post-tax 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 2024.

Kind regards



Ed Peter
Chairman



1. Non-statutory value, adjusting for water entitlements held at cost in Financial Statements of \$303.2m.



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DIRECTORS' REPORT FOR THE HALF-YEAR ENDING 30 JUNE 2023



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 2023 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

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 on 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 the 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 delivered a half-year net profit after tax of \$2.8 million for the period ended 30 June 2023 (half-year ended 30 June 2022: \$4.4 million).
- New leases commencing 1 July 2023 will offset existing lease arrangements that expired on 30 June 2023.
- Successfully negotiated a substantial acquisition and lease-back transaction of water entitlements.
- The D20 permanent water portfolio has reached \$401 million¹.

Over the last 6 months:	HY2023	HY2022	Difference
Share Price	\$1.70	\$1.69	+1 cent
NAV (post-tax) ¹	\$1.80	\$1.90	-10 cents
Dividends Paid	3.4 cents	3.2 cents	+0.2 cents
Water Portfolio Valuation (\$m)	\$401m	\$381m	+\$20m
Water Owned (GL)	88.8GL	84.6GL	+4.2GL
Leased %	53%	67%	-17%

The Company's half-year result was largely driven by the Company's leasing revenue stream, and profits generated from rebalancing the permanent water portfolio. This is a positive result given the challenging conditions observed over the last 6 months. The recent floods reduced demand for long-term leases, and caused allocation prices to reach as low as \$1/ML in some zones at 30 June 2023.

The leased portfolio has served as an excellent hedge for the persistent low allocation prices. Duxton Water has maintained at least 50% of its water entitlement portfolio locked in long-term leases throughout what we believe was the wettest part of the climatic cycle, and by doing so, it has reduced exposure to the extremely low allocation prices seen over the last few months.

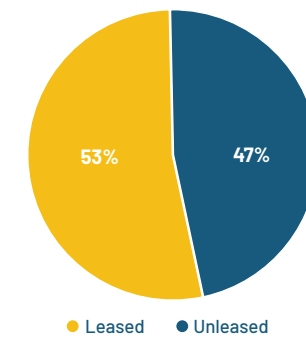
The Company took a proactive approach to the unleased portion of its portfolio by selling forward contracts and allocation sales early in the season. Prior to 31 December 2022, the Company sold most of its unleased water allocations to support summer irrigation. This decision resulted in benefits for the Company, as it was able to sell at higher prices compared to the first half of 2023. However, it also meant that revenue from the sale of unleased allocations was mainly reflected in 2022, rather than the first six months of 2023.

As we move into the second half of the financial year, Duxton Water typically experiences a stronger operating performance compared to the first half. This is due to the start of the new water year, which brings new seasonal allocations, the commencement of new water leases, and the settlement of forward allocation sale contracts as we head into the peak irrigation season (summer).

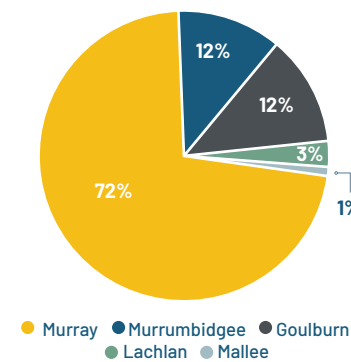
Further to that, weather conditions have started to normalise after three consecutive La Niña events. As a result, there has been an increase in demand for our water products. We believe that all these factors may contribute to a strong start to the second half of 2023.

1. Non-statutory value, adjusting for water entitlements held at cost in Financial Statements of \$303.2m.

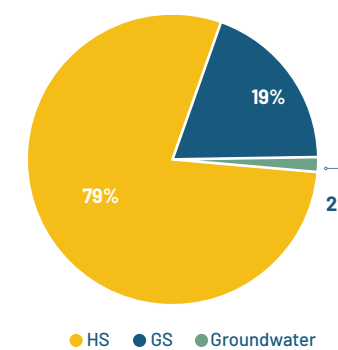
WATER PORTFOLIO DIVERSIFICATION



WATER SECURITY BREAKDOWN



ENTITLEMENT VALUE BY REGION



ACTIVE MANAGEMENT OF LONG-TERM WATER LEASES

Duxton Water continued to strengthen its portfolio of long-term water leases over the last 6 months. The Company has successfully executed several new leases with multiple Australian farming businesses, most of them starting on 1 July 2023.

Every year, the Company's lease book naturally undergoes turnover as existing leases expire and new ones begin. During the 2022/2023 water year, D20 added approximately 19 GL of new leases from both existing and new customers. These new leasing arrangements offset the anticipated revenue drop-off that would have occurred on 1 July 2023.

The Company has also focused on diversifying its leased portfolio in terms of commodity exposure, entitlement type, and duration. The Company has a mix of 3, 5 and 10-year leases across high security, general security, and groundwater entitlement types, therefore mitigating the risk of a substantial drop-off in any single year.

From 1 July 2023, Duxton Water's annualised leasing revenue is expected to start at \$7.6 million, compared to \$7.4 million at the same time last year. As part of the recent acquisition and leaseback of water entitlements with TWE, the Company has agreed to enter into two long-term lease agreements that will result in an additional \$1.4 million of lease income in the initial year, along with indexation in the subsequent years. These leases are effective once settlement of the acquisition takes place. Once this takes place, annualised leasing revenue is expected to be \$9.0 million.

Duxton Water anticipates commencing the new water year with 53% of the portfolio under lease. This is expected to increase to 61% after the settlement of the two additional leases to TWE. The Board of Duxton Water remains committed to its long-term target of having between 70%-80% of the portfolio allocated to long-term lease arrangements.

In the past six months, there has been an increase in demand for leases when compared to the first half of 2022. This is due to the drier weather outlook forecasted by several weather agencies. We continue to emphasise the importance of irrigators having a strong water strategy in place as Australia has a variable climate, with the tendency to experience extremes over the course of a climatic cycle (e.g. 10 years).

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SUBSTANTIAL ACQUISITION AND LEASEBACK

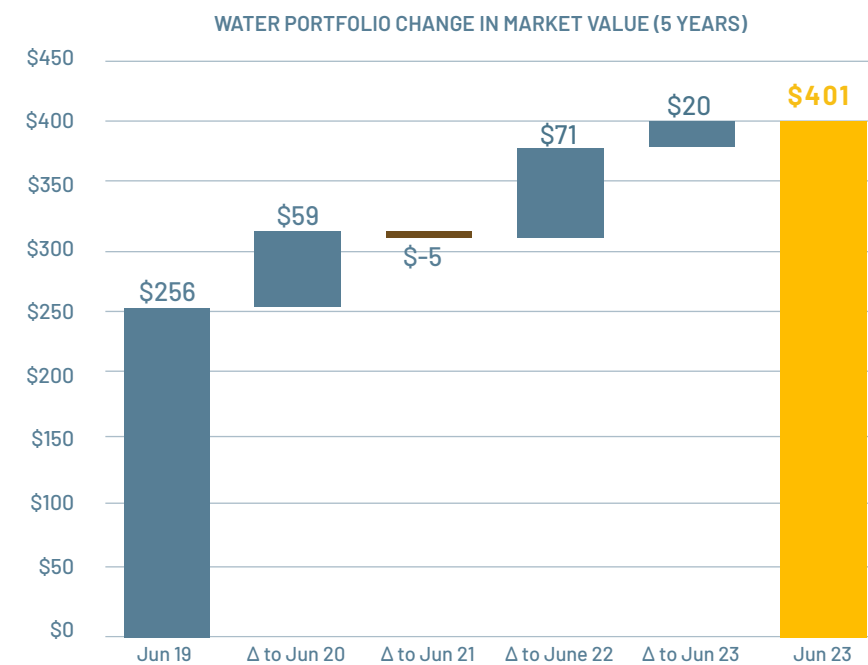
The Company was pleased to announce on 3 July 2023 that Duxton Water has entered into an agreement to acquire \$39.1 million of high-security water entitlements from Treasury Wine Estates ("TWE") on 30 June 2023. We saw this transaction to be a significant growth opportunity for our Company as we look to scale the water portfolio to support the needs of the Australian farming businesses. The entitlements acquired are in the Lower Murray, a region well known for the increased water demand due to the expansion in permanent horticulture.

This transaction also involved the leaseback of 80 per cent of the acquired entitlement volume and a call option for TWE to buy the water entitlements back from D20. More details can be found in the Company's recent ASX announcements.

This kind of transaction allows Australian farming businesses to free up capital from their balance sheets while retaining access to water security in the long run. For D20, this presents a great opportunity to expand its balance sheet, while also reinforcing its business ties with the sector.

PORTFOLIO SUMMARY AT 30 JUNE 2023

Duxton Water owns and manages a diversified portfolio of Australian water entitlements across 19 different entitlement types and zones. At 30 June 2023, Duxton Water's portfolio is valued at \$401 million¹ (30 June 2022: \$381 million).



1. Non-statutory value, adjusting for water entitlements held at cost in Financial Statements of \$303.2m.



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ENTITLEMENT TYPE HELD	31/12/2022	ML CHANGE	30/06/2023
VIC 1A Goulburn HR	11,164	-	11,164
VIC 1A Goulburn LR	1,401	-	1,401
VIC 1B Boort HR	376	-	376
VIC 3 Goulburn HR	421	-	421
VIC 6 Murray HR	5,817	-	5,817
VIC 6 Murray LR	313	-	313
VIC 6B Murray HR	1,248	96	1,344
VIC 7 Murray HR	5,216	2,121	7,337
NSW Murray 10 HS	3,010	-	3,010
NSW Murray 10 GS	14,491	-	14,491
NSW Murray 11 HS	7,710	1,785	9,495
NSW Murray 11 GS	7,225	-	7,225
NSW Murray 11 Supp	83	-	83
NSW Murrumbidgee 13 HS	2,884	-	2,884
NSW Murrumbidgee 13 GS	8,822	-	8,822
NSW Lachlan Valley - Jemalong Irrigation GS	2,660	-	2,660
NSW Lachlan Valley - GS	4,504	-	4,504
SA Murray HS	4,901	-	4,901
SA Mallee Prescribed Wells Area - Parilla Red Zone	500	-	500
SA Mallee Prescribed Wells Area - Parilla Green Zone	846	1,200	2,046
Total	83,591	5,202	88,793

Breakdown by zone of permanent water entitlements held by the Company at 30 June 2023.



MARKET OVERVIEW

The start of 2023 continued to be wet, with La Niña underway for the third year in a row, causing flooding across many cropping regions. This led to farm disruptions in several regions in the southern Murray Darling Basin and resulted in financial losses for many farming businesses. By March 2023, La Niña finally dissipated, with rainfall fluctuating between April to June. During these months, the Bureau of Meteorology ("BOM") issued and subsequently maintains their forecast of an El Niño alert.

The extreme wet conditions caused demand for allocation water to soften, which caused spot prices to fall well below their long-term averages for the third year in a row. Further to that, the impact of the recent floods has increased sell side pressure within water entitlement markets, as irrigators look to generate cash ahead of the upcoming farming season. This has been exacerbated by the challenging economic conditions that have presented over the last 6-12 months (higher interest rates, higher input costs, and in some cases lower commodity prices).

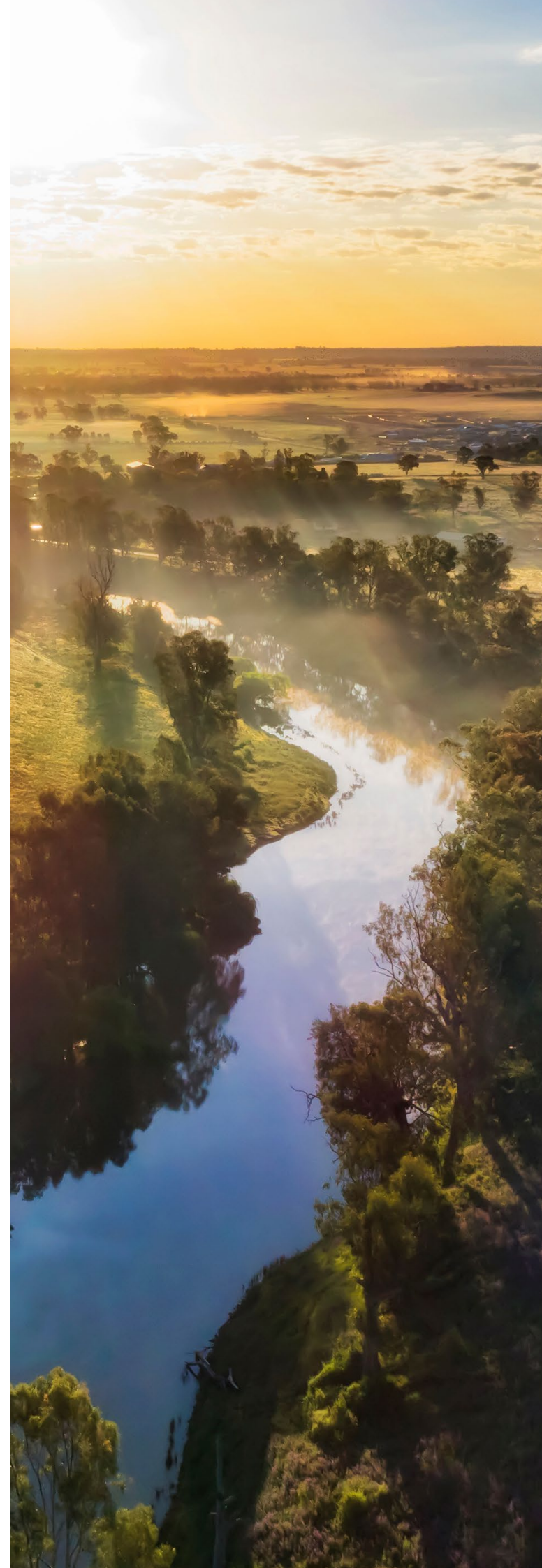
From 1 January 2023 to 30 June 2023, the collective entitlement markets experienced a contraction of around 3%, following a period of record highs in late 2022. That being said, water has continued to demonstrate its resilience as an asset class in various challenging economic conditions. Since the Company's inception in September 2016, water entitlement values have experienced a compound annual growth rate of 12%.

The Board of Duxton Water remains confident in the value of water as an investment class. The demand and supply drivers that underpin permanent water prices remain strong. We remain committed to actively managing our portfolio of entitlements to continue creating value for our shareholders in the long run.

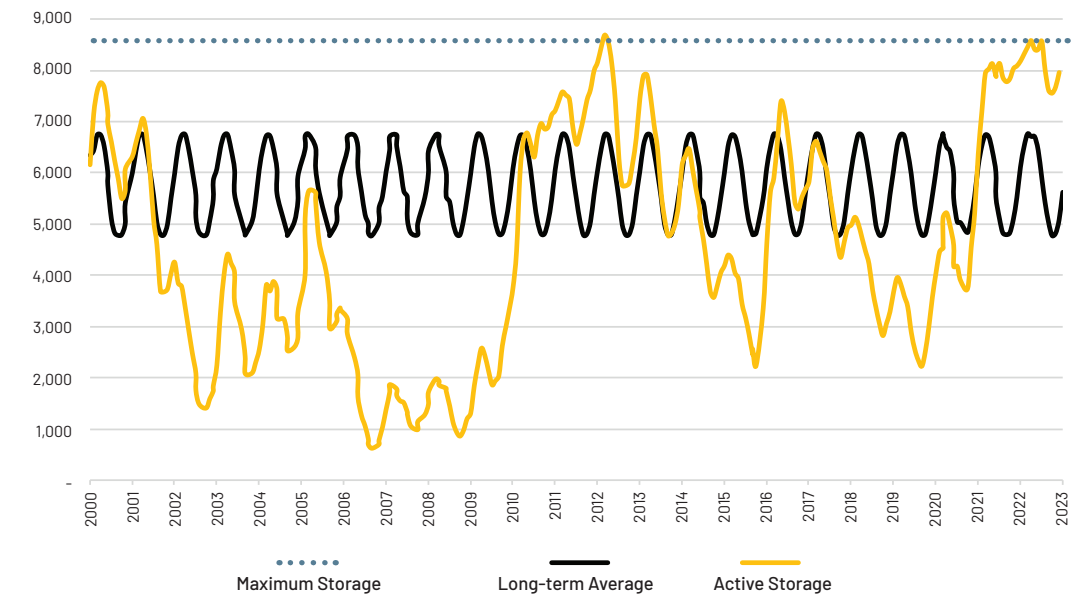
SYSTEM INFLOWS AND STORAGE LEVELS

At 30 June 2023, dam storage levels in the Murray Darling Basin continue to be high. This is a result of record inflows experienced during the 2022-2023 water year and reduced demand for water due to increased rainfall and flooding events. The Northern Basin remains at 93%, while the Southern Basin sits at 94%. This has allowed for 2023-2024 opening season allocations for high security entitlements to be higher than last year, and one of the highest on record. However, with storages still at nearly 100%, there is a high risk of spill this year. The risk of spill is a water accounting assessment. It does not refer to flood risks downstream of the storages.

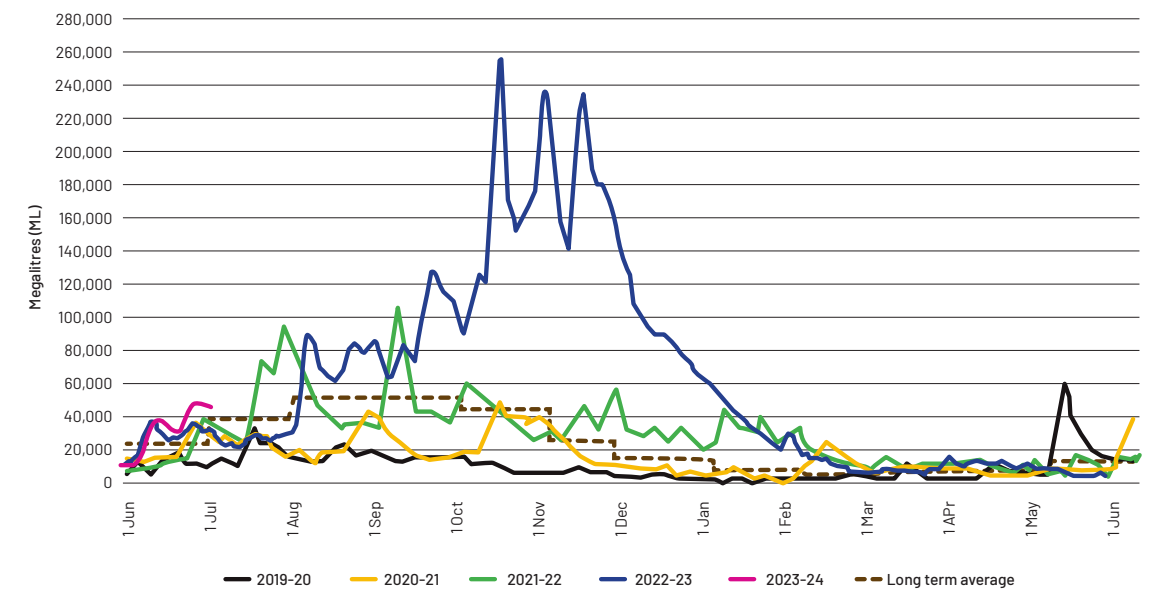
In early July, the spot market resets as new seasonal allocations are issued. Spot prices opened the new water year at \$85-\$100/ML across most regions and continued to trade between \$70-\$120/ML throughout the month. Pricing as high as \$170/ML has been observed in mid-August 2023.



MDBA ACTIVE STORAGES - JUNE 2005 TO PRESENT



DAILY INFLOWS TO THE MURRAY DARLING BASIN



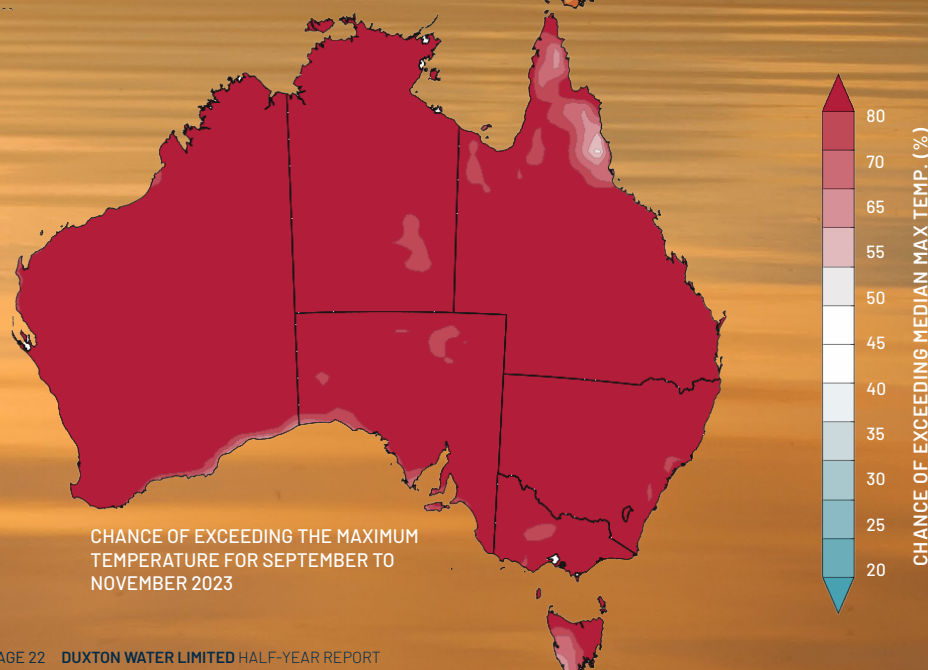
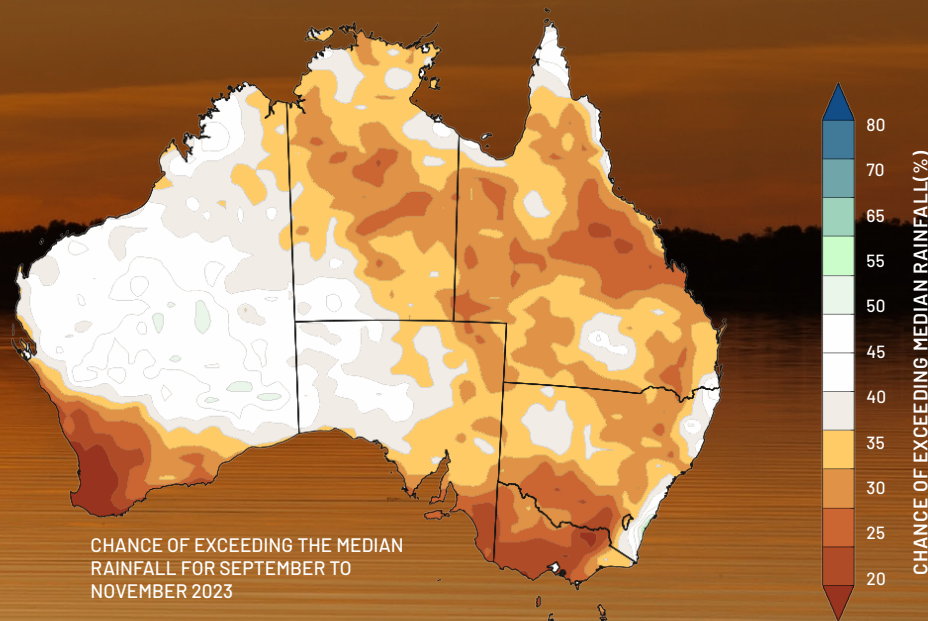
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WEATHER OUTLOOK

The weather outlook for the 2023–2024 water year continues to be drier than average. The latest long-term range for September to November indicates a high likelihood of below-median rainfall for much of Australia. Likewise, for the same period, warmer than median temperatures are likely for most of Australia.

The ENSO outlook is currently sitting at El Niño Alert, which means there is a 70% chance of El Niño developing this year. The most recent update on 1 August 2023 states that El Niño development is likely in the coming weeks. El Niño has already been declared by several international weather agencies, including the National Oceanic and Atmospheric Administration in the United States, and The World Meteorological Organisation.

Further to that, all international climate models surveyed by the BOM suggest that a positive IOD event is also likely to develop in late winter or early spring. A positive IOD can suppress winter–spring rainfall over much of central and southeast Australia, and can enhance the drying effects of El Niño.



GOVERNMENT WATER BUYBACKS

Since the change in government, The Minister for the Environment and Water, has made it clear that the current Government is committed to delivering the Basin Plan in full. This includes recommencing water buybacks in an effort to speed up progress on the water recovery targets as outlined in the Murray Darling Basin Plan.

In February 2023, the Minister announced the Government would be conducting an entitlement purchase program (“buybacks”) for the remaining 49.2 GL under the “Bridging the Gap” water recovery target. This voluntary water buyback opened in March 2023, and closed in May 2023. The Government has not yet formally communicated the results of this buyback initiative.

Over the past six months, there has been much uncertainty and discussion surrounding the likelihood of meeting the Basin Plan water savings targets by the official deadline of 30 June 2024. Recently the Minister has recognised that the Basin Plan is “off track” and has pointed out the need for a time extension. This comes after the Murray Darling Basin Authority advised that full implementation of the Basin Plan by the original deadline is not possible. Overall, the Basin Plan aims to recover 2,750 GL, plus an additional 450 GL with efficiency projects. As of June 2023, a shortfall of approximately 614 GL - 739 GL exists against all targets.

To extend the Basin Plan deadline, the Minister will need to seek legislative changes to the Water Act (2007), which seems to be the likely path ahead. However, the Minister has been clear that delivering the Basin Plan in full is “not negotiable”. The Minister has reiterated that a mix of further entitlements buybacks and infrastructure upgrades may be an appropriate way forward.

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FINANCIAL OVERVIEW

During the period ended 30 June 2023, the Company:

- The Company's Net Asset Value¹ closed at \$1.80 per share.
- In line with dividend guidance, paid a final 2022 fully franked dividend of 3.4 cents per share in April 2023.
- Announced the 13th consecutive dividend of 3.5 cents per share and reaffirmed the Company's dividend guidance out to late 2024.
- Closed 10-year interest rates swaps resulting in a total cash settlement of \$1.9 million.

Pricing on the Company's permanent water portfolio has softened since December 2022, which has contributed to the reduction in the Company's (post-tax) NAV¹. At 30 June 2023, the (post-tax) NAV¹ from a Fair Market Value perspective closed at \$1.80 per share compared to \$1.90 per share at 31 December 2022.

As previously stated, the recent price softening in entitlement markets is believed to be a combination of factors, including the ongoing impact of the recent floods in the agricultural community, and sellers looking to free up capital to support new season farming plans.

Despite this, the Company continued to take a strategic and active approach to managing the portfolio. In the first half of 2023, \$5.8 million was realised on the sale of two parcels of permanent water entitlements. These were both sold above their respective valuations at the time. In addition to this, the Company made strategic water entitlement acquisitions at attractive valuations, resulting in a net increase in the water portfolio value.

At 30 June 2023, the Company is carrying \$98 million (or \$0.83 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.

The statutory NAV of the Company in accordance with Australian Accounting Standards (which excludes unrealised capital gains) at 30 June 2023 is \$1.22 per share (31 December 2022: \$1.23 per share).

The company exited its remaining interest rate swap arrangements in April 2023 and received a cash consideration of \$1.9 million. This cash amount will offset future interest expenses incurred. Fair value adjustments on the Company's interest rate swap arrangements of \$0.74 million have also been included as interest expense in the Statement of Profit or Loss and other comprehensive income. This represents the change in market value from 31 December 2022, to when the swaps were closed out in April 2023. The Company is actively reviewing its hedging strategy.

1. Non-statutory value, adjusting for water entitlements held at cost in Financial Statements of \$303.2m.

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 2023	Company Statement of Financial Position \$'000	Fair Market Value* \$'000 (unreviewed)	Variance \$'000
ASSETS			
Permanent water entitlements	303,210	401,257	98,047
Temporary water entitlements	-	8	8
Net current and deferred tax assets	(1,105)	(30,521)	(29,416)
Net other current assets	(30,068)	(30,068)	-
Net non-current liabilities	(128,500)	(128,500)	-
TOTAL NET ASSETS	143,537	212,176	68,639
NET ASSET VALUE PER SHARE	\$1.22	\$1.80	\$0.58

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

* 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.

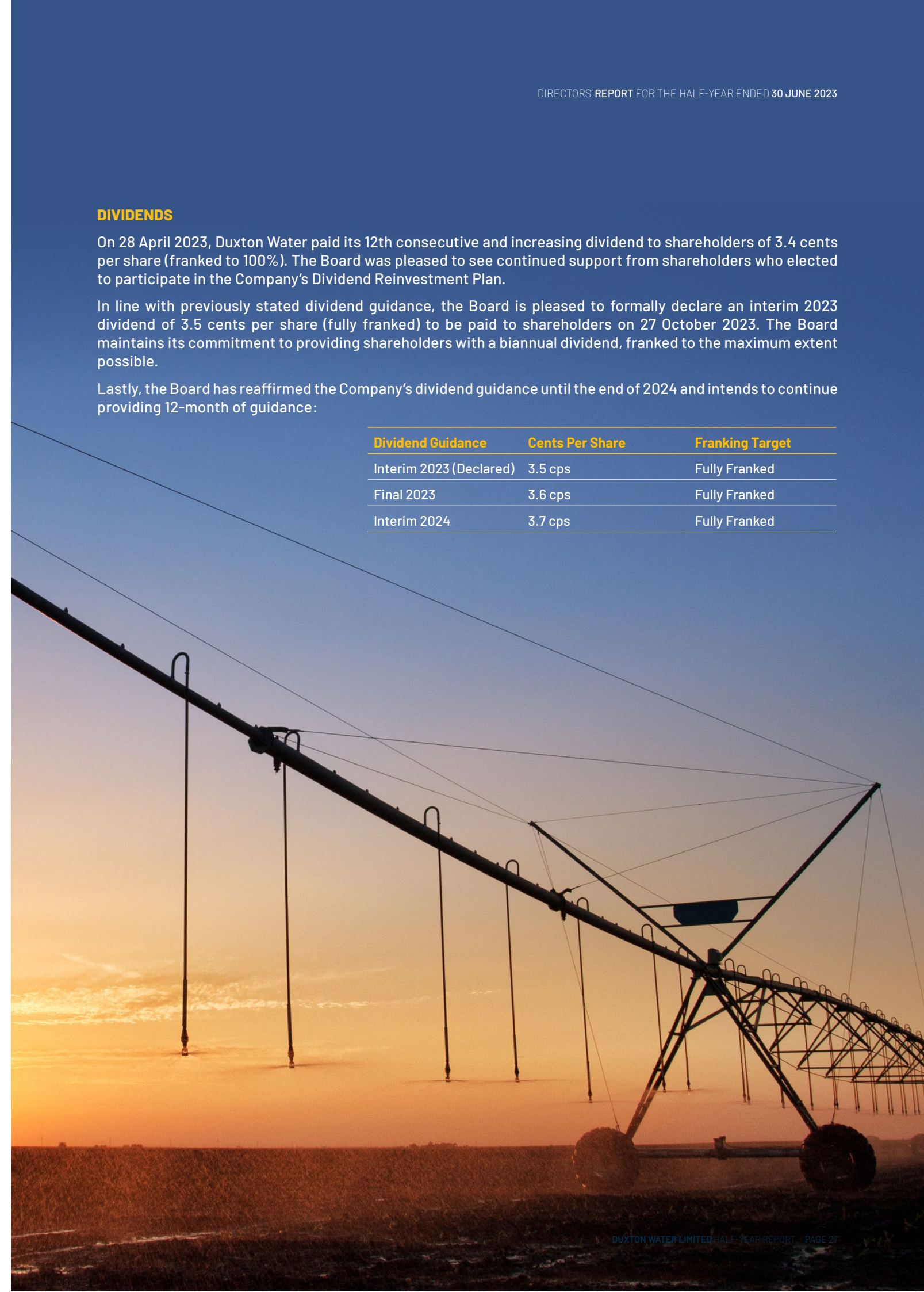
DIVIDENDS

On 28 April 2023, Duxton Water paid its 12th consecutive and increasing dividend to shareholders of 3.4 cents per share (franked to 100%). The Board was pleased to see continued support from shareholders who elected to participate in the Company's Dividend Reinvestment Plan.

In line with previously stated dividend guidance, the Board is pleased to formally declare an interim 2023 dividend of 3.5 cents per share (fully franked) to be paid to shareholders on 27 October 2023. The Board maintains its commitment to providing shareholders with a biannual dividend, franked to the maximum extent possible.

Lastly, the Board has reaffirmed the Company's dividend guidance until the end of 2024 and intends to continue providing 12-month of guidance:

Dividend Guidance	Cents Per Share	Franking Target
Interim 2023 (Declared)	3.5 cps	Fully Franked
Final 2023	3.6 cps	Fully Franked
Interim 2024	3.7 cps	Fully Franked



DEBT SUMMARY & INTEREST RATE SWAPS

Over the last six years, the Company has used sensible debt funding to scale the portfolio with the view to enhancing shareholder returns. The Board recognises that the current interest rate environment is different from the historically low rates observed 12-18 months ago.

In April 2023, the Company closed out its 10-year fixed interest rate swap positions. This was done to crystallise the gain recorded on these swap arrangements to protect against any softening in long-term interest rate markets. The Company made a total gain of \$1.9 million from closing these swap arrangements, which was settled in cash.

By closing these swap arrangements early, the Company effectively received any interest savings on these swap arrangements upfront in cash, rather than over the period to swap expiry.

A summary of the Company's debt position at 30 June 2023 can be seen below:

D20 DEBT SUMMARY			
	HY2023	HY2022	Difference
Total Debt Drawn	\$128.5m	\$116.0m	+\$12.5m
Total LVR	30%	30%	-
Total Fixed Debt	-	\$55.0m	-\$55.0m
Total Variable Debt	\$128.5m	\$61.0m	+\$67.5m
Effective Cost of Borrowings	4.8%	2.3%	+2.5%

CAPITAL RAISE

To fund the recent \$39 million acquisition of water entitlements, the Company invited its existing Eligible Shareholders to participate in a partially underwritten 1:4 Non-renounceable Entitlement Offer. This represented an opportunity for existing shareholders to acquire additional shares in the Company at \$1.50 per share. The Offer aimed to raise up to \$44.2 million and closed on 1 August 2023. The Company was pleased to report that it raised the full \$44.2 million under the Entitlement Offer.

In early July, the Company also successfully completed a \$7.25 million underwritten Institutional Placement to institutional and sophisticated investors.

Both capital raising activities successfully raised a total of \$51.5 million of new equity to fund the acquisition. Additional funds after covering the acquisition will be used to further expand the Company's water portfolio, or to reduce debt.

In addition to the above, all Eligible Shareholders will also receive one (1) free Bonus Option for every four (4) ordinary shares held in the Company at the Bonus Option Record Date of 3 November 2023.

Bonus Options will provide shareholders with the ability to acquire additional shares in the Company at \$1.92 per share prior to the Bonus Option Expiry Date of 10 May 2025. The Company will apply to have the Bonus Options quoted on the ASX under ticker code D200, making them tradeable.

The Company intends to issue the Bonus Option Offer Prospectus no later than 27 October 2023. Further information relating to the Bonus Option Offer will be contained within this Prospectus.



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 31. Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

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

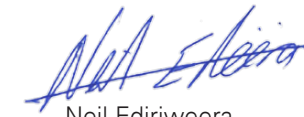
To the Directors of Duxton Water Limited

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 2023 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



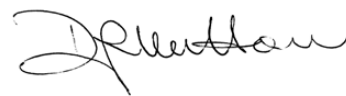
Neil Ediriweera
Partner

Adelaide

23 August 2023



Edouard Peter
Chairman



Dennis Mutton
Independent Non-Executive Director

Stirling, South Australia
23 August 2023

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STATEMENT OF **PROFIT OR LOSS**
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2023

STATEMENT OF **FINANCIAL POSITION**
AS AT 30 JUNE 2023

	Note	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Revenue	4	4,052	5,139
Gain on entitlement sales		5,770	1,778
Cost of sales and leasing		(212)	(810)
Management fees	11	(1,055)	(1,093)
Performance fees	11	-	(1,528)
Legal and professional fees		(76)	(61)
Other expenses		(726)	(689)
Impairment reversal of water entitlements	6a	-	17
Impairment reversal/(impairment) of water allocation	6b	-	255
Total expenses		(2,069)	(3,909)
Profit before net finance income		7,753	3,008
Finance expense ¹		(3,708)	3,328
Net finance income/(cost)		(3,708)	3,328
Profit before tax		4,045	6,336
Income tax expense		(1,202)	(1,901)
Profit for the half-year attributable to shareholders of Duxton Water Limited		2,843	4,435
Other comprehensive income, net of income tax		-	-
Total comprehensive profit for the half-year to shareholders of Duxton Water Limited		2,843	4,435
Earnings per share attributed to shareholders of Duxton Water Ltd			
Basic earnings per share (dollars)		0.024	0.037
Diluted earnings per share (dollars)		0.024	0.037

¹ Finance expense comprises of \$2.97 million of interest expense and a \$0.74 million non-cash fair value adjustment on interest rate swap arrangements (2022: \$1.01 million interest expense and \$4.4 million interest rate swap adjustments). Refer to note 9 for details.

The condensed notes on page 36 to 45 are an integral part of these half-year financial statements

	Note	30 Jun 2023 \$'000	31 Dec 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		359	1,246
Trade and other receivables		10,247	9,568
Water allocations	6b	-	26
Other current assets		289	434
Total current assets		10,895	11,274
Non-current assets			
Water entitlements	6a	303,210	262,756
Deferred taxation		788	11
Financial derivative assets	9	-	2,609
Total non-current assets		303,998	265,376
Total assets		314,893	276,650
LIABILITIES			
Current liabilities			
Trade and other payables		40,167	3,275
Unearned revenue		796	1,411
Tax liability		1,893	2,100
Total current liabilities		42,856	6,786
Non-current liabilities			
Interest-bearing liabilities	9	128,500	125,000
Total non-current liabilities		128,500	125,000
Total liabilities		171,356	131,785
Net assets		143,537	144,864
EQUITY			
Issued capital	7	134,359	134,526
Retained Earnings		9,178	10,338
Total equity		143,537	144,864

The condensed notes on page 36 to 45 are an integral part of these half-year financial statements

STATEMENT OF CHANGES IN **EQUITY**
FOR THE HALF-YEAR ENDED 30 JUNE 2023

	Note	Issued capital \$'000	Retained earnings \$'000	Total equity \$'000
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
<i>Transactions with owners of the Company:</i>				
Shares issued		526	-	526
Share buyback		(1,205)	-	(1,205)
Shares issue costs - net of taxes		(3)	-	(3)
Payment of dividends		-	(3,842)	(3,842)
Balance at 30 June 2022		137,257	8,694	145,951
Balance at 1 January 2023		134,526	10,338	144,864
Profit for the period		-	2,843	2,843
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive income for the period		-	2,843	2,843
<i>Transactions with owners of the Company:</i>				
Shares issued	7	523	-	523
Share buyback		(688)	-	(688)
Share issue costs - net of taxes		(2)	-	(2)
Payment of dividends	8	-	(4,003)	(4,003)
Balance at 30 June 2023		134,359	9,178	143,537

STATEMENT OF **CASH FLOWS**
FOR THE HALF-YEAR ENDED 30 JUNE 2023

	Note	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Cash flows from operating activities			
Receipts from customers		2,874	5,403
Payments to suppliers		(4,381)	(2,017)
Interest and other costs of finance paid		(3,119)	(1,131)
Income tax paid		(2,115)	(1,848)
Net cash provided by operating activities		(6,741)	407
Cash flows from investing activities			
Purchase of permanent water entitlements		(4,968)	(16,534)
Deposits paid for the purchase of permanent water entitlements		-	(2,042)
Proceeds from sale of permanent water entitlements		9,622	9,996
Proceeds from sale of interest rate swap arrangements		1,867	-
Net cash (used in)/provided by investing activities		6,521	(8,580)
Cash flows from financing activities			
Payment of share buyback		(688)	(678)
Payment for share issue costs		(2)	(3)
Proceeds from borrowings	9	3,500	10,000
Dividends paid	8	(3,477)	(3,837)
Net cash provided by/(used in) financing activities		(667)	5,482
Net (decrease)/increase in cash and cash equivalents		(887)	(2,691)
Cash and cash equivalents at the beginning of the period		1,246	6,220
Cash and cash equivalents at end of period		359	3,529

The condensed notes on page 36 to 45 are an integral part of these half-year financial statements

The condensed notes on page 36 to 45 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 D20. 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 23 August 2023.

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 2023 the Company has statutory net assets of \$143.537 million (31 December 2022: \$144.864 million). At Balance date, the Company has a net current asset deficiency of \$31.96 million (2022: \$4,488 million surplus), arising from the timing and recognition of the permanent water entitlement purchases. Post balance date, the Company has successfully completed a \$7.25m institutional placement, along with a \$44.2m Non-Renounceable Entitlement Offer (gross of fees). As such, 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 2022.

4. REVENUE

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Lease income from water entitlements	3,684	4,501
Sale of temporary water allocations	272	603
Other income	96	35
	4,052	5,139

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.



NOTE 5. SEGMENT REVENUE AND RESULTS

Segment revenue and results For the year ended 30 June 2023	Permanent Water \$'000	Temporary Water \$'000	Unallocated \$'000	Total \$'000
Profit & Loss				
Reportable segment revenue	3,684	272	96	4,052
Gain on entitlement sales	5,770	-	-	5,770
Total segment Revenue and other income	9,454	272	96	9,822
Expenses	(161)	(213)	(1,695)	(2,068)
Finance costs	-	-	(3,708)	(3,708)
Tax benefit (expense)	-	-	(1,202)	(1,202)
Net Profit/(loss) after tax	9,293	59	(6,509)	2,843

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	6,279	603	35	6,917
Expenses	(279)	(452)	(3,178)	(3,909)
Finance costs	-	-	3,328	3,328
Tax benefit (expense)	-	-	(1,901)	(980)
Net Profit/(loss) after tax	6,000	151	(1,716)	4,435

Balance Sheet	Murray \$'000	Murrumbidgee \$'000	Goulburn \$'000	Other ¹ \$'000	Unallocated \$'000	Total \$'000
Balance Sheet						
Permanent water entitlements at fair value	287,709	46,409	49,075	18,064	-	401,257
- Less fair market value adjustment ²	(77,661)	(10,757)	(1,334)	(8,295)	-	(98,047)
Permanent water entitlements at cost	210,049	35,652	47,741	9,769	-	303,210
Temporary water allocations at fair value	5	3	-	-	-	8
- Less fair market value adjustment ³	(5)	(3)	-	-	-	(8)
- Less accumulated impairment	-	-	-	-	-	-
Temporary water allocations at cost	-	-	-	-	-	-
Total segment assets as disclosed in the financial statements ⁴	210,049	35,652	47,741	9,769	11,682	314,893
Total segment liabilities as disclosed in the financial statements	-	-	-	-	(171,356)	(171,356)

Balance Sheet	Murray \$'000	Murrumbidgee \$'000	Goulburn \$'000	Other ¹ \$'000	Unallocated \$'000	Total \$'000
Balance Sheet						
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)	-	(116,919)
- 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)

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 2022	241,282
Additions	27,753
Disposals	(6,279)
Balance at 31 December 2022	262,756
Balance at 1 January 2023	262,756
Additions	44,006
Disposals	(3,552)
Balance at 30 June 2023	303,210

Accumulated impairment	\$'000
Balance at 1 January 2022	171
Impairment (reversal)/loss recognised in profit or loss	(171)
Balance at 31 December 2022	-
Balance at 1 January 2023	-
Impairment (reversal)/loss recognised in profit or loss	-
Balance at 30 June 2023	-

b) Temporary water allocations

	30 Jun 2023 \$'000	31 Dec 2022 \$'000
Temporary water allocations (cost)	-	26
Less impairment	-	-
Total carrying amount	-	26

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.

7. ISSUED CAPITAL AND SHARE OPTIONS

Issued capital as at 30 June 2023 amounted to \$134.4 million (117,948,814 ordinary shares). Issued capital as at 31 December 2022 amounted to \$134.5 million (118,038,179 ordinary shares). During the half-year to 30 June 2023:

- 304,635 ordinary shares (\$0.5 million) were issued under the Company's Dividend Reinvestment Plan.
- 394,000 ordinary shares (\$0.7 million) were bought back under the Company's Share Buyback Plan

At 30 June 2023 the Company does not have any share options on issue (30 June 2022: nil).

8. DIVIDENDS PAID

Total dividends paid for the half-year ended 30 June 2023 were \$4.0 million (June 2022: \$3.8 million). This consisted of cash distributions of \$3.5 million (June 2022: \$3.3 million) and shares issued under the DRP to the value of \$0.5 million (June 2022: \$0.5 million).

9. INTEREST-BEARING LIABILITIES

	30 Jun 2023 \$'000	31 Dec 2022 \$'000
Bank Loans - secured	128,500	125,000
	128,500	125,000

SUMMARY OF BORROWING ARRANGEMENTS

At 30 June 2023 the Company has the following outstanding debt facilities with NAB:

- Facility A - Limit of \$106 million due for expiry 31 March 2025 (\$106 million drawn).
- Facility B - Limit of \$24 million due for expiry 31 March 2026 (\$22.5 million drawn).

TERMS OF BORROWING ARRANGEMENTS:

- The variable interest payable on debt facility A (\$106m) is calculated as BBSY + Margin Fee of 0.65% p.a + Facility Fee of 0.65% p.a.
- The variable interest payable on debt facility B (\$24m) is calculated as BBSY + Margin Fee of 0.725% p.a + Facility Fee of 0.725% p.a.
- The facility is secured by mortgages on the Company's permanent water rights
- The Company must maintain an interest coverage ratio (ICR) greater than 2.5.
- The Company's maximum loan to non-statutory water valuation ratio is 40%
- On 4 April 2023, the Company redeemed its remaining 10-year interest rate swaps for a cash consideration of \$1.9 million.



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 \$0.7 million were recognised in the Statement of Profit or Loss and Other Comprehensive Income. There were no transfers between fair value levels during the year. At 30 June 2023, no derivatives were held by the Company.

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 2023 \$'000	31 Dec 2022 \$'000
Financial Assets		
Cash and cash equivalents	359	1,246
Trade and other receivables	10,247	9,568
Financial Derivative Assets	-	2,609
Total financial assets	10,606	13,423
Financial Liabilities		
Trade and other payables	40,167	3,275
Interest-bearing liabilities	128,500	125,000
Total financial liabilities	168,667	128,275

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' 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 422,846 shares (June 2022: 414,348) in the Company and an indirect interest of 7,392,908 (June 2022: 7,394,805) shares in the Company.

Mr Edouard Peter's indirect interest is inclusive of shares owned by the Duxton Group.

Mr Stephen Duerden has a direct interest of 42,172 shares (June 2022: 41,353) in the Company and an indirect interest of 211,219 shares (June 2022: 210,644) in the Company. Mr Stephen Duerden's indirect interest is inclusive of shares owned by the Duxton Group.

The Duxton Capital Holdings Group owns 2,154,845 shares in the company at 30 June 2023 (June 2022: 2,159,401).

11. RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties during the half-year ended 30 June 2023 (and the half-year ended 30 June 2022):

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Management fee – Duxton Capital (Australia) Pty Ltd	1,055	1093
Administration fee – Duxton Capital (Australia) Pty Ltd	149	128
Performance fee accrual – Duxton Capital (Australia) Pty Ltd	-	1,528
Lease revenue – Duxton Viticulture Pty Ltd	1,099	1,155
Lease revenue – Duxton Farms Ltd	93	109
Lease revenue – Duxton Dairies (Cobram) Pty Ltd	46	46

Transactions between related parties are on commercial terms and conditions.

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

	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Amount due to (from) Duxton Capital (Australia) Pty Ltd	232	197
Amount due to (from) Duxton Dairies (Cobram) Pty Ltd	(5)	-
Amount due to (from) Duxton Farms Ltd	(155)	(3)
Amount due to (from) Duxton Viticulture Pty Ltd	(72)	-

12. SUBSEQUENT EVENTS

Following the purchase of 4,770 ML of Murray River water entitlements from Treasury Wine Estates for a cash consideration of \$39.1m (which is a transaction recorded in the 30 June 2023 accounts) the Company has undertaken a capital raise across July and August 2023.

On the 10th of July, the Company issued 4,833,334 million new shares to institutional, sophisticated, and professional investors, raising \$7.25 million (before fees.)

On the 8th August the Company successfully completed a \$44.2 million (before fees) non-renounceable partially underwritten entitlement offer issuing 29,487,204 new shares to shareholders.

Any remaining funds raised will be allocated towards paying down the Company's debt facility.

Additionally, the Company has announced a 1:4 Bonus Option, exercisable at \$1.92 AUD per share with an expiry date of 10 May 2025. The Bonus Option will have a Record date of 3 November 2023, and any funds raised from the exercising of the option will be used by the Company to expand its water entitlement portfolio, or to pay down debt.



DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 30 JUNE 2023

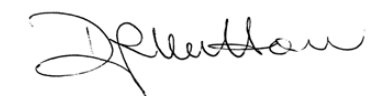
In the opinion of the Directors of Duxton Water Limited ("the Company"):

1. the condensed financial statements and notes set out on pages 36 to 45, 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 2023 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
23 August 2023



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 2023 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 2023;
- 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 2023.

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 Half-year 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Duxton Water Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Review Report.

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.

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 2023 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

Neil Ediriweera
Partner

Adelaide

24 August 2023

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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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Stirling SA 5152

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Stock Exchange Listing

Australian Securities Exchange

Share Code: D20



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