



Australian Dairy Farms Group

ASX Code: AHF

28 April 2016

Commentary on Appendix 4C to 31 March 2016

AHF maintains strong cash and available bank facilities through period

Australian Dairy Farms Group (AHF or the Group) provides this Commentary on the attached Appendix 4C regarding the Quarterly Cash Flows, Period-end Position and Commitments of AHF.

Overview of the Nine Months to 31 March 2016

By way of background summary, the March 2016 Quarter and nine month period from 1 July 2015 includes the following capital expenditure and acquisition costs:

- the completion of the acquisitions in July and September 2015 of two additional dairy farms in the South West Victoria region;
- extensive farm pasture and laneway renovation and drainage development to maximise on farm fodder growth and water security and growing farm security and values; and
- the deposit following negotiation of binding agreements for the \$11 million acquisition of the shares in Camperdown Dairy Company Pty Ltd (CDC), a boutique, highly flexible and expandable milk processing and manufacturing facility located within the same region less than 30 minutes by milk tanker from the main farms.

This transaction completed on 15 April 2016, outside the period of reporting.

Cash Position and Commitments

The Group has maintained a healthy cash balance throughout the quarter assisted by the strong take-up of Stapled Securities from exercise of loyalty options, which expired on 31 March 2016. (*Refer to Appendix 4C for details*).

Ends

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AUSTRALIAN DAIRY FARMS TRUST

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About Australian Dairy Farms Group

Australian Dairy Farms Group (AHF) 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 initially, on the famous Dairy Golden Triangle region of South West Victoria between Warrnambool and Colac south of the Princes Highway to the coast around Port Campbell.

On 29 December 2015, AHF announced to ASX that it had entered into a contract to acquire Camperdown Dairy Company Pty Ltd - ACN 140 640 606 (CDC) – see announcement on <http://www.adfl.com.au/announcements> . This transaction has now settled in accordance with the contract terms and CDC is a wholly owned subsidiary of AHF.

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.

Camperdown Dairy International Pty Ltd ACN 168 442 206 **Clarification for Investors**

The company acquired by AHF is Camperdown Dairy Company Pty Ltd - ACN 140 640 606 (CDC), which is not associated with a company with a similar name involved in the dairy industry called Camperdown Dairy International Pty Ltd ACN 168 442 206 or CDIC. There are no common directors or shareholders and the two companies do not have any customer / supplier relationship. The only substantive connection is that the two companies are each lessees of separate but adjoining land parcels at Camperdown owned by the same third party property owner. The directors and personnel of the two companies are on friendly terms as next- door neighbours and cooperate with each other in that context but otherwise have no financial or legal interaction.

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 may include 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.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Australian Dairy Farms Group ASX Code: AHF
 Comprising:
 Australian Dairy Farms Limited ABN: 36 057 046 607; and
 Australian Dairy Farms Trust ARSN: 600 601 689

ABN

See above

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from customers | 1,552 | 5,265 |
| 1.2 Payments for (a) staff costs | (306) | (794) |
| (b) advertising and marketing | - | - |
| (c) research and development | - | - |
| (d) leased assets | - | - |
| (e) other working capital | (1,327) | (3,712) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 5 | 66 |
| 1.5 Interest and other costs of finance paid | (14) | (71) |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | - | - |
| Net operating cash flows | (90) | 754 |

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
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| | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| 1.8 Net operating cash flows (carried forward) | (90) | 754 |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | (1,645) | (12,792) |
| (e) other non-current assets | - | - |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | - | - |
| (e) other non-current assets | - | 117 |
| 1.11 Loans to other entities | - | - |
| 1.12 Loans repaid by other entities | - | - |
| 1.13 Other (provide details if material) | - | - |
| Net investing cash flows | (1,645) | (12,675) |
| 1.14 Total operating and investing cash flows | (1,735) | (11,921) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from share/unit issues | 4,696 | 4,806 |
| 1.16 Proceeds from sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | - | - |
| 1.18 Net repayment of borrowings | 252 | (3,092) |
| 1.19 Dividends paid | - | - |
| 1.20 Other – capitalised raising costs | (19) | (36) |
| Net financing cash flows | 4,929 | 1,678 |
| Net increase (decrease) in cash held | 3,194 | (10,243) |
| 1.21 Cash at beginning of quarter/year to date | 1,434 | 14,871 |
| 1.22 Exchange rate adjustments to item 1.20 | - | - |
| 1.23 Cash at end of quarter | 4,628 | 4,628 |

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
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Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | 27 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | |

1.26 Explanation necessary for an understanding of the transactions

1.2 (e) other working capital includes corporate costs and farm operating costs.
 1.9 (d) physical non-current assets (Year to date) includes payment for the acquisition and development of the Brucknell No 4 and Drumborg / Heywood farms, ongoing development on all farms and a \$1M deposit for the CDC acquisition. The total includes acquisition costs, capital development, land improvements, plant and equipment and biological assets. Current quarter expenditure includes extensive capital works programs to upgrade water storage and irrigation capabilities, redevelop paddock and pasture systems and acquire additional livestock (biological assets).

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

| | | Amount available \$A'000 | Amount used \$A'000 |
|-----|------------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities (see Note 2) | 10,000 | 1,000 |
| 3.2 | Credit standby arrangements | - | - |

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
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Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 4.1 Cash on hand and at bank | 4,628 | 1,434 |
| 4.2 Deposits | - | - |
| 4.3 Bank overdraft | - | - |
| 4.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.23) | 4,628 | 1,434 |

Acquisitions and disposals of business entities

See Note 2 below

| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(a)) |
|---|-------------------------------|-----------------------------|
| 5.1 Name of entity | - | - |
| 5.2 Place of incorporation or registration | - | - |
| 5.3 Consideration for acquisition or disposal | - | - |
| 5.4 Total net assets | - | - |
| 5.5 Nature of business | - | - |

Notes

1 Basis of Preparation – Explanatory Note

This Appendix 4C is a Consolidated Statement of Cash Flows and reflects the amounts actually received and paid by the Group. It is not a statement of Revenue and Expenses or of changes in Assets and Liabilities.

2 Item 3.1 Loan facilities:

The Group has a \$10,000,000 facility with Commonwealth Bank of Australia Limited (CBA) which was drawn to \$1,000,000 at the end of the quarter. This is a 3 year facility predominantly secured by registered first mortgages over the farm assets of the Group. This facility was put in place to assist with funding for the CDC acquisition, which was originally expected to have completed during the March quarter and subsequently completed on 15 April 2016.

3 Item 1.15 Proceeds from share/unit issues

Loyalty Options (unlisted) with a total potential issued capital value of \$6,225,327 were on issue pursuant to the terms of an Offer Document dated 17 November 2014 and expired on 31 March 2016 unless exercised prior. By the expiry date \$5,548 was received from direct subscriptions in the 2015 financial year, \$4,805,565 had been received (Year to date) and a further \$14,250 cleared the bank 1 April 2016. The shortfall was fully underwritten by Bell Potter Securities and the underwritten shortfall balance of \$1,399,964 less underwriting costs (\$134,955) was received 8 April 2016.

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: *Michael Hackett*

Date:28 April 2016.....

Director

Print name: **MICHAEL HACKETT**

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2- itemised disclosure relating to acquisitions
 - 9.4- itemised disclosure relating to disposals
 - 12.1(a)- policy for classification of cash items
 - 12.3- disclosure of restrictions on use of cash
 - 13.1- comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.