

# Prime Value Australian Agricultural Fund

## February 2018 Update



Dear Investor,

We are pleased to update you on our activities and the performance of the investments in the Prime Value Australian Agricultural Fund (PVAAF or the Fund).

Our focus is to invest in small–mid sized Australian farms, agribusinesses and agricultural technology companies to provide investors with a diversified Australian based agricultural exposure.

Prime Value investment vehicles for Australian agriculture include PVAAF and Direct Agricultural Investments. Direct Agricultural Investments offer opportunities to invest in individual farms/sectors in the tradition of our commercial property and hotel investments, while PVAAF offers a diversified portfolio of assets. It is intended PVAAF will be an investor in each of our Direct Agricultural Investments.

Through both investment streams, we intend to offer investors the opportunity to create a diverse portfolio of quality agricultural assets. Investments will be structured to provide a combination of income and capital growth.

Current Fund investments:

- Prime Value Citrus Trusts
- Convertible note in Wingara Ag Ltd
- Croplogic Ltd

Since the last investor update we have increased PVAAF's investment in the Prime Value Citrus Trusts, which recently raised funds to acquire the Orange One and Wiela Farms.

### Prime Value Citrus Trusts

#### Nangiloc First Harvest

Our first harvest was successfully completed in November 2017 with the volume of fruit well above forecasts. Citrus price outcomes were also above forecast however a higher proportion of lower quality fruit impacted our average prices. As we acquired the farm shortly before harvesting commenced we were not in a position to influence fruit grades. Nonetheless, we are pleased to announce the combined factors delivered better than expected results and the Trusts will be making a distribution to investors (including PVAAF) in February 2018.

#### Wiela and Orange One Acquisitions

Key objectives for the Prime Value Citrus Trusts centre on expansion and geographic diversification within the Murray-Darling Basin. Specifically it is the intention to increase the planted hectares to a scale that is attractive to large local and offshore investors. Our expansion is to take place via development and acquisition.

In addition to the Stage 1 expansion already underway at Nangiloc, during the December quarter we acquired two new farms. Operational management of the Wiela Citrus & Almond Farm, and Orange One Citrus Farm was assumed late last year.



*The Wiela Farm*

Improved nutrition and orchard management plans were immediately implemented to optimise fruit grades for the forthcoming season. Final settlement is expected February 2018 for Orange One and early March 2018 for Wiela.

## **Farm Management**

### *New plantings*

The stage one expansion plans at Nangiloc commenced in Spring 2017. The expansion involves the planting of an additional 50 hectares of premium citrus varieties. The planting schedule is ahead of original plans due to gaining access to trees earlier and this will impact positively on cash flows.



*Wiela Farm – Afourer mandarin trees with sunscreen*

At Wiela, five hectares of Afourer mandarins will be planted in Spring 2018 and we have already planted a small amount of vacant area (approximately 0.5 hectare) with Navel oranges at Orange One.

### *KCT preparation*

We are following the KCT (Korea, China, Thailand) protocols on each farm to facilitate KCT export this season for our first grade fruit. The protocols involve specific farm and pest management processes as well as regular external checks.

### *Secondary crops*

Analysis of a second stage of expansion for Nangiloc has commenced and we are in the process of determining the irrigation infrastructure requirements for orchard expansion on the developable land.

In the interim, prior to any full-scale citrus development decision, we intend to grow secondary crops. The land has been prepared and we expect to be planting chickpeas in March. The final crop selection will be made later in February. Secondary crops are intended to generate a small profit but also to provide beneficial nutrients to the soil ahead of permanent citrus plantings.

### **New units**

New units related to the Wiela and Orange One acquisitions will be issued in February 2018. Please see the Prime Value Citrus Trusts Update for a more in depth update on the farms.

## **Wingara Ag (WNR.AX)**

### **A growing Australian hay processor and exporter**

Driven primarily by continued strong Asian demand, the six months to 30 September 17 saw the volume of hay processed by Wingara Ag at its Epsom facility rise by 35% versus the same period in 2016. Export volumes were up 62% and revenues rose 18% delivering a 172% increase in EBITDA.

In addition to the strong operational performance, Wingara has also progressed its expansion strategy and in December was granted approval from the Bendigo City Council to commence the development of its recently purchased 30-hectare site in Raywood, Victoria. Development has already commenced and involves the construction of a large hay storage and processing facility.



*Wingara Ag – Hay storage*

The first phase of project development is for an additional 100,000T of annual production capacity. The combined Epsom/Raywood production target for Wingara expands to 70,000T for FY19 and 115,000T for FY20 from 35,000 in FY18.

Also since the last update, Wingara has successfully negotiated an option for the purchase of the Epsom property at the end of the current lease in February 2021. Epsom is a growing residential area in Bendigo, with a significant number of recent residential and commercial developments, including a large shopping precinct.

Management is also pursuing acquisition opportunities to diversify into other agricultural products and leverage their existing client relationships, export licenses and logistics expertise.

The share price performance does not reflect the advances made by the company and we continue to comfortably hold our convertible notes. We have not exercised any of our options to convert to equity and continue to receive interest on our investment. The notes mature in July 2018, at which point we will make the decision on whether to convert some or all of our notes. The Fund has the right to convert 10% of its investment at a share price of \$0.25; 50% at \$0.30 and 40% at \$0.35. If we do not convert to equity, we

will receive a bonus interest payment of 2.5% of the face value of the notes. The current share price is \$0.25 and has traded in a range of \$0.22 and \$0.30 over the last six months. The notes are valued at cost and do not reflect the associated equity optionality.

For further details, we direct you to the company's website. [www.wingaraag.com.au](http://www.wingaraag.com.au)

### **CropLogic Ltd – CLI.AX**

#### **A developing agronomy services company**

Given the world's limited resources, science and technology are crucial to drive production efficiencies and increases in yields. For this reason, a small portion of the Fund will invest in and support agricultural technology companies. Our investments in Agtech will not be in early stage but instead at the commercialisation and expansion phase.

The Fund made a small investment in the CropLogic Ltd IPO. CropLogic's technology aims to improve crop yields by combining advanced research and technology with an in field agronomy support team to provide accurate advice to growers on water and nutrient requirements.



*CropLogic probe in field*

CropLogic is currently servicing 60,000 acres (30% of the potato market) in Washington State - potatoes (being a below ground, high margin, difficult to monitor crop) were selected by CropLogic as the first crop to target. Many clients have already elected to use the system on their other crops including onions and corn, which represented 34% of revenues in the last period.

The share price performance has been disappointing reflecting pre-IPO early stage investors taking profits however the company is delivering on plans, is targeting expansion in the U.S., Australia and Asia and is well funded. We remain confident the company will continue to grow and the investment thesis is sound.

An ABC News interview with the MD may be found at the following link:

[https://www.youtube.com/watch?time\\_continue=1&v=N0i7e6SxbJc](https://www.youtube.com/watch?time_continue=1&v=N0i7e6SxbJc)

#### Distributions and unit pricing

*We are pleased to announce a distribution of 1.7 cents per unit to unit holders as at 31 December 2017. The distribution includes income from the Prime Value Citrus Trusts and interest income from Wingara convertible note and will be paid in February.*

*The unit price as at 31 December 2017 is \$1.0102. This unit price is after deducting the distribution payable to investors.*

#### New acquisitions and due diligence

We continue to evaluate diversification opportunities and we look forward to growing the portfolio with you through 2018.

PVAAF is an open Fund, and investors can invest at any time. New investors will gain immediate exposure to current investments and will benefit from the diversification and wider range of exposures from our new investments.

Kind regards,

Your Prime Value Agriculture Team

#### Contact details:

Phone: 03 9098 8088

Fax: 03 9098 8099

Email: [info@primevalue.com.au](mailto:info@primevalue.com.au)

#### Mail:

Prime Value Asset Management Ltd

Level 9, 34 Queen Street

Melbourne VIC 3000

Web: [www.primevalue.com.au](http://www.primevalue.com.au)