

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



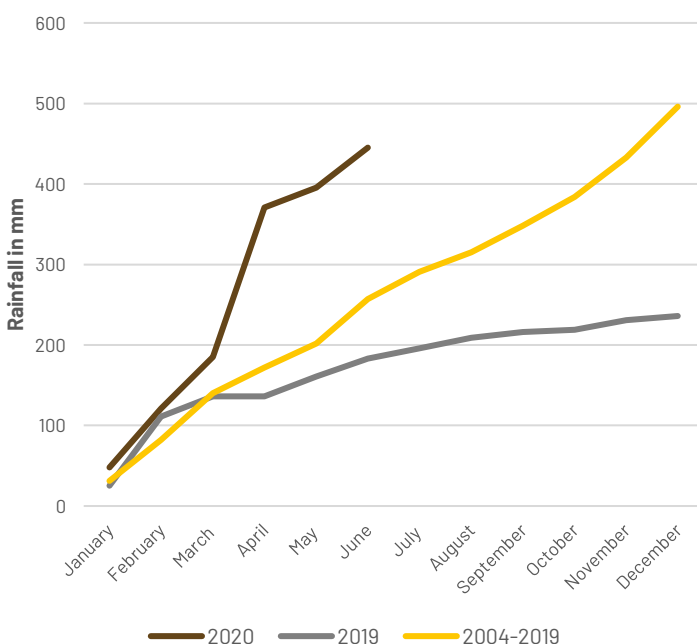
Duxton Broadacre Farms Limited (DBF/Company) presents investors with a unique opportunity to participate directly in the Australian broadacre cropping industry and the possibility to provide shareholders with both ongoing annual operational yield and longer-term capital growth. DBF intends to achieve 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 June rainfall of 49.8mm which coincidentally happened to be the same as the historic June average. As shown in the below graph, Forbes has now received 89% more rain than the region did for all of 2019 and is significantly above the 15-year average. The mean temperature for June was 15.7°C, above the long-term average of 15.5°C. In south-east South Australia (SA), June recorded rainfall of 41.8mm compared to the historic average of 55.2mm. The mean temperature for June was 14.4°C. This is below the long-term average for the region by 0.5°C.

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



WINTER CROPS

During June, the sowing of the winter crops was completed. The above average rainfall over recent months has delivered a full soil moisture profile, providing favourable conditions for the upcoming season. The winter crop is emerging well, receiving an application of nitrogen-based fertiliser to promote growth. Most livestock completed grazing on dual-purpose wheat (grazing and grain) and oats during the month. With good levels of rainfall received throughout autumn, DBF's South Australian property has seen a promising start to the winter cropping season. The combination of rainfall and reasonably warm days has resulted in strong crop establishment.

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 June, 88% of the cotton crop has been picked with the remaining field being delayed due to continued wet soil conditions. As cotton is picked it is placed into modules which are then freighted for processing. Preparations are beginning for next seasons cotton fields as conditions allow. The small trial plot of cotton that developed under a fully biodegradable/dissolvable film has been picked. Once processing is completed the results of the trial area will be analysed.

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. Pasture that was planted during May is showing good early development. The pasture will assist in ensuring adequate feed is maintained over winter. DBF continues to maintain adequate reserves of fodder for livestock to facilitate the ongoing fattening and wellbeing of stock. At Boorala, this year's early rainfall has resulted in good levels of feed in June. The combination of supplementary feeding along with ample pasture for grazing has resulted in sheep in very good condition leading into lambing season. Additional livestock is being sourced in July to take advantage of current high level of feed availability.

IRRIGATION

Upgrades to the water meters are being undertaken in anticipation of new meter requirements at the end of the year. 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.

SHARE BUYBACK

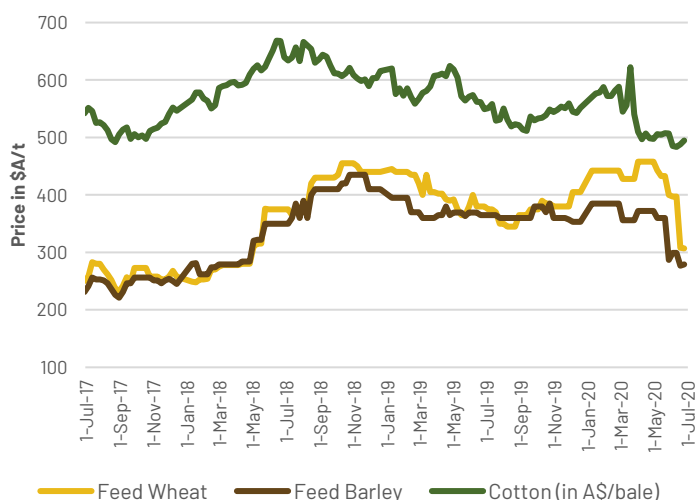
During the month 10,000 shares were bought back. The total number of shares bought under the buyback is 759,623, with the Company being able to acquire up to 4,272,728 additional shares. The intent of the buyback is to enable DBF to acquire shares in the event the Board determines they are trading at a discount to intrinsic value.

DOMESTIC GRAIN PRICE CHANGES PAST 12 MONTHS*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (June 2019)	PERCENTAGE CHANGE
Feed Wheat	\$307	\$364	(16%)
Feed Barley	\$279	\$358	(22%)
Cotton	\$495/bale	\$549/bale	(10%)

* Data from ABARES weekly commodity reports and Cotlook

DOMESTIC CROP INDICATOR PRICES



AUSTRALIAN MARKET INSIGHTS

CROP PRICES

During June, Australian wheat prices fell to finish the month at \$307/t. Barley prices decreased slightly during the month to \$279/t. The fall in wheat prices during the month is attributed to escalating fears of a second wave of COVID-19 infections which could lead to lockdowns, and lower global grain demand. During the month, the US Department of Agriculture (USDA) also released a report that forecast a large increase in global wheat stocks. Upon release of this report Australian wheat prices fell slightly. Additional factors that could be impacting the wheat price include an expected sharp rise in Australian production this year and the impact of new crop supply from the northern hemisphere as harvest starts to ramp up. Typically, global grain prices will see a decline from June to July as the northern hemisphere harvest starts to increase available supply. Additionally, Australian wheat prices may come under pressure due to the recent rise in the Australian dollar which could make exports more expensive and hence reduce demand. 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 June to finish the month up 1.0USc/lb at 67.0USc/lb. Prices rose 3.5USc/lb at the start of the month as some spinning mills and textile and garment factories restarted operations. Following the rise, the remainder of the month saw prices fall as optimism for the sector started to decline. The latest supply outlook by Cotlook has seen the forecast tonnage for the 2020/21 season at 24.6 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 38,000 tonnes this month due to a reduction in expected US consumption.

CROP PRODUCTION

During the month, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) released the June edition of the Australian crop report. ABARES is estimating grain production for the 2019/20 season to be 29.1 million tonnes. ABARES is forecasting for the 2020/21 season to see a recovery in production to 44.5 million tonnes. If 2020/21 production meets forecast levels it will be the highest level of production since 2016/17 and will be 11% above the 10-year average. The increase in grain production is attributed to expectations for higher yields due to improved subsoil moisture levels and an increase in planted area. ABARES is forecasting that planted area could increase by 23% to 22.5 million hectares.

¹ Grain Brokers Australia. 2020. *Northern hemisphere harvest starts amid a cloudy demand outlook*. Farm Online.

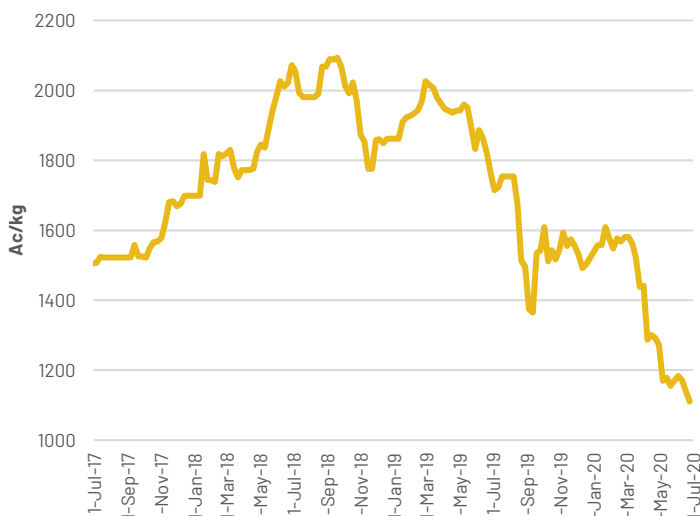
² Heard, G. 2020. *WASDE report sends wheat south*. Farm Online.

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

WOOL PRICES

Wool prices fell during the month from \$11.70/kg to \$11.10/kg. Prices at the start of the month saw a slight rise to \$11.83/kg before declining over the remainder of the month. The fall in wool prices during the month has resulted in prices at their lowest levels in 5 years. 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 three months. The third week of June saw the second smallest offering since 1995, with 15,800 bales being offered. For 2019/20 the total national offering fell by 12.4% to 1,470,717 bales offered. Demand for wool products is 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.

Wool Eastern Market Indicator



The Bureau of Meteorology's (BoM) climate outlook for July has predicted a 65% chance of rainfall below the long-term median of 25-50mm and an 80% chance of temperatures being above the long-term median of 12-15°C for central-west NSW. The south-east of SA has a 65-70% chance of rainfall below the long-term median of 50-100mm and an 80% chance of temperatures being above the long-term median of 12-15°C. Nationally, the BoM predicts warmer temperatures during both day and night for July. Wetter than average weather is likely for northeast WA, western NT, and some parts of northern 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 early spring. The chance of a negative IOD has reduced in recent months though some international models are indicating that a negative IOD could occur in spring. The Southern Annular Mode (SAM) is forecast briefly dip negative, before returning to positive levels by early July. A positive SAM during winter typically results in lower rainfall in southern Australia but increased rainfall in eastern NSW and QLD. The positive SAM and higher pressure across Australia are expected to be the dominant climate influences during July.



NATIONAL WEATHER

June recorded the equal seventh highest national mean temperature on record. National temperatures were especially high during the day with the maximum temperature 1.7°C above average which is the third highest on record. Queensland (QLD) and Western Australia (WA) recorded the largest temperature anomalies. WA recorded its highest daily average maximum temperature on record. During June rainfall across Australia was 54% below average with below average levels of rainfall recorded in all states but Tasmania. Australia's average rainfall during June was the third lowest on record. WA and the Northern Territory (NT) recorded the largest drops in rainfall compared to historic means with rainfall during the month 66% and 98% below the long-term mean.

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

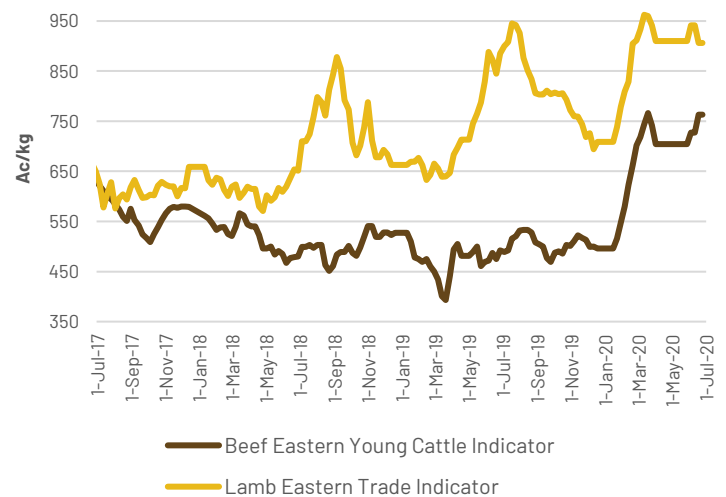
⁶ Frost, K. 2020. *Season finishes on a low note as market continues to deteriorate*. Farm Online

LIVESTOCK PRICES

During June, the Australian Eastern Young Cattle Indicator (EYCI) resumed reporting and rose by \$0.59/kg to finish the month at \$7.63/kg. Upon the EYCI resuming trading it continued its recent upwards trend due to strong competition between restockers and feeders. By mid-June, the EYCI set a new price record of \$7.72/kg as price momentum continued encouraged by tight supply and competition from restockers. Supply is falling short of demand due to a low herd base caused by years of drought conditions and producers holding onto stock as weather conditions improve. The EYCI is currently at a premium of \$2/kg above the five-year average and is 55% higher than last year. With the 3-month weather forecast from the BOM forecasting average to above-average rainfall for most major producing regions in Australia, producers could continue to hold stock which would result in supply remaining tight. Continued tight supply could result in sustained price support. The beef export market will be variable over the coming months as global production is impacted by COVID-19 related disruptions. The US has rapidly responded to recent processing shutdowns and is now operating above last years level. The return of the US as an export competitor will likely impact Australia's export operations. Despite a rapid rise in COVID-19 cases Brazil is yet to see an impact on its meat industry, although this could change as the virus continues to spread. Rapidly rising virus case counts in India have disrupted processing operations and limited livestock movement. If Brazil's beef industry is impacted by COVID-19 and India continues to be disrupted it could create opportunities for Australian beef exports.

Upon the resumption of reporting of the Australian Eastern States Trade Lamb Indicator (ESTLI), prices rose initially by \$0.31/kg before seeing a fall to finish the month at \$9.06/kg. Initial price rises were seen across all categories and were attributed to producers holding stock which caused market supply to tighten. Historically the ESTLI has found support during the winter months as supplies begin to tighten and slaughter levels fall. There is potential downside for prices in the coming months due to uncertainty in global markets and a decrease in demand due to a reduction in the global restaurant trade. Prices could find support though as African Swine Fever is still impacting Asian markets and lamb supply is expected to remain constrained.

Australian Livestock Prices



DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS*

STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (June 2019)	PERCENTAGE CHANGE
Beef	\$7.63	\$4.92	55%
Lamb	\$9.06	\$8.85	2%
Wool	\$11.10	\$17.66	(37%)

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

⁷ Meat and Livestock Australia (MLA). 2020. *Welcome return for the EYCI.*

⁸ Meat and Livestock Australia (MLA). 2020. *EYCI surpasses March record.*

⁹ Meat and Livestock Australia (MLA). 2020. *Lamb prices continue to climb.*



Cotton crop at Walla Wallah partially picked (June 2020)

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. In China, the winter wheat harvest is nearing completion under favourable conditions. In central Europe dry conditions have continued resulting in reduced yield prospects. Dry conditions early in the season continue to impact the wheat crop in southern Ukraine. In Russia, winter wheat conditions are mixed with the south being affected by dry conditions while in the north conditions are favourable to exceptional. Maize conditions are favourable for most of the major producing countries expect for some areas in Brazil and Argentina. Southern Brazil continues to be impacted by dry conditions which has affected crop development and resulted in reduced yield expectations. In central Brazil conditions are exceptional for maize. In Europe, the maize crop was being monitored in some areas due to dry weather, but recent rainfall has improved conditions. Conditions for rice are mixed with China and India currently experiencing favourable conditions while several smaller producing countries are experiencing adverse conditions. This includes dry conditions in Indonesia impacting yield expectations and causing delays to the sowing of dry season crops, and drought affecting wet season rice in southern Vietnam.

PRODUCTION

During the month, forecasts for the 2019/20 grain season have fallen slightly. The fall in production is attributed to reduced production for maize and soybeans. The 2019/20 grain season is forecast to produce 2,175 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 30 million tonnes. Projections for the 2020/21 grain season increased during the month by 7 million tonnes. The 2020/21 grain season is now projected at 2,237 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 June up by 1.4%. The wheat index finished June down by 4.4%. The wheat index is down 3.7% year on year. The wheat index fall was driven by a switch to new crop prices and a forecast increase in global stocks. The maize index rose by 3.0% during the month. Maize price rises during the month are attributed to improved US values due to stronger demand and some logistic constraints.

¹⁰ Agricultural Market Information System (AMIS). 2020. *Market Monitor July 2020*

Dual purpose wheat at Cowaribin (June 2020)

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