

COMPANY SNAPSHOT

COMPANY NAME

Duxton Farms Limited

INVESTMENT MANAGER

Duxton Capital (Australia)

PORTFOLIO

1 Aggregation of 8 Properties

LOCATIONS

Forbes and Wyalong, NSW

HECTARES

22,882 owned

WATER ENTITLEMENTS (ML)

10,035 owned
6,798 leased



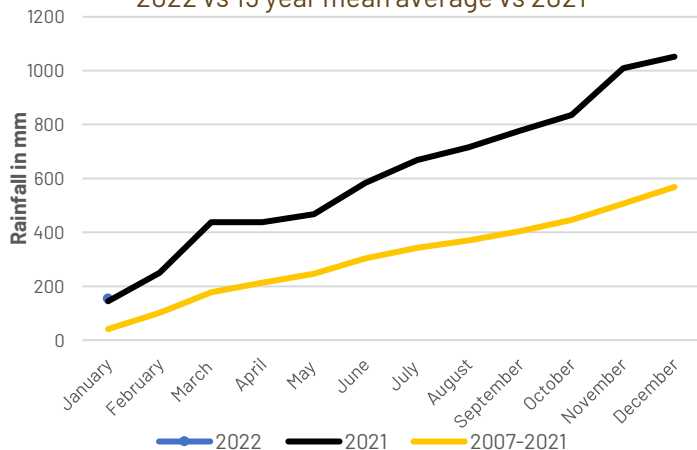
Duxton Farms Limited (DF/Company) presents investors with a unique opportunity to participate directly in the Australian broadacre cropping industry and the possibility to provide shareholders with both ongoing annual operational yield and longer-term capital growth. DF intends to achieve this through 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

LOCAL WEATHER

January saw above average rainfall across central-west New South Wales with 155mm recorded compared to the monthly long term average of 37.8mm. The 7th and the 8th of the month were particularly wet, with 57.8mm and 44.0mm of rainfall recorded on these days respectively. For 2021, central-west New South Wales (Forbes Airport AWS) recorded 1,052mm of rainfall, over double the previous 15-year average and 32% higher than 2020. Mean temperatures for January of 31.9°C were cooler than the long-term average of 34.5°C.

Cumulative Rainfall (Forbes Airport AWS)
2022 vs 15 year mean average vs 2021



WINTER CROPS

DF's harvest of its winter crop continued over January, with the above average rainfall resulting in soft and boggy soil conditions across much of the cropping area. This has resulted in a slower harvest. As a result of the wet weather, some areas of DF's crop have been lost due to water inundation, or the crops having collapsed rendering them unable to be harvested. This has had some impact on yields, however the main impact on DF's winter crop from the wet weather will be on grain quality, with downgrades expected across most of the crop. Harvest is expected to continue into February given the delayed start and slower harvest conditions while land preparations for next season's winter crop have also commenced.

SUMMER CROPS

DF's cotton crop developed well over January with warmer weather conditions aiding its growth. Flood damage has led to the abandonment of 23 hectares of DF's cotton, with 242 hectares remaining. At Yarranlea, the crop has responded positively to fertiliser applications and is growing well on the available soil moisture. Rainfall was less of an issue throughout January with plant growth and water usage enabling better control of the rainwater. Given the above average rainfall, crops have not required substantial irrigation this season, with on-farm water storages that typically would be used to irrigate the crop remaining full.

LIVESTOCK

Pasture growth over January continued to progress well with limited areas remaining unsown. Reasonable numbers of cattle and sheep remain at the West Plains and Lenborough properties to utilise the available feed, however some livestock are being transferred to Merrimant and Cowaribin. Good to exceptional pricing continues to be received for livestock as they meet market specifications and are sold. Additional purchases will be made as attractive pricing opportunities arise.

IRRIGATION

As at the end of January, the Lachlan River's Wyangala Dam is 98.2% full, with DF's Lachlan River water allocation as at end of January finishing at 119%. DF's application for a new irrigation bore at Walla Wallah was approved during January. Given the continued high rainfall the drilling of test bores at Yarranlea and Timberscombe has been postponed and is no longer expected to occur this summer but will be completed when conditions allow.

SHARE BUYBACK

During the month 20,000 shares were bought back. The total number of shares bought under the buyback is 1,068,456 with the Company being able to acquire up to 3,963,895 additional shares.

AUSTRALIAN MARKET INSIGHTS

CROP PRICES

Grain prices across Australia often vary by port of export, with DF historically delivering to the Port Kembla Zone. Port Kembla Zone APW1 wheat prices fell by 5% over January, finishing the month at \$345/tonne at port. Port Kembla barley prices on the other hand rose over January, ending 1% higher compared to the prior month at \$254/tonne at port.¹ Local price falls contrasted with global prices which recorded minor increases over January with US CBOT March wheat futures ending at US\$7.95/bushel, a 1% increase compared to March contracts as at the end of January and approximately 21% up compared to the same time last year. International wheat price movements over January can be attributed to a variety of reasons including political tensions between Russia and Ukraine which may result in logistics consequences and trade sanctions² and a USDA's report indicating that supply issues in global wheat markets are showing signs of easing.³ Looking ahead, Rabobank is expecting wheat prices to ease moving into mid-2022 with improving northern hemisphere growing conditions. That said, geopolitical tensions and low stock levels are expected to keep both international and local prices above the average.⁴

GRAIN PRICE CHANGES PAST 12 MONTHS*

CROP	CURRENT PRICE (per tonne)	PRICE 12 MONTHS AGO (January 2021)	PERCENTAGE CHANGE
CBOT Wheat Futures	\$795USc/bushel	\$658USc/bushel	21%
Cotton	\$953/bale	\$577/bale	65%

*Data from Profarmer Australia, CBOT and Cotlook

COTTON PRICES

International cotton prices continued their upwards trajectory over January, ending the month 6% higher than the previous month at 135USc/lb. In Australian dollar terms, prices of \$953/bale are 9% up compared to the end of December and 65% higher compared to the same time last year. Cotton prices as at the end of January are the highest of the 2021/22 season so far and have reached prices last recorded in June 2011. Price support for cotton continues to be offered by mills paying firm prices for stock available for prompt and nearby shipment, compounded by logistical constraints limiting the movement of cotton to various destinations. Reduced production figures for the US and India over the month also provided price support and contributed to Cotlook's production forecast for 2021/22 falling to 25.7 million tonnes, implying a reduction in global stocks by 253,000 tonnes.⁵

Australian Cotton Prices



CROP PRODUCTION

The latest ABARES Australian crop report forecasts that winter crop production for the 2021/22 season will reach 58.4 million tonnes.⁶ If realised, this represents a 5% increase compared to last season and a new national record. Increased production volume forecasts are primarily driven by an expected record production grain year in Western Australia which the Grain Industry Association of WA has announced has reached over 24 million tonnes (above ABARES estimates) representing more than a 20% increase on the previous record set in 2018.⁷ ABARES is also expecting it to be the second highest winter crop on record in New South Wales and Queensland. For the major winter crops, national wheat production is forecast by ABARES at a record 34.4 million tonnes, 3% higher than last year's record production. Barley production is forecast to increase marginally year on year, to reach the second highest harvest on record at 13.3 million tonnes, 2% below the previous record set in 2016/17. Canola production is expected to make substantial gains and rise to a record 5.7 million tonnes, 27% higher than the prior record set in last season. Flooding in northern and central areas of New South Wales will delay harvest across New South Wales and Queensland, resulting in some localised production losses, however ABARES is not expecting state production totals to be substantially impacted. Heavy rainfall events are however likely to result in a fall in grain quality in unharvested crops across affected areas of New South Wales and Queensland. Whilst overall production prospects are positive, heavy rainfall during November 2021 in the eastern states and South Australia has delayed harvests and is likely to result in downgrades in quality from these areas.

¹ Profarmer Australia.

² Bartholomaeus, M. 2022. *Ukraine/Russian tensions cause market volatility*, Farm Online.

³ Bartholomaeus, M. 2022. *Global wheat supply issues easing*, Farm Online.

⁴ Voznesenski, D. 2022. *Agribusiness Outlook 2022 Australia - Wheat*, Rabobank.

⁵ Cotlook, 2021. *January 2022 Market Summary*.

⁶ ABARES, *Australian Crop Report: December 2021 No.200*, Australian Bureau of Agricultural and Resource Economics and Sciences, Canberra.

⁷ Grain Industry Association of Western Australia, 2021. *11 February 2022 Crop Report*, GIWA.

WOOL PRICES

Wool prices rose by 4% over January, ending the month at \$14.07/kg representing a 9% increase compared to the same time last year. The opening week of wool auctions for 2022 saw immediate gains in values across all wool types and descriptions with strong demand evident from local traders in particular.⁸ Looking ahead, Rabobank is expecting increased demand for Australian wool as workers begin to return to offices around the world. Supporting data comes from the United States, where retail apparel sales are continuing to grow with December 2021 data showing an 18% increase compared to pre-pandemic levels.⁹

Wool Eastern Market Indicator



NATIONAL WEATHER

January recorded above average rainfall for Australia as a whole, with average area rainfall of 98mm above historical means by 22%. South Australia recorded its 4th wettest January on record with average area rainfall of 61.4mm representing a 181% increase compared to the 1961-1990 long term average. From mid-January the remnants of ex-tropical cyclone Tiffany brought heavy rainfall to central Australia, with areas of pastoral and southern South Australia particularly affected between the 20th and 24th resulting in dangerous flash flooding and damage to the Olympic Dam Highway. Victoria was also particularly wet, recording its 8th wettest January on record. New South Wales average area rainfall of 93.3mm represented a 40% increase from the long-term average. Mean temperatures for January were 1.09°C warmer than average for Australia as a whole. Mean maximum temperatures were warmer than average for a number of areas, including western to central Western Australia, coastal Northern Territory, Queensland's Cape York Peninsula and western New South Wales. During early January, severe to extreme heatwave conditions affected parts of northern Australia. Mean maximum temperatures in areas of central and far north-east New South Wales were cooler than average.¹⁰

The BoM's latest climate driver update reports that a mature La Niña event remains active in the tropical Pacific and is likely to persist until early autumn 2022. La Niña events typically increase the chance of above average rainfall across much of northern and eastern Australia during summer.¹¹ Significant weather events can still occur as a La Niña weakens, especially as the peak of the Australian tropical cyclone season is around February to March. Australia's weather is also impacted by climate change and has warmed by 1.44°C for the 1910 - 2019 period, with recent decades showing a trend towards a greater proportion of rainfall from high intensity, short duration rainfall events, especially across northern Australia.

⁸ Australian Wool Innovation Limited, 2021. *Week 28- January 2022 Weekly Price Report*, Wool.com.

⁹ Voznesenski, D. 2022. *Agribusiness Outlook 2022 Australia - Wool*, Rabobank.

¹⁰ Bureau of Meteorology, 2021. *Australia in January 2022*, Australian Government.

¹¹ Bureau of Meteorology, 2021. *Climate Driver Update 1 February 2022*, Australian Government.

LIVESTOCK PRICES

During January, the Australian Eastern Young Cattle Indicator (EYCI) rose slightly, finishing the month 1% higher at \$11.70/kg. The EYCI is approximately 32% higher than at the same time last year. Cattle prices continued to defy historical trends through 2021, with monthly EYCI prices only contracting four times in the last 24 months. Rabobank is expecting cattle prices to contract during 2022 however overall to remain above longer-term averages due to favourable weather conditions, strong consumer demand and ongoing limited cattle numbers.¹²

DOMESTIC LIVESTOCK PRICE CHANGES PAST 12 MONTHS*

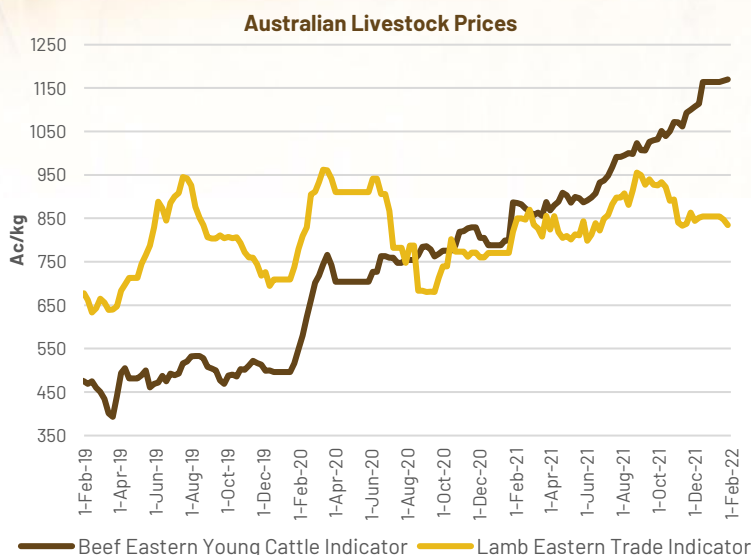
STOCK	CURRENT PRICE (per kg)	PRICE 12 MONTHS AGO (January 2021)	PERCENTAGE CHANGE
Beef	\$11.70	\$8.87	32%
Lamb	\$8.34	\$8.19	2%
Wool	\$14.07	\$12.92	9%

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

¹² Gidley-Baird, A, 2022. *Agribusiness Outlook 2022 Australia - Beef*, Rabobank.

¹³ Meat & Livestock Australia, 2022. *Sheep market in best shape for a decade*, MLA.

¹⁴ Gidley-Baird, A, 2022. *Agribusiness Outlook 2022 Australia - Sheepmeat*, Rabobank.



The Australian Eastern States Trade Lamb Indicator (ESTLI) over January fell by 2%, finishing the month at \$8.34/kg. Prices as at the end of January represent a 2% increase year on year. Despite the fall over January and prices remaining flat year on year, Australia's sheep and lamb prices are well above longer term averages as at this time of year. The National Trade Lamb Indicator (NTLI) for example reported an average price of \$8.39/kg over January, representing a 45% increase compared to the 10-year average for January of \$5.80/kg.¹³ Looking ahead, Rabobank is expecting that strong consumer demand will offset any downward price pressure resulting from increased lamb supply, contributing to strong lamb and sheep prices during 2022.¹⁴

GLOBAL MARKET INSIGHTS

WEATHER

Recent international weather conditions for the major crops of wheat, maize and rice have been largely favourable however soyabean conditions are mixed largely due to dry weather conditions in South America. Wheat conditions as at the end of January have improved in the EU for winter wheat, with no significant frost damage expected. In Ukraine, growing conditions for wheat have improved across the country due to ample rainfall and snow during December. In the US however, wheat conditions are mixed with long term dry conditions persisting in the northwest and southern plains. International maize conditions are mostly positive but for southern regions in Brazil where the smaller spring-planted crop is suffering from drought. Argentina is also facing challenging maize conditions with its larger season crop exposed to a prolonged drought. In India, conditions are favourable for sowing of the Rabi season maize crop which is nearly complete with total sown area in line with the five-year average. Rice conditions are overall positive, with India's transplanting of its Rabi season crop progressing well in the east, and wrapping up in the south. Indonesia's wet season rice is progressing under favourable conditions and in Thailand the dry season crop is also doing well, with an above average total sown area expected to make up flooding losses during the wet season crop. As noted, soyabean conditions are mixed, with Argentina's larger season crop facing a prolonged drought. In Brazil, soyabean crops are progressing well but for the southern regions where reduced yields are expected due to dry conditions.¹⁵

PRODUCTION

Forecasts for the 2021/22 grain season are placed at 2,286 million tonnes, a 1 million tonne reduction compared to the IGC's prior 2021/22 estimate. Reduced production estimates are largely attributed to maize and soyabean downgrades, which were not offset by increased production estimates for wheat, led by gains in Australia and Argentina. If realised, 2021/22 production would represent a 71 million tonne increase on last year, with increases largely attributed to expected record years for global maize and wheat production. World total grains consumption is expected to expand to 2,287 million tonnes, resulting overall in global stocks remaining largely unchanged at 601 million tonnes.¹⁶

GRAIN PRICES

Over January, the IGC Global grain and oilseed index has risen by 5% with increases primarily attributed to gains in soyabeans and maize more than offsetting falls in the wheat sub-Index.¹⁷ The wheat sub-Index fell by 1% likely on the back of bumper crop expectations in the southern hemisphere. Offsetting these falls was the maize sub-Index which rose by 5% over the period, attributed to concerns about drought damage in South America. The rice-sub Index rose by 3% over January, while the soyabean sub-Index has risen by 10% amid escalating worries about southern hemisphere crop prospects.¹⁸

¹⁵ Agricultural Market Information System, 2022. *Market Monitor February 2022*, AMIS.

¹⁶ International Grains Council, 2022. *January 2022 Grain Market Report*, IGC.

¹⁷ International Grains Council, 2022, *IGC Grains and Oilseeds Index (GOI)*, IGC.

¹⁸ International Grains Council, 2022. *January 2022 Grain Market Report*, IGC.

Cotton, upper bore (field) at Walla Wallah (January 2022)

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