

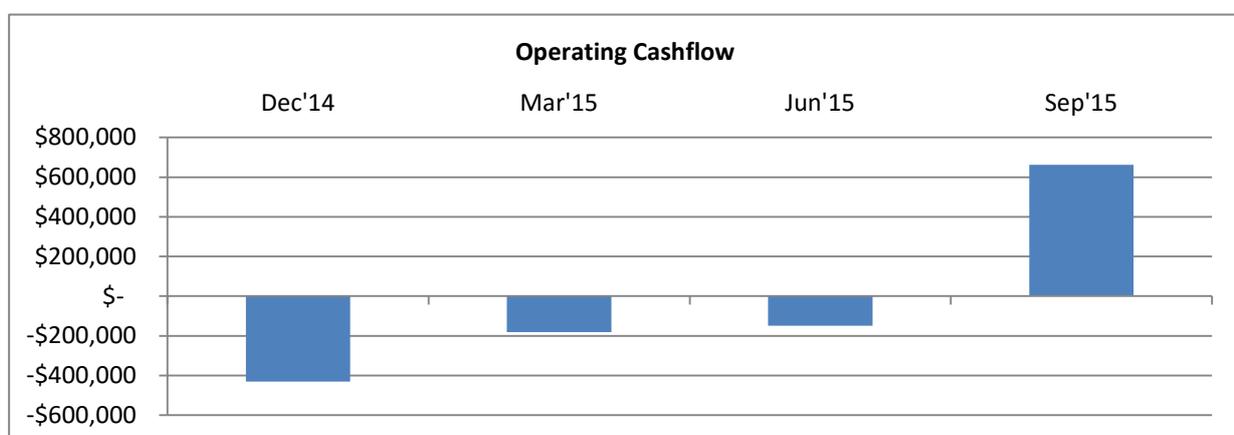
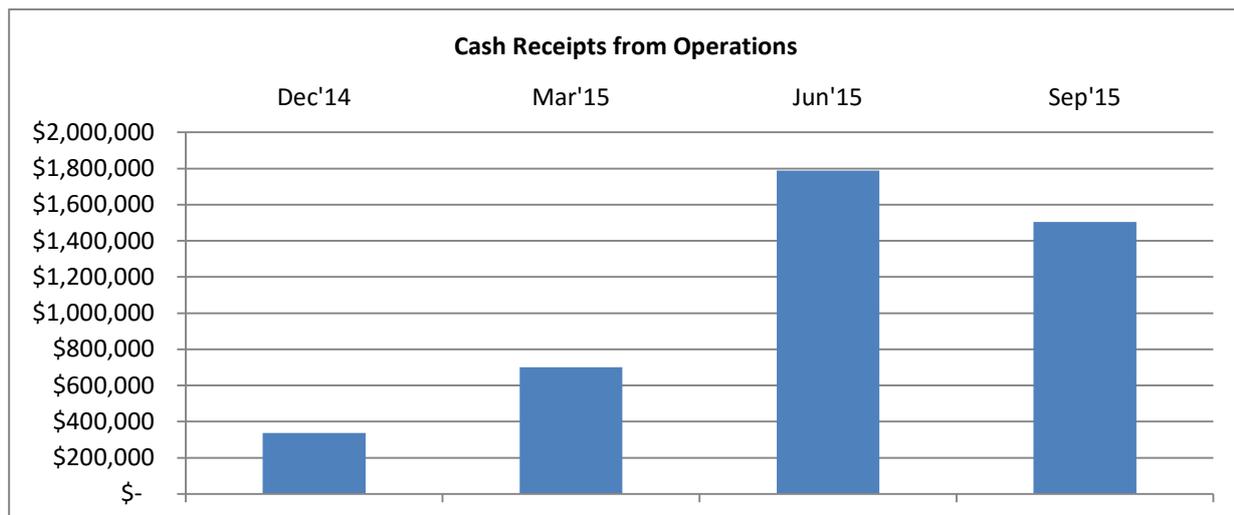


## Commentary for September 2015 Quarter Appendix 4c

- Maiden positive Net Operating Cashflow of \$662k for September 2015 quarter
- Cash and available facilities at 30 September 2015 of \$7.4 million
- Positive outlook for December 2015 quarter cashflow
- Strong pasture and silage growth from winter rains
- Capital works to improve capacity in progress for summer completion

### Commentary on September 2015 Quarterly cashflow

Australian Dairy Farms Group (ASX: AHF) is pleased to announce its maiden positive net operating cashflow quarter since re-listing on October 2014. Net Operating cashflow was \$662k positive for the quarter reflecting the healthy spring pasture growth and higher milking cow numbers from the newer farms.



Chairman, Michael Hackett, said "AHF's first net operating cashflow quarter is a major milestone for the Group. The September quarter has seen the Group record its first positive operating cash flow.

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This is largely attributable to solid milk production, the sale of livestock to facilitate standardising calving patterns and operating expense decreases for hay and grain.

We are beginning to see the benefit of significant capital investment and productivity gains in our farm portfolio. We look forward to continuing this momentum into the seasonally strong December quarter which will also include full quarter contributions from the recently acquired Heywood (mid-September) and Brucknell No. 4 (mid-July) farms.”

Cash and available banking facilities total \$7.4m at 30 September 2015 providing the company with flexibility around future capital works and its acquisition program heading into 2016.

#### ***Basis of Preparation of Appendix 4C Cash Flow***

The basis of preparation of the Appendix 4C is set out at Note 2 in the formal Appendix 4C released to ASX and investors are encouraged to read the note as it is relevant in understanding the financial aspects of cash flow compared with financial results. Notably, the cash flows reported in the September quarter predominantly reflect revenue and expenditure in the months of June July and August.

#### ***Pasture Growth and Silage Production***

Grass growth on all farms is strong and the winter rains were helpful in establishing new pastures and grass growth. Rainfall has been less than the BOM reported average due to the strengthening El Nino influence affecting predominantly the east coast of Australia and the northern states. The South West Victoria region, while recording less rainfall than average has nevertheless produced good grass and pastures and BOM has forecast 50% - 70% chances of additional moderate rain during the next few weeks.

Farm staff and contractors have harvested significant quantities of available grass for pit silage and baled hay and the following montage of photos are from the AHF farms in recent weeks. The rows of harvested grass shown in the photos have since been stored as above ground pit silage for use in the coming summer months.

Farm managers anticipate that if the additional rain eventuates in the next few weeks, then an additional harvest of pasture may be possible.

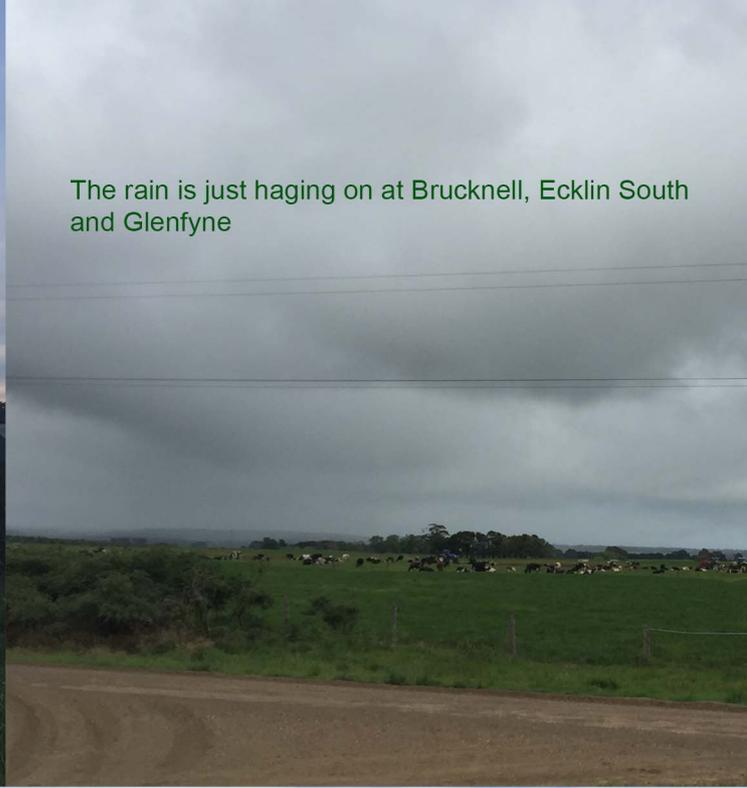
#### **SILAGE TABLE**

<b>Farm</b>	<b>Baled Silage</b>		<b>Pit Silage</b>
	<b>Number</b>	<b>Tonnes</b>	<b>Tonnes</b>
<b>Brucknell 1&amp;2</b>	475	133	550
<b>Ignatios</b>	300	84	
<b>Brucknell 3&amp;4</b>	850	265	
	<b>1625</b>	<b>482</b>	<b>550</b>

Heywood farm harvesting in progress currently

The rain is just haging on at Brucknell, Ecklin South and Glenfyne

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Silage harvest under way with all hands on, working late into the evening on the new machinery to beat the coming rain



### *Understanding Dairy Farm Production Cycles*

Milk production from pasture based dairy farms is cyclical and closely follows the cycle of weather patterns which determine growth rates of pastures and available feed for the milking livestock. Additionally, milk production is based on the lactation cycle of the milking cows, which is approximately 305 milking days in 365 days each year with the other 60 days being the period when milking cows cease milk production in order to preserve strength and nutrition to deliver a new calf.

In the Southern Hemisphere dairy farm industry, the colder months of May through August are generally lower production months than September through December depending on the adopted calving pattern of each farm, which may be summer / autumn or spring or a combination.

Brucknell 1 & 2 Farms settled in late October 2014 with Brucknell 3 joining the AHF group in early March 2015. Brucknell 4 commenced production as an AHF farm on 10 July 2015.

Brucknell 3 and 4 farms and Heywood Farm are late summer / autumn calving farms, which means that all cows calve in April to June each year and are then producing milk through the winter and spring periods into summer. Brucknell 1 and 2 Farms have a split calving with about 35% calving in autumn and the balance in spring and therefore have a flatter milk production curve.

### *Farm Acquisitions*

The Board has reviewed the processes adopted for the acquisition of new farms and determined that the most attractive time for the Group to acquire new farms from a revenue generation and risk minimisation viewpoint, is when the target farms have completed their seasonal or main calving activity and milking cows are returning to production.

For summer and autumn calving farms, the ideal time for acquisition is in the months of May through June and for early spring, or dual calving farms, it is August or September. This allows the purchaser (AHF) to maximise the milk production and minimise the labour content related to calving in the first six months after acquisition.

The timing means that AHF will be able to focus on the operational management of existing farms and on the development work of improving their production capacity while also selecting and negotiating additional farm acquisitions for the autumn period. Such negotiations will require completion of due diligence prior to conditional contracting including negotiation of pre-sale fertilising and re-grassing arrangements with the vendors so that on completion of acquisitions the preparation for the production and pasture growing season is to AHF's satisfaction.

### *Operational Management*

During the last two months, AHF has focussed considerable time and effort on a rigorous development of enhanced management reporting processes to ensure that all necessary tools and protocols are in place to monitor and manage new farm acquisitions from the contacting stage rather than from completion of acquisition.

This has included the contract engagement of a management accountant with specialist experience in operational and management reporting to assist with building support tools for timely reporting and analysis of performance for use by farm managers and personnel with limited financial technology experience.

### **AHF Farms Production cycles**

Management is currently updating production budgets for all AHF farms and will produce a further summary of the production expectations for the Group based on the current AHF farms in operation within the next two weeks.

### **For further information**

#### **Contact**

**Adrian Rowley**

**Director**

**Australian Dairy Farms Group**

Mobile +61 (0) 4880 3768

Melbourne:

+61 3 9629 9900 Email: [adrianrowley@adfl.com.au](mailto: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.

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