

Australian Dairy Farms Group

20 September 2018

ASX Code: AHF

AHF Investor Presentation

AHF provides the attached investor presentation for the information of Securityholders regarding the longer-term strategy of the Group in the dairy formula and nutritionals market segments.

The directors are confident that their plans for the future will position the Group as a flexible, innovative and highly profitable leader in these market segments.

These are medium term strategies.

In the interim, the Group is focussing on activities that can be initiated in shorter and medium terms to build recurring revenues.

The acquisition of Flaheys Future Nutritionals provides a valuable avenue to gain early stage traction in these market segments by expanding the AHF owned brands using external existing processors to manufacture AHF recipes in the expansion of its existing formulas and in the brand establishment of new ones.

This enables AHF to have its own brands in the marketplace and in retail supermarket and chemists' shelves in a much shorter timeframe.

The directors invite existing Securityholders and new investors to join AHF on this exciting journey.

AUSTRALIAN DAIRY FARMS GROUP

Ends.

Australian Dairy Farms Group (ASX:AHF)

Share Purchase Plan Presentation
September 2018

“ AHF will become a vertically integrated,
producer of dairy products and diverse
nutritionals including organic infant formula
from **Australian Organic Milk** ”



Australian Dairy Farms Group

Australian Dairy Farms, the new fresh future

Disclaimer

Commercial in Confidence

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Investment Risk

An investment in Australian Dairy Farms Group (AHF), is subject to known and unknown risks both specific to AHF and of a general nature, some of which are beyond the control of the Group including possible loss or reduction in capital invested. Such risks may either individually or in combination adversely affect the future operating and financial performance of AHF, its investment return and value of its securities.

There can be no guarantee and the Directors and management give no assistances, (notwithstanding that they will use their conscientious best endeavours), that AHF will achieve its stated objects or that any forward looking statement or forecast will eventuate.

Forward-Looking Statements

This Presentation contains certain statements which may constitute forward-looking statements or information ("forward-looking statements"), including statements regarding the use of proceeds of any funds available to the Group. These forward-looking statements are based on certain key expectations and assumptions, including assumptions regarding the general economic conditions in Australia and globally, industry conditions in Australia and the intended operations of the Group. These factors and assumptions are based upon currently available information and the forward-looking statements contained herein speak only as of the date hereof. Although the expectations and assumptions reflected in the forward-looking statements are reasonable in the view of the Group's directors and management, reliance should not be placed on such statements as there is no assurance that they will prove correct. This because forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied in the forward-looking statements. These risks include, but are not limited to: uncertainties and other factors that are beyond the control of the Group ; global economic conditions; risks associated with the global dairy industry; commodity prices, exchange rate changes; operational and seasonal risks associated with farming; delays or changes in plans; specific risks associated with the ability to execute production contracts, ability to meet work commitments and capital expenditures; and risk associated with securities market volatility. The Group assumes no obligation to update any forward-looking statements or to update the reasons why actual results could differ from those reflected in the forward-looking statements, except as required by Australian securities laws and ASX Listing Rules.

¹Associates of Australian Dairy Farms Group include any of its directors, employees, contractors, advisers, brokers, consultants and their respective employees and representatives. References to "Australian Dairy Farms", the "Group" Australian Dairy Farms Limited, Australian Dairy Farms Trust and its trustee are references to Australian Dairy Farms Group and / or the following constituent entities. Australian Dairy Farms Limited ACN 057 046 607, Australian Dairy Farms Trust ASRN 600 601 689, Camperdown Dairy Company Pty Ltd ACN 140 640 606, SW Dairy Farms Pty Ltd ACN 600 103 553 and other subsidiary entities.



Presenters



Peter Skene
CEO & Managing Director

- Peter Skene was appointed CEO and Managing Director of Australian Dairy Farms Group in July 2016
- Peter's past experience reflects a comprehensive and vertical experience path starting on the factory floor and moving through positions from factory hand to Managing Director in dairy, food and other fast moving consumer goods (FMCG) industries including The King Island Company, Fonterra and George Weston Foods.
- He has over 30 years experience in the areas of executive leadership, general management, sales, global supply chain, manufacturing and quality management.
- Peter has very extensive dairy industry experience across all main product categories including milk powders, UHT, fresh products and cheeses



Chris Flahey
Sales & Marketing Director

- Chris has extensive knowledge, experience and relationships with the domestic and global formula markets
- Recently, Chris was Sales and Marketing Director of Bellamy's Australia Limited (ASX:BAL) and a key member for transitioning from a private business to a listed business on the ASX:
 - While at Bellamy's Chris devised a Pharmacy sales and marketing plan which rapidly expanded distribution of the baby formula, food and snacks business and developed the Asian sales, marketing and distribution plan
 - Chris successfully launched the Bellamy's Organic pouch baby food business
 - During Chris's tenure Bellamy's grew from \$12 million a year turnover to \$184 million in the space of three years
- Chris has held multiple senior positions with companies such as Simplot Australia where he worked with some of Australia's most loved iconic brands including BirdsEye, John West, Edgell, Leggos, Four & Twenty and others



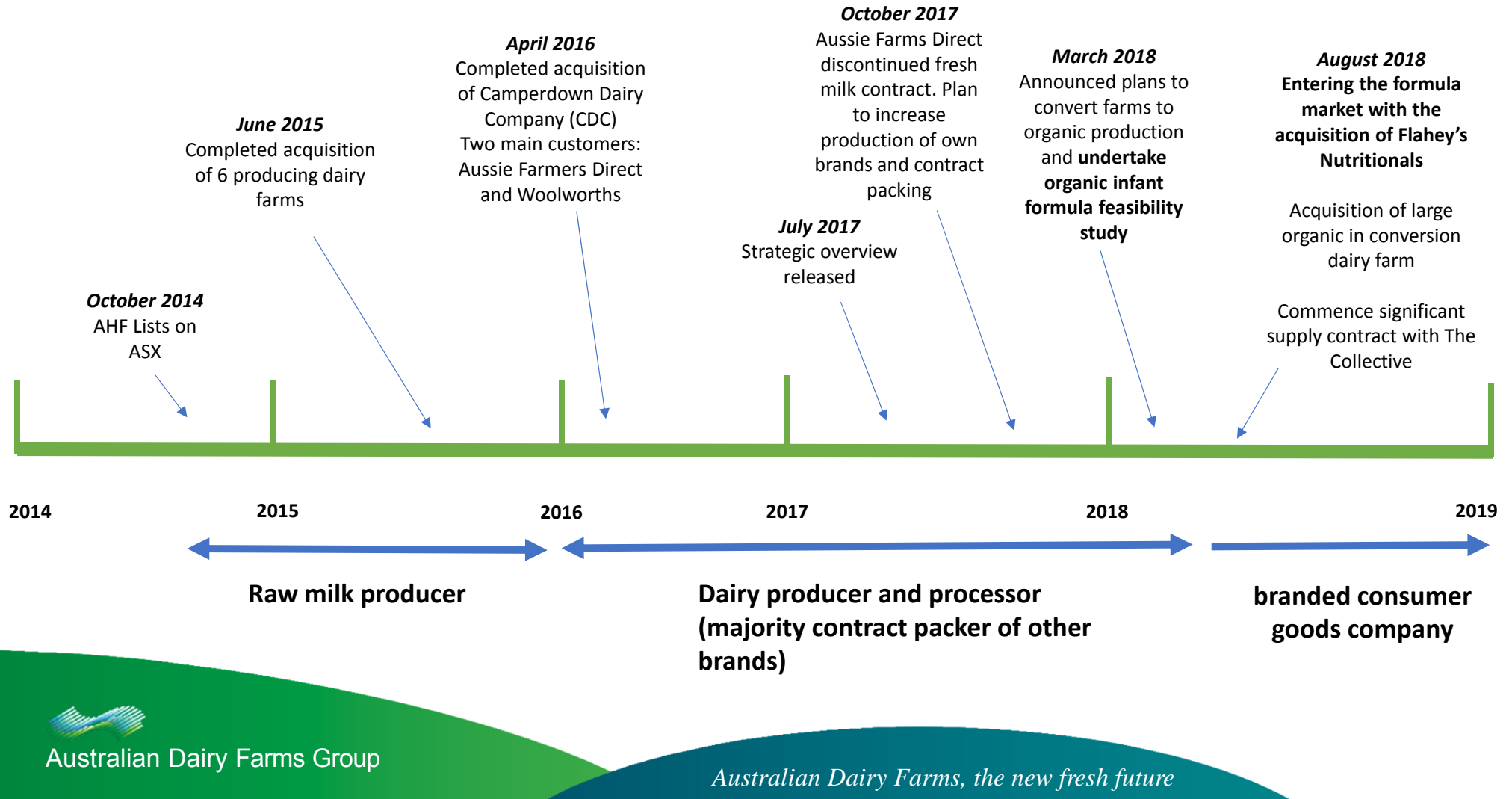
Executive Summary

1. Australian Dairy Farms Group (AHF) is transitioning from a producer and contract packer of low value dairy products, to **a premium differentiated branded business**
2. AHF is entering the formula / nutritionals market through the **acquisition of Flahey's Nutritionals** and plans to expand formula range into “Tummy Health **infant formula**”, **Australian Organic infant formula**, and Adult Nutrition.
3. AHF currently own **7 farms that are in a program to convert to fully certified organic milk production**. The farms produce 20 million litres of milk¹. AHF also owns a **fully certified organic dairy** processing facility in Camperdown, Victoria
4. Completed feasibility study of new wet blend spray drying plant and pharmaceutical-grade tinning and labelling **facility expected to generate output of 10 million cans per year**
5. Future plans for **fully vertically integrated organic infant formula brands** and supply chain
6. AHF is seeking to raise up to \$5 million via share purchase plan (**Offer**) to fund the acquisition of Flaheys, the and working capital for **new infant formula products** and servicing the new Camperdown Dairy business.

¹ FY18 production including recently acquired Nirranda farm

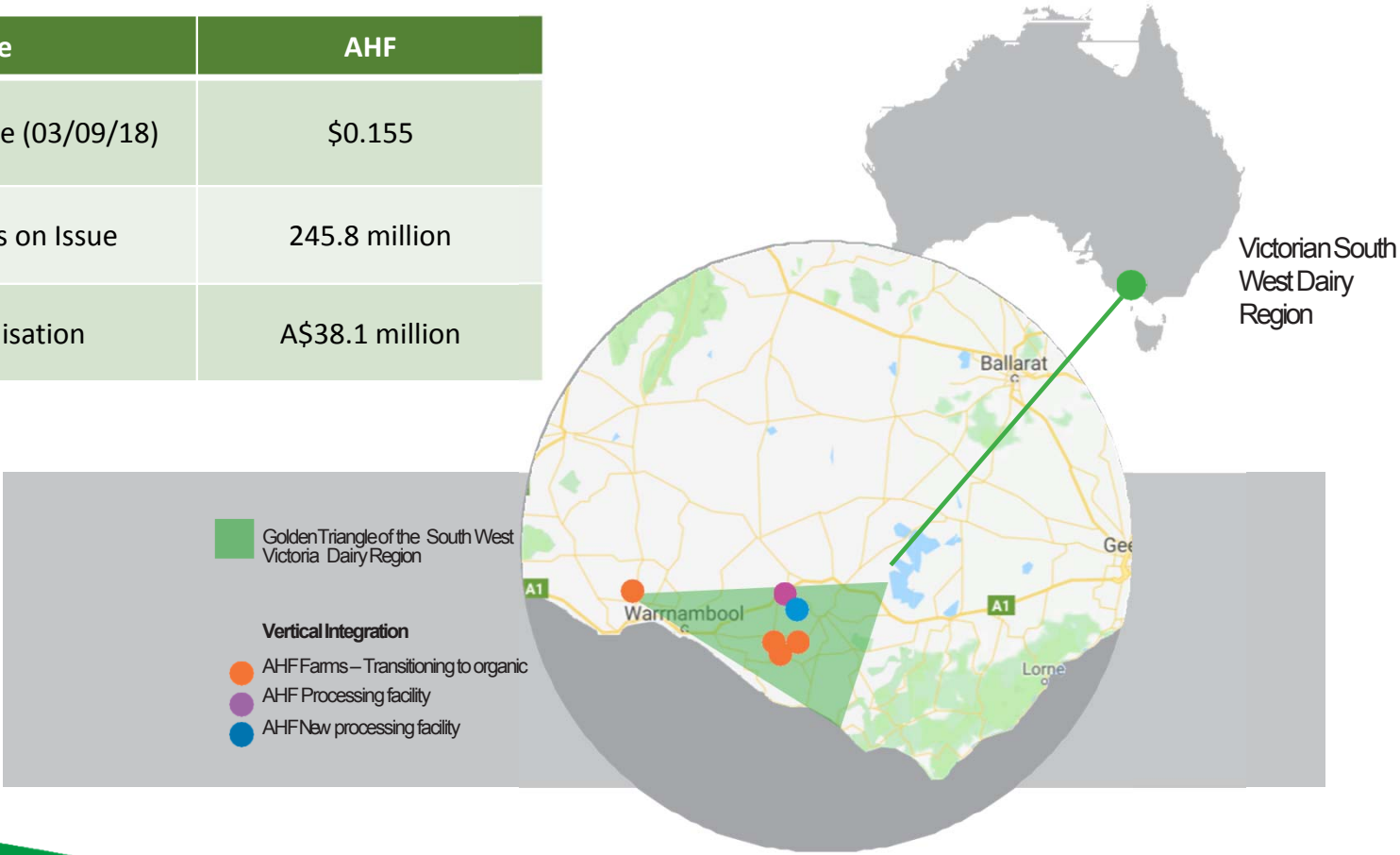


History of Australian Dairy Farms



Overview of Australian Dairy Farms

ASX Code	AHF
Stapled Security Price (03/09/18)	\$0.155
Stapled Securities on Issue	245.8 million
Market Capitalisation	A\$38.1 million



Organic Dairy Farms

Our farms

- Australian Dairy Farms (AHF) Group currently owns 7 farms producing 20 million litres of milk¹
- AHF owned farms are in the process of converting to organic milk production
- **AHF is Australia's largest single farm entity converting to organic milk production**
- Australia currently produces 9 billion litres of milk but only 45 million litres of organic milk
- The farms have been progressively purchased over the last 4 years
- The farms are located in Western Victoria which is renowned as the best region for dairy in Australia
- Approximately 23% of Australia's milk is produced in Western Victoria
- Significant investment has been made in on farm infrastructure and pasture

¹ includes Yaringa Farm acquired August 2018
and due for completion October 2018

¹ FY18 production including recently acquired Nirranda farm



Australian Dairy Farms Group

Australian Dairy Farms, the new fresh future

Current Processing Facilities

Our processing facility

- Camperdown Dairy Company (CDC) has been a fully certified organic dairy manufacturer of butter for the last 5 years
- CDC has recently expanded the organic certification to include yoghurts and milks
- The company has, in the main, been using its organic certification to support contract manufacturing for other businesses
- The Processing facility is export licensed and includes processing capacity of 100,000 LT per day
- Recently signed a 4 year contract with “The Collective” – New Zealand based company
- Minimum revenue of \$30m; will underpin profitability from current processing facility



¹ FY18 production including recently acquired Nirranda farm

Strategy Overview

- Transitioning from contract packer to **brand owner**
- Converting conventional dairy farms into Australia's largest single entity **organic dairy enterprise**
- Moving from highly competitive low value products to **high value, high growth markets**
- **Entering the formula / nutritionals market** with the purchase of Flahey's Nutritionals (**key first step into the organic formula and infant formula markets**)
- Future plans for **fully vertically integrated infant formula brands and supply chain** (refer to 26th March announcement)
- **Ultimate control and security of supply** (cows, farms, processing facility, tinning and brands)



¹ FY18 production including recently acquired Nirranda farm

Strategy

- **Acquisition of Flahey's Nutritionals provides platform for a premium differentiated branded business**
- Flahey's Nutritionals recently launched into the Australian Certified Organic market via a specialised ultra premium product currently ranged in major branded retailers within the Pharmacy market in Australia
- Flahey's Nutritionals has a comprehensive range of premium infant formula products under development with a “cradle to grave” market position
- The Flahey's Nutritional acquisition fits nicely with Australian Dairy Farms Group's overall strategy of transitioning from a conventional basic producer of commodity products to a full premium differentiated branded business

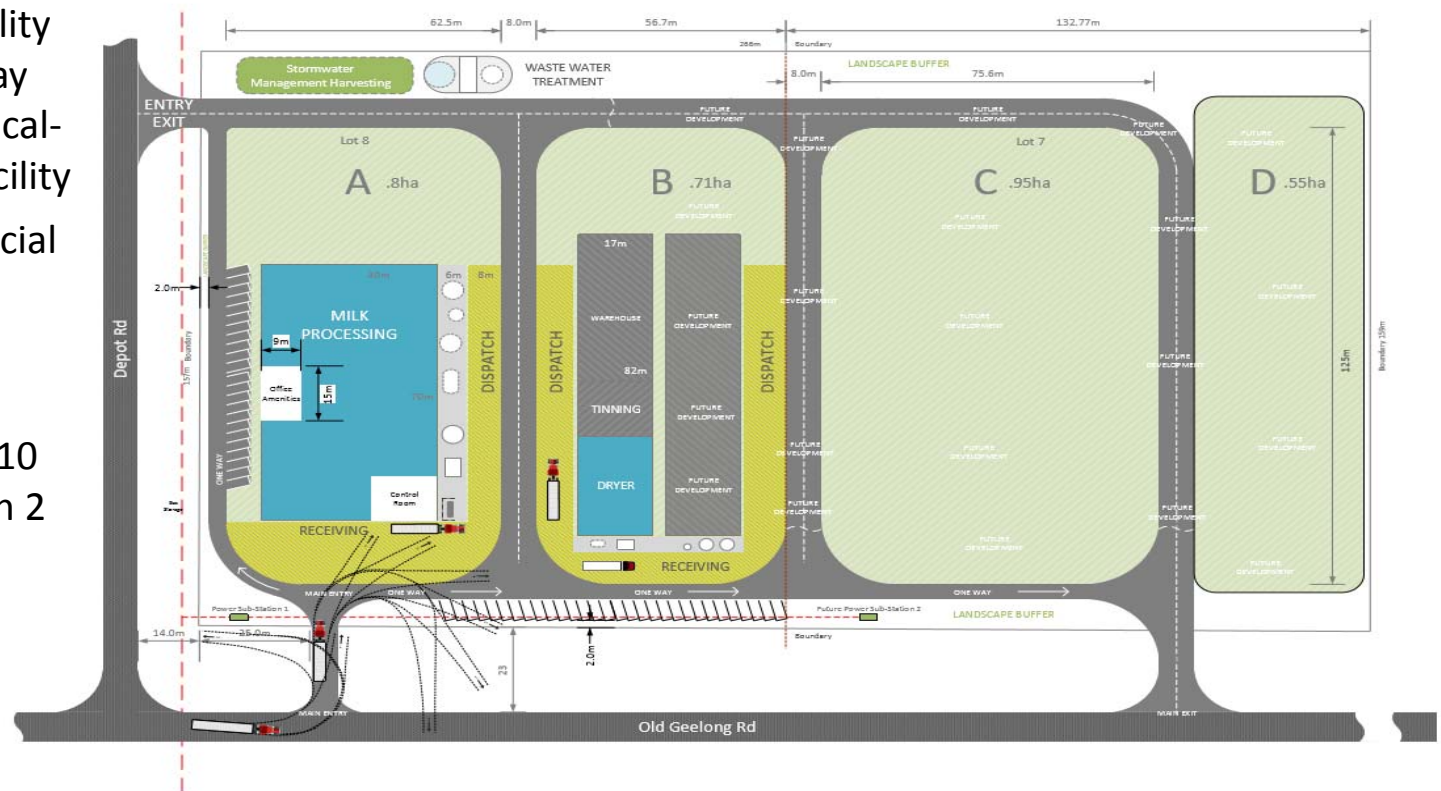


Strategy – Planning for the Future

Spray Drying and Tinning Facility

- AHF have completed a feasibility study of a new wet blend spray drying plant and pharmaceutical-grade tinning and labelling facility
- Based on 10 acres of commercial and industrial zoned land in Camperdown acquired in November 2017
- Expected to generate output 10 million cans per year based on 2 shifts 5 days per week

Proposed Camperdown Dairy Park

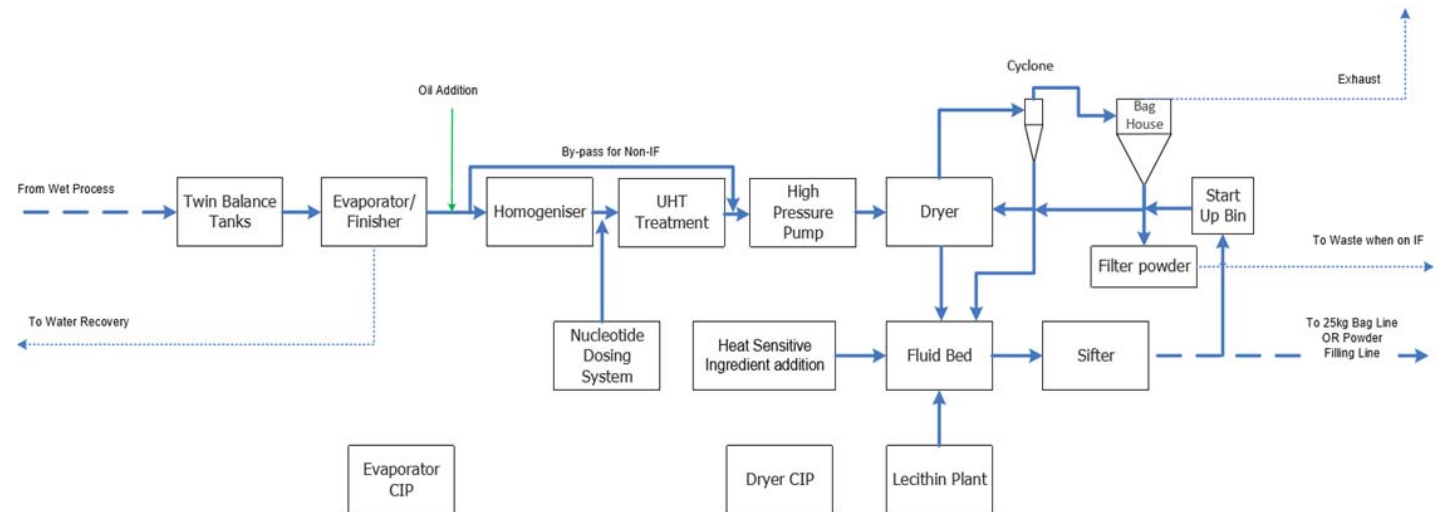


Proposed Infant Formula Spray Dryer

Outputs:

- Organic skim milk powder
- Organic whole milk powder
- Full range of organic infant formula
- Other dairy nutritionals

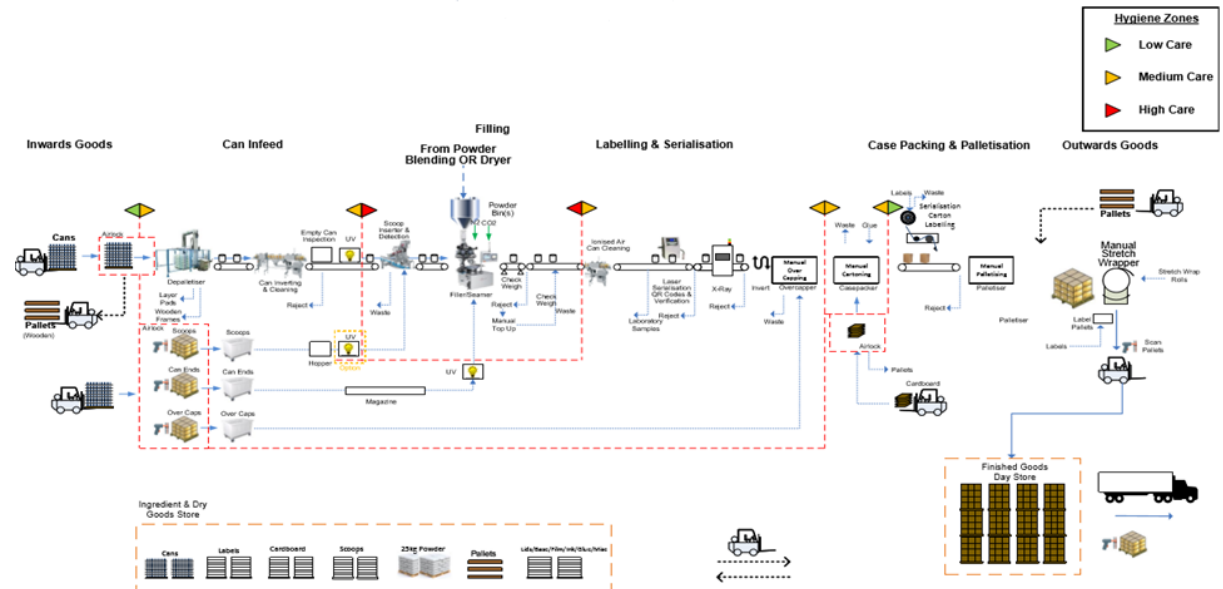
Drying Plant Process



Proposed Pharma Grade Infant Formula / Nutritional Tinning Plant

Outputs:

- Consumer packs of organic infant formula
- “Tummy health” infant formula
- Consumer packs of various milk powder
- Other nutritionals
- Capacity of 10 million cans per year based on 5 days per week on 2 shifts



Strategy – Brands (illustrative only - we don't wish to share with competitors at this point)

*Pure
organic*
Australian Nutrition

Whey dominant
Infant Formula
step 1
0-6 months

*Pure
organic*
Australian Nutrition

Casein dominant
Follow on Formula
step 2
6-12 months

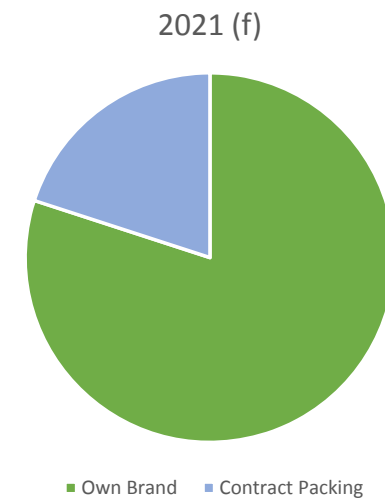
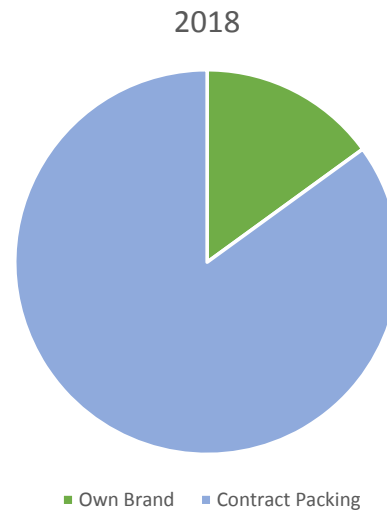
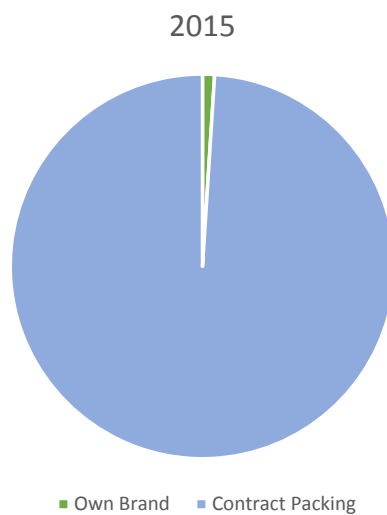
*Pure
organic*
Australian Nutrition

Prebiotic fibre, Iron, Calcium & Zinc
Toddler Milk
step 3
12+ months



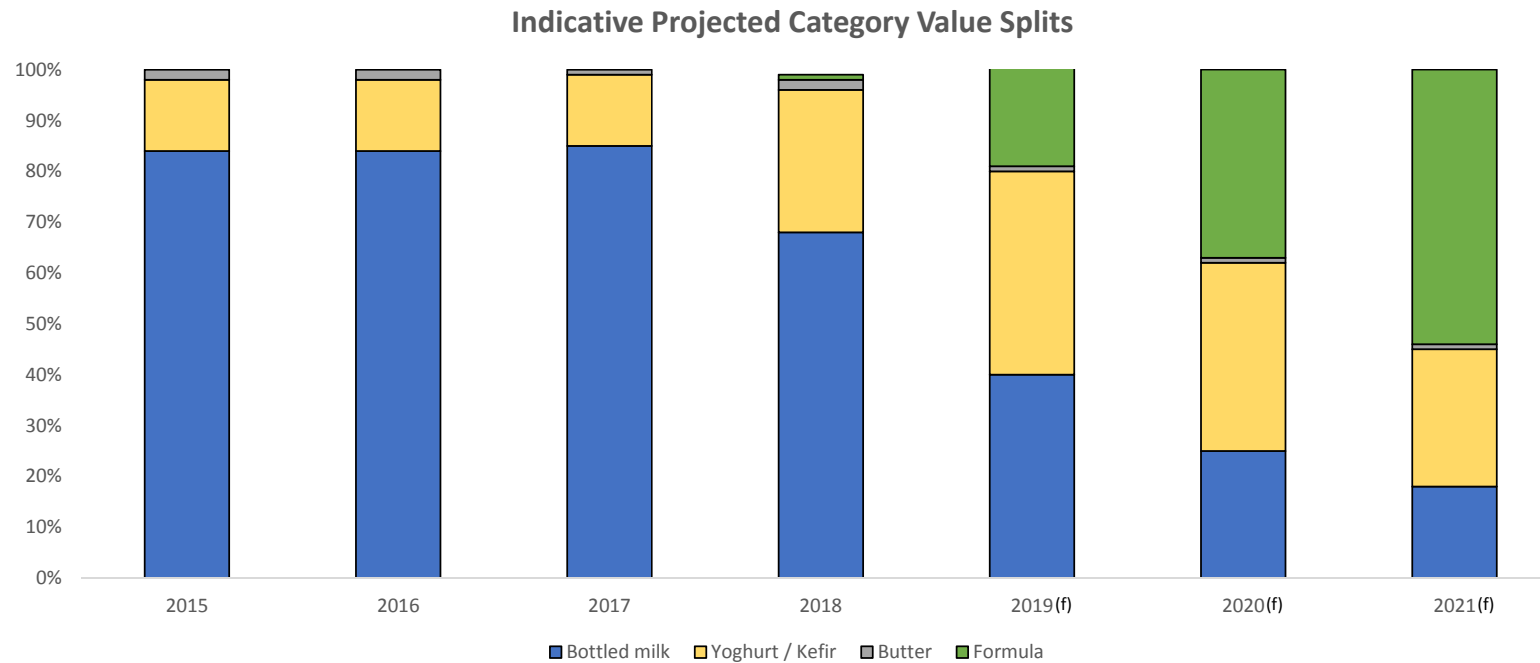
Growing Branded Products

Australian Dairy Farm Group is transitioning from a conventional basic producer of low value products, to a premium differentiated branded business



Shift to Branded Products and Nutritionals

Australian Dairy Farms are moving up the value chain to high value speciality products



Infant Formula / Nutritional Pipeline

Current Product		
Product	Description	Product Range
Paediatric formula Flahey's future	Certified organic ultra premium nutritional formula	1 SKU: <ul style="list-style-type: none"> Currently ranged in major branded retailers within the pharmacy market in Australia
Product Pipeline		
Product	Description	Product Range
Infant formula "Tummy health"	Differentiated position focusing on "Tummy health"	3 SKU's: <ul style="list-style-type: none"> 0-6 months 6-12 months Toddler
Infant Formula Australian organic product	A full organic product from Australian organic milk	3 SKU's: <ul style="list-style-type: none"> 0-6 months 6-12 months Toddler
Adult health formula Organic adult nutritional products	Organic adult nutritional products.	2-4 SKU's: Segmented Adult male and female



Moved From Farms Focus To Consumer Products

Expanding product capabilities

2014 - 2016

2016 - 2017

2018

2019

2020

Farms producing
Bulk raw milk



Milk ^{O,C}
Butter ^{O,C}
Yoghurt ^{O,C}

Milk ^{O,C}
Butter ^{O,C}
Yoghurt ^{O,C}
Kefir ^C
Paediatric formula ^X

Milk ^{O,C}
Butter ^{O,C}
Yoghurt ^{O,C}
Kefir ^C
Paediatric formula ^O
Cultured drinks ^O
Smoothies ^O
Cream ^O
Flavoured fresh ^O
Infant formula ^X

Milk ^{O,C}
Butter ^{O,C}
Yoghurt ^{O,C}
Kefir ^C
Paediatric formula ^O
Cultured drinks ^O
Smoothies ^O
Cream ^O
Flavoured fresh ^O
Infant formula ^O
Organic skim and whole
milk powders ^O

^O = Own brand, in house processing
^C = Contract packing
^X = Own brand, outsourced processing



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Capital Raising



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Capital Raising Overview

1. AHF is seeking up to A\$5 share purchase plan (**Offer**)
2. The price of the Offer will be \$0.13 which represents a discount of 20% to the 5 day VWAP
3. Use of Funds:
 - The purchase of the Flahey's Nutritionals company
 - For the launch of new Infant formula and other nutritional products
 - Working capital new Camperdown Dairy business



Indicative Timetable

- An indicative timetable for the capital raising is provided below

Announcement of Share Purchase Plan	Tuesday, 18 September 2018
Record date	
Dispatch of SPP Offer booklet	Monday, 24 September 2018
Close of SPP	Monday 15, October 2018
Allot SPP shares	Thursday, 18 October 2018

*The timetable above is indicative only and may be varied subject to the ASX Listing Rules



Fully Integrated

	Organic	Branded	Infant Formula	Vertical Integration	Market Cap (A\$m)	Turnover FY18 (A\$m)	Market Cap / Turnover
Bellamy's Australia	✓	✓	✓	✗	1,171.7	320.0	3.7x
The A2 Milk Company	✗	✓	✓	✗	8,604.3	922.7	9.3x
Wattle Health	✓	✓	✓	✗	295.8	1.6	150.0x
Bubs Australia	✓	✓	✓	✓	295.8	18.4	16.1x
Longtable Group	✓	✓	✓	✓	54.0	8.6	6.3x
Keytone Dairy	✓	✓	✓	✗	83.3	2.0*	41.6x
Australian Dairy Farms	✓	✓	✓	✓	40.6	19.5	2.1x

*To 31 March 2018, converted to AUD
Source: CapitalIQ 3 September 2018

“ AHF will become a vertically integrated, producer of dairy products and diverse nutritionals including organic infant formula from **Australian Organic Milk ”**



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Appendix



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Organic Dairy Market

Market

The domestic dairy industry revenue is expected to grow at an annualised rate of 8.5% to reach a market value of \$2.6 Billion.

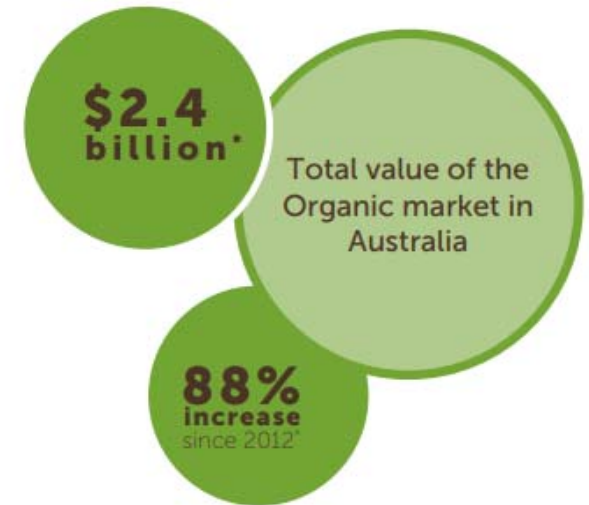
The market for organic infant formula in Australia and New Zealand is expected to grow from \$230m in 2017, to \$546m by 2023. (source: AAP)

Price

Domestic prices for non-organic milk have been falling steadily since the industry deregulated in 2000. The organic market is less inclined to be affected by commodity pricing.

Volume

The Australian organic milk pool is estimated to be 40 million litres per year, Australian Dairy Farm Group will add significantly to this volume given that their annual milk volume is planned to be 17 million litres.



Source: austorganic.com

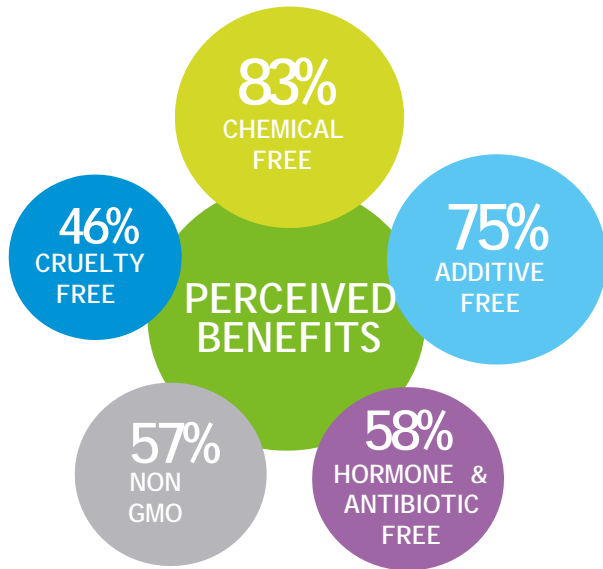


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Organic Dairy Market Opportunity

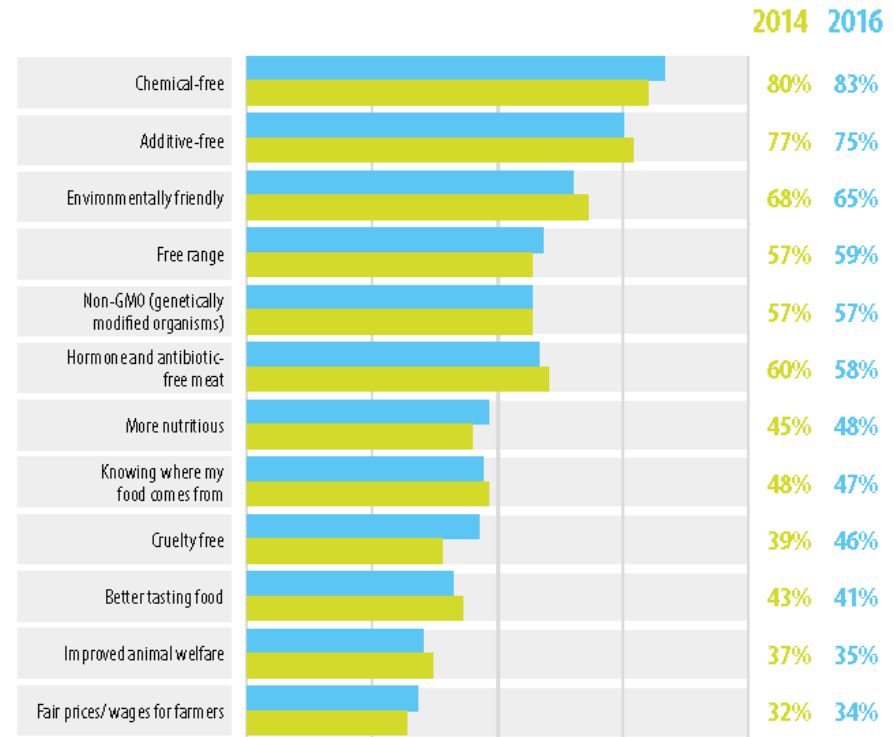
Top Perceived 'Free From' Benefits of Organic Food*



THE TOP PERCEIVED BENEFITS OF ORGANIC FOOD

1. Chemical free	6. Hormone and antibiotic free meat
2. Additive free	7. More nutritious
3. Environmentally friendly	8. Knowing where my food comes from
4. Free range	9. Cruelty free
5. Non-GMO (genetically modified organisms)	10. Better tasting food

Australia's Top 12 Perceived Benefits* of Organic Food



* Source: Australian Organic Market Report 2017

Organic Dairy Market (Cont)

Challenges

Numerous challenges have developed in the domestic dairy market, including supermarket milk price wars and falling domestic milk prices due to plummeting global dairy trade prices.

Market Opportunities:

- Retailers and restaurants are stocking an increasing number of organic products;
- Capitalise on the demand for organic premium and ultra premium differentiated foods.
- Domestic demand for organic food and produce is projected to continue growing strongly with the population becoming increasingly aware of clean, safe food.
- The consumer demand for “free from” claims.

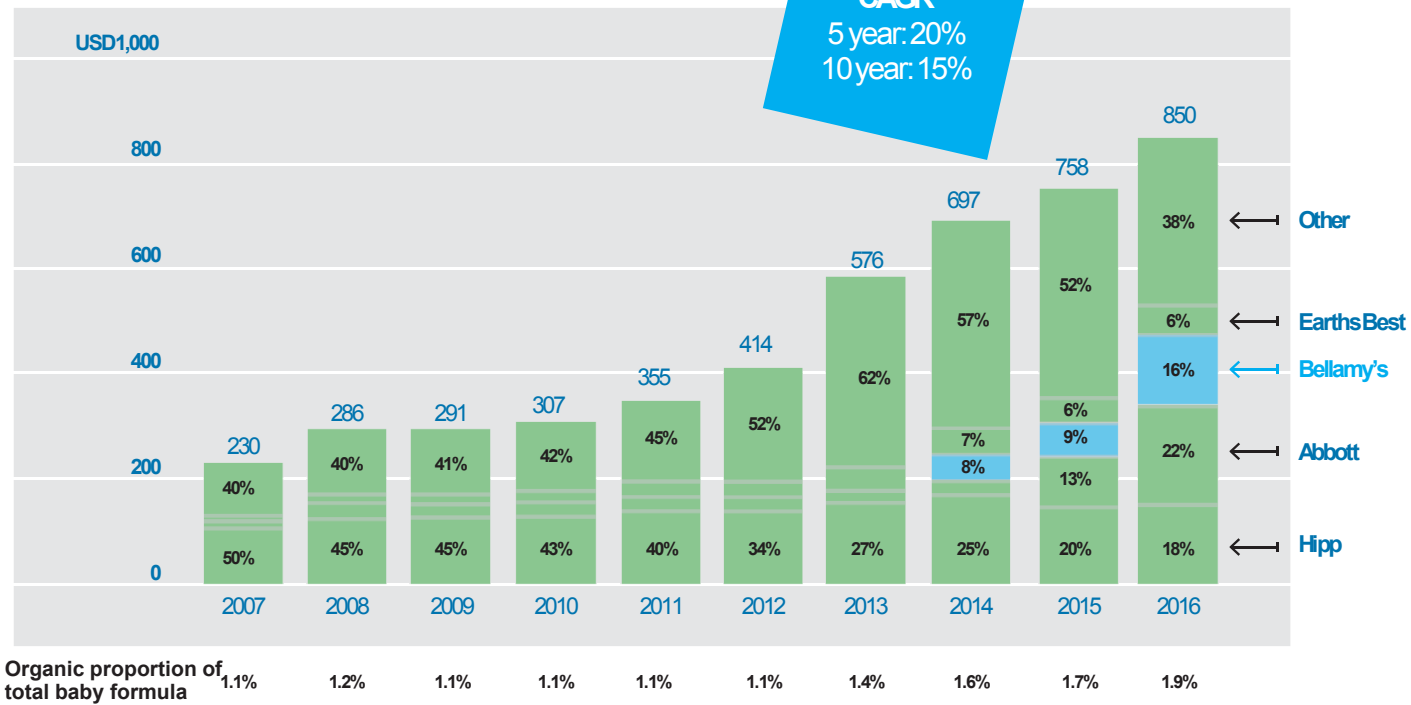


Source: Unique Health Products



The last 10 years - Organic Baby Formula Market Sales – (Growing at 20% per year in last 5 years)

Global organic baby formula retail sales value (constant price) in millions



Source: Ballamys FY17 AGM Presentation

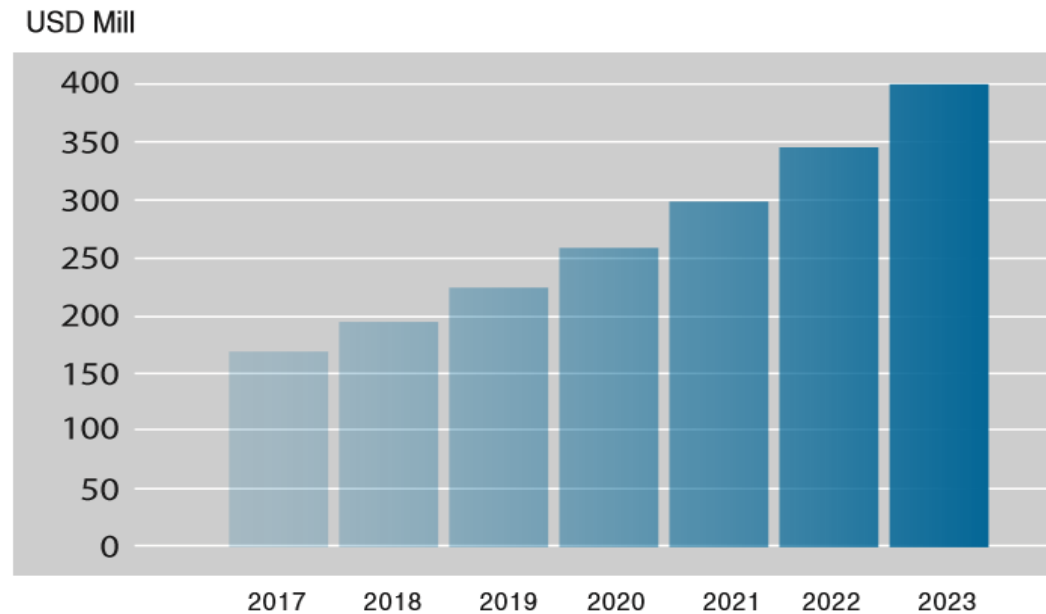


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Australian /NZ Organic Infant formula – next 5 years From USD \$169 Mill in 2017 to USD \$400 Mill

Australian and New Zealand Organic Infant Formula Market Value (2017-2023)



Source: 'Market Research Future' - Global Organic Infant Formula Report



Infant formula sales in China are growing at 9% PA

ORGANIC infant formula sales in China are growing at 46% PA

Figure 13. CNCA-certified organic label



Source: CNCA

Certified organic IMF having a field day in China

In order for infant formula to be labeled as "organic" in China it must be certified by the CNCA (Figure 13) from 1 January 2018. The criterion is at least 95% of a product's weight must be comprised of ingredients included in the CNCA's "List of Certified Organic Products". Currently, there are only 17 registered organic infant formulae in China; primarily Chinese brands. Bellamy's is not one of these.

According to a Nielsen survey of Chinese supermarkets and mother and baby stores, organic infant formula accounted for only 4% of the Chinese infant formula market in 2017. The organic category saw growth of +46% in 2017 (2016: +47%), significantly outpacing the market growth rate of 9%.

Recent surveys of Chinese consumers have indicated the most important factors behind choosing organic formula (in order) are i) nutritional content, ii) food safety, iii) brand, and iv) country of origin. The primary and most influential sales channel is the mother and baby stores, making CFDA registration critical for organic formula. The top three organic brands by consumer awareness are Abbott, Wyeth and, most notably, Bellamy's (which does not have CFDA registration or organic certification) (Figure 14).

Source: Citi Infant formula report

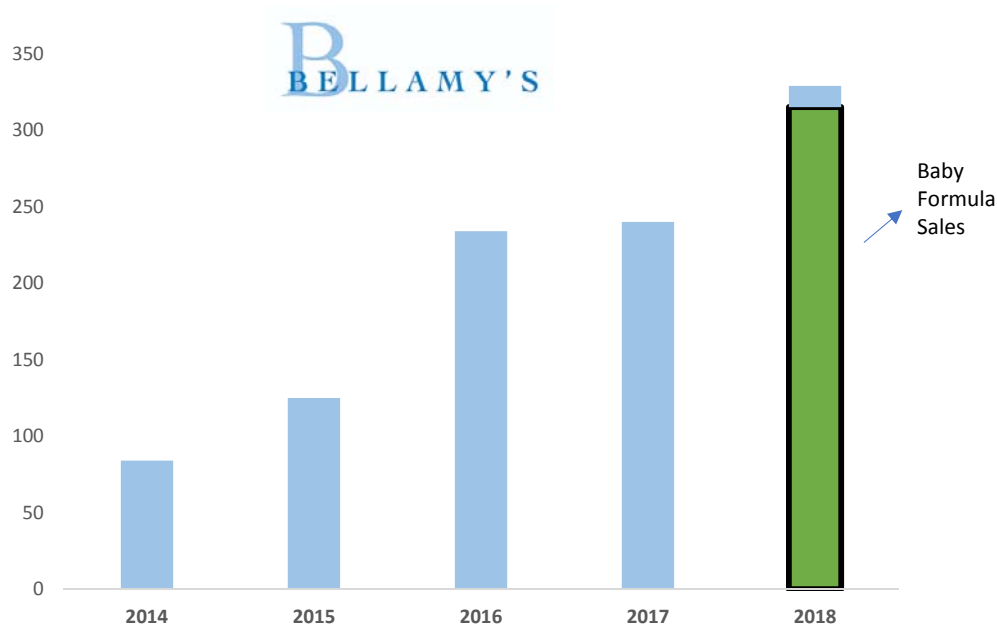


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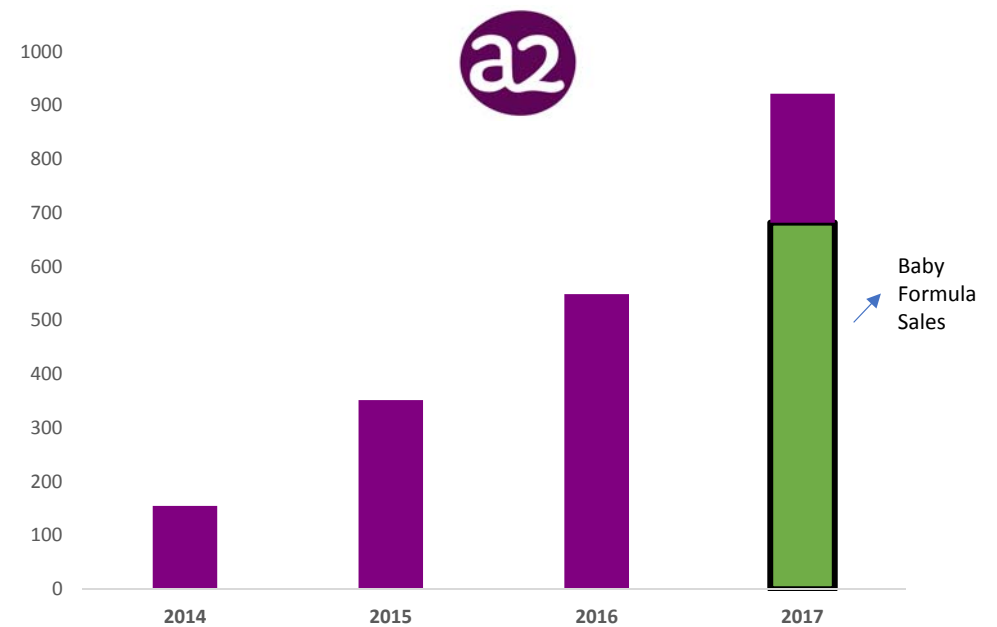
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Bellamy's Australia & The A2 Milk Company

Total Sales (\$ million)



Bellamys sales include all food sales, approx. 98% of total sales are baby formula



A2 sales includes fresh milk, approx. 74% of total volume is formula (2018)

Source : ASX reports



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NEW

Flahey's Future is a complete balanced nutritional drink with a mix of essential Vitamins, Minerals, Protein, Carbohydrates, Fats and Prebiotic Fibre.

If your child has an unbalanced diet due to fussy or picky eating habits try Flahey's Future to rebalance their diet.



For Children
Aged
1-10 years

*Pure, Safe certified
organic ingredients*



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Key Terms of Acquisition Transaction

Total consideration \$1.5 Million, made up of:

- \$400,000 Cash and 6,875,000 AHF Stapled Securities in 3 tranches based on key milestones and retention of key Executive over a 3 year period;
- Includes stock necessary for ongoing trade;
- Includes intellectual property for the rollout of an extensive range of infant formula products;
- Issue of Stapled Securities is subject to shareholder approval;





Financials



Australian Dairy Farms Group

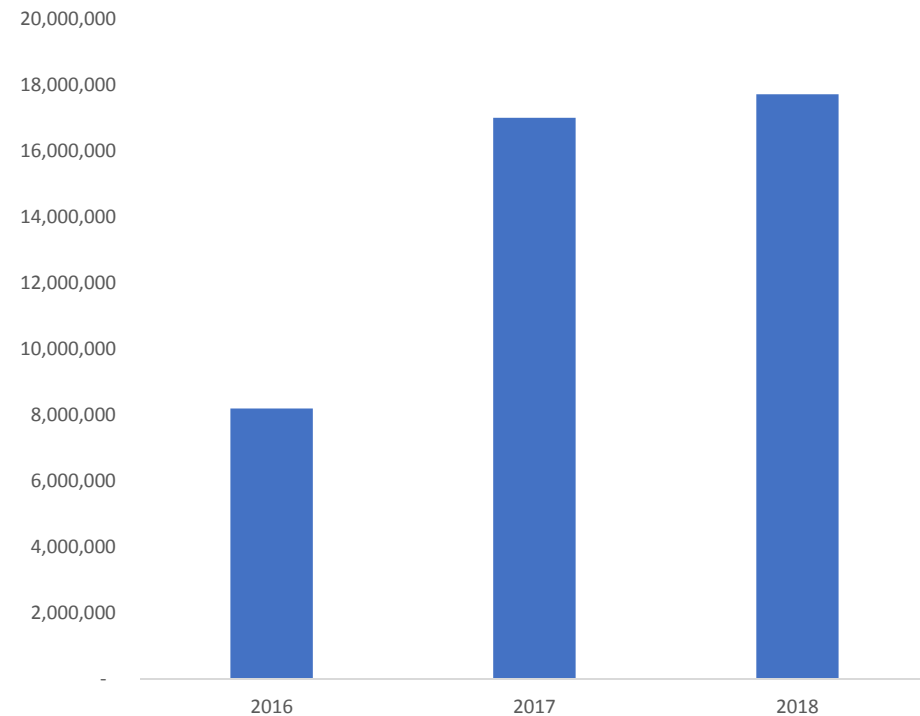
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Sales

	2016	2017	2018
Total sales	\$9,844,465	\$23,605,437	\$19,521,974
Aussie Farmers Direct (AFD)	\$1,649,760	\$6,604,801	\$1,810,525
Cream sales from AFD	\$98,986	\$396,288	\$108,632
Normalised	\$8,095,719	\$16,604,348	\$17,602,818

- FY18 total sales were effected by a nonrecurring event, the failure Aussie Farmers Direct

Sales Normalised excluding Aussie Farmers Direct



Balance Sheet and Asset Distribution

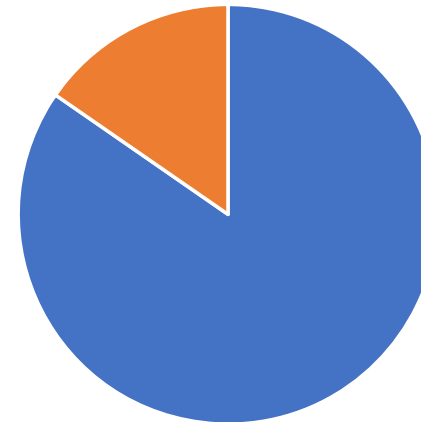
30 June 2018

Total Current Assets	\$5,536,914
Non-Current Assets	
Biological assets (Cows)	\$5,205,774
Intangible assets	\$6,643,045
Property, plant & equipment	
Farms	\$19,385,337
Other property, plant & equipment	\$6,449,426
Total Non-Current Assets	\$37,683,582
Total Assets	\$43,220,496
LIABILITIES	
Current Liabilities	
Trade and other payables	\$1,897,724
Provisions	\$260,816
Borrowings	\$10,177,445
Total Current Liabilities	\$12,335,985
Non-Current Liabilities	
Provisions	\$109,364
Borrowings	\$300,976
Total Non-Current Liabilities	\$410,340
Total Liabilities	\$12,746,325
Net Assets	\$30,474,171

Debt Facility:

- Banker: CBA
- \$10m Facility with a further \$4.55m approved for the acquisition of Yaringa farm
- 3 year duration to April 2019 with approved 3-year extension (waiting for official letter of offer)
- Interest rate 4.13% (interest only, variable)

Asset Distribution



■ Tangible Assets including large holding of farms and cattle ■ Intangible assets



Key risks

This section discusses some of the key risks associated with an investment in the Group and participation in the Offer. The risks set out below are not set out in any particular order and are not an exhaustive list of all risks involved in an investment in the Group.

Limited track record	The Group is transitioning from a producer and contract packer to a premium differentiated branded business. There are risks involved in transitioning to a different (albeit associated) line of business. The Group does not have a track record of producing and marketing branded infant formula. There is a risk the operations may not develop as the Group expects.
Acquisition risk	The Group makes, and may seek to make acquisitions where it considers it beneficial to SecurityHolders, and where consistent with the Group's strategy. There are risks with acquisitions including reliance on information provided, that financial, operational and legal analysis conducted may not be accurate, operations or integration of the acquisitions not progressing successfully, synergies not being realised or delays or project overruns may negatively impact on the financial performance of the Group and potentially reduce returns.
Milk prices	Milk prices are set by the Australian and global markets depending on the product type, seasonal demand and tariffs, with a significant portion of milk produced in Victoria exported. In recent years, competitive forces within the milk processing industry in Australia have positively influenced fresh milk pricing whereas the export market for milk product is determined by international supply and demand and global seasonal conditions. Changes in global milk pricing will affect the revenue earned by the Group. The Group will not be a direct exporter of milk, but rather sell its fresh milk to Victorian located processors which are primarily exporters of processed milk products.
Management risks	The responsibility of the day-to-day operations and the strategic management of the Group depend substantially on its experienced, full-time, farm managers and key supervisory team and the Directors respectively. The Group has retained consultants to provide specific operational oversight services and advice on specialist areas of dairy farming such as agronomy, animal health and nutrition. There can be no assurance given that there will be no detrimental impact on the Group if one or more of these employees or consultants cease their engagement with the Group.
Operating risks	The operation of farms and other agricultural activities involve risks to employees, contractors, livestock and plant and equipment through accident, malfunction and acts of God, and other events which may often be not foreseen or be able to be insured against and in respect of which the Group and its Directors and management have little or no control or knowledge about. Some events may cause considerable or even catastrophic damage to the Group and its assets. There can be no assurance that the Group can avoid such events. Risks that can be viably insured against will be assessed on a regular basis by management.
Reputational risk	As a branded business, a decline in the level of customer loyalty and brand reputation could lead to a reduction in sales volumes and adversely effect the Group. This may occur due to <ul style="list-style-type: none"> ▪ Product contamination and recalls ▪ Safety incidents ▪ Environmental issues ▪ Legislative issues



Key risks (cont.)

Environmental risks	<p>The agricultural and dairy farming industry are largely dependent on the natural outside environmental and weather conditions, including heat, cold, rain and sunshine, all of which directly impact animal health and welfare and productivity. Failure to successfully prepare for and respond to these factors, and to mitigate their impact may adversely effect on farm and business performance.</p> <p>To mitigate these issues, the Group has progressively improved our farms by installing appropriate drainage, irrigation and water and fodder storage. Stock levels are regularly balanced to meet changing conditions and to prepare for expected changes and the pre-ordering of grain and fodder supplies that are not able to be grown on farms is in place.</p>
Global climate conditions risk	<p>Changes in global and regional weather and climate conditions are not easily or reliably predictable and on a season by season basis have a positive or negative effect on farm production, which in turn affects revenues and costs. Secular changes in climate conditions and any taxes or regulation introduced to mitigate such change may have adverse effects on asset values over time.</p>
Exchange rate risks	<p>As an Australian entity the Group raises its capital and reports in Australian dollars. A significant proportion of Victoria's processed dairy production is sold into the world market and traded mainly in US dollars. Consequently, the price achieved in Australian dollars is affected by movements in US and other trading partner exchange rates. At times when the Australian dollar is strong, returns from exported agricultural products will be less than when the Australian dollar is weak. This may have an indirect but adverse impact on the Group.</p>
Transmittable diseases	<p>The bio-security conditions for producing food products and strict quarantine regimes in Australia are highly regarded internationally and like New Zealand are supported by its island geography. However there is no guarantee that serious transmittable diseases that affect livestock internationally can be prevented from being introduced in Australia.</p> <p>Within normally healthy dairy herds there are always ongoing of infections of various kinds such as Mastitis and Rotavirus and others which can impact herd health and milk production and quality, particularly when new livestock are introduced to the herd from time to time. These risks are typically managed by segregation, medication and vaccination, however, they are rarely, if ever, able to be eliminated.</p>
Availability of appropriately skilled labour	<p>Notwithstanding that the management team engaged by the Group will devote considerable effort to identifying and engaging high quality and experienced personnel, there is a risk that the Group will not be able to source the required skilled labour in order to fully staff its planned operations from time to time.</p>
Regulatory	<p>Changes in relevant taxes, legal and administration regimes, accounting practice and government licensing and operations policies may adversely affect the financial performance of the Group. In order to perform its dairy activities the Group must comply with the environmental legislation of Federal, State and Local governments, which may include changes to the conditions of or further obligations under its environmental and water use licences and other regulated entitlements.</p>



Key risks (cont.)

Additional requirements for capital	The Group's capital requirements depend on numerous factors. Depending on the Group's ability to generate income from its operations, the Group may require further financing in the future. Any additional equity financing will dilute security holdings. Debt financing, if available, may involve restrictions on financing and operating activities. If the Group is unable to obtain additional financing as needed, it may be required to limit the scope of its operations and scale back its expansion programme as the case may be. Without further capital, the Group will not be able to achieve its stated objective of increasing Securityholder returns through acquiring additional farms, with increased scale, productivity and prices paid by milk processors.
Competition risk / new supply to market consumption trends	The dairy and dairy products industry is subject to domestic and global competition. Although the Group will undertake all reasonable due diligence in its business decisions and operations, the Group will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Group's projects and business.
Insurance risks	The Group intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Group's insurance may not be of a nature or level to provide adequate insurance cover and in some circumstances appropriate insurance cover may not be available or financially viable for certain risks. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Group.
Financing and gearing	The borrowings by the Group are subject to a number of undertakings and covenants. Upon an event of default its lenders could exercise the security granted to them. The level of gearing exposes the Group to changes in interest rates and/or margins, the availability of credit and economic activity generally. Higher gearing will increase the effect. If the level of gearing increases over the term of the Group's debt financing, this may create refinancing risk on the Group's debts it approaches expiration.
Economic risks	The Group is exposed to general economic conditions, including business confidence, consumer spending, inflation, interest and exchange rates, access to debt and capital markets, and government fiscal, monetary and regulatory policies. A downturn in general economic conditions may adversely impact the Groups business and financials.
Responsible Entity	The Trust is a registered managed investment scheme. As a result, Trustees Australia, as responsible entity, is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. If the Responsible Entity fails to comply with the conditions of its Australian Financial Services Licence, then ASIC may take action to suspend or revoke the licence, which in turn could adversely impact the Group. Furthermore and whilst they have the same Chairman, currently the boards of the Group and Trustees Australia differ. Accordingly there is a risk that the Board and Trustees Australia may have different views in relation to matters affecting the Group. Whilst Trustees Australia has fiduciary obligations to Securityholders, this may potentially affect the timing and nature of decisions affecting the Group.



Further Details

For additional company information or media enquiry matters please contact:

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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 avertically integrated milk producer, processor and product distributor in Australia. Refer to the Group's Strategy Overview release to market on 11 July 2017 for additional information about AHF's immediate and longer termstrategic planning. See the above link to ASX announcements or the Group's website for acopy of the Group's Strategy Overview.

***Australian Dairy Farms Group** is listed asastapled 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 farmproperties, which are leased fromthe 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 todiffer materially fromany projections and forward-looking statements and the assumptions on which those statements are based. Readers arecautioned not toplace undue reliance on forward looking statements and AHF assumes no obligation to update such information.



Australian Dairy Farms Group

Australian Dairy Farms, the new fresh future