



# Australian Dairy Farms Group

ASX Code: AHF

27 October 2014

Market Announcement Platform  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## PRE QUOTATION DISCLOSURE

### Completion

Australian Dairy Farms Limited (the **Company**) and Trustees Australia Limited (**Trustees Australia**) as responsible entity for the Australian Dairy Farms Trust (the **Trust**) (together the **Group**) are pleased to confirm that the following transactions have completed:

1. the acquisition of the Brucknell No 1 Farm by the Trust from Dairy Farm Investments (Brucknell) Limited (**DFI Brucknell**);
2. the purchase of livestock and plant and equipment by SW Dairy Farms Pty Ltd (**SWDF**) from DFI Brucknell for a total of \$1,199,530; and
3. the acquisition of SWDF pursuant to the option agreement between the Company, SWDF and Trustees Australia as responsible entity for the Trust.

### New banking facility

The Group confirms that it has entered into the new banking facility with Commonwealth Bank of Australia (as described in section 9.5 of the Offer Document dated 20 August 2014 (**Offer Document**)) on the following terms:

1. Facility amount: \$4 million.
2. Term of facility: 3 years.
3. Interest rate: 5.20% p.a. charged monthly (variable base rate 8.48% p.a. minus a margin of 3.28%). These rates are subject to change.
4. Security: A first ranking charge over all present and after acquired property granted by Trustees Australia as trustee for the Trust, an unlimited guarantee and first ranking charge over all present and after acquired property granted by SWDF, an unlimited guarantee and first ranking charge over all present and after acquired property granted by the Company and a first registered mortgage granted by Trustees Australia as trustee for the Trust over the Brucknell No 1 Farm and the Brucknell No 2 Farm.

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## Interim Funding Facility

On 23 October 2014 the Company repaid a total of \$3.942 million to Trustees Australia as trustee for the Interim Facility Trust, being all amounts owing under the facility. \$2.35 million was repaid through the issue of Convertible Notes and \$1.592 million was repaid in cash.

## Reconciliation of allocation of expenditure

As set out in sections 6.6(b) and 7.3(c) of the Offer Document the Trust and DFI Brucknell agreed that they will negotiate in good faith a reconciliation of the revenue, expenses and amounts spent in operating and developing the farms as well an allocation of liability for such expenditure. DFI Brucknell and the Trust are yet to reach an agreement. \$450,000 has been withheld in a solicitors' trust account pending agreement or determination by an independent third party.

## Technology Capital claim

Section 14.16 of the Offer Document referred to a claim by Technology Capital Pty Ltd. The Group has not received any information or correspondence from Technology Capital Pty Ltd regarding this claim since the Offer Document was lodged.

## Group subsidiaries

The Company has three wholly owned subsidiaries:

1. Dairy Fund Management Limited (ACN 140 957 286), which will become the responsible entity of the Trust when Trustees Australia retires (following conversion or repayment of the Convertible Notes).
2. SW Dairy Farms Pty Ltd (ABN 83 600 103 553), which was incorporated for the purpose of holding the leases, licences and livestock. SWDF became a wholly owned subsidiary of the Company on exercise of the option agreement between the Company, SWDF and Trustees Australia as responsible entity for the Trust.
3. DFI Operations Pty Ltd (ACN 162 101 957), which does not currently carry on any business.

## What occurs if stapling is undone

The Company's securities are currently stapled to units in the Trust. This means that in accordance with the ASX Listing Rules, the constitutions of both the Trust and the Company and the stapling deed entered into between the Company and Trustees Australia as responsible entity for the Trust (**Responsible Entity**) (**Stapling Deed**), the securities cannot be traded separately.

In accordance with the constitution of the Trust if stapling ceases to apply then the Responsible Entity must do everything reasonably necessary to give effect to the cessation of stapling including amending any records of the Trust, transferring any property or paying any tax and giving directions or consents to the Company.

In accordance with the Stapling Deed stapling of the units and shares can be undone by a special resolution of both shareholders of the Company and unitholders of the Trust or if stapling becomes unlawful or prohibited by the ASX Listing Rules. If stapling of the units and shares is undone the following will occur:

- (a) the Company will promptly:
- (i) repay any outstanding amount under any loan given to the Company by the Responsible Entity prior to unstapling, unless the Responsible Entity otherwise agrees;
  - (ii) pay any outstanding amounts which the relevant parties have agreed is the responsibility of the Company to repay unless such parties otherwise agree; and
  - (iii) obtain a release of the Responsible Entity from any guarantee given by the Responsible Entity to any person in respect of any liability of the Company; and
- (b) the Responsible Entity must promptly:
- (i) repay any outstanding amount under any loan given to the Responsible Entity by the Company prior to unstapling, unless the Company otherwise agrees;
  - (ii) pay any outstanding amounts which the relevant parties have agreed is the responsibility of the Responsible Entity to repay unless such parties otherwise agree; and
  - (iii) obtain a release of the Company from any guarantee given by the Company to any person in respect of any liability of the Responsible Entity.

#### **Capital structure of the Group upon reinstatement**

Upon reinstatement, the Group will have 59,457,910 stapled securities on issue and no options.

The Group also has on issue 235 Convertible Notes with a total face value of \$2,350,000, a conversion price of \$0.20 per stapled security and a repayment date of 23 October 2016, details of the remaining terms of the Notes are set out in the Offer Document and as announced on 27 October 2014.

#### **Use of funds**

The funds raised by the Group together with the Group's existing funds and borrowings from the CBA will be broadly used as follows:

Acquisition of Brucknell No 1 (completed)	4,640,000
Acquire Plant Equipment & Livestock (completed)	1,199,530
Repay Interim Funding (completed)	1,592,000
Working & Development Capital	2,265,470
Cost of implementing the proposal (paid)	1,100,000
	<b>10,797,000</b>

#### **Compliance with Listing Rules**

The Group confirms that it is in compliance with the ASX Listing Rules and in particular ASX Listing Rule 3.1.

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### Timetable for the Loyalty Options

As set out in the Offer Document the Group will issue, for no consideration, 1 loyalty option for every 2 stapled securities held by eligible securityholders on the record date (**Loyalty Option**).

The Loyalty Options are subject to a vesting condition. The number of Loyalty Options which will vest is equal to the lesser of the number of Loyalty Options held on the vesting date (27 February 2015) and the number of stapled securities held on the vesting date divided by 2. Unvested Loyalty Options will lapse.

The Loyalty Option will be exercisable at 25 cents on or before 31 March 2016 and will be issued in accordance with the following timetable:

The Group will lodge a prospectus and product disclosure statement with ASX and ASIC	On or before 17 November 2014
Ex-date	20 November 2014
Record date	24 November 2014
Issue date. Deferred settlement trading ends. Last day for the Group to confirm to ASX all information required by Appendix 3B	On or before 8 December 2014
Vesting date	27 February 2015

### Voluntary escrow

The Group confirms that no securities are subject to voluntary escrow.

### AUSTRALIAN DAIRY FARMS GROUP



**JEROME JONES**

CFO and Company Secretary

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