

Australian Food & Farming
Investor Update - February and March 2019



RAINFALL February and March

(below average)

Marabou: 29mm
Echidna Ridge: 16mm
Rockwater: 7mm
Kulin: 7mm

1. AFF AT A GLANCE

NSW

Land

Owned: 1,790ha
 Under Contract: 0
 Leased: 0
 Total: 1,790ha

WA

Owned: 5,077ha
 Under Contract: 8,720ha
 Leased: 3,490ha
 Total: 17,287ha

What is being seeded ?

Cropped/Pasture:

- Wheat: 803ha
- Barley: 330ha
- Oats: 149ha

Cropped/Pastures

- 3,409ha wheat
- 4,523ha barley
- 1,875ha oats
- 4,355ha pasture (serradella and baiserrula)

Livestock

Total Breeders (Dorpers)

- 2,365 commercial ewes
- 631 lambs(2018 drop)
- 0 lambs (2019 drop): due April/May
- Losses: 10 commercial ewes

Total Breeders (Dorpers and merinos)

- 1,000 stud ewes
- 3,457 commercial ewes
- 0 Lambs (2019 drop): (due April/ May)

Water

685ML of water remaining until June

- 300ML temporary water being sold
- 385ML of water will be used on crops/pastures

Broad preference is for dry-land assets in WA given reliable rainfall and productivity.

2. MANAGEMENT COMMENTARY

We are pleased to report that we have put in place an AUD16M Rabobank facility with the main tranche at an interest rate that is well below 5%. There are no commitment fees on undrawn amounts and accordingly this facility can be deployed without penalty over an eighteen month period to support the roll out of our property acquisitions.

We have also been approved by Landmark and Elders for bulk chemical and fertiliser purchases. This allows us to move to a concessional pricing for key inputs which is less than budget.

Our operations team has been primarily focused on preparing for seeding - cleaning seeds, spraying, spreading fertilizer, lime and preparing paddock plans. NSW commenced seeding in the irrigation area on 1 April. WA started on 9 April at Rockwater. In NSW this year we have taken a cautious approach with a higher volume of cereal crops in the seed mix. This is a response to the long range rainfall forecast which shows drought continuing through 2019. In WA we will be putting in a higher volume of pasture which is slightly higher risk but allows us to increase sheep numbers.

NSW

- Temperatures in February and March were lower after the heat wave of January. Marabou had rain in February, but since then only patchy showers, and continues to be impacted by drought.
- Ewes were dipped, drenched and vaccinated
- We sold 471 lambs at an average of \$120 per head and 296 cull ewes at \$64 per head.
- Paddock spraying ahead of seeding was completed in March, as well as spot spraying for Bathurst burr through parts of Marabou. We have also been clearing some sapling regrowth.
- Millet quality in the irrigation area has deteriorated as we move through summer and the sorghum, which is a late summer crop, is performing well. We have baled 160 bales of sorghum.

Western Australia

- Rockwater received rain in late March. Rainfall at Kulin and Echidna Ridge was lower.
- We completed seed cleaning work, required before seeding can commence. We have also completed the purchase of seeds, fertiliser and chemicals.
- We completed the purchase of Echidna Ridge and the adjoining Gavin's Place in late February. With the addition of a further adjoining block, Echidna Ridge will be almost 6,000ha.
- We purchased 1,470 merino ewes in Western Australia for \$160 per head. Merinos are not a core focus of AFF, however, Echidna Ridge does not yet have the fencing in place to hold dorpers.
- We continue to investigate a fattening property in southern WA and potentially station country in central WA to integrate with the breeding operations that we have at Great Southern (Kulin, Pingrup and Hyden)
- We completed much of the fencing on Rockwater, and have cleared out dams. We have been spreading fertiliser and spraying through March, April.

3. NEW PROPERTIES

Rockwater, Little Italy

We have under contract two properties which will be settling in May.

The key property is Rockwater in the Little Italy area of Hyden, Western Australia and the second is a block adjoining Echidna Ridge.

Rockwater is a large scale cropping property that, while reasonably remote, is of sufficient size to become a key base for our WA operations. We hope to purchase adjoining properties to increase the size of Rockwater and achieve further economies of scale over the next three years. Key statistics for Rockwater are:

- Total area: 7,558ha
- Average rainfall: 342mm
- Growing season: 150mm
- Lowest 10% decile rainfall: 247mm
- Settles: 15 April 2019
- Price: Around \$550 per arable acre
- Access: We have had access to Rockwater since December 2018



Fig 1 - Rockwater Size: 7,558ha



Fig 2 - Marabou

4. BREEDING & STOCKING - EWES

Ewes

- In NSW, the breeding ewes are on the irrigation area grazing millet and sorghum, and 2018 drop lambs are to be moved to the feedlot area.
- Sheep were drenched, vaccinated and dipped in March.
- 2018 drop lambs will be moved to the feedlot area for approximately 6 weeks before being sold.
- 2019 drop lambs are expected in April and May.
- In WA, our breeders are spread across Mallee Hill, Rockwater and Echidna Ridge.
- 1,000 stud ewes are on the Cadiz pastures that were sown last year at Mallee Hill.
- Stud ewes will be moved back to Jilakin and will be fed for the next few months.
- 2,000 head of commercial breeders are at Rockwater, Little Italy.
- 1,496 merinos are at Echidna Ridge.
- Part of our 2019 drop lambs expected from late April through to May.

5. FEED, CROPPING & PASTURES

NSW

Seeding commenced cautiously at Marabou in April. The paddock plan has been prepared jointly by Greg Ingram, Keith Wilson and our independent agronomist, Stacey Doolan.

In NSW there continues to be concern about drought, with the long range forecast showing lower than average rainfall for the 2019 growing season. Accordingly, the pasture/cropping mix this year is a conservative mix of primarily cereals that will perform well in limited rainfall conditions. Long term, our aim is to increase pastures at Marabou, however, pastures involve a higher risk in lower rainfall years and it was decided this was not the year to increase pastures at Marabou.

A breakdown as to the seed mix at Marabou is set out below. All amounts are in hectares and are a guide only:

Crop/Pasture	Irrigation	Dryland	Total
Pasture	106	20	126
Grazing Wheat	132	148	280
Mid Wheat		523	523
Barley		330	330
Oats		149	149
Other (Brassica)	17		17
Total	255	1,170	1,425

Western Australia

In Western Australia our seed mix incorporates a larger amount of pasture. The long range forecasts for the 2019 growing season are better for WA and the aim is to plant a higher volume of pasture and thereby increase dorper numbers more quickly.

We also have a decent existing pasture mix on part of Echidna Ridge, Mallee Hill and Jilakin which will be retained and utilised.

A breakdown as to the seed mix that will be sown in Western Australia is below. All amounts are in hectares and the final seed mix will be adjusted depending upon local climate conditions:

Echidna Ridge (5,936 ha)

Wheat	391
Barley	1,713
Oats	690
Pasture (baiserrula, margarita and serradella)	949

Rockwater (7,558 ha)

Wheat	2,418
Barley	736
Oats	715
Pasture (baiserrula, margarita and serradella)	3,406

Kulin (3,490 ha)

Wheat	600
Barley	2,074
Oats	570

6. CAPITAL WORKS & MAINTENANCE

Fencing

At Marabou the large majority of our fencing has been finished.

In Western Australia, at Rockwater, we have completed a large portion of the fencing required. This was completed on a low cost, essential repairs basis but will be adequate for the next two to three years.

Echidna Ridge fencing is in decent shape but will need a fair amount of work to make it dorper proof. This is not required immediately.

Other capex

In Western Australia we have cleaned out the dams at Rockwater and will then proceed to do so at Echidna Ridge.

We have purchased an auger and a loader to be kept at Rockwater and will shortly be purchasing two cheap utes. We have also purchased miscellaneous equipment from the Gittos, the owners of Rockwater.

We have fixed up the yards area at Marabou and have installed a loading ramp and automatic drafting race. We have also been cleaning irrigation channels.

Over the longer term, we will need to invest in a new set of yards at Marabou, however, this will likely be in 2020.

7. SALES UPDATE

Sales

- In NSW we sold 471 lambs at an average of \$120.00 per head and 296 cull ewes at \$64.00 per head.
- In NSW we plan to cull a further round of ewes at Marabou to improve the quality of the herd in April.
- In WA we have no current sales plans.
- Western Australian abattoir pricing is at \$4.10 to \$4.40 for mutton and up to \$6.40 for lambs.

8. ACTIVITY PLAN

April and May 2019

April and May will be intensive periods focused on seeding. Our operational team have a narrow window to get the seed into the ground before rain in late May. Missing this period can lead to lower yields. As a result, the operational team and contractors will be working through 24 hour shifts in WA to complete seeding within the window.

9. OUTLOOK

We continue to focus on our ultimate aim, to be a year round producer of quality, branded sheep meat. To achieve this, we need a quality team, we need land developed for livestock, we need a brand, we need quality sheep and we need a service kill in place with an abattoir. Each piece is being put in place in according to the plan over a two to three year period.

On the land side we hope to purchase one more property over the next few months in Western Australia. We will update you as to progress on the land front in the next month's report.

GLOSSARY AND EXPLANATION AS TO KEY TERMS

Bathurst Burr

Bathurst burr is spiny weed that appears annually in summer. It is prevalent throughout NSW and is difficult to control. Once sprayed it is important to continue to monitor to ensure that the seed does not set.

Bannister (oats)

Bannister is a high quality, high yielding oat with potential for milling. Part of the oats we will put in will be Bannister oats.

Biserrula

A persistent, self-regenerating pasture legume that originated in the Mediterranean. It is suited to low and medium rainfall areas. Because it is self-regenerating it does not need planting each year. Biserrula forms part of our seed mix in Western Australia.

Cadiz

A variety of French Seradella. It is a mid-season maturing variety, maturing around 125 days after planting. Cadiz forms an important part of our pasture mix in Western Australia.

Drenching

Worming and other treatment for our dorpers that is done on a regular basis, in accordance with standard practice in Australia.

Fleabane

Fleabane germinates in spring and becomes a major weed during summer. Fleabane needs to be controlled by a mix of spraying and other techniques. Fleabane requires ongoing monitoring. We have fleabane at Marabou.

Heliotrope

Heliotrope is also known as potato weed or blue weed. Consumed in large amounts it can cause copper poisoning and so can be toxic to sheep. It is a summer weed common in southern parts of Australia. Controlling Heliotrope requires a mix of pasture management, avoiding over grazing of land and spraying. Rotational grazing can also be effective reduction method, provided sheep are not over exposed to it. We have heliotrope at Marabou.

Lab lab

A fast growing, annual summer forage legume. Lab lab is in particular used for fattening our dorpers. It also puts nitrogen back into the soil. Lab lab is an important part of our forage crop in NSW.

Mace (Wheat)

Mace is the most common variety of wheat used in Western Australia. It consistently produces a high yield in a wide range of conditions and is well suited to the Western Australia Wheat Belt. The majority of the wheat we will be planting in WA will be Mace.

Margarita

Developed by the Department of Agriculture in Western Australia from Cadiz. Margarita forms an important part of our pasture mix in Western Australia.

Millet

A summer forage crop with similar characteristics to Sorghum. Millet is an important part of our forage crop in NSW. Millet tends to perform during the early part of summer but tails off during the later part of summer.

Scepter (Wheat)

Scepter is a variety of wheat used in Western Australia and in NSW. It is derived from Mace, but offers a higher yield than Mace. We will be planting sceptre wheat in NSW and in WA.

Seradella

Also known as French Seradella, is an annual legume native to the Mediterranean region but which was introduced into Australia in 1997. It is suited to sandier soils like those in Western Australia and also unreliable rainfall. Studies have shown that it performs well against more traditional pastures like clover. During droughts it produces around 3 times more herbage than clover, while performing similarly during wetter seasons.

Sorghum

Sorghum is a summer forage crop. Sorghum is quick growing, flowering sixty days after sowing and is suitable for fattening. Sorghum is an important part of our forage crop in NSW. Sorghum tends to mature in the later part of summer, meaning it can complement Millet well which deteriorates in late summer.

Spartacus (Barley)

Spartacus is a high yielding, malt barley. Barley tends to handle frost better than wheat and hence a large part of our Western Australia crop is barley. Barley also tends to produce higher yields than wheat. A key risk for barley which may impact pricing is the potential for an anti dumping investigation by China against Australian barley.

GALLERY, Marabou, all taken in March 2019



Fig 3 - Sheep in the yards at Marabou



Fig 4 - Sheep in the feedlot area at Marabou, prior to load-out



Fig 5 - Sheep in the yards at Marabou



Fig 6 - View across the irrigation channels at Belmont (Marabou)



Fig 7 - Flood irrigation area, Marabou



Fig 8 - Dorsers at Rockwater



Fig 9 - Merinos on stubble at Echidna Ridge



Fig 10 - A new loader being delivered for Western Australia



Fig 11 - 6mm of rainfall at Rockwater, March 2019



Fig 12 - Seed cleaning in preparation for seeding in Western Australia



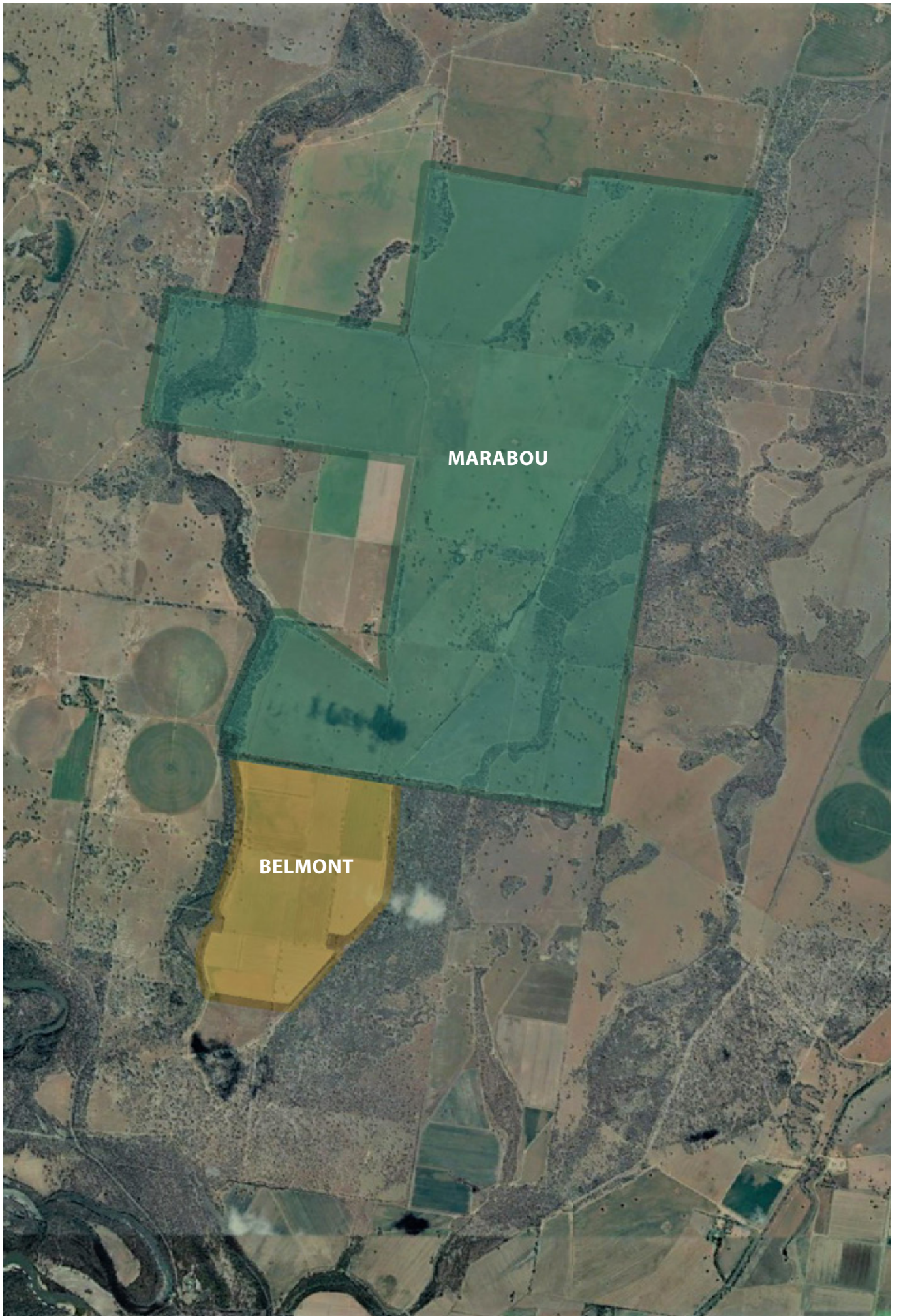
Fig 13 - Dams before cleaning out at Rockwater. Echidna Ridge dams also need to be cleaned out

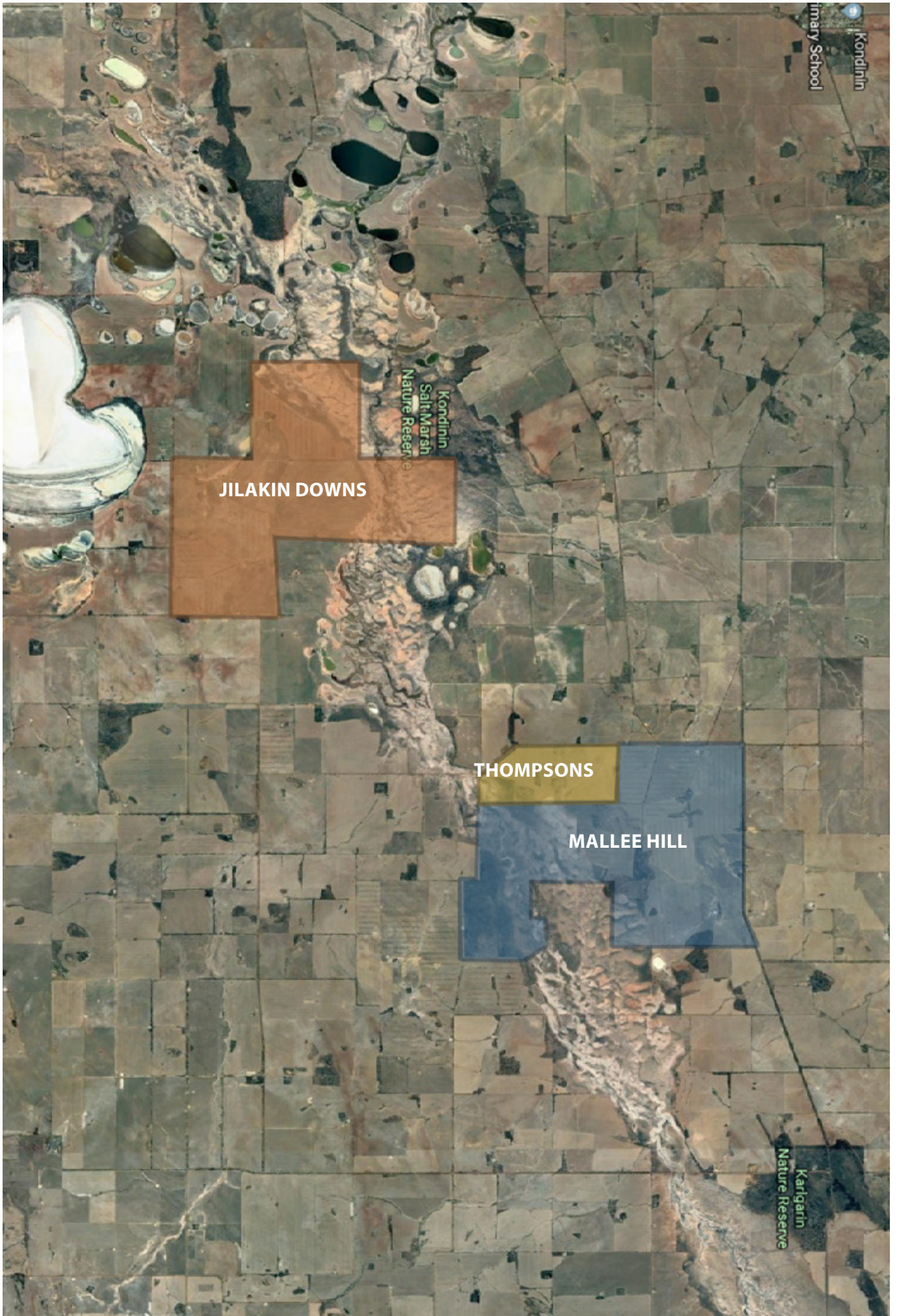


Fig 14 - Dorper ewes that we have put an offer on in Western Australia. Our offer has not yet been accepted



Fig 15 - The first lap, planting Margarita at Rockwater









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