

COMPANY SNAPSHOT

COMPANY NAME

Duxton Broadacre Farms Limited

INVESTMENT MANAGER

Duxton Capital (Australia)

PORTFOLIO

4 broadacre aggregations

LOCATIONS

Forbes and West Wyalong, NSW
Naracoorte, SA

HECTARES

21,445 owned

WATER ENTITLEMENTS (ML)

8,779 owned
6,798 leased



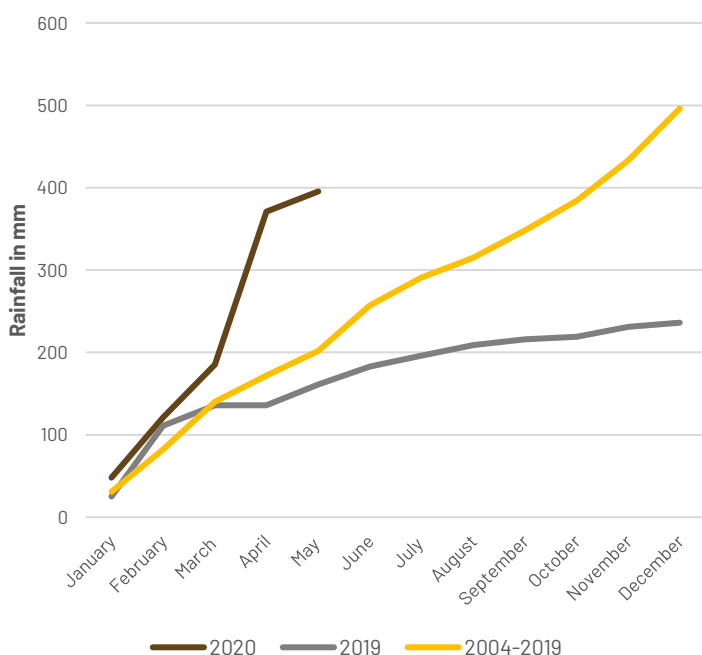
Duxton Broadacre Farms Limited (DBF/Company) presents investors with a unique opportunity to participate directly in the Australian broadacre cropping industry and the possibility to provide shareholders with both ongoing annual operational yield and longer-term capital growth. DBF intends to achieve this through the acquisition and aggregation of land rich parcels into its existing portfolio of diversified high-quality farms, to improve operational efficiencies and the diversification of commodities produced to satisfy the long-term growth in global grain demand.

INVESTMENT AND OPERATIONAL UPDATE

LOCAL WEATHER

Central-west New South Wales (NSW) recorded May rainfall of 24.6mm compared to the historic average of 32.4mm. As shown in the below graph, Forbes has now received 67% more rain than the region did for all of 2019 and is significantly above the 15-year average. The mean temperature for May was 17.9°C, below the long-term average of 19.5°C. In south-east South Australia (SA), May recorded rainfall of 67.6mm compared to the historic average of 43.1mm. The mean temperature for May was 16.2°C. This is below the long-term average for the region by 1.6°C.

Cumulative Rainfall (Forbes Airport AWS)
2020 Jan-May vs 15 year mean average vs 2019



WINTER CROPS

The above average rainfall over recent months has delivered a full soil moisture profile, providing favourable conditions for sowing. Almost all winter crops have now been planted, with the small remainder to be completed in early June. As a result of the high moisture profile in the soil and warmer daily temperatures, strong initial emergence has been observed. All dual-purpose wheat (grazing and grain) and oats continue to be grazed by livestock which is experiencing good growth, encouraged by the high moisture levels and warmer daily temperatures. On completion of cotton picking and when soil conditions allow, rotational cereal crops will be planted in the row crop area. Rotational cereal crops are used to help improve soil conditions for next year's cotton crops by either assisting in maintaining soil moisture levels or providing organic matter. With good levels of rainfall received throughout autumn, DBF's South Australian farm Boorala is off to a strong start heading into the winter cropping season. An early autumn break has meant that seeding for the winter cropping season was completed by mid-May with 750 hectares planted. The combination of rainfall and reasonably warm days has resulted in the crops already beginning to emerge and strong early pasture growth.

SUMMER CROPS

Picking was slightly delayed this year due to wet soil conditions as the farms received over 186mm of rainfall in April. By the end of May, 88% of the cotton crop has been picked with the remaining field to be picked in early June. As cotton is picked it is placed into modules which are then shipped off to gins for processing. Preparations are beginning for next seasons cotton fields as field conditions allow. The small trial plot of cotton that developed under a fully biodegradable/dissolvable film has been picked, as ginning is completed the results of the trial area may be compared and validated against the remainder of the cotton area.

IRRIGATION

Following the completion of irrigating the summer crops, work in the coming months will be focused on optimising irrigation infrastructure. The successful production bore at Walla Wallah has had an application lodged with State Water, which is awaiting approval. Drilling of test bores to identify irrigation development potential will recommence at Timberscombe once hydrological survey results have been received. The volume in Wyangla Dam increased by 40% in the January-May period, bringing the effective storage level to 14.57% of capacity.

LIVESTOCK

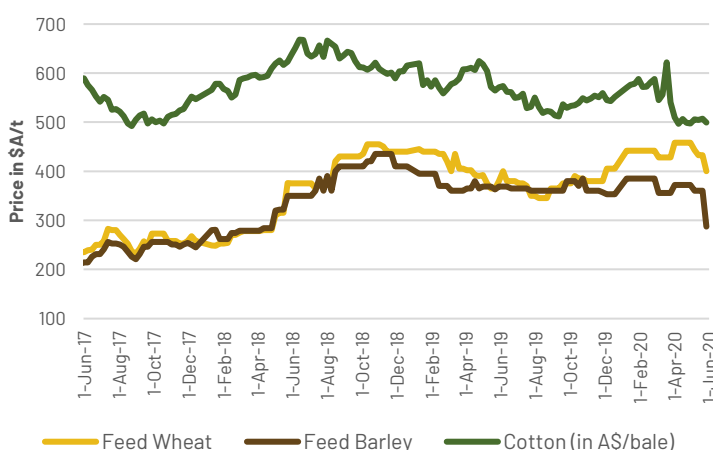
DBF is continuing to take advantage of the recent high livestock prices by selling livestock that meet market requirements, while also acquiring additional stock as favourable opportunities arise. During May, DBF completed pasture plantings that will assist in ensuring adequate feed is maintained during the coming months. DBF continues to maintain adequate reserves of fodder for livestock to facilitate the ongoing fattening and wellbeing of stock. Recent rainfall has improved the outlook for livestock with most stock grazing on dual-purpose wheat, pasture, and oats. At Boorala, DBF has continued to provide sheep with supplementary feed of barley and hay ahead of autumn lambing. The combination of supplementary feeding along with ample pasture for grazing has resulted in sheep in very good condition leading into lambing season.

DOMESTIC GRAIN PRICE CHANGES PAST 12 MONTHS*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (May 2019)	PERCENTAGE CHANGE
Feed Wheat	\$400	\$362	10%
Feed Barley	\$287	\$361	(20%)
Cotton	\$499/bale	\$571/bale	(13%)

* Data from ABARES weekly commodity reports and Cotlook

DOMESTIC CROP INDICATOR PRICES



SHARE BUYBACK

During the month 15,000 shares were bought back. The total number of shares bought under the buyback is 749,623, with the Company being able to acquire up to 4,282,728 additional shares. The intent of the buyback is to enable DBF to acquire shares in the event the Board determines they are trading at a discount to intrinsic value.

AUSTRALIAN MARKET INSIGHTS

CROP PRICES

During May, Australian wheat prices fell to finish the month at \$400/t. Barley prices decreased sharply during the month to \$287/t. The sharp fall in barley prices during the month is attributed to the announcement that China will place tariffs on Australian barley of around 80%. With China being the largest export market for Australian barley, the tariffs are expected to have a major impact on prices over the coming months. Australian barley typically is used as malt barley in China in the beer production process, and as such attracts a price premium. Barley exports which were originally destined for China are likely to be diverted into markets which demand barley for feed, such as Japan, southeast Asia, and Saudi Arabia. The fall in Australian wheat prices during the month could be attributed to the expectation that farmers would pivot from planting barley to planting wheat. Additionally, a global bearish indicator for wheat was released by the USDA, with projections of a record global wheat crop of 768 million tonnes. Increased production from several major growing countries and an expected rise in global ending stocks could place pressure on Australian wheat prices. Potential upside for Australian grain prices includes a reduction in global production if weather conditions start to worsen, a removal or reduction of the tariffs on Australian barley and supply chain disruptions due to COVID-19.

COTTON PRICES

International cotton prices traded sideways during May to finish the month up 0.7USc/lb at 66.0USc/lb. Prices fell 4.5USc/lb at the start of the month as the diplomatic relationship between the US and China continued to deteriorate. The deterioration of the relationship between the two countries resulted in the market fearing that the Phase One trade deal may be in jeopardy. Following the fall, the remainder of the month saw prices rise as buyers re-entered the market. The latest supply outlook by Cotlook has seen the forecast tonnage for the 2020/21 season at 24.8 million tonnes. This level of production would be the lowest level since the 2016/17 season. The global cotton consumption forecast for 2020/21 is 23.6 million tonnes. Cotlook has revised its consumption forecast down by 300,000 tonnes this month due to an expectation that consumer demand for textiles and clothing will be subdued due to the ongoing fallout of COVID-19.

¹ Sullivan, K. 2020. *China's tariffs on Australian barley could see export market lose hundreds of millions of dollars*. ABC News.

² Bond, J. 2020. *Wheat Outlook*, WHS-20e. U.S. Department of Agriculture, Economic Research Service.

³ Cotlook Limited. 2020. *May 2020 Market Summary*.

CROP PRODUCTION

During the month, the International Grains Council (IGC) forecast for grain production for the 2019/20 season has remained steady at 25.6 million tonnes. Australia's grain production is expected to be 2.7 million tonnes lower than 2018/19 season and is attributed to the adverse climatic conditions that were experienced throughout Australia during 2019. Initial projections of Australian production in 2020/21 from the IGC is 36.5 million tonnes. This would represent a 42.6% increase from the 2019/2020 season. The increase in production is attributed to improved seasonal conditions in the major grain growing regions.

WOOL PRICES

Wool prices fell during the month from \$12.72/kg to \$11.70/kg. Prices at the start of the month continued their recent decline before finding support in the final week of May. Prices declined at the start of the month as COVID-19 continued to impact the wool market. Wool prices have been declining steadily since the start of the year as COVID-19 began to impact supply chains and disrupt Chinese manufacturing. In response to the decline in demand the number of bales being offered for sale has been declining over the past two months. The last week of May saw a slight rise in prices of \$0.15/kg. Wool analysts advise caution to any optimism around this price rise as it may be due to some last-minute orders being received that needed to be filled, rather than a significant change in the market. Demand for wool products are likely to be lower in the coming months as people stay home, the northern hemisphere enters summer and consumers scale back on luxury purchases such as woollen jumpers.

NATIONAL WEATHER

May registered as the first month in nearly four years with a national mean temperature below the long-term average. SA, Victoria (VIC) and the Northern Territory (NT) recorded the largest temperature anomalies. During May rainfall across Australia was 31% below average with below average levels of rainfall in recorded in all states. SA and NSW recorded the largest drops in rainfall compared to historic means with rainfall during the month 66% and 53% below the long-term mean.

The Bureau of Meteorology's (BoM) climate outlook for June has predicted a 60-65% chance of rainfall exceeding the long-term median of 25-50mm and a 70% chance of temperatures being above the long-term median of 12-15°C for central-west NSW. The south-east of SA has a 50% chance of rainfall exceeding the long-term median of 50-100mm and a 50% chance of temperatures being above the long-term median of 12-15°C. Nationally, the BoM predicts warmer temperatures during the day for all states except SA and VIC and warmer nights nationally. Wetter than average weather is likely for northeast SA, western NSW, and some parts of Queensland (QLD). The BoM has reported that the Indian Ocean Dipole (IOD) and the El Niño-Southern Oscillation (ENSO), are currently neutral but there is a chance that La Niña thresholds may be met by the end of winter. The Southern Annular Mode (SAM) is forecast to be positive for the first two weeks of June. A positive SAM during winter typically results in lower rainfall in southern Australia but increased rainfall in eastern NSW and QLD.

Wool Eastern Market Indicator



Moving cotton modules at Walla Wallah

⁴ Graham, V. 2020. Coronavirus sucks EMI down to 1170cas wool pain worsens. The Land

⁵ Mitchell, J. 2020. Wool prices rise but it is not a sign of a changing market. The Land

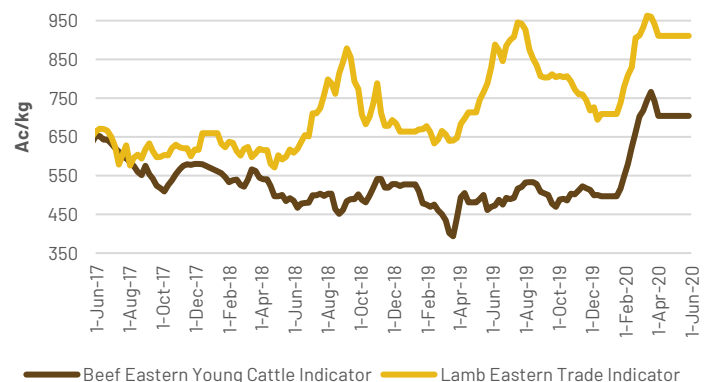
LIVESTOCK PRICES

During April Meat and Livestock Australia (MLA) made the decision to suspend reporting of the typical eastern and western state indicator pricing for cattle and sheep. The suspension of the indicators was in response to MLA's COVID-19 containment efforts and at this point will remain in place until conditions return to normal. Due to the suspension of the indicators, DBF will utilise the last reported prices of the eastern state indicators (25th of March 2020) for the tables and charts.

The last reported Australian Eastern Young Cattle Indicator (EYCI) price was \$7.04/kg on the 25th of March. During the month domestic cattle prices increased across most weight ranges. Price rises during the month are attributed to domestic supply shortages, production constraints in the US and competition from processors increasing as winter approaches and supplies begin to tighten. The strain on domestic supply is starting to be represented in the eastern states cattle slaughter which was down 12% year on year in May. Lower levels of slaughter are attributed to the positive outlook for winter that can incentivise producers to hold back stock. The US is being impacted by supply constraints as processing plant operations are being impacted by COVID-19 related restrictions. The supply constraints in the US have provided support to Australian prices. Once restrictions ease in the US there could be an oversupply of cattle as producers look to quickly move stock through processors. As the domestic herd continues to transition from a contractionary phase to rebuilding supplies are expected to continue to tighten. Over the coming months one of the major drivers of cattle prices will be supply, however the impacts of COVID-19 will persist in the background.

The last reported Australian Eastern States Trade Lamb Indicator (ESTLI) price was \$9.10/kg on the 25th of March. During the month, the processor lamb indicator saw an initial fall in price before rising steadily for the remainder of the month. The restocker lamb indicator saw a sharp fall initially followed by increases over the remainder of the month; overall prices finished at the same level as April. The rise in processor prices in May can be attributed to strong demand for processor lamb and a limited supply pool. An improved seasonal outlook has seen producers hold onto stock resulting in lamb yarding's (lambs for sale) trending down. During March when lamb prices spiked, yardings rose as producers took advantage of the high prices. The increase in yardings in March could compound the historical tightness in winter supply this year. Restocker demand started to pick up towards the end of the month as producers increased purchases of stock to rebuild the national flock following years of contraction.

Australian Livestock Prices



DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS*

STOCK	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (May 2019)	PERCENTAGE CHANGE
Beef	\$7.04	\$4.69	50%
Lamb	\$9.10	\$8.29	7%
Wool	\$11.70	\$18.33	(36%)

* Data from ABARES weekly commodity reports and Australian Wool Innovation Ltd

⁶ Meat and Livestock Australia (MLA). 2020. *Cattle prices climb as buyer competition ramps up*

⁷ Meat and Livestock Australia (MLA). 2020. *Lamb supply shaping up for tight winter*

GLOBAL MARKET INSIGHTS

WEATHER

Weather conditions during the month have been mixed with several countries currently being impacted by adverse conditions. Globally, climate conditions for the wheat crop are mixed with dry conditions beginning to impact several producing countries. China is currently experiencing favourable conditions for winter wheat and has increased sown area compared to last year. In central Europe dry conditions are impacting growth. Rain will be needed over the next month to maintain yields. Persistent dry conditions are impacting the wheat crop in southern Ukraine. Maize conditions are favourable for most of the major producing countries expect for Brazil and some areas of central Europe. Southern Brazil continues to be impacted by dry conditions which has affected crop development. In Europe, the maize crop is currently being monitored as it has emerged in dry conditions in most countries. Conditions for rice are mixed with China currently experiencing favourable conditions while several smaller producing countries are experiencing adverse conditions. This includes drought conditions in Indonesia and Thailand potentially reducing yields, and salinity affecting wet season rice in southern Vietnam.

PRODUCTION

During the month, forecasts for the 2019/20 grain season have risen slightly. The rise in production is attributed to improved production for maize. The 2019/20 grain season is forecast to produce 2,177 million tonnes of grain. For reference, the average world total annual grain production for the past 10 years has been 1,995 million tonnes. Overall wheat production is projected to be up year-on-year by 31 million tonnes. Projections for the 2020/21 grain season increased during the month by 12 million tonnes. The 2020/21 grain season is now projected at 2,230 million tonnes of grain production.

GRAIN PRICES

Grain prices are influenced by several factors including, but not limited to, supply and demand, political risk, global economic conditions, and weather. The IGC global grain and oilseed index fell during the month to finish May up by 1.4%. The wheat index finished May down by 1.4%. The wheat index is up 3.1% year on year. The wheat index fall was driven by ample world supply prospects and worries about coronavirus. The maize index rose by 4.0% during the month. Maize price rises during the month are attributed to a rebound in US values because of stronger export demand and some logistic constraints due to flooding.

⁸ Agricultural Market Information System (AMIS). 2020. *Market Monitor June 2020*



Dual purpose wheat at Cowaribin

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