

QUARTERLY ACTIVITIES REPORT

June 2020

COVID-19

Duxton Broadacre Farms remains largely unaffected by any adverse impacts arising from the COVID-19 pandemic. The remote location of our farms has facilitated compliance with distancing and sanitisation methods put in place.

Operationally, staff are continuing to adhere to COVID measures put in place and remain vigilant while cases in Victoria and NSW spike in a second wave.

Inputs were sourced without issue for the sowing of the winter crops and our managers continue to plan for the future requirements of the crop and utilise their strong relationships with our suppliers to ensure there are no shortages of inputs required to ensure our crops mature properly.

The reduction in COVID-19 panic buying in addition to anticipated increases in both Australian and global grain commodity stocks led to a softening in grain commodity prices during June.

SUMMER CROPS

Harvesting of the cotton crop was delayed due to wet soil conditions resulting from over 186mm of rainfall in April. 88% of the cotton crop was harvested with the remaining field to be picked when soil conditions allow.

WINTER CROPS

Sowing of the winter crops was completed and has been supported by a full soil moisture profile from above average rainfall. Forbes has received more rain in the calendar year to date than it did for all of 2019 and is well above the 15-year average.

The winter crop is emerging well with the most significant activities now occurring being the application of pre and post-emergent herbicide and spreading of nitrogen-based fertilisers.

LIVESTOCK

Following the build of numbers cattle was sold to take advantage of high livestock prices with 29 cows sold at an average of \$1,685 per head along with 39 heifers and 90 steers at an average of \$1,300 per head. Additional steers have been acquired when favourable opportunities arise.

Recent rainfall has supported the development of pasture which will lessen the requirement for supplementary feeding of which adequate reserves are on hand. Livestock have been grazing on both dual purpose wheat and oats

Favourable conditions leading to healthy pastures in addition to supplemental feeding has resulted in sheep in very good condition leading into lambing season. Additional livestock will be sourced to take advantage of high levels of feed availability. 1,300 lambs were sold in the quarter at an average price of \$205 per head.

108 Bales of wool produced in March was sold for \$74k.

CASH FLOW FORECAST

Operating cashflow for the quarter ending 30 June 2020 was a \$3.6M deficit. The significant deficit is reflective of expenditure required for the preparation of land, spraying of chemicals, fertilising and planting of the winter crop that will be harvested in December 2020.

Delays in the harvesting and the resulting sale of cotton along with the lower expenditure requirements while the winter crop emerges and matures will lead to a significantly lower cash deficit from operations in the next quarter before the winter crop is harvested and sold in November and December.

The cash flow deficit is forecasted to hit a maximum of \$7.9M in November before the winter crop is harvested. To support this deficit the \$4M overdraft facility with existing lender Westpac was increased in April to \$8M. This increased total overdraft facilities to \$9M with an additional \$0.8M undrawn on other facilities. Given the favourable conditions to date the drawdown of \$7.9M is expected to be paid down in full upon the sale of the winter crop harvested in December.

The total of \$386k of related party payments in 6.1 of the quarterly cash flow report represents \$298k paid to Duxton Capital Australia Pty Ltd for financial services and management fees for acting as the investment manager along with \$88k paid to Duxton Water Ltd for water charges.

Appendix 4C

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

Name of entity

Duxton Broadacre Farms Ltd

ABN

45 129 249 243

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,555	16,923
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,995)	(16,135)
(c) advertising and marketing	(1)	(18)
(d) leased assets	(87)	(188)
(e) staff costs	(487)	(1,729)
(f) administration and corporate costs	(543)	(1,420)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(276)	(1,049)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	102	382
1.8 Other (provide details if material)	94	174
1.9 Net cash from / (used in) operating activities	(3,638)	(3,060)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(132)	(1,641)
(d) investments	(100)	(100)
(e) intellectual property	-	-
(f) other non-current assets	-	(109)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	369	411
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	137	(1,439)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(29)	(113)
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(4)
3.5	Proceeds from borrowings	-	192
3.6	Repayment of borrowings	(142)	(370)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(173)	(295)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	(2,610)	(1,490)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,638)	(3,060)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	137	(1,439)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(173)	(295)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	(6,284)	(6,284)

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	12	12
5.2	Call deposits	-	-
5.3	Bank overdrafts	(6,296)	(2,622)
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(6,284)	(2,610)

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

386

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	26,000	25,200
7.2 Credit standby arrangements	9,000	6,296
7.3 Other (please specify)	-	-
7.4 Total financing facilities	35,000	31,496

7.5 Unused financing facilities available at quarter end	3,504
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Westpac Business One Loan (Overdraft 1) \$8,000,000: Rate 3.39% maturity at call
 Westpac Business One Loan (Overdraft 2) \$1,000,000: Rate 3.70% maturity at call
 Westpac Agri Finance (Facility 1) \$5,000,000: Variable Rate 3.079% maturity 31/10/21
 Westpac Agri Finance (Facility 2) \$10,000,000: Fixed Rate 5.17% maturity 26/10/27
 Westpac Agri Finance (Facility 3) \$5,000,000: Variable Rate 3.139% maturity 31/10/22
 Westpac Agri Finance (Facility 4) \$6,000,000: Variable Rate 3.419% maturity 06/03/24

The bank overdraft drawn has been included in 5.3 to reconcile the figure at 5.5 with that at 4.6 and is also included as an amount drawn in 7.2. It has only been included once in the estimated quarters of funding calculation below in 8.3 to give an accurate representation of total available funding in 8.4.

Operational cash flow for the quarter was a surplus of \$32k and as a result there was no requirement for funding to support operations as calculated in 8.5. The resulting figure in 8.5 from the advised calculation basis is showing the available funding to be 100 times the operational cash surplus in the quarter ending 31 March 2020.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(3,638)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	(6,284)
8.3 Unused finance facilities available at quarter end (Item 7.5)	3,504
8.4 Total available funding (Item 8.2 + Item 8.3)	3,504
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.96

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

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No, calculating available funding based on a single quarter of operations in a broadacre farming business is going to give volatile results due to the timing of when revenue and expenses fall across the year. The quarter ending June will always have a significant proportion of the annual costs of the business due to the large amounts of expenditure incurred in land preparation, sowing of the winter crop, spraying chemicals and spreading fertiliser.

The quarter ending September will have significantly lower expenditure on these items in addition to having revenue from the sale of the cotton just harvested in June and as a result will have a significantly lower cash deficit from operations.

The quarter ending December will have revenue from the harvest and sale of the winter crop and as a result will have a cash surplus from operations.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Westpac Business One Loan (Overdraft 1) limit was increased from \$4,000,000 to \$8,000,000 in April 2020.

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

Answer: The entity expects to be able to operate without limitation following the increase in facilities to \$35M granted in April 2020.

The current maximum drawdown on overdraft facilities is forecasted to be \$7.9M in November prior to the harvest of the next winter crop. This \$7.9M is forecasted to be paid down upon the sale of the winter crop harvested in December 2020.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2020

Authorised by: the Board of Duxton Broadacre Farms Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been

prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.