



AHF secures additional 1000 acre Dairy Farm

- Heywood No 1 contracted for purchase at \$4,750,000 or \$4,695 / acre
- Scheduled for settlement in mid-September 2015
- 1000 + acres of strong grass growing farmland to stock 600 milkers
- Purchase includes 600+ mega litre transferrable irrigation water licence
- Local management husband and wife team selected
- AHF selects the Heywood region of SW Victoria as its second farm “Hub”
- Due Diligence process continuing on additional farms

New Farm to be added to portfolio

Australian Dairy Farms Group (the Group or AHF) is pleased to announce the acquisition of an additional quality dairy farm in the Heywood region of South Western Victoria. After extensive due diligence assessment, a binding contract was executed on 31 July for the purchase of the Heywood No 1 Farm. Completion is scheduled for 15 September 2015.

The Heywood Hub

The purchase of this farm is the first property in the second farm “hub” that has been selected by AHF to complement the Golden Triangle “hub” which is being successfully progressed in the Brucknell / Glenfyne region east of Warrnambool, where five farms have now been acquired, of which four are adjoining.

The Heywood region is situated approximately 105 km (1.5 hours’ drive) west from Warrnambool along the A1 Highway (Great Ocean Road) and some 25 km (20 minutes’ drive) north from Portland, a relatively small but thriving regional deep-water port city in Southern Victoria. Both regional cities have strong social and educational support facilities.

The farms in this region are generally larger farms and AHF is aware of a number of other comparable properties in proximity to the farm currently contracted, that are available or may become available for sale in the foreseeable future. The region has a reliable rainfall history where the long-term average annual rainfall is approximately 800mm. This compares favourably with the similar average rainfall in the Brucknell / Golden Triangle region.

While the Golden Triangle region will remain the primary focus for additional farms, many properties in the Heywood region offer very good value for money for larger size farms that are comparable in quality to those already acquired.

The price per acre of \$4,695 compares with prices closer to \$6,000 per acre in the Brucknell area for similar sized farms.

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Transferrable Water Licences for Irrigation

Significantly, the Heywood No 1 Farm purchase also includes water entitlements to extract more than 600 mega litres annually for irrigation, only a small portion of which is currently utilised on the Farm. These water entitlements are transferrable to other properties within the same aquifer, including to three of the Group's other farms at Brucknell and also to Ignatios Farm at Glenfyne, subject to standard licence transfer regulations.

This provides a real opportunity for de-risking the dryer summer and early autumn and potentially being able to irrigate grass and feed crops on these farms to materially extend milk production during this season at much lower cost. Applications to regulatory authorities for irrigation on the Brucknell Farms have already been made with the prospect of being able to implement this initiative for the coming summer



Heywood No 1 Farm Overview

Heywood No 1 Farm is contracted for acquisition at \$4.750m which represents a purchase price per acre of approximately \$4,695 excluding livestock and this corresponds with an independent valuation on the property from a respected local valuer. The farm has two typical farm residences plus a single person's living quarters, adequate shedding for hay and machinery as well as a 50 cow rotary dairy and ancillary buildings.

A competent Farm Management couple has been appointed to manage the farm and the family will move onto the farm imminently to work with the retiring vendor for about one month prior to completion. The couple have been living locally in the Heywood region for a number of years and are well known to the AHF management. They have worked on the existing Brucknell Farms in a relief manager role in recent months and have lengthy experience with another corporate farming group.

The Heywood No 1 Farm is a strong grass producing property with undulating pastures with developed run-off and water transfer capabilities, which have enjoyed a long term sound fertiliser application regime. The property is very regular in shape with wide livestock tracks which are in very sound condition and require minimal upgrade work.

There are several opportunities to significantly increase existing dam capacity with modest expenditure if considered worthwhile. The property is in an area which is surrounded by State Forests and plantation forests which provide abundant natural shelter from wind and cold fronts for livestock.

It is expected that the farm can comfortably carry at least 600 milking cows plus associated younger stock and the only significant development work required to enhance the property is the construction of a feed pad for livestock use in both wet and dry conditions. A feed pad is a sealed, all weather platform, usually of concrete, with barriers to separate livestock so that they can be efficiently and evenly fed hay and silage supplements in both wet and dry periods with minimal wastage and relative livestock comfort. Typically, a feed pad for 500-600 cows would cost approximately \$250,000.

Livestock for Heywood No 1 Farm

In assessing the farm and livestock, AHF management decided to acquire only some of the existing herd and has the right to select the cows that it wishes to acquire, with an expectation that approximately 150 currently producing cows will be acquired with the farm.

The balance of livestock is currently being acquired through saleyard offerings with several lines of good quality stock available for purchase. AHF management have taken this approach to ensure that the herd quality for the Heywood Hub is of a high standard and of known breeding with ancestry and health records available. All cows will be “seasonal calvers”, which means that as far as practical, all cows will be calving in April and May of 2016.

This practice seeks to have “fresh” cows returning to milking after calving when the pasture grown grass on farm is at a stage where it is green and growing and the period of milk production is maximised while pasture grass and harvested silage is available for all cows.

Dairy livestock values in Australia and particularly Victoria have been influenced by the live heifer export trade where young breeding stock is exported to China for milk production in Chinese dairies. Several large local dairy groups have adapted their business model to breed heifers exclusively for this market in recent years. However, during the last 8-10 months the export heifer trade has diminished, with reduced demand from China and domestic prices for quality young livestock currently are relatively attractive. AHF sees this as an opportunity to secure good quality livestock at reasonable prices.

Additional Farm Negotiations

The Group is continuing negotiations for the acquisition of additional farms in the short and longer term and expect to be making a further commitment in coming months.

Numerous additional farms have been inspected and are retained in a “watching brief” list of properties in which the Group has interest.

As investors would appreciate, it is difficult for the Group to provide meaningful progress information about properties that are under assessment or in which the Group may have an interest in acquiring as the inclusion of such information in a public document such as a release to ASX is unlikely to be in the best interests of the negotiations from the Group’s perspective. Additionally, it is usual for AHF

to request confidentiality undertakings from vendors when negotiations are in progress.

Investors can be confident that the directors and management continue to review new properties in the context of how they could contribute to the total value of the farm portfolio as may be seen from the plans to enhance the value of existing farms at Brucknell via irrigation entitlements acquired in the Heywood No 1 Farm.

Estimated Production Chart

The following is a table which indicates the expected production from existing and prospective farms under contract or negotiation.

PRO-FORMA 12 MONTH PERIOD OF PRODUCTION				
	Existing Farms	Proposed Farms	Post- Acquisition	% Change
Farm Hectares (ha)	1,020	655	1675	↑64%
Milking herd (no. cows)	1,470	1,100	2,570	↑ 75%
Target Milk production ('000L)	10,050 – 11,335	7,700 – 8,250	17,750 – 19,585	↑ 75%
Target Milk Solids production ('000kg)	744 - 840	570 - 610	1,314 – 1,450	↑ 75%
Estimated range based on a full 12 month production period, assuming acquisitions under contract or negotiation complete				

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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.