



Australian Dairy Farms Group

ASX Code: AHF

4 February 2016

Further Information regarding Loyalty Options Underwriting Pro-forma Statement of Financial Position

Loyalty Options Announcement

Australian Dairy Farms Group (“AHF” or “Group”), announced earlier today the execution of an underwriting agreement with Bell Potter Securities Limited (Bell Potter) that will see the exercise of the balance of the Group’s unlisted Loyalty Options expiring on 31 March 2016 fully underwritten. That announcement foreshadowed the Group announcing a pro-forma Statement of Financial Position.

Attached to this announcement is a Pro-forma Statement of Financial Position which provides further clarity for investors around estimates and the borrowing position assuming completion of the CDC acquisition and full Loyalty Option conversion.

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 \$2.548m including accrued interest.

Convertible Notes: Prior to listing on ASX the Australian Dairy Farms Trust (Trust) obtained seed funding from Trustees Australia Limited (TAU) and other entities associated with Michael Hackett the Chairman of both AHF and TAU. TAU remains the responsible entity for the Trust. As set out in the Offer Document for the Group dated 20 August 2014 the part of the seed funding not repaid at listing was structured as unsecured convertible notes which may be converted by the note holder to Stapled Securities at the original Offer Document issue price of 20 cents per stapled security or redeemed by the Group on or before 27 October 2016.

CBA Loan Facility: In 2014, the Group negotiated a three years redrawable loan facility of \$5m with CBA which has been used for asset acquisition and working capital. The facility is currently being expanded to \$10m to assist with the proposed CDC acquisition and provide a larger redrawable balance going forward.

Fees

Bell Potter will be paid a fee of 2% on loyalty options held by the Group’s related parties, and 4.5% on loyalty options held by others.

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Pro-Forma Statement of Financial Position

Set out below is a pro-forma summary of the assets and liabilities of the ADF Group assuming completion of the CDC acquisition and full Loyalty Option conversion. The pro-forma financial position is based on the management (unaudited) accounts of ADFG at 31 December 2015.

Australian Dairy Farms Group

Pro-forma ADFG Group - Post CDC acquisition and Loyalty Option Conversion

	Notes (below)	ADFG 31.12.15 (Management A/cs)	Loyalty Options	CBA Borrowings	CDC Acquisition	Pro-forma
		\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Current Assets						
Cash and Cash Equivalents		1,434	5,929	5,000	(10,150)	2,213
Trade and Other Receivables		484				484
Inventories		209				209
Other Current Assets		181				181
		2,307	5,929	5,000	(10,150)	3,086
Non-Current Assets						
Biological Assets	(i)	3,985				3,985
CDC Acquisition		-			11,000	11,000
Land and Buildings		21,334			(1,000)	20,334
Plant and Equipment		2,367				2,367
		27,686	-	-	10,000	37,686
TOTAL ASSETS		29,993	5,929	5,000	(150)	40,772
LIABILITIES						
Current Liabilities						
Trade and Other Payables		(947)				(947)
Provisions		(32)				(32)
Borrowings	(ii)	(2,520)				(2,520)
		(3,498)	-	-	-	(3,498)
Non-Current Liabilities						
Borrowings		(985)		(5,000)		(5,985)
		(985)	-	(5,000)	-	(5,985)
TOTAL LIABILITIES		(4,483)	-	(5,000)	-	(9,483)
NET ASSETS		25,510	5,929	-	(150)	31,289
TOTAL EQUITY	(iii)	25,510	5,929	-	(150)	31,289

(i) Biological Assets refers to dairy livestock

(ii) Includes debt allocation of Convertible Notes \$2,239m

(iii) Includes equity allocation of Convertible Notes in accordance with Accounting Standards \$0.308m.

ENDS

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.