

Australian Dairy Farms Group

ASX Code: AHF

13 May 2015
ASX ANNOUNCEMENT

AHF to raise up to A\$17.7m and acquire 3 producing dairy farms

Highlights

- AHF secures binding call options on 3 producing dairy farms located in South West Victoria – in close proximity to its existing 4 farms in the “Golden Triangle”
- Purchase price of A\$16.0m for land and improvements, plus livestock
- Acquisition expected to be 25% EPS accretive over full 12 months at current milk prices
- Expected to double Group milk production from approximately 10m litres pa to 20m litres pa
- Funded by a A\$15.7m conditional placement and a A\$2m Share Purchase Plan
- AHF expects post acquisitions to be one of the top milk producers by volume in SW Victoria
- Dividends and distributions expected to commence in FY16

Australian Dairy Farms Group (“AHF” or “Group”), Australia’s first ASX listed dairy farmer, has entered into binding call option agreements to acquire 3 producing dairy farms (“Target Farms”) for approximately A\$16.0m. The Target Farms named Brucknell 4, Elingamite and Nirranda are located in close proximity to AHF’s existing farms, in and around the high quality “Golden Triangle” dairy region in Southwest Victoria, Australia (see farm locations map). The exercise of the options remain subject to AHF signing off on advanced due diligence and successful completion of the capital raising.

The acquisition is transformational for the Group, with annual milk production expected to double from 10m litres pa to over 20m litres pa, making it one of the largest milk producers by volume in Southwest Victoria.

	PRO-FORMA 12 MONTH PERIOD OF PRODUCTION			
	Existing	Target Farms	Post	% Change
Farm Hectares (ha)	885	706	1,591	↑79%
Milking herd (no. cows)	1,332	1,390	2,722	↑104%
Milk produced p.a ('000L)	10,250,000	10,166,000	20,417,500	↑99%
Farmgate price received (A\$/Kg milk solids)	A\$6.20		A\$6.44 ¹	↑3.8%

¹Assuming over 20m litres of production for a full 12 months of production

Adrian Rowley, director said *“This is a transformational acquisition for the Group, effectively doubling our milking platform and production and getting us well on the way to achieving our stated 50m litre target. We acknowledge the continued support from international and domestic institutional investors for the capital raising and are pleased to be able to welcome several new major Australian and NZ investors to the share register. We continue to see strong interest in our dairy aggregation strategy, as investors continue to focus on global food security and growth in demand for Australian dairy products from Asian countries.”*

AUSTRALIAN DAIRY FARMS LIMITED
ACN 057 046 607

AUSTRALIAN DAIRY FARMS TRUST
ARSN 600 601 689

Level 1, 41 Edward Street, Brisbane QLD 4000 | GPO Box 6, Brisbane Qld 4001
Phone: +61 07 3020 3020 | Fax: +61 07 3020 3080 | Email: shareholders@adfl.com.au

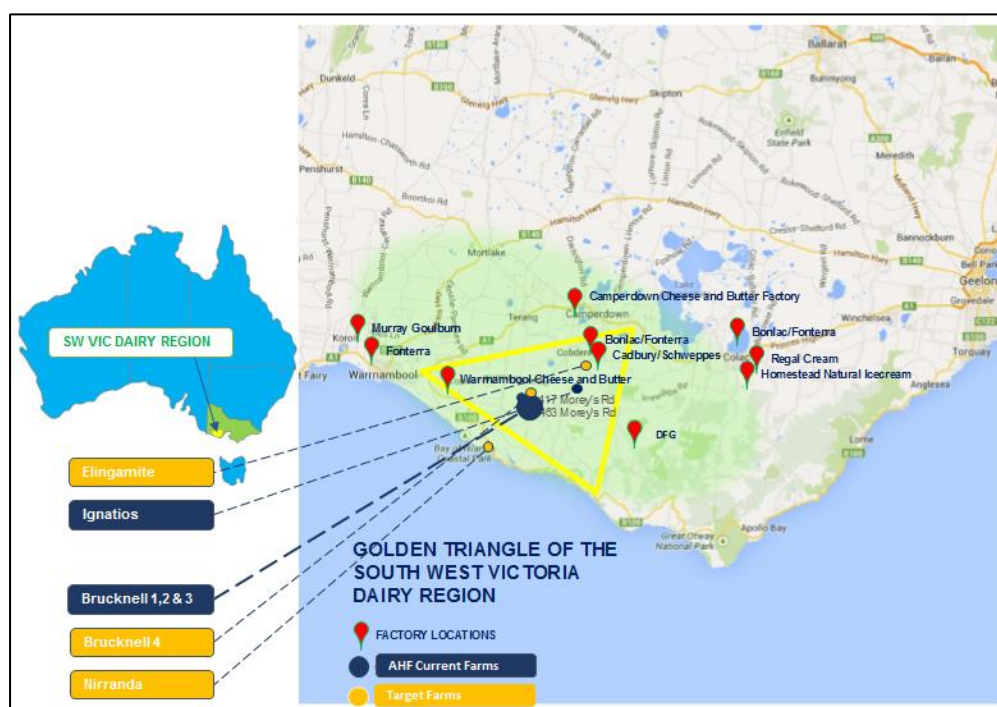
Financials

On a Pro-Forma 12 month basis the Target Farms are expected to more than double the Group's Earnings Before Interest and Tax ("EBITDA") and Net Profit After Tax ("NPAT"). The Group expects the transaction to be 25% EPS accretive.¹

	PRO-FORMA 12 MONTH PERIOD OF PRODUCTION ³			
	Existing Farms	Target Farms	Post ¹	% Change
Farmgate price received (A\$/Kg milk solids)	\$6.20		\$6.44 ²	↑3.9%
Revenue	\$4.98m	\$5.05m	\$10.03m	↑101%
EBITDA	\$1.69m	\$2.44m	\$4.13m	↑144%
NPAT	\$1.05m		\$2.81m	↑167%
EPS ¹	\$0.0148		\$0.0185	↑25%
Implied P/E Ratio ¹	13.5x		10.8x	↓20%
EV/EBITDA	10.2x		9.2x	↓10%
Net Debt	\$6.5m		\$8.1m	↑25%
Net Debt / EBITDA	3.8x		1.96x	↓48%

Farm Locations

The Target Farms are expected to be highly synergistic given their close proximity to the Company's existing operations.



¹ This is a pro-forma forecast for a full 12 months of production and not an FY16 forecast and assumes all 3 options over the farms are exercised. Milking herds and annual litres per milker of between 7,200 and 7,400 are assumed based upon an assessment by Group management having regard to historical Target Farm herd size, a review of the Target Farms and industry averages. Farm gate milk price of \$6.44 per kg milk solid on an annualised basis is assumed, being the current estimated farm gate price based upon production of 20 million litres of milk per annum. Milk quality is assumed to be consistent with existing Group production. Assumed farm operational costs are based on existing operational costs and industry averages from South West Victoria region (sourced from Red Sky). An increase in administration and other corporate overhead expenses increase by \$126,000 over current level is also assumed.

Dividends and Distributions

The Group intends to begin paying dividends and distributions in FY16. Whilst no formal payout ratio policy has been determined, it should be noted that tax assessable income earned by the Australian Dairy Farms Trust must be distributed to security holders to limit adverse tax consequences.

Capital Raising Details

The Company has received firm commitments for a Placement of approximately 78.4m new fully paid ordinary Stapled Securities at A\$0.20 per security to raise approximately \$15.7m ("Placement"). The Placement was supported by institutional and sophisticated investors both in Australia and overseas. Securities will be issued to investors subject to AHF obtaining securityholder approval at an Extraordinary General Meeting, anticipated to be held on or around 15 June 2015. The notice will be sent to securityholders shortly.

In addition to the Placement, the Group will undertake a Share Purchase Plan ("SPP") offer of up to \$2.0m. Existing securityholders on the record date with a registered address in Australia and New Zealand will be invited to purchase up to \$15,000.00 of stapled securities at \$0.20 per stapled security. The Group reserves the right to take oversubscriptions under the SPP.

Due to the Group's suspension prior to relisting in October 2014, the SPP offer will be made under an offer document which will be lodged with ASIC shortly ("Offer Document"). The Offer Document will be available on both the ASX's website and the Group's website and will be mailed to eligible securityholders following the Record Date. ASX has granted waivers of Listing Rules 7.1 and 10.11 so that securityholder approval is not required for the SPP.

A copy of the Offer Document, together with a personalised application form will be sent to eligible securityholders shortly. Securityholders should consider the Offer Document in deciding whether to acquire new securities under the SPP, and will need to complete the personalised application form that will accompany the Offer Document to participate under the SPP.

New Stapled Securities under the Placement and SPP will rank *pari passu* with existing AHF Stapled Securities.

Bell Potter Securities Limited acted as Lead Manager to the Placement and SPP.

Timetable

The proposed timetable for the capital raising is as follows:

Record Date	7pm (AEST) 12 May 2015
Announcement Date and resumption of trading	13 May 2015
SPP Offer Document lodged with ASIC and ASX	14 May 2015
SPP Offer Documents sent out to eligible securityholders	15 May 2015
Closing date of SPP	29 May 2015
Allotment and trading of Stapled Securities under SPP	3 June 2015
Securityholder meeting to approve Placement	15 June 2015
Allotment and trading of Stapled Securities under Placement	22 June 2015

The Directors reserve the right to extend the closing date of the SPP without notice.

Further Details

For further details please refer to the presentation lodged on the ASX dated 13 May 2015. For additional information please contact:

AHF Group

Adrian Rowley
Director Australian Dairy Farms Group
Mobile contact +61 (0) 4880 3768
Melbourne: +61 3 9629 9900
Email: adrianrowley@adfl.com.au

For Media enquiries:

Simon Hinsley
NWR Communications
Mobile contact +61 (0) 401 809 653
Email: simon@nwrcommunications.com.au

Disclaimer

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 can generally be identified by the use of the words “anticipate”, “expect”, “project”, “forecast”, “estimate”, “intend”, “may”, “target”, “plan”, “guidance”, “will”, “predict” and other similar expressions. 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.

About Australian Dairy Farms Group

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

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