

INVESTMENT UPDATE

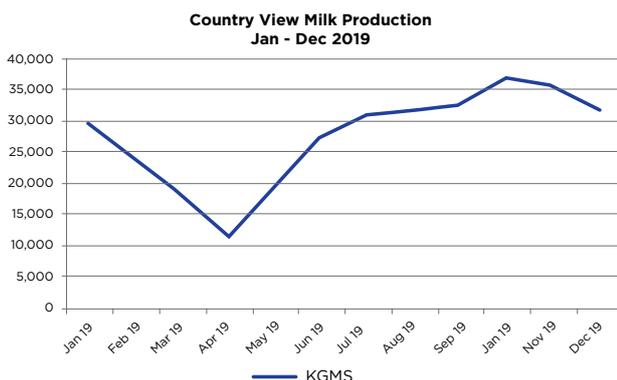
FEBRUARY 2020

Prime Value Dairy Trusts



Country View Farm

Settlement of the Country View Farm took place on 1 December 2019 and we are very pleased to advise the transition to Prime Value ownership and management has been seamless and milk production has been marginally above forecast. During the month of December the farm produced 406,470 litres of milk representing 31,796 kg of milk solids (kgMS). Milk solids are made up of the fat and protein content of the milk and revenues are based primarily on this measure, rather than the volume of milk. January 2020 production came in at 31,467 kgMS, also above forecast.



Production

Milk production is seasonal and the 2019 graph above represents the typical annual production profile for the Country View Farm. The variability relates to calving and the necessity to dry cows off and cease milking for a period of six weeks prior to calving. The dry period is the most important phase of a dairy cow's lactation cycle. During this phase, the cow and her udder are prepared for the next lactation and the rest period ensures the cow's health and milk production after calving are both optimal.

To smooth annual milk production and enable the farm to participate in a fresh milk contract with both quality and quantity specifications, the farm is managed on a split calving basis. Split calving means the farm has both Autumn (May/June) calving and Spring (August/September) calving cows and it allows the farm to produce milk year round. Country View currently has 637 milking cows in the herd, which is made up of approximately 400 Autumn calvers and the remainder are Spring calvers. Our Autumn calving cows have begun to be dried off and production will begin to gradually decline until April/May which is our lowest production period. After calving, milk production gradually increases over the ensuing six weeks to reach full production. There is a six week period of the full herd being milked before the drying off of the Spring calvers commences in July. The Country View peak production comes in October/November and coincides with the peak grass of Spring and when all cows have calved. Peak production represents 28-30 litres of milk per day from each cow.

The milk solid production profile, and therefore income, from the farm is illustrated in the graph and is weighted significantly to the July-December half year. Different farms have different production profiles and we expect after the farm acquisition period and first year of production at our farms we will be able to provide a more even income distribution profile to investors.

Milk sales

Approximately 70% of milk from the Country View Farm is sold under a Woolworths fresh milk contract through Fonterra. Prices are negotiated and fixed annually although this year they were stepped higher in light of the lower industry supply. Following on from the supermarket decision to end the \$1.00/litre milk price policy, Woolworths also pays an additional 10 cents per litre to their fresh milk farmers for every 2 and/or 3 litre bottles sold under the Woolworths brand. This amount is variable however represents

approximately 8% additional revenue. The balance of our milk is sold to Fonterra at the prevailing farm gate price for other purposes such as butter and cheese. We also receive a quality bonus and high production bonus from Fonterra.

Aringa Park Farm

The Aringa Park Farm settled on 15 January 2020. Staff appointments were made and two highly experienced dairy farmers commenced on 19 January. The farm had been milking approximately 320 cows and in the lead up to settlement it became apparent the farm could readily milk a higher number. We acquired additional cows immediately and intend to increase the size of the milking herd to circa 500 in 2020.

Production

The Aringa Park production profile is similar to Country View with 2/3 of the herd Autumn calving and 1/3 Spring calving. Aringa Park currently calves a little sooner than Country View and the low production point/drying off period for this year will be in February/March. We are currently milking 218 cows. We note that each farm's calving schedule is set to maximise the benefit of spring grass/feed availability. Split calving and year round production is only economic in SW Victoria if there is sufficient irrigation on the farm and it is undertaken to take advantage of the SW Victorian fresh milk contract. With our increased herd size, Aringa Park is forecast to produce 3.3M litres of milk this year and 258,000 kg milk solids.

Milk Sales

We have successfully negotiated to add Aringa Park to our Woolworths fresh milk contract with Fonterra and we will be delivering approximately 60% of the farm's production into this contract under the same terms as Country View.

Development

Although the Aringa Park infrastructure is in sound working order, in Jan - Feb 2021 we intend to modernise the facility replacing the platform and milking plant and extending the holding yard. We will aim to increase the current 40 bale rotary by 10-20% maintaining the existing shed and install automatic drafting to make the farm a more efficient operation. This capital spend will be in the order of \$300,000 - \$400,000. We will also be exploring the potential to increase irrigation on the property, which would allow for a larger herd again. Please see the link below for further details on Aringa Park in the updated Information Memorandum.

Tasmanian Farm

We were very pleased to agree terms for our first Tasmanian farm acquisition just prior to Christmas. We have completed our due diligence and we are currently negotiating contracts for settlement on 1 July 2020. The farm comprises 327ha of land of which 311ha is grazing land with 55ha of irrigation. The farm is in the high rainfall area of North West Tasmania and the property is very well suited to dairy farming. It has a good standard of pasture with excellent soils and good infrastructure. The dairy is a modern 60-unit rotary with automatic cup removers, automatic teat spray and auto-drafting and we will

initially be milking 800 cows. We look forward to providing more details once contracts are agreed.

Market conditions

Fresh milk supply is expected to decline even more significantly across New South Wales and Victoria in the coming months on top of what was already a challenging season. Bushfires caused further issues for dairy farmers in these regions. In addition to the loss of animals, farms were left without power and fuel making it difficult to continue operations, stalling cash flow and impacting profitability.

Global supply on the other hand is expected to be flat to one percent higher year-on-year. Growth in Germany, France and the United Kingdom is supporting production growth from the European Union, and production in New Zealand is expected to decline year-on-year, albeit off a high base. (Rural Bank Dairy January 2020).

In the US, steady decline in farm numbers on the East Coast is being offset by production increases in other parts of the country. The US-China trade deal announced on 15 January 2020 is expected to provide the US with expanded access to China's growing imported dairy and infant formula product market. In terms of the impact on Australian dairy and our farms, we note our primary exposure is to domestic milk prices and given the difficult operating conditions prevailing for the local industry and supply side constraints, we expect the higher milk price environment to be sustained for longer. Australia has gone from a ratio of 50/50 domestic /export to 70/30 in recent times as supply has dropped. We expect this will have risen further with the bushfire disasters. In the more medium term, we will be exploring value add export opportunities however, for the present, our dairy strategy is focused on supplying fresh milk for domestic consumption. The Coronavirus is an unknown factor for many industries but given the greater weighting towards domestic consumption for the Australian dairy industry as a whole, the risk is lower.

Distribution

Despite there being only one month of production between settlement and December half year end, we have declared a distribution to our founding investors of \$0.002 per unit. The distribution does not accurately represent the strong yield from the Country View Farm as it is spread over both the Country View and Aringa Park Farm investments but without income from Aringa Park. During the farm acquisition phase over the next 12 months, distributions are expected to be variable. They will become more consistent after this period.

We are very pleased with our first two acquisitions and progress to date and we will keep you updated as developments unfold.

Warm regards,

Prime Value Agriculture Team

Quek, James, Kirsti and Elizabeth