DUXTON
BROADACRE FARMS

QUARTERLY ACTIVITIES REPORT
September 2020

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SUMMER CROPS

The final cotton harvest continues to be delayed by wet conditions. A small amount of additional harvesting was able to be performed across the quarter with 88% of the crop harvested to date. The remaining crop is expected to be harvested in late October when higher temperatures dry the unharvested field. Yields and quality of cotton picked have been in line with expectations and all cotton that has been harvested has been processed.

Land preparation for the planting of next season's cotton crop commenced with planting expected to be performed in early October.

WINTER CROPS

Winter crops are in good condition due to the continued favourable weather conditions and are receiving fungicide sprays where required.

Silage has been cut from a small area of wheat and oats. Due to the availability of pasture, on-farm hay and straw considered to be in excess of requirements to support livestock is being sold.

The farm continues to be mindful of the effects of COVID-19 in regards to sourcing inputs for both winter and summer crops and does not currently have any expectation of facing shortages of required fertiliser or chemical inputs.

The Australian wheat price is outperforming prices budgeted at the beginning of the year finishing the quarter at $326/t. The Group has almost 9,500 hectares of wheat planted across NSW and SA increasing wheat as a proportion of the total crop to 53% from 30% last year following the Chinese barley levies implemented earlier in the year.

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) is forecasting a strong recovery in Australian winter crop production with expected volumes of 47.9 million tonnes, 20% above the 10-year average.

Preparation for harvest is currently underway and expected to take place in late November.

LIVESTOCK

Growing the NSW cattle herd significantly since the end of 2019 to 1,605 head at the end of the quarter has facilitated the ability to support the cash flow of the business through sales at high prices. During the quarter 264 head were sold of which nearly all were replenished internally through births.

The Eastern Young Cattle Indicator (EYCI) finished the quarter down slightly at $7.68/kg but is still 64% higher than this time last year due to restocking buyers continuing to compete over a diminishing young cattle supply.

Lambs are in good condition in both NSW and SA with 7,192 head across the two properties at the end of the quarter compared to 4,957 this time last year. Crutching will begin in October in preparation for sale shortly after.

CASH FLOW FORECAST

Operating cash flow for the quarter ending 30 September 2020 was a $0.7M deficit due to winter crop input costs exceeding revenue from cotton and livestock sales.

During the quarter DBF sold 59 hectares of land at the Walla Wallah property. Upon a subsequent review of facilities Westpac reduced one of the overdraft facilities by $650k in line with the reduction in security which caused total facilities to fall to $34.35M. To maintain headroom in the overdraft accounts $800k was drawn against one of the variable rate facilities into the overdraft account.

$7.55M is forecasted to be drawn of the $8.35M overdraft facility at the end of November prior to being paid down with revenue from the harvest of the winter crop.

The total of $292k of related party payments in 6.1 of the quarterly cash flow report represents $240k paid to Duxton Capital Australia Pty Ltd for financial services and management fees for acting as the investment manager along with $52k paid to Duxton Water Ltd for water charges.



This announcement has been authorised for release by the Board of Duxton Broadacre Farms Ltd.

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Appendix 4C

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

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Name of entity

Duxton Broadacre Farms Ltd

ABN	**Quarter ended ("current quarter")**
45 129 249 243	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1,974	1,974
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,678)	(1,678)
	(c) advertising and marketing	(1)	(1)
	(d) leased assets	(51)	(51)
	(e) staff costs	(381)	(381)
	(f) administration and corporate costs	(353)	(353)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(297)	(297)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	64	64
1.8	Other (provide details if material)	40	40
1.9	**Net cash from / (used in) operating activities**	**(683)**	**(683)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(663)	(663)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	707	707
	(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)	(65)	(65)
2.6	**Net cash from / (used in) investing activities**	**(21)**	**(21)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(10)	(10)
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)	(2)
3.5	Proceeds from borrowings	1,005	1,005
3.6	Repayment of borrowings	(314)	(314)
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**	**679**	**679**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	(6,284)	(6,284)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(683)	(683)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(21)	(21)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	679	679
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**(6,309)**	**(6,309)**

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	(6,321)	(6,296)
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**(6,309)**	**(6,284)**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	292
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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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	26,000
7.2	Credit standby arrangements	8,350	6,321
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	34,350	32,321

7.5	**Unused financing facilities available at quarter end**	2,029

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) $7,350,000: 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.

Overdraft 1 was reduced by $650,000 due to the reduction in security from the sale of 58.9 hectares of land at Walla Wallah following discussions with Westpac. To maintain overdraft head room and ensure debt was allocated against the lowest interest rates $800,000 was drawn from Facility 3 into Overdraft 1.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(683)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	(6,309)
8.3	Unused finance facilities available at quarter end (Item 7.5)	2,029
8.4	Total available funding (Item 8.2 + Item 8.3)	2,029
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	2.97

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

1. 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?

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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 September has significantly lower input costs than the prior quarter in addition to revenue from the harvest of cotton 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 before being reduced to $7,350,000 in August 2020 following the sale of 58.9 hectares of land.

There are currently no plans to raise further cash to fund its operations due to positive expectations for the winter harvest beginning in November.

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 strong livestock sales supporting cash flow in the first quarter of the year.

$1.0M of facility headroom is forecasted to be available in November prior to the harvest of the next winter crop.

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: 30.10.2020

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

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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.

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