

Australian Dairy Farms Group

12 January 2018

ASX Code: AHF

NOTICE OF GENERAL MEETING

12:30PM ON 12TH FEBRUARY 2018 AT VIBE SAVOY HOTEL, MELBOURNE VIC 3000

AHF directors have called the Meeting set out in the attached Notice of Meeting (NOM) to seek the prior guidance of Securityholders in respect of various early stage negotiations relating to the potential restructure of the Group, which may involve a combination of actions including the sale and leaseback of assets, destapling of the Australian Dairy Farm Trust (ADFT), or its acquisition by Australian Dairy Farms Limited (ADFL) either directly or in combination with other third party participants.

The Directors have looked at several options, however, a final decision will not be made until a more advanced stage of negotiations and will depend on the terms of a final transaction.

One of the key reasons for seeking this guidance as an “advisory resolution” is to a degree of confidence to potential business partners who may be reluctant to commit to conditional contracts which would necessarily be dependent on regulatory and Securityholders’ approvals and the significant timeframes and legal costs that can be involved in documenting and distribution the notice of meeting with sufficient information for Securityholder to consider.

Obtaining a well-supported Yes vote to “Advisory” Resolution 1 at the General Meeting is expected to materially reduce the levels of uncertainty in this process for the Group and prospective partners and indicate confidence in the likely outcome.

It also will provide a strong level of confidence to the Board, the CEO and the Management Team and Working Group that their combined concerted efforts in bringing about a major transformation in the Group will likely be supported by Securityholders if and when Securityholder approval is ultimately sought for any potential transaction.

Resolution 1 is advisory only and neither binds the Group nor satisfies any requirement for Securityholder approval which may be required for any potential transaction.

At the same meeting the opportunity will be taken to seek approval for changes to remuneration packages, particularly for the CEO, Peter Skene, for issues of incentive securities, which intends to have the effect of ensuring that the CEO’s personal financial future is closely aligned with the interests of Securityholders in seeking a significantly increased Security Price and attractive income returns.

The search for skilled and innovative dairy processing and marketing professionals in Australia is intense currently, with several listed companies embarking on major complex and ambitious new projects at high investment levels and providing significant incentives to key personnel. At the same time the incentive remuneration for other directors is proposed to be refreshed.

Please read the Notice of Meeting in full and assist by lodging your proxy or attending the Meeting.

ENDS

AUSTRALIAN DAIRY FARMS LIMITED

ACN 057 046 607

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Phone: +61 07 3020 3020 | Fax: +61 07 3020 3080 | Email: shareholders@adfl.com.au

AUSTRALIAN DAIRY FARMS TRUST

ARSN 600 601 689

Further Details

For additional company information or media enquiry matters please contact:

Peter Skene

Group CEO/ Director

Australian Dairy Farms Limited

Email: peterskene@adfl.com.au

Communications Policy

As a policy, because of the heavy demands on limited management resources and to ensure compliance with continuous market-wide disclosure regulations, AHF does not respond to individual security holder communications regarding the management of the business, the company or with respect of any opinion or analysis that is not contained in market releases and released financial reports.

AHF makes ASX market releases at times directors believe it would be helpful or necessary for investors and as required by the Listing Rules. For further information regarding our shareholder communications policy, please refer to AHF's website: www.adfl.com.au

About Australian Dairy Farms Group

Australian Dairy Farms Group (AHF) was Australia's first ASX listed dairy farmer. Its initial focus was on aggregating high quality dairy farms in Victoria, initially in the South Western region with particular emphasis initially, on the famous Dairy Golden Triangle region of South West Victoria between Warrnambool and Colac south of the Princes Highway to the coast around Port Campbell.

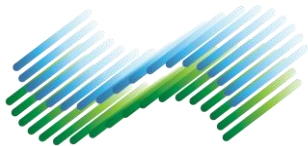
In April 2016 the Group completed the acquisition of Camperdown Dairy Company Pty Ltd - ACN 140 640 606 (Camperdown Dairy) – see announcement on <http://www.adfl.com.au/announcements>.

Camperdown Dairy is a wholly owned subsidiary of AHF. The Group is now a vertically integrated milk producer, processor and product distributor in Australia and for export. Refer to the Group's Strategy Overview release to market on 11 July 2017 for additional information about AHF's immediate and longer term strategic planning. See the above link to ASX announcements or the Group's website for a copy of the Group's Strategy Overview.

Australian Dairy Farms Group is listed as a stapled security comprising one fully paid share in **Australian Dairy Farms Limited (the Company)** and one fully paid unit in **Australian Dairy Farms Trust (the Trust)**. Within the structure, the Company is the operator and manager of the dairy farm properties, which are leased from the Trust as the registered owner.

Disclaimer – Forward Looking Statements

This announcement may include "forward looking statements" within the meaning of securities laws of applicable jurisdictions. These forward-looking statements are not historical facts but are based on AHF's current expectation, estimates and projections about the industry, in which it operates, and beliefs and assumptions. Forward looking statements may include indications of, and guidance on, future earnings or distributions and financial position and performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of AHF, and its officers, employees, agents, or associates, that may cause actual results to differ materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and AHF assumes no obligation to update such information.



Australian Dairy Farms Group

ASX Code: AHF

Notice of General Meeting Australian Dairy Farms Group

A General Meeting of the Securityholders of **Australian Dairy Farms Limited** (ACN 057 046 607) and the General Meeting of unit holders of the **Australian Dairy Farms Trust** (ARSN 600 601 689) will be held at:

Venue: **Vibe Savoy Hotel 630 Little Collins Street, Melbourne**

Date: **12 February 2018**

Time: **12.30 PM(AEDT)**

Australian Dairy Farms Limited and Australian Dairy Farms Trust (together the “Group”)

Notice of General Meeting

Notice is hereby given that the General meeting of the shareholders of Australian Dairy Farms Limited (Company) will be held in conjunction with the General meeting of unit holders of the Australian Dairy Farms Trust (together the Australian Dairy Farms Group). The Meeting will be held at **Vibe Savoy Hotel 630 Little Collins Street, Melbourne on 12 February 2018 at 12.30 PM (AEDT) (Meeting).**

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form form part of this Notice of Meeting.

Securityholders are urged to vote by attending the Meeting in person or by returning a completed Proxy Form. Instructions on how to complete a Proxy Form are set out in the Explanatory Memorandum.

Proxy Forms must be received by no later than 12.30 PM (AEDT) on 10 February 2018.

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1 of the Explanatory Memorandum.

Agenda

RESOLUTION 1 - ADVISORY APPROVAL TO ADVANCE POTENTIAL RESTRUCTURE TRANSACTION WITH TRUST ASSETS

To consider, and if thought fit, to pass with or without amendment the following as a non-binding advisory resolution:

“That for the purpose of advancing Securityholders’ interests and advisory purposes, Securityholders approve the Group investigating transactions to restructure the Group in a manner which may include one or a combination of the following actions:

- a) destapling the Australian Dairy Farms Trust and Company’s securities;*
- b) the Company acquiring 100% of the Australian Dairy Farms Trust by issue of further Shares in the Company to registered Securityholders;*
- c) the Group entering into sale or sale and leaseback arrangements in respect of one or more of the dairy farm property assets held by the Australian Dairy Farms Trust; or*
- d) one or more of these or other transactions which have a similar effect.*

RESOLUTION 2 - ADOPTION OF AMENDED ADFG INCENTIVE PLAN

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

“That, for the purposes of Listing Rule 7.2 (Exception 9(b)) and for all other purposes, Shareholders approve the adoption of an amended ADFG Incentive Plan which includes provisions for the issue of Loan Securities on the terms and conditions set out in the Explanatory Memorandum and the amended ADFG Incentive Plan as laid before the meeting.”

A voting exclusion statement is set out below.

RESOLUTION 3 - ISSUE OF SECURITIES TO PETER SKENE UNDER THE ADFG INCENTIVE PLAN

To consider, and if thought fit and subject to the approval of Resolution 2 to pass with or without amendment the following as an ordinary resolution:

“That, subject to the contemporaneous cancellation by the Group for no consideration of all 8,120,000 of unissued and unvested Performance Options on issue to Peter Skene at the date of this General Meeting, Securityholders approve:

- a) for the purposes of Listing Rule 10.14 and for all other purposes, the issue of 1,000,000 Stapled Securities to Peter Skene or his nominee in lieu of cash remuneration in respect of the 2017 financial year;*
- b) for the purposes of Listing Rule 10.15 and for all other purposes, the progressive issue of 3,000,000 Performance Rights to Peter Skene or his nominee in lieu of cash remuneration in respect of the 2018 financial year, subject to achievement of specific performance hurdles set by the Board; and*
- c) for the purposes of sections 200B, 200E, 259B(2) and 260C(4) of the Corporations Act and Listing Rule 10.14 and for all other purposes, the issue of 7,000,000 Loan Securities to Peter Skene or his nominee under the ADFG Incentive Plan,*

on the terms and conditions set out in the Explanatory Memorandum.

A voting exclusion statement is set out below.

RESOLUTION 4 -ISSUE OF PERFORMANCE OPTIONS TO MICHAEL HACKETT UNDER THE ADFG INCENTIVE PLAN

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

“That for the purposes of Listing Rule 10.14 and for all other purposes, Securityholders approve the issue of 2,400,000 Performance Options to Michael Hackett under the ADFG Incentive Plan, subject to the cancellation by the Group for no consideration of all Performance Securities on issue to Michael Hackett at the date of this Notice and otherwise on the terms and conditions set out in the Explanatory Memorandum.”

A voting exclusion statement is set out below.

RESOLUTION 5 -ISSUE OF PERFORMANCE OPTIONS ADRIAN ROWLEY UNDER THE ADFG INCENTIVE PLAN

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

“That for the purposes of Listing Rule 10.14 and for all other purposes, Securityholders approve the issue of 2,400,000 Performance Options to Adrian Rowley under the ADFG Incentive Plan, subject to the cancellation by the Group for no consideration of all Performance Securities on issue to Adrian Rowley at the date of this Notice and otherwise on the terms and conditions set out in the Explanatory Memorandum.”

A voting exclusion statement is set out below.

RESOLUTION 6 -ISSUE OF PERFORMANCE OPTIONS TO NATHAN LEMAN UNDER THE ADFG INCENTIVE PLAN

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

“That for the purposes of Listing Rule 10.14 and for all other purposes, Securityholders approve the issue of 2,400,000 Performance Options to Nathan Leman under the ADFG Incentive Plan, subject to the cancellation by the Group for no consideration of all Performance Securities on issue to Nathan Leman at the date of this Notice and otherwise on the terms and conditions set out in the Explanatory Memorandum.”

A voting exclusion statement is set out below.

VOTING PROHIBITION AND EXCLUSION STATEMENTS

Corporations Act

The Corporations Act prohibits votes being cast (in any capacity) on the following resolutions by any of the following persons:

Resolution	Persons Excluded from Voting
Resolution 1	The Responsible Entity will disregard any votes cast on Resolution 1 by members of Australian Dairy Farms Limited and Australian Dairy Farms Trust or their associates if they have any interest in the resolution other than as a member.

However, the Group need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- it is cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman of the Meeting intends to vote in favour of all Resolutions including in respect of any undirected proxies other than those that expressly direct the Chairman to vote otherwise.

Listing Rules

Under Listing Rule 14.11, the Group will disregard any votes cast on the following Resolutions by the following persons and their respective associates:

Resolution	Persons excluded from voting
Resolution 2	Any person expected to benefit from the approval of this Resolution.
Resolutions 3	Peter Skene
Resolution 4	Michael Hackett
Resolution 5	Adrian Rowley
Resolution 6	Nathan Leman

However, the Group need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board of Directors of Australian Dairy Farms Limited and Trustees Australia Limited as responsible entity for the Australian Dairy Farms Unit Trust.

Jerome Jones
Company Secretary and CFO
Australian Dairy Farms Group
11 January 2018

Australian Dairy Farms Group

Explanatory Memorandum

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Securityholders in connection with the business to be conducted at the Meeting to be held at **Vibe Savoy Hotel 630 Little Collins Street, Melbourne on 12 February 2018 at 12.30 PM (AEDT)**. The purpose of this Explanatory Memorandum is to provide information to Securityholders in deciding how to vote on the Resolutions set out in the Notice.

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice, and includes the following:

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A Proxy Form is located at the end of Explanatory Memorandum.

Please contact the Company Secretary on +61 7 3020 3020 or shareholders@adfl.com.au if you wish to discuss any matter concerning the Meeting.

1 ACTION TO BE TAKEN BY SECURITYHOLDERS

Securityholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

1.1 Proxies

All Securityholders are invited and encouraged to attend the Meeting. If a Security Holder is unable to attend in person, they can appoint a proxy to attend on their behalf by signing and returning the Proxy Form (attached to the Notice) to the Group in accordance with the instructions on the Proxy Form. The Group encourages Securityholders completing a Proxy Form to direct the proxy how to vote on each Resolution.

The Proxy Form must be received no later than 48 hours before the commencement of the Meeting, i.e. by no later than 12.30 PM (AEDT) on 10 February 2018. Any Proxy Form received after that time will not be valid for the Meeting.

A Proxy Form may be lodged in the following ways:

Online	www.linkmarketservices.com.au
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By Mail	C/- Link Market Services Limited Locked Bag A14, Sydney South NSW 1235
By Facsimile	+61 2 92870309
By Hand	Link Market Services Limited Level 12, 680 George Street, Sydney NSW 2000

Securityholders lodging a Proxy Form are not precluded from attending and voting in person at the Meeting.

1.2 Corporate representatives

Securityholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate's representative. The authority may be sent to the Group and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

An appointment of corporate representative form is available from the website of the Group's securities registry (www.linkmarketservices.com.au).

1.3 Eligibility to vote

The Directors have determined that, for the purposes of voting at the Meeting, Securityholders are those persons who are the registered holders of Stapled Securities at 7:00PM (AEDT) on 10 February 2018.

2 INTRODUCTION

2.1 Purpose of the Meeting

The purpose of the Meeting is to seek Security Holder approval to:

- (a) provide advisory support for the potential restructure of the Group and the Stapled Securities to provide a pathway for significant corporate growth;
- (b) adopt an amended employee incentive scheme (**ADFG Incentive Plan**) which incorporates Loan Securities in addition to Performance Rights and Performance Options; and
- (c) issue securities in lieu of cash to the CEO Peter Skene in respect of 2017 and 2018 Short Term Incentive Schemes;
- (d) issue Loan Securities to the CEO Peter Skene under the ADFG Incentive Plan;
- (e) issue Performance Options on amended terms to each of Directors Michael Hackett, Adrian Rowley and Nathan Leman.

2.2 Overview of "Advisory" Resolution 1

On 11 July 2017, the Group announced its Strategic Overview, which set out the direction and anticipated outcomes for the Group in the next five years. The Strategic Overview addresses significant changes in the Australian Dairy Industry

currently underway, which the Board believes have created and will continue to present material opportunities for AHF to become a successful participant in several high value adding areas in dairy processing.

Through the Strategic Overview and subsequent implementation, the Board has clearly signaled its intention to significantly grow the Group through the development of a new “end to end” processing facility which has the capability of receiving several segregated input streams of raw milk and processing that milk into premium branded white milk, yoghurts and similar products for the Australian domestic markets as well as UHT milk and milk products (longer shelf life products) and Specialty Milk Powders (SMP) for export.

Consistent with the Strategic Overview, on 7 September 2017 the Group announced that it had secured a cornerstone investor raising \$5 million through a securities placement. On 17 November 2017 the Group announced that it had completed the purchase of the Camperdown Dairy Park, a 10 acre (4.2 hectare) parcel of industrial zoned land in Camperdown, Southwest Victoria to accommodate the proposed new facility. A preliminary design layout and high level feasibility study has shown very positive potential with a preliminary estimated capital cost of circa \$50 million staged over a 2-3 year time frame.

Additionally, a working group of expert consultants in the Australian Dairy Industry is being assembled to advise on the detailed feasibility for the project and the development of design and marketing strategies with a focus on organic milk inputs.

The directors are very conscious of the need to maximise the returns from existing assets and are actively assessing various ways of achieving this, including potentially establishing a number of separate joint venture projects within the total “end to end” facility, at project level, with a view to funding the development of the facility in a way that is least dilutive to existing Securityholders.

As foreshadowed, one of the methods to achieve this is to restructure the Group’s capital base to release funds from the substantial holdings of farm assets while retaining the close connection with the farms, the transparency of milk supply and production of specialist milk products. Concurrently the directors are also analysing options that include the retention of some or all of the farms and value adding opportunities for the raw milk produced. The Group currently comprises Australian Dairy Farms Limited, which owns the Group’s farm plant and equipment, livestock and Camperdown Dairy, and Australian Dairy Farms Trust, an Australian registered Management Investment Scheme which owns the farming land from which are operated by wholly owned subsidiary SW Dairy Farms Pty Ltd. The Company and Trust’s securities are stapled with each Securityholder owing an equal number of ASX listed Stapled Securities comprising one Share and one Unit.

2.3 Indicative Structures

In order to better explain the particular scenarios in which the structure of the Group might be changed, the following simple structure charts have been included to illustrate indicative changes in structure.

DIAGRAM 1 - STAPLED SECURITIES - CURRENT STRUCTURE

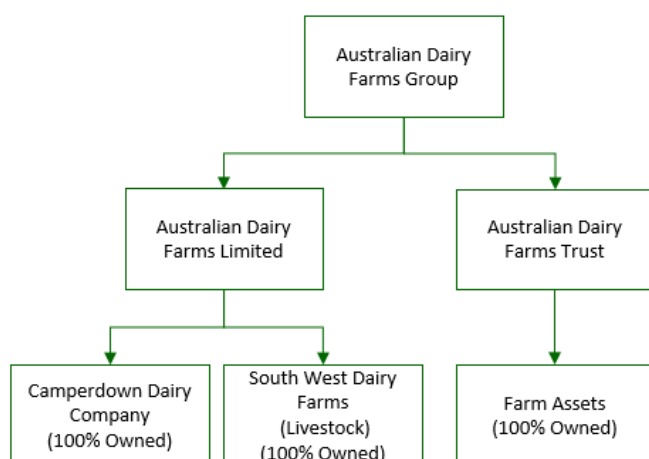


Diagram 1 - Existing Stapled Structure:

- Shows existing stapled structure comprising Company and Trust;
- Company operates farms, undertakes processing activities and owns Livestock and milk production;
- Trust owns dairy Farm Assets (excluding Livestock) and leases them operating Company.

DIAGRAM 2 - OPTION 1: SELL FARM ASSETS TO THIRD PARTY INVESTOR (TPI) WITH POTENTIAL PART OWNERSHIP

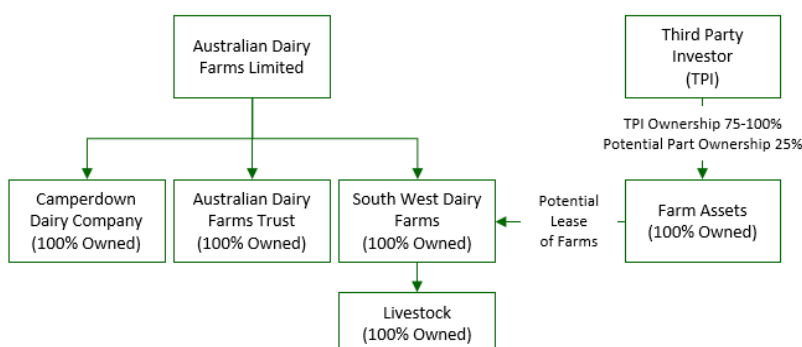


Diagram 2 – Third Party Investor(s) acquire Farm Assets from Trust and leaseback to operating Company:

- Shows structure with Third Party acquiring Farm Assets and leasing back;
- Trust retains an interest (0% - 25%) in Farm Assets;
- Company buys back all Units in Trust from Securityholders for additional Shares in company;
- Trust de-stapled and becomes 100% subsidiary of Company;
- All listed securities on issue are Ordinary Shares only.

DIAGRAM 3 - OPTION 2: SELL TRUST AND FARM ASSETS TO THIRD PARTY INVESTOR (TPI) WITH POTENTIAL PART OWNERSHIP

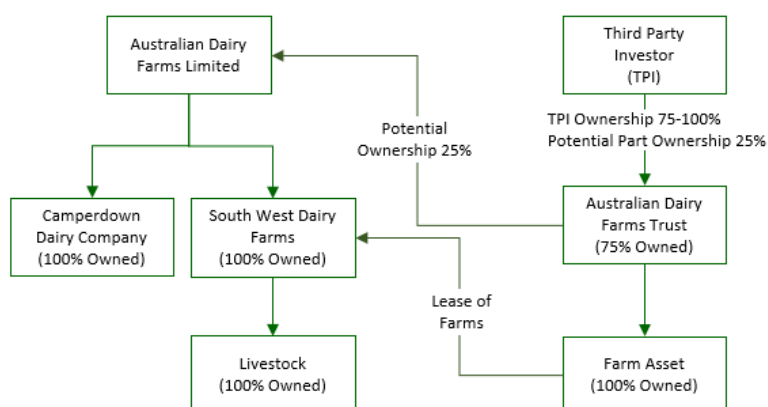


Diagram 3 - Third Party Investor(s) acquire 75% - 100% of Trust and leaseback to operating Company:

- Similar to Diagram 2 with Third Party Investor(s) acquiring 75% - 100% of Trust;
- Company retains 0% - 25% in Trust;
- Company buys back all Units in Trust from Securityholders for additional Shares in company;
- Trust de-stapled and sold;
- All listed securities on issue are Ordinary Shares only.

2.4 Destapling

Following preliminary discussions with interested parties, the Directors have considered whether it may be in both the Group and Securityholders' best interests to simplify the Group's structure by destapling the stapled securities structure and having the Company acquire all Units in the Trust in return for an equivalent issue of new Shares in the Company. This would not result in any dilution of interests or any change in underlying asset value for Securityholders, who will each have the same economic interest in the Group, through their Shares in the listed Company rather than in both Shares and Units.

2.5 Regulatory Process

The regulatory process to achieve these and similar restructure options result is quite complex and involves close consideration of taxation and stamp duty implications. It will also require regulatory approvals (ASIC and ASX).

It is emphasised that the structures shown above are indicative only and no change will be made to the Group's structure by approval of this "Advisory" Resolution 1. Any actual change in the Group's structure will require consideration by Securityholders at a future general meeting, following discussions between the Directors and regulators.

Whilst no final decision has been made on the best restructure process to undertake, recognising that the final structure will be influenced by negotiations with prospective investors, the Board considers it appropriate to now seek Securityholders "Advisory" approval for the Restructure Transaction Concept and for that reason seeks to put Resolution 1 to Securityholders.

2.6 Reasons for Advisory Resolution

One of the key reasons for this decision is to give relative confidence to potential business partners who may be reluctant to commit to conditional contracts which would necessarily be dependent on regulatory and Securityholders' approvals and the significant timeframes that can be involved in documenting and distribution the notice of meeting with sufficient information for Securityholder to consider.

Obtaining a well-supported Yes vote to "Advisory" Resolution 1 at the General Meeting is expected to materially reduce the levels of uncertainty in this process for the Group and prospective partners and indicate confidence in the likely outcome.

It also will provide a strong level of confidence to the Board, the CEO and the Management Team and Working Group that their combined concerted efforts in bringing about a major transformation in the Group will likely be supported by Securityholders if and when Securityholder approval is ultimately sought for any potential transaction.

2.7 Nature of Resolution 1

Resolution 1 is advisory only and neither binds the Group nor satisfies any requirement for Securityholder approval which may be required for any potential transaction.

2.8 Directors' recommendation

The Boards of the Company and Responsible Entity consider that it is in Securityholders' best interests to approve Resolution 1, as it will allow the Group to confidently advance potential negotiations with third parties.

3 ADOPTION OF AMENDED ADFG INCENTIVE PLAN

3.1 Introduction

On 1 September 2014 the Group's Securityholders approved the ADFG Incentive Plan. The ADFG Incentive Plan allowed the Group to issue both Performance Rights and Options to eligible participants, and provided an opportunity to eligible participants to participate in the Group's future growth and be provided with a tangible incentive to contribute to that growth in a manner that is in line with Securityholders' interests.

The ADFG Incentive Plan further assisted in attracting and retaining employees, and gave Eligible Group employees a direct financial interest in the performance of the Group by virtue of their Stapled Securities, thereby ensuring a closer alignment between the interests of Group employees and the interests of Group Securityholders. In this process, the Directors have, on advice, considered complementary methods of structuring incentives.

Under the Listing Rules, securities issued under an employee incentive scheme approved by shareholders within the previous 3 years are not counted in determining an entity's 15% and 10% security placement capacities.

The ADFG Incentive Plan lapsed in September 2017, and Resolution 2 seeks to refresh Securityholder approval of the Plan and to adopt an amended Plan. Additionally, the Board has amended the Plan so that the Group can provide non-recourse loans to participants under the Plan to acquire Loan Securities.

3.2 Terms of ADFG Incentive Plan

A summary of the ADFG Incentive Plan is set out in Annexure A. A copy of the Plan and Security Loan Plan will be tabled at the Meeting

Securityholder approval is required prior to issuing securities to a Director under the ADFG Incentive Plan.

3.3 Requirement for Securityholder approval

Listing Rule 6.23

Listing Rule 6.23 provides that unless otherwise prohibited by the Listing Rules, any changes in the terms of options (which ASX considers include the Performance Rights) require prior Securityholder approval. Amending the existing performance hurdles and nature of the Performance Rights to be Performance Options are changes that require approval by Securityholders under Listing Rule 6.23. Listing Rule 6.23.1 provides that a change which has the effect of cancelling an option for no consideration can be made without the approval of holders of ordinary securities.

Listing Rule 10.14

Listing Rule 10.14 prohibits an entity from issuing securities to a director of the entity or any associate under an employee incentive scheme without Securityholder approval. ASX has advised that in addition to approval under Listing Rule 6.23, the nature of the changes to the existing Performance Rights on issue is such that approval by Securityholders under Listing Rule 10.14 is also required.

If Securityholder approval is obtained under Listing Rule 10.14, Securityholder approval is not required under Listing Rule 7.1 and the proposed issue will be included in the 15% annual limit permitted by Listing Rule 7.1.

Chapter 2E of the Corporations Act - related party transactions

Chapter 2E of the Corporations Act (as modified by Part 5C.7) prohibits a public company from giving a financial benefit to a related party of the company or giving a financial benefit out of scheme property to a related party by a responsible entity of a registered scheme unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provision, including where the benefit is remuneration to a related party as an officer or employee of the public company or the responsible entity of the registered scheme and to give the remuneration would be reasonable given the circumstances of the public company or the responsible entity of the registered scheme giving the remuneration and the related party's circumstances (including the responsibilities involved in the office or employment); or
- (b) prior Securityholder approval is obtained to the giving of the financial benefit.

The Company's Directors and the directors of the Responsible Entity consider the financial benefit given by the Group under the ADFG Incentive Plan to be reasonable remuneration given the circumstances of the Group and the Directors' circumstances (including the Directors' responsibilities) so that Securityholder approval is not required under Chapter 2E from the Group's Securityholders.

Chapter 2J of the Corporations Act - Financial assistance

Chapter 2J of the Corporations Act limits the circumstances in which a company can take security over or finance the acquisition of its own securities, and essentially requires shareholder approval.

The ADFG Incentive Plan allows the Group to both finance the acquisition of its own securities and to take or provide security for the loan, in the form of a limited security deed over the Group's assets. All Loan Securities will be held in escrow security and under a trading lock restriction and cannot be dealt with until all loan amounts are extinguished.

4 RESOLUTIONS 3 TO 6 - APPROVAL OF THE ISSUE OF INCENTIVE PLAN SECURITIES TO RELATED PARTIES

4.1 Introduction

Security Holder approval is sought to issue the securities set out in Resolutions 3-6, subject to the contemporaneous cancellation by the Group for no consideration of all vested and unvested Performance Securities on issue to all directors.

4.2 Performance Options Previously Issued to Directors to be cancelled

At the general meeting of the Group held on 29 July 2016, 9,600,000 Performance Options were approved by Securityholders to be issued to Messers Rowley, Hackett, Jackson (former director) and Leman and future directors. Of these, 7,800,000 have lapsed and the balance of 1,800,000 are proposed to be cancelled.

The 7,120,000 Performance Options issued to Peter Skene were issued prior to his appointment as a director and are proposed to be cancelled. Cancellation of Performance Options for no consideration may be made by the Group without securityholders approval. The following table sets out the Performance Securities approved and issued at the 29 July 2016 meeting.

Vesting hurdle	TSR Period			
	31/12/2016	30/06/2017	31/12/2017	31/12/2018
TSR increase to TSR Base	25%	30%	40%	50%
Exercise Price	\$0.230	\$0.250	\$0.270	\$0.290
No of Options Exercisable for hurdles				
Adrian Rowley	1,000,000	500,000	500,000	400,000
Michael Hackett	1,000,000	500,000	500,000	400,000
Keith Jackson	400,000	400,000	200,000	200,000
Future	0	400,000	400,000	400,000
Nathan Leman ¹	1,000,000	500,000	500,000	400,000
Sub-total	3,400,000	2,300,000	2,100,000	1,800,000
No of Options lapsed	(3,400,000)	(2,300,000)	(2,100,000)	
No of Options to cancel	0	0	0	(1,800,000)
Peter Skene				
Exercise Price		\$0.25	\$0.27	
Last Exercise Date		26/05/2018	26/05/2019	
Number		1,800,000	6,240,000	7,120,000
No of Options to cancel		1,800,000	6,240,000	(7,120,000)

4.3 Proposed Issues to the Group's CEO and Executive Director, Peter Skene

(a) On cancellation of Performance Options held by Peter Skene it is proposed to issue, and approval of Securityholders is sought to issue, the following Performance Securities:

- (i) 1,000,000 Stapled Securities in full and final satisfaction of payment of the 2017 financial year Short Term Incentive Plan (2017 STIP), in lieu of an equivalent payment of cash;

- (ii) in respect of the 2018 financial year Short Term Incentive Plan (2018 STIP), 3,000,000 Performance Rights, which vest progressively (on the basis of one Stapled Security for each Performance Right) upon achievement of the performance hurdles set by the Board (excluding Peter Skene).
- (iii) as an integral part of ensuring the continued future service and commitment to the Group of the CEO at a time of expected material expansion of the Group to place it at the forefront of the rapidly changing face of the Australian Dairy industry in the production of high value-added dairy products, 7,000,000 Loan Securities to Peter Skene or his nominee under the ADFG Incentive Plan to be issued on the terms set out in of this Notice.

The issue of fully paid Stapled Securities to Peter Skene referred to at paragraphs 4.3(a)(i) and (ii) is proposed in lieu of cash bonuses due to the CEO as part of his agreed remuneration package in payment of the 2017 STIP, in respect of which performance hurdles have been achieved, and in anticipated progressive payment of agreed 2018 STIP following achievement of specific performance hurdles set by the Board.

The primary benefit to the Group of paying these amounts in Stapled Securities in lieu of cash, include the obvious savings of cash resources, and that the increased holding of the Group's Securities by the CEO helps ensure he is also very closely aligned with Securityholders' interest in the appreciation of the Security Price.

As the Security Price increases, the issued Securities and Loan Securities will progressively become more valuable to the holder. This represents a strong incentive to work diligently and intelligently to achieve this result for the benefit of all holders.

The proposed issue of Loan Securities as set out in Resolution 3(c) and paragraph 4.3(a)(iii) are Loan Securities issued in accordance with the ADFG Loan Securities Plan have no cash impact to the Group and the holder is unable to deal with them in any way until the loans are fully repaid. The nature of the benefit given by the issue of Loan Securities is the provision of an interest free, limited recourse loan by the Group to a Participant to subscribe for Loan Securities in an amount equal to the price of the Loan Securities issued. The general terms of issue of Loan Securities are set out in section 4.3(a)(iii) and the Schedule attached to this Notice and a copy of the full terms of issue will be laid before the Meeting for inspection. A copy may be obtained free of charge on request from the Group's registered office.

4.4 Issue Price

All securities proposed to be issued under Resolution 3 are intended to be issued at a price which reflects the Volume Weighted Average Price (VWAP) of the Group's Securities as transacted over the 10 ASX Trading Days immediately prior to the date of the Meeting and if Resolutions 2-6 are approved without amendment, it is intended that the Securities will be issued within 5 ASX Trading Days after the Meeting. Based on recent trading history over a range of prices between 11 and 14 cents, the VWAP

referred to above is likely to be in the range of 11-13.5 cents, however this price is subject to change and due to marketplace trading, the final issue price is likely to change accordingly.

The dilution effect of the issue of all securities pursuant to Resolutions 3-6 based on the total number of Securities currently on issue (234,792,046) is 6.01% excluding Securities proposed to be cancelled which reduces the dilution effect proportionally.

The Directors' remuneration and other interests in the Group are set out in section 4.7.

4.5 Proposed Issues of Performance Options to the Group's non-executive Directors

Subject to the cancellation for no consideration of all Performance Options on issue to Messers Hackett, Rowley, and Leman it is proposed to issue to each of Michael Hackett, Adrian Rowley and Nathan Leman as Directors of the Company and the Responsible Entity 2,400,000 Performance Options under the ADFG Incentive Plan to vest on the basis of achievement of Total Shareholder Return (TSR) of 29 cents, at the earlier of this achievement over any 20 ASX Trading Day period and 31 December 2019.

Total Shareholder Return (TSR) is calculated as set out in section 4.9.

4.6 Requirement for Securityholder approval

Listing Rule 10.14

Listing Rule 10.14 prohibits an entity from issuing securities to a director of the entity or any associate under an employee incentive scheme without Securityholder approval.

If Securityholder approval is obtained under Listing Rule 10.14, Securityholder approval is not required under Listing Rule 7.1 and the proposed issue will be included in 15% annual limit permitted by Listing Rule 7.1.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act (as modified by Part 5C.7) prohibits a public company from giving a financial benefit to a related party of the company or giving a financial benefit out of scheme property to a related party by a responsible entity of a registered scheme unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provision, including where the benefit is remuneration to a related party as an officer or employee of the public company or the responsible entity of the registered scheme and to give the remuneration would be reasonable given the circumstances of the public company or the responsible entity of the registered scheme giving the remuneration and the related party's circumstances (including the responsibilities involved in the office or employment); or
- (b) prior Securityholder approval is obtained to the giving of the financial benefit.

The Company's Directors and the directors of the Responsible Entity consider the financial benefit given by the Group under the ADFG Incentive Plan to be reasonable remuneration given the circumstances of the Group and the Directors' circumstances (including the Directors' responsibilities) so that Securityholder approval is not required under Chapter 2E from the Group's Securityholders.

4.7 Directors' remuneration and other interests

During the 2016 financial year to 30 June 2017, the Directors received the following fees and payments from the Group, and had a relevant interest in the following Stapled Securities which excludes lapsed or vested securities:

Director	Fees and payments (annualised) ¹	Stapled Securities Interests	Other security interests
Michael Hackett	\$75,000	21,821,566	900,000 Options
Adrian Rowley	\$50,000	1,277,000	900,000 Options
Nathan Leman	\$0	15,194,507	900,000 Options
Peter Skene	\$330,000	1,300,000	6,560,000 Options

¹ Plus compulsory superannuation where applicable.

Trustees Australia is the responsible entity for the Trust and is entitled to be paid fees of 2% on assets under management and reimbursement of expenses. To date Trustees Australia has not charged a management fee and has only been reimbursed costs.

4.8 Information required by Listing Rule 10.15A

For the purposes of Listing Rule 10.15A, the following information is provided about the proposed issue of the Performance Options and Loan Securities:

- (a) Each of Messers Skene, Rowley and Hackett are directors of the Company. Messers Hackett and Leman are directors of Trustees Australia Limited which is the responsible entity of the Trust. These are the directors who are entitled to participate in the ADFG Incentive Plan.

Securities other than Performance Rights, which must be issued to eligible recipients personally, may be requested by the recipient to be issued to a closely held entity which the recipient controls.

- (b) The maximum number of Stapled Securities which may be acquired under the ADFG Incentive Plan is 23,479,204, calculated on the basis of 10% of the total number of Stapled Securities on issue at any time, (currently 234,792,046), and which are able to be issued at the Exercise Price set out in the table in Section 4.9 subject to achieving performance hurdles based upon Total Shareholder Return (TSR) (see Section 4.9) and if applicable, other specific performance hurdles set by the Board. Each Performance Option, entitles the holder, upon satisfaction of the relevant performance hurdle and payment of exercise price as set out in section 4.9, to be issued one Stapled Security. The Stapled Securities to be issued to Peter Skene pursuant to Resolutions

3(a) and 3 (b) and the Loan Securities to be issued pursuant to Resolution 3(c) are to be issued on the basis of the 10 day VWAP as set out in section 4.4.

At the date of this Notice there is a total of 8,120,000 unvested Performance Options remaining on issue to Directors under the ADFG Incentive Plan, which are intended to be cancelled for no consideration if Resolutions 2-6 are approved at the Meeting. In that circumstance the maximum number of Performance Securities including Loan Securities on issue will be 14,200,000.

- (c) No Performance Securities have been issued under the ADFG Incentive Plan since the last approval other than as set out in section 4.2.
- (d) A voting exclusion statement is included in the Notice in respect of relevant resolutions.
- (e) On 15 June 2015, ASX granted a waiver so that any additional persons who may become non-executive Directors from time to time and are entitled to participate in the ADFG Incentive Plan may be issued securities under the Plan at the Board's discretion no later than 3 years after 15 June 2015, without Securityholder approval. To date, no additional Directors have been appointed.
- (f) If resolutions 2-6 are approved and relevant Securities are issued, 9,279,204 Performance Securities will remain available to be issued. and may be issued in accordance with the ADFG Incentive Plan no later than 3 years after the date of the Meeting.
- (g) The total of ADFG Incentive Plan Securities available and on issue subject to the approval of Resolutions 2-6, is 23,479,204 comprising the Total Securities based on TSR of 7,200,000 from the table above, the 7,000,000 Loan Securities to be issued to Peter Skene and the unissued Securities of 9,279,204.
- (h) Details of any securities issued under the ADFG Incentive Plan and a statement that approval for the issue of securities was obtained under Listing Rule 10.14 will be published in each annual report of the Group relating to the period in which securities have been issued.
- (i) Any additional persons who become entitled to participate in the ADFG Incentive Plan after the Meeting and who are not named in this Notice, will not participate until approval is obtained under listing rule 10.14.
- (j) It is intended that all ADFG Incentive Plan securities referred to in Resolutions 3-6 will be issued no later than 3 months after the date of the Meeting. No other Performance Securities will be issued later than three years after the Meeting without further Securityholder approval.

4.9 Securities based on Performance Hurdles

Subject to the approval of Resolutions 2-6, the Performance Options which:

- (a) vest upon satisfying performance hurdles linked to Total Securityholder Returns (TSR); and

(b) upon vesting and payment of a pre-determined exercise price, entitle the holder to be issued one Stapled Security for each Performance Option exercised. The below table sets out the vesting milestones, number of Performance Options granted and exercise price that will be issued and available for Issue:

Vesting Hurdle		24 months ending 31/12/2019
TSR increase to TSR Base of 12.5 cents		230%
Exercise Price		\$0.290
Directors		
Adrian Rowley		2,400,000
Michael Hackett		2,400,000
Nathan Leman		2,400,000
Total Securities based on TSR		7,200,000

Where:

TSR means Total Securityholder Returns is calculated as:-

$$= \frac{(Price_{end} - Price_{begin} + Dividends)}{Price_{begin}}$$

TSR Base means the 5 Day VWAP prior to the date of the Meeting.

5 Day VWAP means the volume weighted average market price (as defined in the Listing Rules) for Stapled Securities calculated over the 5 trading days on which trades of Stapled Securities were recorded.

Price_{end} means the 5 Day VWAP prior to the date the TSR Period ends.

Price_{begin} means the 5 Day VWAP prior to the date the TSR Period begins.

4.10 Terms of Issue of Loan Securities

The terms and conditions applying to the issue of Loan Securities to Eligible Employees are set out in the ADFG Loan Securities Plan which forms part of the ADFG Incentive Plan subject to approval under Resolution 2. The ADFG Loan Securities Plan provides the Board with authority to issue Loan Securities, which are ordinary Stapled Securities in the Group in respect of which the Group provides a limited recourse loan to the Participant to be used solely for the acquisition of Loan Securities.

The key terms of issue of Loan Securities and funding arrangements are summarised as follows:

- The Loan Securities will participate in any dividend or capital repayment and any restructure on the same terms as ordinary Stapled Securities;
- The Loans for Loan Securities will be interest free unless the Loan is not repaid in accordance with the terms of issue in which case default interest will be charged at the rate set from time to time under Victorian legislation;
- By executing and returning the limited recourse Loan Agreement to the Group, the Participant agrees that the Loan Securities will not be sold, transferred, encumbered by the Participant until the Loan is repaid in full;

- (d) The Loan Securities will be held by the Group as security for the Loan and a trading lock will be placed on the Loan Securities;
- (e) Eligible Employees is defined to include employees of the Group including directors, contractors and consultants. Issues to directors requires prior Securityholder approval in accordance with ASX Rules.
- (f) On cessation of employment or other engagement with the Group, Loans must be repaid in full or the Loan Securities will be redeemed within specified time periods

4.11 Further information

The following further information is provided to Securityholders to enable them to assess the merits of the resolutions:

- (a) The related party to whom Resolutions 2 to 6 would permit the benefit to be given are Messrs Skene, Rowley, Leman and Hackett and any future directors appointed.
- (b) The nature of the financial benefit:
Performance Rights, each of which result in the issue of one Stapled Security upon the occurrence of the achievement of hurdles as set.
- (c) Reasons for giving the benefit:
The proposed changes in the terms of issue of the Performance Rights recognise the skills and value that the Directors bring to the Group and more closely aligns the interests of Securityholders generally with performance of Directors and management.
- (d) Related parties' existing relevant interest:
The related parties' relevant interests at 30 June 2017 are set out in section 4.7.
- (e) Total remuneration package:
Details of the Directors' remuneration packages are set out in section 4.7.
- (f) Dilution:
The dilution effect of the issue of all securities pursuant to Resolutions 3-6 based on the total number of Securities currently on issue (234,792,046) is 6.01% after cancellation of Securities proposed to be cancelled.
- (g) Valuation of the financial benefit to be given:
No additional financial benefit is expected to be given as a result of changing the vesting conditions and other terms of the Performance Options.
- (h) Corporate governance:
The guidelines in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) recognise that it is generally acceptable for non-executive directors to receive securities as part of their remuneration to align their interest with the interest of other

Securityholders, however suggest that non-executive directors generally should not receive options with performance hurdles attached or performance rights as part of their remuneration as it may lead to bias in their decision making and compromise their objectivity. The Principles and Recommendations are not mandatory or prescriptive. The Board has departed from the guidelines for non-executive remuneration in respect of the issue or proposed issue of performance securities to non-executive directors and considers that in the circumstances of the Group it is appropriate to do so in order to attract and retain high calibre and well-credentialed non-executive directors and provide tangible incentive to reward their involvement in the continued growth of the Group.

(i) Other Information

The Directors are not aware of any other information that is reasonably required by Securityholders to allow them to make a decision on whether it is in the best interests of the Group to pass Resolution 3.

4.12 Directors' recommendation

Given their interest in Resolutions 4 to 6, Messrs Hackett, Rowley and Leman each decline to make a recommendation on Resolutions 4 to 6.

5 DEFINITIONS

In this Notice and Explanatory Memorandum:

ASX	means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.
Annual Report	means the 2017 annual report of the Company.
Board	means the board of Directors of the Company or Responsible Entity.
Chairman	means the Chairman of the Company.
Closely Related Party of a member of the Key Management Personnel	means a spouse or child of the member, a child of the member's spouse, a dependent of the member or the member's spouse, anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; company the member controls; or a person prescribed by the <i>Corporations Regulations 2001</i> (Cth).
Company	means Australian Dairy Farms Limited (ACN 057 046 607).
Constitution	means the constitutions of the Company and the Trust as amended.

Corporations Act	means the <i>Corporations Act 2001</i> (Cth) as amended.
Director	means a director of the Company.
Equity Securities	has the same meaning given in the Listing Rules.
Explanatory Memorandum	means this explanatory memorandum.
Group	means the stapled entity comprising the Company and the Trust.
Key Management Personnel or KMP	has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.
Listing Rule	means the listing rules of the ASX.
Meeting	means the General meeting of the Securityholders of the Company which will be held in conjunctions with the General meeting of unit holders of the Trust (as adjourned from time to time).
Notice	means this notice of meeting.
Proxy Form	means the proxy form attached to this Notice.
Performance Security	means a security entitlement issued in accordance with the ADFG Incentive Plan.
Remuneration Report	means the remuneration report of the Company included in the Directors' Report section of the Company's Annual Report.
Resolution	means a resolution set out in the Notice.
Security Holder	means a holder of Stapled Securities.
Stapled Security	means a fully paid ordinary share in the capital of the Company stapled to a fully paid ordinary unit in the Trust.
STIP	means Short Term Incentive Plan for the CEO referred to in section 4.
Trading Days	means a day determined by ASX to be a trading day in accordance with the Listing Rules.

Trust	means the Australian Dairy Farms Trust (ARSN 600 601 689).
VWAP	means volume weighted average price.
AEDT	means Australian Eastern Daylight Time (Daylight Saving Time).

6 SCHEDULE - SUMMARY OF ADFG INCENTIVE PLANS

1. Purpose

The purpose of the ADFG Incentive Plan is to allow the Board to make offers to Eligible Employees to acquire either directly or via performance rights or options, Stapled Securities or Loan Securities (Incentive Plan Securities) in the Group.

2. Eligible Participants

The Plan is open to employees of the Group or its subsidiaries, joint venture companies and associates, as the Board determines from time to time (including a director of the Group) or any other person who is declared by the Board to be eligible to receive a grant of a performance right or option (as the case may be) under the ADFG Incentive Plan.

3. Offers

The Board may, from time to time and in its absolute discretion, invite Eligible Employees to participate in a grant of Stapled Securities, which may comprise of any one or more of:

- (a) Stapled Securities;
- (b) Performance Rights over Stapled Securities; and/or
- (c) Performance Options to acquire Stapled Securities.
- (d) Loan Securities

4. Expiry Date

An Option will lapse upon the earliest to occur of:

- (a) 7 years or any other date nominated as the expiry date in the invitation letter;
- (b) the Option lapsing in accordance with the ADFG Incentive Plan; and
- (c) failure to meet a performance condition or any other conditions applicable to the Option within the prescribed period.

5. Financial Assistance

The provisions regarding Financial Assistance are set out in the ADFG Loan Securities Plan which is attached as Annexure A. This Plan forms part of the ADFG Incentive Plan.

6. Lapse

When a participant ceases to be an employee of the Group, that participant's ADFG Incentive Plan Securities will continue to be held by the participant (or by his or her estate as a representative) and continue to be subject to the rules of the ADFG Incentive Plan except that any continuous service condition will be deemed to have been waived. However, prior to or within 60 days after a participant ceases to be an employee of the Group the Board may determine (in its absolute discretion) that some or all of a participant's Incentive Plan Securities will:

- (a) vest or become exercisable;
- (b) are only exercisable for a prescribed period and will otherwise lapse;
- (c) continue to be subject to some or all of the performance conditions; or
- (d) lapse on the date of cessation of employment.

7. Stapled Securities issued on exercise of Incentive Plan Securities

Any Stapled Security issued under the ADFG Incentive Plan will rank equally in all respects with other Stapled Securities for the time being on issue by the Group except as regards any rights attaching to such Stapled Securities by reference to a record date prior to the date of their issue.