



14 July 2015

AHF settles Farm Purchase of Brucknell No 4

- **Brucknell No 4 Farm purchase has completed as planned;**
- **Adjoins Brucknell No 3 Farm acquired in January 2015;**
- **Includes a closed herd of high quality Holstein / Friesian cows;**
- **Enables operational efficiencies by combining herds and milking staff;**
- **Second farm in final contract stages for late August completion;**
- **Due Diligence process continuing on additional farms targeting spring settlements;**

Completion of purchase of Brucknell No 4

Australian Dairy Farms Group (the Group) confirms that the acquisition of Brucknell No 4 Farm has been completed without complication and becomes an important part of the Group's expanding farm portfolio. Whilst this is the smallest individual farm that Australian Dairy Farms Group has acquired to date, it is of strategic importance in consolidating a group of four very sound farms into an interlinked parcel that will operate together.

Brucknell No 4 was acquired for \$1.595m which represents a purchase price per acre of approximately \$6380 plus livestock and chattels of \$365,000, which correspond with an independent valuation on the property from a respected local valuer. The farm has a modern and very comfortable brick house which is to be occupied by Australian Dairy Farms Group's Operations Manager and family who will relocate to the Brucknell area to focus on operational day to day management of all Australian Dairy Farms Group farms.

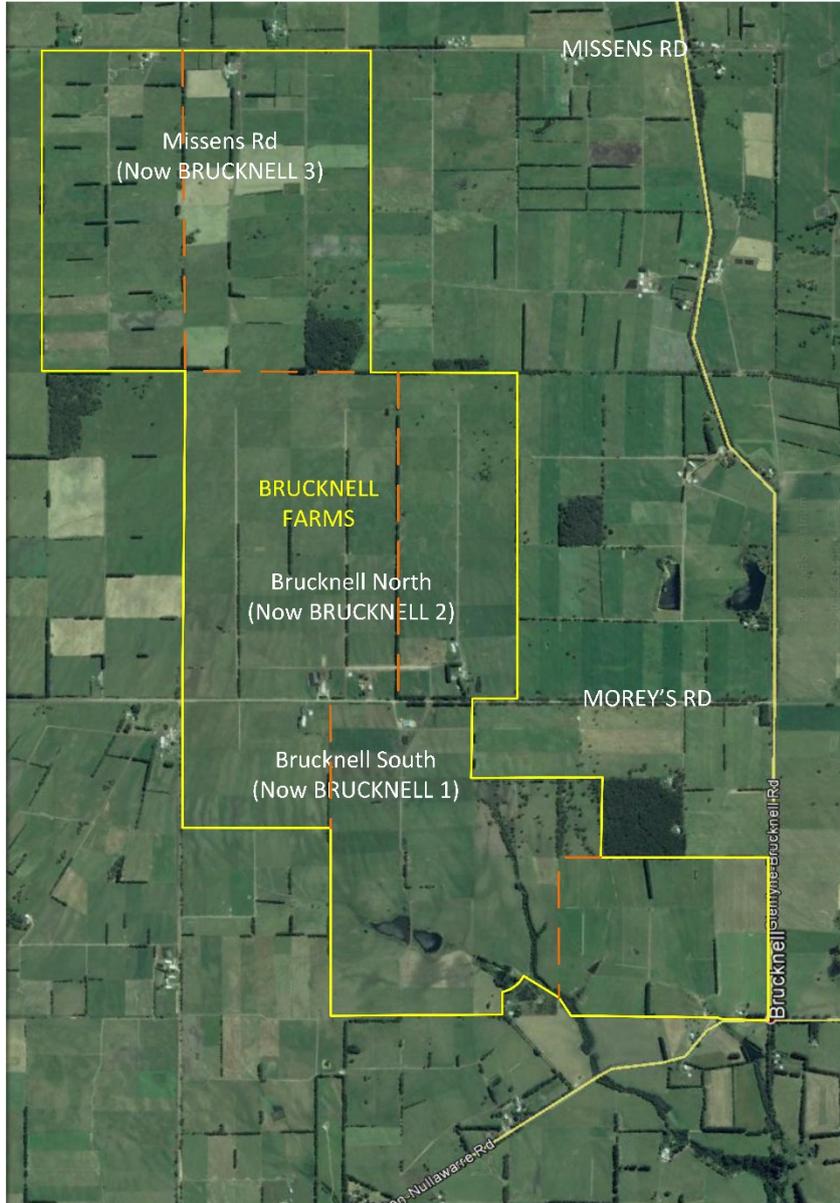
As advised in an announcement to ASX on 23 June 2015, Australian Dairy Farms Group has, at its expense and with the consent of the Brucknell No 4 Farm vendor, undertaken development work on the farm prior to completion to construct a connecting laneway to provide access to walk milking livestock from Brucknell No 4 to Brucknell No 3 so that they could be milked at the Brucknell No 4 Farm dairy by the same personnel already engaged by Australian Dairy Farms Group.

Additionally, various paddocks on Brucknell No 4 have been fertilised and re-seeded prior to completion with new or additional pasture grass so that pasture growth in late winter and early spring (in Australia July to September) is maximised.

Australian Dairy Farms Group management expect to achieve several efficiencies in operating Brucknell No 4 in conjunction with Brucknell No 3 which already adjoins and has laneway access to Brucknell No 2 for movement of equipment and feeding livestock. This will include, for example, relocating the milk vat on Brucknell No 4 to Brucknell No 3 to supplement milk storage so that milk collections by processors can be limited to one daily collection.

The dairy on Brucknell No 4 will be very useful for leed feeding (supplemental feeding of cows prior to calving) cows and as a back-up dairy for the other farms.

Brucknell Farms 1-4



The 4 Brucknell Farms located at Moreys Rd and Missens Rd Brucknell Victoria represent a significant combined land parcel of adjoining farms comprising 741 hectares (1834 acres) of adjoining land with 5 farm houses and 4 dairy sheds.

These are supplemented by the support farm at Maddens Bridge Rd Farm (Ignatios) comprising 244.6 hectares (605 acres) which is nearby.

Additional Farm Negotiations

The Group is in advanced contract negotiations for the acquisition of additional farms in respect of which, due diligence is both complete and satisfactory to Australian Dairy Farms Group or near completion. For commercial reasons and confidentiality obligations, information regarding negotiations cannot be disclosed publicly until complete.

However, at least one farm, which was targeted for purchase by the Group in previous information released to ASX, has been excluded from further assessment and will not be acquired. This decision was made despite the property's many favourable attributes, based on independent hydrology advice that the property ultimately did not meet the Group's requirements for its strategy to expand

For personal use only

harvesting of groundwater supply volumes for partial irrigation of the property, which was an important component in the financial feasibility.

The directors hold the view that there should, where possible, be a component of value uplift to the Group's portfolio in each farm acquisition and the purchase due diligence and selection is a critical part of achieving this.

Operations Management

Following Australian Dairy Farms Group's acquisitions of farm properties, the board is seeking to strongly focus on operational management of the existing farms to identify and enhance the efficiencies available and to concentrate on milk production, herd improvement and maximising the pasture nutritional value and on farm feed production.

A significant part of this process has been to ensure that its Operational Manager is located close to the main farm cluster and closely involved with individual farm managers on a day to day basis. The use of the house on Brucknell No 4 to accommodate the Operations Manager and his family is an important step in this process and is expected to yield positive results in planning and implementing strategies.

The Board and management are currently finalising 2016 production budgets from the Brucknell farms and will provide a further update when complete.

Market Roundup and Milk prices

Australian milk prices are based on the milkfat and protein solids content of the milk supplied off farm. Unlike many countries around the world, there is no legislative control over the price milk processing companies' pay farmers for their milk, with all prices within the industry set by market forces.

As they are not directly linked to global milk commodity prices as is the case in other milk producing countries, Australian farmgate prices continue to remain strong primarily because of the significant demand in the Australian domestic market for fresh milk and value added milk products. All major processors have announced opening season base prices for 2015-16 of between \$5.60 and \$5.80 per kilogram of milk solids, and a final estimated price of up to \$6.00 in line with the prior year's prices.

Domestic consumption accounts for over 60% of Australia's milk production. The balance that is exported is a mixture of milk commodities and value added products such as cheese and yoghurts with processors and exporters currently placing greater emphasis on developing export markets for high-end dairy products to supply directly to international retailers. In particular this has been a strong focus of Murray Goulburn, Australia's largest milk processor.

Murray Goulburn IPO and Market Activity

The recent successful ASX listing of the MG Unit Trust has been a major expression of confidence in the future of the Australian dairy industry. The success of the MG Unit Trust is linked to both growing the milk pool and increasing the farm gate milk price. An additional \$500m of capital available for investment in higher margin processing should be a positive driver of milk demand in the region.

Since its listing, the on-market acquisition of a 4.6% stake for \$20 million by Chinese billionaire and China's second biggest internet retailer, Richard Liu's JD.com focuses on providing high quality products to the consumer market and is a strong endorsement of MG's strategies for offshore marketing and sales of high value added products.

Foreign Investment Review Board (Australia)

There have been several changes to the rules around foreign investment in Australian agricultural land and businesses which are aimed at regulating and increasing transparency in ownership of foreign interests in these assets.

Enquiries made by the directors with the Foreign Investment Review Board have confirmed their understanding that the new rules are not intended to in any way limit or restrict the investor base of widely held listed groups like ADFG.

For additional company information or media matters please contact:

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

About Australian Dairy Farms Group

Australian Dairy Farms Group (the Group or Australian Dairy Farms Group) 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 well regarded Golden Triangle region of dairy 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.