



4 February 2016

AHF secures \$6.2m via underwritten Loyalty Options

Update on Camperdown Dairy acquisition transaction

Highlights

- **AHF and Bell Potter execute underwriting agreement for outstanding 14.8m Loyalty Options**
- **Guarantees that AHF will receive \$6.2m as 100% proceeds from loyalty options**
- **Directors Adrian Rowley and Michael Hackett take-up of Loyalty Options entitlements**
- **AHF's net debt post CDC acquisition to be maintained at conservative levels**
- **AHF's balance sheet is well positioned for further expansion of business activities**
- **Camperdown Dairy acquisition on track for completion February 2016**

Loyalty Options

Australian Dairy Farms Group ("AHF" or "Group"), Australia's first ASX listed dairy farmer, is pleased to announce it has executed an underwriting agreement with Bell Potter Securities Limited (Bell Potter) that will see the balance of the Group's unlisted Loyalty Options expiring on 31 March 2016 fully underwritten, providing guaranteed total funds of approximately \$6.2 million to the Group. As seen from recent announcements approximately \$2.5m has already been received from Loyalty Option holders exercising their entitlements directly.

On 17 November 2014 the Group lodged an offer document with ASX and ASIC, under which for every 2 stapled securities held by eligible shareholders of the Group, the Group issued 1 free loyalty option, which, subject to vesting conditions, entitled eligible shareholders, on exercise and payment of 25 cents on or before 31 March 2016, to one fully paid Stapled Security.

On 14 January 2016 AHF announced that approximately 18.6m options (\$4.6m) were yet to be exercised. Since that time a further 4.1m loyalty options have been exercised by AHF shareholders. The loyalty options have been strongly supported by investors, reflecting the strong prospects for the Group both domestically and in overseas markets following the proposed acquisition of Camperdown Dairy Company.

At the time of executing the Underwriting Agreement on 3 February 2016 approximately 14.9m options remained unexercised. Bell Potter has underwritten the exercise of these remaining options for the sum of \$3.7m. In total the strong take up by investors in exercising the Loyalty Options and the underwriting of any possible shortfall by Bell Potter will ensure the Group achieves its full target raising of \$6.2m from the Loyalty Options.

Bell Potter has been appointed Lead Manager and Underwriter to the Options Underwriting. The underwriting agreement is on market standard terms and conditions.

Update on Camperdown Dairy (CDC) acquisition

The transaction with Aussie Farmers Direct for the acquisition of CDC is progressing in accordance with the contract between the parties, who are working both amicably and cooperatively to achieve the satisfactory completion of conditions precedent, which determines the actual completion date.

Following completion of the transaction, Aussie Farmers Direct will remain a major and important customer of CDC and CDC will remain its exclusive supplier of the milk and milk products it currently supplies. Both parties have interest in expanding their trading activities and product lines in the future.

Because the contract was executed just two days before Christmas, the holiday period was expected to have a timing impact on obtaining the consents and approvals of a transaction of the size and complexity as this and flexibility to vary the completion date was built into the contract terms for this purpose. The completion date extends automatically and currently the expectation is that the original target date of end January will extend to mid to late February 2016.

Balance Sheet – Maintaining conservative debt following CDC acquisition

The Directors have consciously adopted conservative borrowing levels when undertaking acquisitions and have maintained a close communication involvement over a long term with the Group's primary lender CBA, which is providing funding for the acquisition of CDC and has provided funding for farm acquisitions. The decision to rely on borrowings to complete the acquisition of CDC was consciously taken in the interests of its security-holders and in recognition of the positive response from investors to the proposed acquisition.

As a result of the acquisition of CDC for \$11m and the proceeds from the exercise of the AHF Loyalty Options AHF's net borrowings position post acquisition and options exercise will be approximately \$6m or approximately 15% of the Group's total assets. This figure excludes the Convertible Notes issued to Trustees Australia of \$2.4m. A pro-forma balance sheet snapshot is being prepared for release to ASX following this announcement.

AHF Chairman Michael Hackett said *"Combining the available borrowing capacity in the balance sheet with the proceeds from the exercise of the loyalty options enabled AHF to make the CDC acquisition without a potentially dilutive transaction specific capital raising. Underwriting the Loyalty Options effectively guarantees the Group's gearing position can be maintained at a comfortable level following the CDC acquisition, which is of strategic importance to the Group's future. With net debt being levelling at around \$6m, plus a further \$5m in undrawn facility, the Group's balance sheet is well positioned for further business expansion in line with the Company's growth strategy."*

Further Details

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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.

On 23 December 2015, ADFG announced to ASX that it had entered into a contract to acquire Camperdown Dairy Company Pty Ltd – see announcement on <http://www.adfl.com.au/announcements>

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

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.

