



Australian Dairy Farms Group

ASX Code: AHF

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ASX ANNOUNCEMENT

Australian Dairy Farms Group purchases additional dairy farm and raises \$3.0m through oversubscribed institutional placement

Highlights

- Australian Dairy Farms Group (ADFG) secures conditional agreement to purchase a 139 hectare dairy farm and livestock in South West Victoria
- The Brucknell No.3 Farm adjoins the Group's existing Brucknell No 2 Farm
- Purchase price of \$2.836m (including property buildings plus livestock at valuation)
- Funded via oversubscribed \$3.0m institutional placement at \$0.25 per security
- Combined farms' annual full year milk production targeted to exceed 10 million litres
- Acquisition is expected to be EPS accretive on a full 12 month basis at current milk prices

Australian Dairy Farms Group (ASX: AHF), Australia's first ASX listed dairy farmer, is pleased to announce a valuable addition to its dairy farm portfolio on securing its fourth farm (Brucknell No 3 Farm). The farm adjoins its existing Brucknell No 2 Farm, near Cobden and Warrnambool in South West Victoria's "Golden Triangle" dairy region.

The acquisition fits with the Group's strategy of aggregating high quality dairy farms and maximising milk production capabilities.

Australian Dairy Farms Group has completed an institutional and sophisticated investor placement to raise \$3 million before costs to fund the acquisition. The oversubscribed placement to domestic and international investors is at \$0.25 per stapled security, a 13.85% discount to the 15 traded days VWAP.

Chairman Michael Hackett said "We are extremely pleased with the continued support from international and domestic institutional investors. Our acquisition strategy of purchasing high quality dairy farms on an EPS accretive basis, is resonating well with the investor market"

Bell Potter Securities Limited acted as Sole Lead Manager for the Placement.

Farm Acquisition details

The material terms of the purchase are as follows:

- The purchase price is \$2.25m for land and buildings plus approximately \$600,000 for livestock. The Brucknell No 3 Farm price without livestock represents \$6,500 per acre or approximately \$15,990 per hectare.

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- The purchase is conditional upon the Group being able to obtain sufficient funding (notably the announced placement) to complete the acquisition and finalisation of a number of outstanding due diligence processes by the Group.
- Completion of the acquisition is able to be varied by the Group according to agreed finance arrangements and is likely to be late January or early February 2015.
- The acquisition was negotiated between the parties without the involvement of an agent.

Property Summary and Strategy

Brucknell No 3 is a smaller farm than the existing Brucknell Farms with an area of 139 hectares (344 acres) over two separate titles. Water licences for stock irrigation are included in the purchase.

The farm has been in the ownership of the same family for more than 60 years and is in very good condition with a high quality herd and requires no essential development work other than construction of laneways to join it to the existing farms.

Brucknell No 3 Farm will be able to be managed by the Group's existing personnel.

By operating the farm in conjunction with the existing Brucknell No 1 and No 2 Farms and using Ignatios Farm as a support farm, the stocking intensity is expected to be able to be increased significantly over its current "stand-alone" farm operation.

Following the acquisition the Group is targeting annual milk production in excess of 10 million litres from the combined farms.

Placement

The placement of 12 million fully paid ordinary stapled securities at an issue of price of \$0.25 per security is made without securityholder approval, using the Group's existing 15% capacity (for 8,918,686 stapled securities) and 10% capacity (for 3,081,314 stapled securities).

For the purposes of Listing Rule 3.10.5A, the Group provides the following information:

- The dilution to existing securityholders caused by the issue is 20.18% in total (and 5.18% with respect to securities issued under Listing Rule 7.1A).
- The Group placed securities under Listing Rule 7.1A so that the placement funds would be immediately available to complete the purchase of the Brucknell No. 3 Farm.
- The placement was not underwritten.
- Bell Potter acted as lead manager for the placement, and will be paid total fees of 6% of the amount raised, or \$180,000.

Future Acquisition Plans

Australian Dairy Farms Group continues the process of assessing further acquisitions and a number of other farms in the region are at various stages of due diligence. The Group maintains its previously stated policy of acquiring good quality farms, which:

- are able to immediately contribute to increased current milk production and positive cash flow;
- require minimal immediate development work requirements; and
- are sensibly priced given the market conditions prevailing at the time.

The directors expect that this strategy will be earnings accretive for each acquisition and will maximise overall returns for securityholders.

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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.

The Group listed on ASX on 28 October 2014 after raising approximately \$9.3 million from a range of institutional, professional and retail investors. At listing the Group had two adjoining dairy farms in full production in the Brucknell locality, about 35 km east of Warrnambool and approximately 2.5 hours' drive from Melbourne CBD.

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