

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.

OPERATIONAL UPDATE

WINTER CROPS

Winter harvest is well underway after starting in the second week of the month. There have been some harvest delays due to hot windy weather and/or storms but overall harvest has been progressing well. Crop yields are estimated to be higher than average and so far are of reasonable quality. The limited areas of winter crop affected by hail in October have been assessed and will be reviewed with the insurers after harvest has been completed. At Boorala, the harvest of canola has started with solid yields from the paddocks harvested so far. A couple days of rain delayed harvest however this isn't expected to affect grain quality.

SUMMER CROPS

Cotton planted in October is growing well under the warmer conditions. Fertiliser has been applied to most of the crop, with preparations for further fertiliser applications continuing when conditions allow. The small area of cotton from last year that had a delayed harvest due to wet soil conditions has now been picked.

LOCAL WEATHER

Central-west New South Wales (NSW) recorded November rainfall of 32.6mm which is 12.4mm below the long-term average. As shown in the below graph, Forbes has now received 225% more rain than the region did for all of 2019 and is significantly above the 15-year average. The mean temperature for November was 30.9°C, above the long-term average of 29.1°C. In south-east South Australia (SA), November rainfall of 29.2mm compared to the historic average of 34.0mm. The mean temperature for November was 27.1°C. This is above the long-term average for the region by 2.5°C.

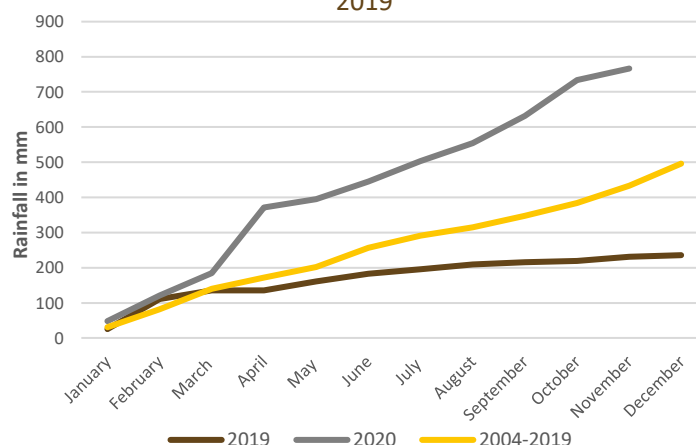
IRRIGATION

The Lachlan river water allocation is currently at 36% YTD. Upgrades to the water meters on the Walla Wallah river pump and bore pump have been completed and meet the new meter requirements due to be implemented at the end of the year. Drilling of test bores to identify irrigation development potential will recommence at Timberscombe once hydrological survey results have been received. The application lodged with State Water for an additional production bore at Walla Wallah has been accepted and DBF is now awaiting final completion.

LIVESTOCK

DBF continues 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 is growing well, with the new pasture planted this year going to seed to extend the life of the crop. DBF is maintaining adequate reserves of fodder for livestock. 1,350 tonnes of silage is stored at Cowaribin and 4,000 tonnes at Kentucky. Most of the breeding cattle remain on agistment for cost effective feeding while DBFs pastures grow out and seed. At Boorala, most lambs were marketed during the month and have been weighing in well. For the last calving, Boorala's fertility rates for cattle were 97% and for lambs 118%. Forbes is performing similarly with a lambing fertility rate of 116%.

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



SHARE BUYBACK

During the month no shares were bought back. The total number of shares bought under the buyback is 769,623 with the Company being able to acquire up to 4,267,728 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

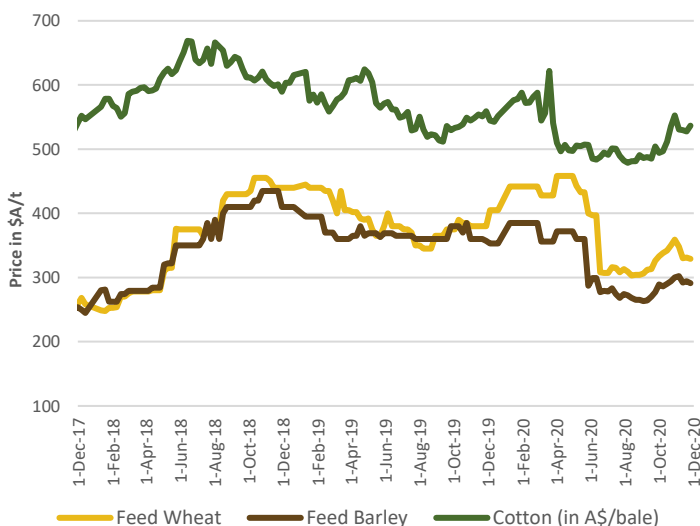
During November, Australian wheat prices fell slightly to finish the month at \$329/t. Barley prices also fell slightly during the month to finish at \$291/t. Traditionally, Australian wheat has traded at a premium compared to other producers due to its high quality. Currently however, Australian wheat is priced cheaply compared to international producers and given that prices remain above the long-term average locally, farmers are unlikely to hold back from selling.¹ Unconfirmed rumours of a Chinese ban on Australian wheat imports through the month placed some downward pressure on Australian wheat prices, however prices stabilised while the industry awaits confirmation. In the event of a ban, insights from RuralBank indicate demand should be readily picked up from other buyers in South East Asia, North Asia and the Middle East.² Looking forward, as the strong Australian harvest progresses and selling increases, local prices are not expected to increase in the near term. Potential upsides for Australian grain prices include 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.

DOMESTIC GRAIN PRICE CHANGES PAST 12 MONTHS*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (November 2019)	PERCENTAGE CHANGE
Feed Wheat	\$329	\$380	(13%)
Feed Barley	\$291	\$357	(18%)
Cotton	\$537/bale	\$559/bale	(4%)

* Data from ABARES weekly commodity reports and Cotlook

DOMESTIC CROP INDICATOR PRICES



COTTON PRICES

International cotton prices traded mostly sideways during November beginning the month at \$530/bale and ending at \$537/bale. Last month's strong increase in international cotton prices lost momentum with reduced trading activity compared to the previous month. Over November, the cotton market was influenced by a range of COVID-19 related factors. Cotton futures shared in the positive reactions to vaccine developments, however increased virus cases in the United States and public health measures introduced in Europe saw manufacturers remain cautious, impacting demand for yarn which in turn impacted demand for raw cotton from mill buyers. The latest production outlook by Cotlook has seen the forecast production for the 2020/21 season reduce by 146,000 tonnes to 24.2 million tonnes. The main downgrades come from Pakistan, with many farmers abandoning low yielding cotton crops in favour of winter wheat. In China, harvest is mostly complete and by the end of November 70% of its harvest has been ginned. Yields have generally been favourable however some shortfall in quality has been identified. In India, while a record area of cotton has been planted, heavy rainfall has caused some damage in southern producing areas. Cotlook's global cotton consumption forecast for 2020/21 is 23.2 million tonnes.³

CROP PRODUCTION

The latest forecast by ABARES forecasts Australia's winter crop production at 51.4 million tonnes a 76% increase on the previous year and second only to the record high 56.7 million tonnes in 2016/17. Wheat production is forecast to increase by 106% to 31.2 million tonnes, and barley production by 33% to 12 million tonnes. For both crops this would be the second highest year on record. New South Wales which under drought conditions contributed only 15% of the 15.1 million tonne national wheat crop last year, could produce over 80% of the national crop this year. In South Australia, despite a brief COVID-19 lockdown harvest is continuing, with bulk handler Viterro confirming business as usual, with some receival sites beating their all-time daily records for tonnage received. The anticipated rise in production in 2020/21 is attributed to an increase in area planted and an improvement in climatic conditions. While production estimates are positive, above average rainfalls during harvesting could delay harvesting and potentially reduce the quality of crop produced.

¹ Heard, G. 2020. *Aussie wheat cheap on the world stage, but farmers still happy*, Farm Weekly.

² RuralBank, 2020. *Insights November 2020 – Cropping*.

³ Cotlook, 2020. *November 2020 Market Summary*.

⁴ Department of Agriculture, Water and the Environment, 2020. *Australian Crop Report: December edition*, ABARES.

⁵ Heard, G. 2020. *NSW wheat crop is close in size to all of Australia's production last year*, Farm Online.

⁶ Heard G. 2020. *Harvest continues apace in SA in spite of COVID scare*, Farm Online.

⁷ Department of Agriculture, Water and the Environment, 2020. *Australian Crop Report: December edition*, ABARES.

WOOL PRICES

Wool prices rose slightly during the month from \$11.38/kg to \$11.50/kg. While strong Chinese bidding in the first week of November auctions saw prices rise up to \$11.88/kg⁸, prices settled over the remaining three weeks to finish the month up only slightly. The Australian wool market is calmly moving towards the Christmas recess, however factories in China continuing to run over this period.⁹ As such, mills each year will typically stock up before this period. While prices have improved in recent months, there remains uncertainty with wool demand from sources outside of China mostly poor.¹⁰ While only slight, the increase in wool prices over the month continues the recovery in prices after a long-term downtrend following COVID-19 and its lockdown measures resulting in reduced demand.¹¹ Price increases are largely attributed to the Chinese demand, with 2019 data indicating that China's woolen clothing purchase volumes of 125 million kilograms is larger than the USA, Japan and Germany combined.¹²

NATIONAL WEATHER

November recorded national mean temperatures 2.47°C above historical means and were the highest on record for Australia as a whole. Both the mean maximum and mean minimum temperatures were above average for the month. All States and Territories had mean maximum and mean minimum temperatures that were amongst the top ten on record for November. Rainfall was below average for Australia overall, with all areas experiencing below average rainfall except for Western Australia which was above average by 35%. South Australia had the largest decrease from the mean, with rainfall 71% lower than historical averages. Rainfall in New South Wales was also 54% lower than historical averages and for Tasmania, it was the ninth-driest November on record.

The BoM is reporting that La Niña remains active in the tropical Pacific Ocean with models suggesting that the La Niña will peak around December or January and is likely to persist until at least the end of February 2021. Typically, La Niña is associated with cooler weather and higher spring rainfall, however during this November the active La Niña weakened temporarily. At the same time, the Southern Annular Mode also briefly returned to neutral. Together, this reduced cloud, led to increased air pressure and as a result caused less rainfall over Australia throughout the month. Both La Niña and the Southern Annual Mode are expected to return to October levels soon, with climate outlooks still forecasting cooler temperatures and increased rainfall for summer 2020-21. The Indian Ocean Dipole (IOD) is neutral and is expected to remain neutral over the coming months, and so is unlikely to have any impact on Australian rainfall.



Wheat Harvest at Kentucky (November 2020)

⁸Australian Wool Innovation Limited, 2020. *Week 19 – November 2020 Eastern Market Indicator (EMI)*, Wool.com.

⁹Elders Wool, 2020. *Wool industry calmly heading to Christmas but uncertainty lingers*, Farm Weekly.

¹⁰Elders Wool, 2020. *Wool industry calmly heading to Christmas but uncertainty lingers*, Farm Weekly.

¹¹Frost, K. 2020. *EMI falls 30 cents, but stability through increased consumer confidence on the horizon*, Farm Weekly.

¹²McLeish, B. 2020. *Steadying of prices as sector seeks Chinese demand uptick*, The Land.

LIVESTOCK PRICES

During November, the Australian Eastern Young Cattle Indicator (EYCI) continued to rise, and finished the month at a record \$8.29/kg. The EYCI is currently 62% higher than at the same time last year. Earlier in the year where rainfall led to an improvement in conditions, Australian cattle prices began their rise as producers looked to replenish their herd levels following a long period of drought and destocking. Since June, Australian cattle prices have been the highest in the world.¹³ As a result of the supply constraints due to the long period of destocking due to drought, national production data up to September is down 18% compared to the same nine-month period.¹⁴ Due to the increased beef prices however, export values for 2020 so far have remained in line with 2019 levels.¹⁵

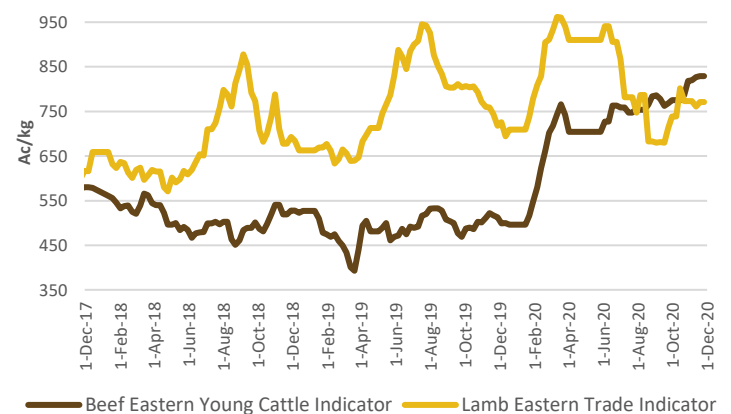
DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS*

STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (November 2019)	PERCENTAGE CHANGE
Beef	\$8.29	\$5.13	62%
Lamb	\$7.71	\$7.18	7%
Wool	\$11.50	\$15.55	(26%)

* Data from ABARES weekly commodity reports, Meat and Livestock Australia and Australian Wool Innovation Ltd

During November, the Australian Eastern States Trade Lamb Indicator (ESTLI) remained flat, ending the month at \$7.71/kg. Lamb prices have eased since March when prices reached record highs. Demand for lamb has fluctuated in response to international markets moving through various stages of COVID-19 recoveries.¹⁶ The latest data from The Australian Bureau of Statistics shows that national lamb slaughter for the September quarter is down 2% on the same quarter last year and 11% down YTD. While earlier reports of increased lamb survival and higher marking rates¹⁷ suggested a larger supply this year, reduced processing numbers indicate an industry focus on flock recovery driven by the improved conditions and fluctuating demand.¹⁸

Australian Livestock Prices



¹³ Meat & Livestock Australia, 2020. *Australian cattle prices remain at a premium to global competitors*, MLA.

¹⁴ Meat & Livestock Australia, 2020. *Female slaughter at 53% for September quarter as production falls*, MLA.

¹⁵ Rintoul, J, 2020. *Beef market goes from strength to strength*, Farm Weekly.

¹⁶ Meat & Livestock Australia, 2020. *Lamb and mutton prices closest on record*, MLA.

¹⁷ Marking rates give the number of lambs available for slaughter. It is expressed as a percentage (lambs per ewe mated).

¹⁸ Meat & Livestock Australia, 2020. *National flock rebuild gains momentum*, MLA.



Wheat Harvest At Yarranlea (November 2020)

GLOBAL MARKET INSIGHTS

WEATHER

Weather conditions during the month have been mixed.¹⁹ Wheat conditions are mostly mixed for the major producing countries. In the southern hemisphere, harvest is ongoing in Argentina with dry conditions in the north but favourable conditions in Buenos Aires and La Pampa provinces. In the EU, winter wheat sowing has been completed under generally favourable conditions however excessive October rainfall in some Eastern European countries has slowed November's crop development. In the Ukraine, warmer weather has extended the growth of crops going into winter however dryness in the east remains of some concern. Maize conditions are mostly favourable, with the United States harvest nearing completion under favourable conditions and above average yields expected from Minnesota and Illinois. In Brazil, conditions are generally favourable for the spring planted crop however some dryness in the southern regions is affecting yields. In the EU, conditions are favourable but for France, Bulgaria and Romania where summer drought is reducing yields. Conditions for rice in almost all regions globally are favourable except for the Philippines where tropical cyclones have led to lodging and flooding damage to parts of northern and southern Luzon. In China, the late season rice harvest is nearing completion under favourable conditions. In India, Kharif rice harvest is wrapping up in northern states and beginning in the southern and eastern states under favourable conditions. Soybean conditions are mostly favourable, with recent rainfall in Brazil's main producing central-west region increasing crop development. In Canada and India harvests are wrapping up under favourable conditions.

PRODUCTION

Forecasts for the 2020/21 grain season during the month lowered by 7 million tonnes to 2,219 million tonnes.²⁰ Production decreases were largely attributed to maize downgrades from the EU, Ukraine and the USA. The estimates for world wheat production rose by 1 million tonnes during the month and is expected to be close to records highs at 765 million tonnes. The 2020/21 grain season is now projected at 2,219 million tonnes of grain production compared to 2,186 million tonnes the year before. For reference, the average world total annual grain production for the past 10 years has been 2,032 million tonnes.

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 rose during the month to finish November up by 4.0%. The wheat sub-index has little change over the month with export prices staying close to a more than five-year peak. The maize sub index was up slightly over the month, consolidating after the previous month's 18% gains. The rice sub-index also remained steady over the month, supported by Thai currency strength and Vietnam's harvest being delayed due to rain.²¹

¹⁹ Agricultural Market Information System (AMIS). 2020. *Market Monitor December 2020*, AMIS

²⁰ International Grains Council, 2020. *November 2020 Grain Market Report*, IGC.

²¹ International Grains Council, 2020. *November 2020 Grain Market Report*, IGC.

Wheat Field at Yarranlea (November 2020)

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