

COMPANY SNAPSHOT

COMPANY NAME

Duxton Broadacre Farms Limited

INVESTMENT MANAGER

Duxton Capital (Australia)

PORTFOLIO

1 Aggregation of 8 Properties

LOCATIONS

Forbes and West Wyalong, NSW

HECTARES

22,882 owned

WATER ENTITLEMENTS (ML)

10,035 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.

VALUATION UPDATE

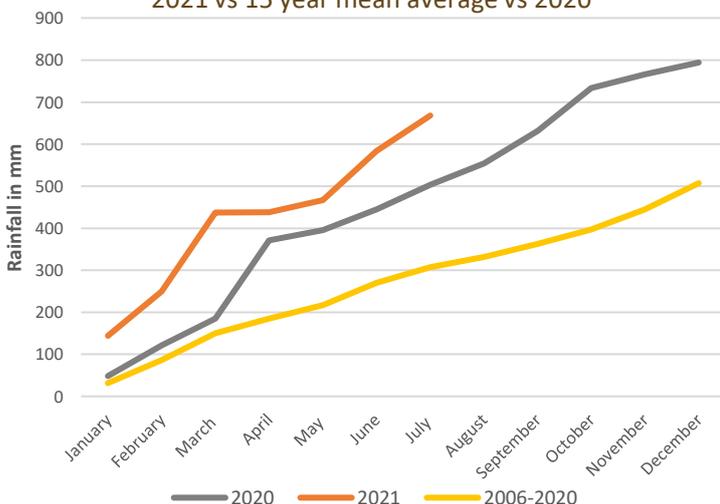
As previously released to market on 22 July 2021, DBF is pleased to announce that as at 30 June 2021 the Company's total land, water and structural assets have been independently assessed by LAWD Pty Ltd as having a value of \$107.95 million. This represents a valuation increase of 11.4% since the same time last year, with properties that DBF managed both years (that is the portfolio less divestment of Boorala and acquisition of West Plains and Lenborough) increasing in valuation by 16.1% year-on-year. This marks the fourth consecutive year of growth in the value of DBF's real property assets.

OPERATIONAL UPDATE

LOCAL WEATHER

It was another wet month across the farms with central-west New South Wales (NSW) recording rainfall of 84.2mm over July, more than double the July long-term average of 40.4mm. Year to date rainfall in 2021 is over twice the previous 15-year average and also higher than at the same time last year. The mean temperature for July was 13.7°C, 1.0°C cooler than the long-term average of 14.7°C.

Cumulative Rainfall (Forbes Airport AWS)
2021 vs 15 year mean average vs 2020



COVID-19 UPDATE

Significant statewide lockdowns across New South Wales have not impacted DBF's operations. Staff and contractors are abiding by the COVID-19 related controls in place in accordance with government directions.

WINTER CROPS

Most of the winter crops are performing well in the wet weather conditions with all required crop inputs secured and held on farm. Some areas of the chickpea crop at Yarranlea sown just before the heavy rainfall have however been affected by water inundation which will be assessed once the paddocks dry out. Sowing was completed early June across most of the aggregation except for a small portion of Walla Wallah which will not be planted with winter crop. Fertiliser applications were completed over July across areas of the aggregation as required. No damage has been observed as a result of mice populations however crops will continue to be monitored with additional bait on hand should it be required.

SUMMER CROPS

Ginning of cotton continued over July with reasonable results and overall yields of 10-10.5 bales per hectare in line with expectations. All harvested cotton modules have now been transported to the gin. Mulching and seed bed preparations for the winter cropping to follow this year's cotton harvest, as well as preparations for next year's cotton crop will continue once conditions allow following the continued wet weather. Damage from the hail that occurred earlier in the season is currently being assessed by the insurer.

LIVESTOCK

Pasture across the aggregation continues to grow well, assisted by the high rainfall. Calving continues positively, while lamb marking is now mostly complete, following some delays from wet weather with lambing rates at 140% across most of the flock. Lambing rates are a measure of the number of lambs produced per each mated ewe within a flock. Large numbers of cattle and sheep remain at the newly acquired West Plains and Lenborough properties to take advantage of the available feed. Livestock sales are ongoing as market opportunities allow with good to exceptional pricing. Additional livestock were purchased during the month at favourable prices with more expected to be purchased if further attractive pricing opportunities arise.

IRRIGATION

DBF's water position remains secure. Water is currently being released from the Lachlan River's Wyangala dam in accordance with the Lachlan Water Sharing Plan – Translucent Environment Flows. The increased rainfall has seen DBF's Lachlan River water allocation increasing over the month to 99%. This is expected to secure irrigated production for the next 3 years. The March rainfall event stopped the drilling of test bores at Yarranlea and Timberscombe, however work will recommence upon drier field conditions. The application lodged with State Water for an additional production bore at Walla Wallah has been accepted and DBF is still awaiting final paperwork completion.

SHARE BUYBACK

During the month no shares were bought back. The total number of shares bought under the buyback is 846,654 with the Company being able to acquire up to 4,185,697 additional shares.

AUSTRALIAN MARKET INSIGHTS

CROP PRICES

During July, Australian wheat prices rallied by 5% ending the month at \$390/t. Australian barley prices fell by 3% over the month, finishing at \$321/t. Due to increases in Australian production volumes following the drought breaking, Australia's grain prices are now largely driven by international markets. Increasing wheat prices over July are primarily attributed to rising concerns over upcoming harvests in the northern hemisphere. Areas of the United States and Canada are facing hot and dry conditions placing pressure on their crop outlooks, while the Russian spring wheat crop albeit still large may also come in below earlier projections. In France and Germany, wet weather and flooding have also impacted total production and quality of the overall crop.¹ Looking forward, Rabobank expect that further downgrades to USDA production estimates are possible which could provide further support for Australian wheat prices.²

DOMESTIC GRAIN PRICE CHANGES PAST 12 MONTHS*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (July 2020)	PERCENTAGE CHANGE
Feed Wheat	\$390	\$313	25%
Feed Barley	\$321	\$274	17%
Cotton	\$657/bale	\$482/bale	36%

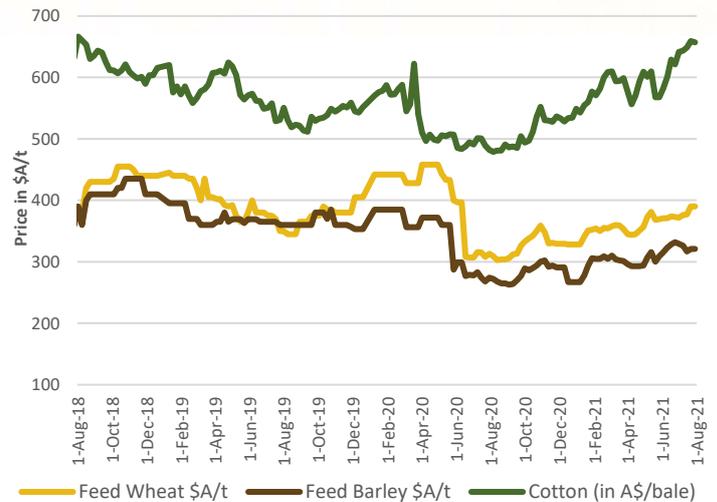
*Data from ABARES weekly commodity reports and Cotlook

COTTON PRICES

International cotton prices continued their rise over July, ending the month 3 USc/lb higher at 97 USc/lb. In Australian dollars, cotton prices of \$657/bale are 6% higher month-on-month and 36% higher compared to the same time last year. Underlying demand over July was strong, with mills in many countries in need of supplies over the summer months amid increasingly tight supply. Freight issues caused by low availability of shipping containers continue to impact many deliveries with many merchants currently finding it difficult to replenish their stock.

As a result of the recent good rainfall, Cotlooks estimates of the Australian 2021/22 crop increased over the month to one million tonnes, levels not seen since the 2017/18 season. Overall, global production estimates are placed at slightly over 25.8 million tonnes, representing an increase of approximately 7% from 2020/21.³

DOMESTIC CROP INDICATOR PRICES



CROP PRODUCTION

Australia is looking at a second consecutive near-record year for winter crop plantings as strong pricing and favourable seasonal conditions see total planted hectares rise. Rabobank forecast that total plantings for the 2021/22 national winter crop will come in at 22.93 million hectares, up 2% on last year and within 1% of the record high winter crop total planted area in 2016/17. This acreage also represents an 8% increase above the five-year average.⁴ Production for the 2021/22 winter crop is currently forecast by ABARES at 46.8 million tonnes, 15% below last year's near record high 55.2 million tonnes but still 13% above the 10-year average.⁵ Crop yields in New South Wales and Western Australia, the two states with the largest forecast planted area are expected to be above average however variable yields are expected in South Australia and Victoria due to unfavourable autumn planting conditions. While lower than the record highs achieved last season, New South Wales yields are still expected to be well above the 10-year average to 2020/21. Increased mouse populations in the eastern states are expected to increase costs of production for some producers however total national output is not expected to be adversely affected. Summer crop production for 2020/21 is estimated by ABARES to have increased to 3.4 million tonnes, more than three times than the drought affected production season of 2019/20.

¹ Bartholomaeus, M. 2021, *Six-day futures rally broken*, Farm Online.

² Kalisch Gordon, C. 2021. *Rabobank Australia Agribusiness Monthly August 2021 – Grains & Oilseeds*, Rabobank.

³ Cotlook, 2021. *July 2021 Market Summary*.

⁴ Rabobank, 2021. *Future fields of gold – Australia's winter crop planting rises again, 2021/22 Winter Crop Outlook*.

⁵ ABARES, 2021. *Australian crop report: June 2021*, Australian Bureau of Agricultural and Resource Economics and Sciences.

WOOL PRICES

Wool prices fell by 3% over July, finishing the month at \$14.28/kg. Despite the fall in prices, prospects for the Australian wool market appear positive at present with auctions now entering a three-week recess until 9 August and demand expected to build over the hiatus. The final week of auctions before the recess saw strong demand from China which combined with support from India, Italy, and the Czech Republic was sufficient to see clearance rates of 86.6% from the high offering of almost 50,000 bales which potentially could have resulted in negative price outcomes.⁶ Rabobank also has a positive wool market outlook for 2021/22, noting that June 2021 retail apparel sales in the US are 50% higher than 2020 levels and up 16% against 2019 levels signaling further support for wool demand. The latest woolen suit import data in May whilst seeing improvements month on month, overall remains poor however, with the US remaining 70% below pre-pandemic levels.⁷

Wool Eastern Market Indicator



NATIONAL WEATHER

July recorded slightly below average rainfall for Australia and overall was 3% below historical means. South-west Australia, south-east South Australia and along the ranges from north-east Victoria through to New South Wales and eastern Queensland saw above average rainfall. East-coast Tasmania, eastern Victoria and coastal south-east New South Wales saw below average rainfall. It was the wettest July in south-west Western Australia since 1996. The Northern Territory recorded the largest departure from the mean with average area rainfall of 0.8mm being 88% below historical means. New South Wales recorded the largest increase in rainfall compared to historical means with average area rainfall of 41.1mm being 8% higher than the historical mean. National mean temperatures for July were 1.77°C warmer than the 1961-1990 average for Australia as a whole, making it the fourth-warmest July on record. It was amongst the three warmest Julys on record for South Australia, Western Australia and the Northern Territory, and the seventh-warmest on record for Queensland. Northern-Australia was particularly warm, with mean maximum temperatures for Northern Territory more than 3 degrees warmer than the historical average, and broadly 2-3 degrees warmer across the remaining northern areas of the country.⁸

The BoM's latest climate outlook reports that a negative Indian Ocean Dipole (IOD) is now underway. A negative IOD typically increases the chance of above average winter-spring rainfall for much of southern and eastern Australia. El Niño-Southern Oscillation (ENSO) remains neutral with models indicating cooling of the central tropical Pacific likely, and some models predicting a return to La Niña thresholds during spring. This pattern is also likely contributing to the wetter than median outlooks. Overall, the BoM is reporting that August to October rainfall is likely to be above median for most of Australia, however parts of Western Australia likely to see below median rainfall. Australia's temperature and rainfall variability are also influenced by climate change caused by human activities. Australia's climate has warmed by 1.44°C for the 1910 – 2019 period, with southern Australia seeing a reduction of 10-20% in cool season rainfall in recent decades.⁹

⁶ Australian Wool Innovation Limited, 2021. *Week 2 – July 2021 Weekly Price Report*, Wool.com.

⁷ Voznesenski, D, 2021. *RaboResearch Australia Agribusiness Monthly – Wool August 2021*, Rabobank.

⁸ Bureau of Meteorology, 2021. *Australia in July 2021*, Australian Government.

⁹ Bureau of Meteorology, 2021. *Climate Driver Update 20 July 2021*, Australian Government.

LIVESTOCK PRICES

During July, the Australian Eastern Young Cattle Indicator (EYCI) continued to make records, gaining a further 6% to end the month at \$9.91/kg. Late in the month the indicator briefly broke through the \$10.00/kg milestone for the first time in history. Increases in price are attributed to a combination of strong producer demand, low livestock numbers, good export prices, strong demand from supermarkets, and abattoirs reluctance to drop kill numbers due to the risk of losing workers. Producer buying activity historically has declined from June to October and so looking forward, if this trend repeats there could be some easing of cattle prices in the near term.¹⁰

During July, the Australian Eastern States Trade Lamb Indicator (ESTLI) made substantial gains, rising by 9% and ending the month at \$8.98/kg. Historically prices trend to decline over this period due to new season lamb supply coming onto the market. While signs of increasing supply are beginning to appear which may signal the seasonal peak of lamb prices¹¹ Rabobank attribute July's increase to strong prices and demand of out the US. A similar situation occurred in 2018, where increasing US import prices helped support strong Australian prices through to a peak in late August before beginning their seasonal decline.¹²

DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS*

STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (July 2020)	PERCENTAGE CHANGE
Beef	\$9.91	\$7.55	31%
Lamb	\$8.98	\$7.47	20%
Wool	\$14.28	\$11.34	26%

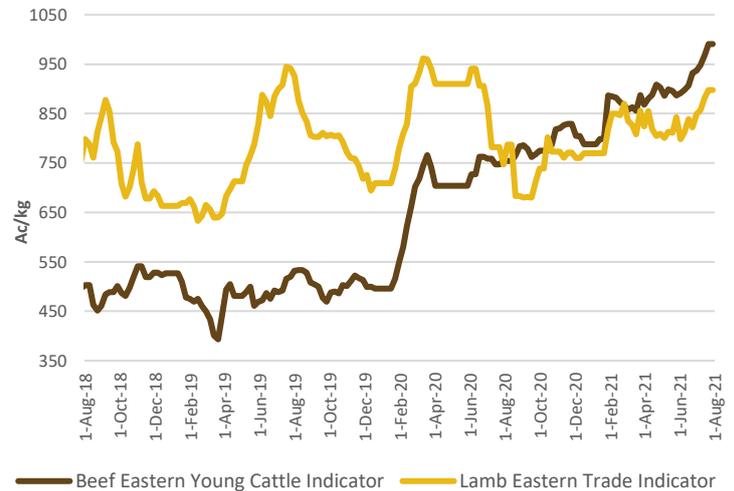
* Data from ABARES weekly commodity reports and Australian Wool Innovation Ltd

¹⁰ Gidley-Baird, A. 2021. *RaboResearch Australia Agribusiness Monthly – Beef August 2021*, Rabobank.

¹¹ Frost, K. 2021, *Lamb and mutton indicators moving heading towards record territory*, Farm Online.

¹² Gidley-Baird, A. 2021. *RaboResearch Australia Agribusiness Monthly – Sheepmeat August 2021*, Rabobank.

Australian Livestock Prices



GLOBAL MARKET INSIGHTS

WEATHER

As at the end of July, international weather conditions are mixed for global wheat crops however favourable for maize, rice and soybeans with few areas of concern.¹³ In the northern hemisphere winter wheat harvest is wrapping up with the EU expecting average to above average yields due to favourable weather conditions. Spring wheat harvest however is beginning with some areas of concern in the United States, Canada, Turkey, Russia, Kazakhstan and China. In the Southern hemisphere, planting and development of winter wheat continues under generally favourable conditions. Maize conditions are largely positive, however harvest in Brazil is wrapping up with below average yields expected due to low rainfall during critical development stages. In the US, maize crops are developing under generally favourable conditions except in north-western areas where dry conditions are present. In China, maize conditions are mostly favourable but for areas of the Henan province where persistent rainfall and flooding have affected the crops, and in the northwest where rainfall has been below average. Rice conditions globally are mostly favourable, with China's early-season harvest finalised and single and late-season planting progressing under positive conditions. In India, transplanting of Kharif season crops is continuing under favourable conditions. Soybean conditions are mostly favourable with crops in the US developing well except for areas in the Dakotas and Minnesota where dry conditions persist.

PRODUCTION

Forecasts for the 2021/22 grain season are currently placed at 2,295 million tonnes. If realised, this represents a 4% increase on the prior year and another all-time record. Production increases year on year are mostly attributed to a sharp 74 million tonne increase in total maize production, with a 15 million tonne increase in total wheat production also expected. Consumption estimates for 2021/22 are currently projected to increase to 2,295 million tonnes resulting in global stocks as at the end of 2021/22 predicted to show little change at 594 million tonnes.¹⁴

GRAIN PRICES

Over July, the IGC Global grain and oilseed index rose by 3% and is currently 39/6% higher year on year. The wheat sub-index rose by 5% over the month, largely attributed to rising concerns about North American spring crops. The maize sub-index fell by 3% over the month, linked to lacklustre international demand and a broadly favourable outlook for US crops. The maize sub-index remains 54% higher year on year. As a result of weak demand, the rice sub-index fell by almost 7% to an 18-month low. The soybeans sub-index rose by 6% over the month.¹⁵

¹³ GEOGLAM, 2021. *Crop Monitor For AMIS No. 86 – August 2021*.

¹⁴ International Grains Council, 2021. *July 2021 Grain Market Report*, IGC.

¹⁵ International Grains Council, 2021. *July 2021 Grain Market Report*, IGC.

Canola at Kentucky (July 2021)

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