

Prime Value Australian Agricultural Fund Update – August 2017



Dear Investor,

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

Our investment strategy for the Fund is to invest in farms, agribusinesses and agricultural technology companies to provide investors with a diversified Australian based agricultural exposure. Our Direct Agricultural Investments offer opportunities to invest in individual farms in the tradition of our commercial property and hotel investments and it is intended the Fund will invest in each of our Direct Agricultural Investments.

Our focus for the Fund and for Direct Investments is on small to medium sized Australian farms and agribusinesses with growth and value-add potential.

Through both investment streams, we intend to offer our 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 Investments:

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

Prime Value Citrus Trust

The Fund purchased units in the Prime Value Citrus Trust on behalf of its investors in June.

Prime Value took working possession of its citrus farm in Nangiloc near Mildura in late April and final settlement took place in June 2017. The transition across to Southern Cross Farms, our farm manager, was a smooth process and harvesting commenced in May with our early season M7 navel orange variety. Following the picking of the M7s, our small crop of Thompson Navels was picked followed by Imperial Mandarins. The majority of the orchard (70%) is comprised of mid-season Washington Navels and Late Lane Navels, a late season variety. Harvesting of the Washingtons commenced recently. The Late Lanes will be picked from August through to October. Our harvesting will be complete in October. At this point, our yield is marginally higher than forecast with a mix of grades. Whilst prices will not be finalised until later in the year, we remain confident in our revenue forecast for the season.



Prime Value Imperial Mandarins harvested on Tuesday 20 June. They were picked and transported in these bins to MFC for grading and packing.

Our farm manager, Southern Cross Farms (SCF), is already implementing its nutrition and orchard management plans to optimise fruit grades for next season and to ensure the farm is compliant for exporting fruit to Korea, China and Thailand. Our objective is to grow premium fruit to achieve premium prices in the offshore markets. Our fruit is processed by Mildura Fruit Company (MFC) for export and domestic consumption.



Prime Value fruit being processed at Mildura Fruit Company's facility 50km away from the farm.

The farm is operating in line with our forecasts, expansion plans have commenced and are ahead of schedule and we hope to make a distribution in Dec 17/Jan 18 following the completion of this year's harvest.



Commencement of stage one development plans.

Wingara Ag Ltd

The Fund continues to hold its convertible note issued by Wingara Ag Limited (ASX Code: WNR.AX). Wingara specialises in the processing and export of hay. The convertible notes earn an annual interest rate of 5%, with the potential to earn an additional 2.5% on the face value of the notes, if the notes are not converted to equity by maturity next July.

To date, the Fund has not elected to convert the debt into equity but retains the right to do so at the January 2018 and July 2018 interest payment dates. The conversion prices are 10% at \$0.25, 50% at \$0.30 and 40% at \$0.35.

Since listing in February 2016, Wingara has focused on increasing production from its Bendigo plant which has been exporting containerised Australian (usually super premium) export grade oaten hay since 1985. The Company has invested significantly in systems and people to facilitate its growth plans, and has improved operational efficiencies raising cash-flows and throughput. Significant effort has also been invested in expanding relationships with both its Asian customers and local producers.

Wingara has undertaken due diligence on a number of expansion opportunities, and recently reached an agreement to purchase a 20ha site near the Wimmera Intermodal Freight Terminal at Dooen, from the Horsham City Council (subject to re-zoning within 12 months by the same council).

This site has the potential to house a significant operational and export hub, not just for Hay export but also for other soft commodities. The site should be operational for the 2018/19 Hay season (starting in spring 2018) depending on the speed of the Council re-zoning process.

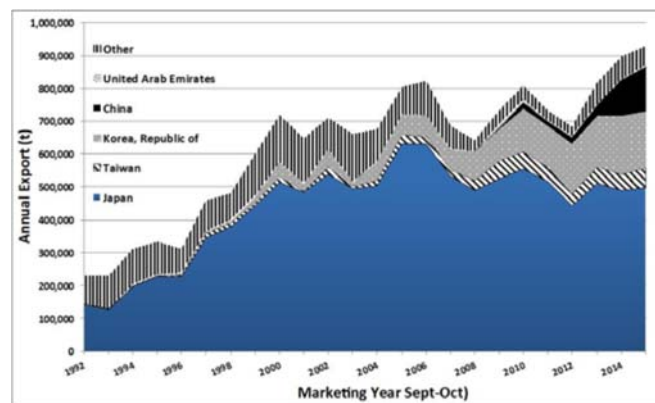
In addition, Wingara recently announced the purchase of 80 acres of land at Raywood, 20 kms north of Bendigo. This property will support the expansion of the existing Bendigo plant by providing additional infrastructure and storage facilities. There is also the potential to develop the site to facilitate the export of other agricultural products to take advantage of Wingara’s extensive relationships with local producers and its Asian clients. This property is expected to positively impact the 2017/18 hay season and will be fully developed by FY2018/19.



Hay shed at the Wingara facility in Epsom, Bendigo.

We believe that the premium hay export business will continue to benefit from strong demand from China, Japan and Korea driven by the needs of their local livestock industries, and we have positioned our investors to benefit from this theme. We will continue to maintain a close relationship with Wingara and keep investors informed of new opportunities in this sector as they arise, as well as our intentions with respect to the notes. Since listing in February 2016 at \$0.20 per share, Wingara has traded in a range of \$0.125 (immediately after listing) to a high of \$0.40, and is currently at \$0.26 per share.

Australian Hay Exports



Source: Australian Government – Grains Research & Development Corporate (Jumbuk Ag Consulting) 11 August 2016

Croplogic Ltd

Part of the Fund’s strategy is to invest in companies that are pursuing agricultural productivity gains through the application of technology.

Croplogic Ltd is an agronomy services company that combines science, technology and agronomy to service large scale crop growers. Agronomy is the science of crop production and field management. The company is founded on technology out of the New Zealand Institute for Plant and Food Research and is based on 30 years of research and five years of trials and development.

The company uses technology and predictive modelling to improve decision-making to optimise crop yields, production and the profitability of farmers. Their immediate focus is on potatoes, being a high value crop which is difficult to monitor given the below ground nature of the plant. The company is targeting the US, Australia and China to execute its strategy and has acquired a US based agronomy services company to begin the commercialisation of its product and service offering. The company lists on the ASX shortly and the Fund has made a small investment.

Investments currently under Due Diligence

We continue to evaluate a large range of opportunities on behalf of our investors. We have a particular interest in expanding the citrus portfolio to benefit from the strong fundamentals supporting this sector and to diversify our exposure from a single farm. We are currently undertaking due diligence on a farm in the Riverland in South Australia.

We also believe the recent hardship in the dairy sector caused by low prices and poor corporate management is creating opportunities for strategic institutional investment, particularly in premium locations such as South-West Victoria, where there has been significant investment in processing facilities.

We are currently also reviewing other Ag tech opportunities for the Fund. Our investment in Ag tech will not be in early stage but instead at the commercialisation and expansion phase and will form only a small part of the Fund's portfolio at initial investment.

We believe science and technological developments are crucial to drive production efficiencies and increases in yield given the world's limited resources and we seek lower risk exposures to this theme.

Unit Price

The unit price as at 30 June 2017 is \$1.025, which is net of a distribution of \$0.008 per unit.

The unit price currently reflects interest received and receivable on the convertible notes less the costs associated with managing the Fund. The unit price in the future will reflect the citrus farm and new investments.

New and existing investors will benefit from the exposure to Wingara Ag Ltd as its growth strategy becomes reflected in an expected higher share price. If this does not occur by the final conversion date of July 2018, then the convertible notes will be repaid in cash (with the bonus interest). In addition, the Citrus Trust is targeting an IRR exceeding 10% p.a. over the life of the investment, with significant distributions in the medium and long term as new plantings mature and better farm management practices are implemented to produce a higher proportion of premium, export quality fruit.

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.

For further details please contact James Everist or Elizabeth Blackhurst on 03 9098 8088.

Kind Regards,

Your Prime Value Agriculture Team.

Contact details:

Phone: 03 9098 8088

Fax: 03 9098 8099

Email: info@primevalue.com.au

Mail:

Prime Value Asset Management Ltd

Level 9, 34 Queen Street

Melbourne VIC 3000

Web: www.primevalue.com.au

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