CASE STUDY: ACQUISITION

ABC Farms Pty Ltd

1. Executive Summary

The purpose of this case study is to demonstrate 2 potential funding strategies a farm business may consider when funding a new acquisition. These strategies will demonstrate how the Ausgrow Equity Loan and bank debt could be used in combination to fund the acquisition opportunity.

It will also demonstrate how the annual loan payments when paid as a percentage of grain production vary along with the variation of seasonal production.

This case study should be read in conjunction with the Ausgrow Equity Loan Product Guide as it assumes that a high level of understanding of the Ausgrow Equity Loan has been attained.

2. Case Facts

Peter and Greg are brothers who farm in the medium rainfall zone. Over the past 10 years, they have managed and operated their 4,200 hectare farm well together and like many operations, have transitioned to a mainly crop oriented farming business.

A 1,800 hectare farm adjacent to that of Peter and Greg's, has recently come on the market. Peter and Greg have decided to split and run separate farming operations. The adjacent farm would fit in well with their current farm and would provide the scale to enable them to split the operation.

	Existing Farm	New Farm (Acquisition Opportunity)
Effective Area	4,200 Ha.	1,800 Ha.
Cropped Area	3,900 Ha.	1,800 Ha.
Land Value	$1,800 per Ha.	$1,800 per Ha.
Total Land Value	$7,560,000	$3,240,000
Existing Bank Debt	$2,000,000	N/A
Equity	$5,560,000	N/A
Equity Percentage	73.54%	N/A

3. Potential Funding Strategies

The following pages sets out potential funding strategies available to ABC Farms Pty Ltd and provides a financial position overview of how these strategies can influence the distribution of equity across the farms.

3. Potential Funding Strategies (Cont'd)

Option A

Fund with Bank Debt and Equity Loan

- Take out a new mortgage facility leveraged against the existing farm for $1,000,000 (Mortgage Facility B).
- Use that $1,000,000 to pay the 30% deposit on the new farm, which will be contributed equity.
- Take out a mortgage facility leveraged against the new farm for $1,000,000 (Mortgage Facility C).
- **Take out an Ausgrow Equity Loan for the balance of the purchase price for $1,240,000.**

OPTION A		Existing Farm + Mortg. Facility B	New Farm
Effective Area	(Ha.)	4,200	1,800
Land Value	($)/Ha.	1,800	1,800
Mortgage Facility A	($)	2,000,000	-
Mortgage Facility B	($)	1,000,000	-
Mortgage Facility C	($)	-	1,000,000
Contributed Equity	($)	4,560,000	1,000,000
Ausgrow Equity Loan (AEL)	($)	-	1,240,000

FINANCIAL POSITION		Existing Farm + Mortg. Facility B	New Farm	Combined Farms
Assets				
- Land Value		7,560,000	3,240,000	10,800,000
Total Assets ($)	❶	**7,560,000**	**3,240,000**	**10,800,000**
Liabilities				
Mortgage Facility A		2,000,000	-	2,000,000
Mortgage Facility B		1,000,000	-	1,000,000
Mortgage Facility C		-	1,000,000	1,000,000
Total Bank Debt ($)		3,000,000	1,000,000	4,000,000
Ausgrow Equity Loan		-	1,240,000	1,240,000
Total Ausgrow Equity Loan ($)		-	1,240,000	1,240,000
Total Liabilities	❷	**3,000,000**	**2,240,000**	**5,240,000**
Net Asset	❸=❶-❷	**4,560,000**	**1,000,000**	**5,560,000**
Equity				
Contributed Equity		4,560,000	1,000,000	5,560,000
Total Contributed Equity ($)		4,560,000	1,000,000	5,560,000
Net Equity ($)	❹	**4,560,000**	**1,000,000**	**5,560,000**
Equity %	❺=(❹/❶)	**60.32%**	**30.86%**	**51.48%**
Bank LVR		**39.68%**	**30.86%**	**37.04%**
Ausgrow LVR		**0.00%**	**38.27%**	**11.48%**

3. Potential Funding Strategies (Cont'd)

Option B

Fund with Bank Debt and Equity Loan

- **Take out an Ausgrow Equity Loan against the existing farm for $1,000,000.**
- Use that $1,000,000 to pay the 30% deposit on the new farm, which will be contributed equity.
- Take out a mortgage facility leveraged against the new farm for $1,000,000 (Mortgage Facility B).
- **Take out an Ausgrow Equity Loan for the balance of the purchase price for $1,240,000.**

OPTION B		**Existing Farm + AEL**	**New Farm**
Effective Area	(Ha.)	4,200	1,800
Land Value	($)/Ha.	1,800	1,800
Mortgage Facility A	($)	2,000,000	-
Mortgage Facility B	($)	-	1,000,000
Mortgage Facility C	($)	-	-
Contributed Equity	($)	4,560,000	1,000,000
Ausgrow Equity Loan (AEL)	($)	1,000,000	1,240,000

FINANCIAL POSITION		**Existing Farm + AEL**	**New Farm**	**Combined Farms**
Assets				
- Land Value		7,560,000	3,240,000	10,800,000
Total Assets ($)	❶	**7,560,000**	**3,240,000**	**10,800,000**
Liabilities				
Mortgage Facility A		2,000,000	-	2,000,000
Mortgage Facility B		-	1,000,000	1,000,000
Mortgage Facility C		-	-	-
Total Bank Debt ($)		2,000,000	1,000,000	3,000,000
Ausgrow Equity Loan		1,000,000	1,240,000	2,240,000
Total Ausgrow Equity Loan ($)		1,000,000	1,240,000	2,240,000
Total Liabilities	❷	**3,000,000**	**2,240,000**	**5,240,000**
Net Asset	❸=❶-❷	**4,560,000**	**1,000,000**	**5,560,000**
Equity				
Contributed Equity		4,560,000	1,000,000	5,560,000
Total Contributed Equity ($)		4,560,000	1,000,000	5,560,000
Net Equity ($)	❹	**4,560,000**	**1,000,000**	**5,560,000**
Equity %	❺=(❹/❶)	**60.32%**	**30.86%**	**51.48%**
Bank LVR		**26.46%**	**30.86%**	**27.78%**
Ausgrow LVR		**13.23%**	**38.27%**	**20.74%**

4. Annual Percentage Grain of Share

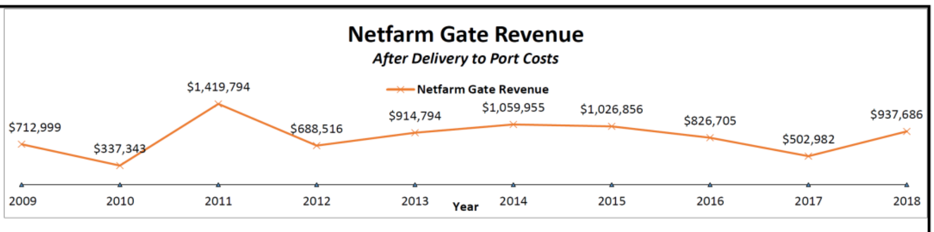
The table below is based on the assumption that ABC Farms Pty Ltd has elected Option A to fund the purchase of the new farm. Ausgrow performs a review of 7 years of historical data and 3 years of forecast data and agrees with ABC Farms, that the grain share percentage is to be initially set at 10%.

The historical data in this case can be used from the existing farm. Current management practices of the existing farm can be applied on the new farm, since it is adjacent and has similar soil types and production potential.

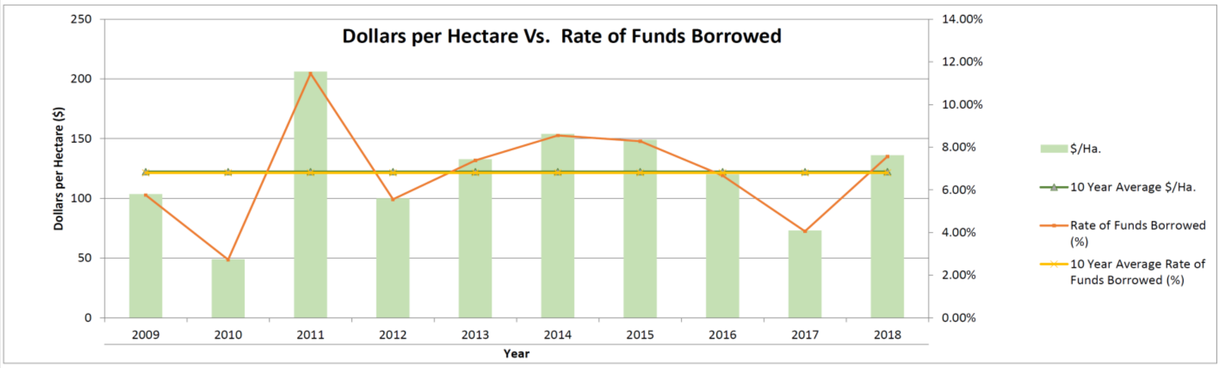
The annual equity loan fee summary demonstrates how the 10% share of grain production compares when it is converted into dollars per hectare and percentage rate of funds borrowed. It also shows how the loan payment varies across the different seasons.

ABC FARMS PTY LTD	YEAR	1 2009	2 2010	3 2011	4 2012	5 2013	6 2014	7 2015	8 2016	9 2017	10 2018	TOTAL
HECTARES PLANTED PER CROP												
Wheat		1,800	600	1,000	0	1,000	800	500	500	800	1,000	
Barley		0	800	0	1,000	0	500	800	500	0	400	
Canola		0	400	800	0	400	0	500	250	500	200	
Lupin		0	0	0	800	0	500	0	300	300	200	
Fallow		0	0	0	0	400	0	0	250	200	0	
Total Hectares		1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	18,000
YIELD PER HECTARE PER CROP												
Wheat		1.80	0.80	2.80	0.00	2.45	2.46	2.40	2.60	1.30	2.10	
Barley		0.00	1.00	0.00	1.80	0.00	2.30	2.30	2.50	0.00	2.00	
Canola		0.00	0.20	1.70	0.00	1.40	0.00	1.20	1.50	0.60	1.25	
Lupin		0.00	0.00	0.00	1.00	0.00	1.60	0.00	1.80	0.90	1.50	
TONNES PRODUCED												
Wheat		3,240	480	2,800	0	2,450	1,968	1,200	1,300	1,040	2,100	
Barley		0	800	0	1,800	0	1,150	1,840	1,250	0	800	
Canola		0	80	1,360	0	560	0	600	375	300	250	
Lupin		0	0	0	800	0	800	0	540	270	300	
Total Tonnes		3,240	1,360	4,160	2,600	3,010	3,918	3,640	3,465	1,610	3,450	
FREE-IN-STORE (FIS) PORT PRICE PER TONNE (RETAIL)	**DELIVERY COSTS**											TOTAL
Wheat	$27.40	$247	$302	$262	$312	$284	$295	$284	$227	$282	$282	
Barley	$28.80	$174	$227	$235	$270	$245	$274	$250	$205	$255	$255	
Canola	$34.30	$483	$618	$596	$587	$545	$508	$555	$550	$550	$550	
Lupin	$16.60	$213	$290	$195	$335	$323	$330	$340	$300	$325	$325	
Netfarm Gate Revenue (After Delivery to Port Costs)		$712,999	$337,343	$1,419,794	$688,516	$914,794	$1,059,955	$1,026,856	$826,705	$502,982	$937,686	$ 8,427,630

Land Area	1,800
Land Value $/Ha	1,800
Total Land Value $	3,240,000
Equity Loan value $	1,240,000
% Equity Loan	38.27%
LOAN PAYMENT: GRAIN SHARE %	**10.00%**



ANNUAL EQUITY LOAN FEE SUMMARY	YEAR	1 2009	2 2010	3 2011	4 2012	5 2013	6 2014	7 2015	8 2016	9 2017	10 2018	10 YEAR AVERAGE
In Grain (Mt)		324.00	136.00	416.00	260.00	301.00	391.80	364.00	346.50	161.00	345.00	
In Dollars ($)		$71,300	$33,734	$141,979	$68,852	$91,479	$105,996	$102,686	$82,671	$50,298	$93,769	
Dollar per Hectare ($/Ha.)		$103.50	$48.97	$206.10	$99.95	$132.79	$153.86	$149.06	$120.01	$73.01	$136.12	$122.34
Rate of Funds Borrowed (%)		5.75%	2.72%	11.45%	5.55%	7.38%	8.55%	8.28%	6.67%	4.06%	7.56%	6.80%



Notes:

Delivery costs are inclusive of Site to Port Freight; Receival Fee; BAMA and Federal Levy .