COLDSTREAM DOWNS DAIRY FARM LIMITED

MINUTES OF ANNUAL GENERAL MEETING
HELD AT MIRIMAR GOLF LINKS, WELLINGTON
ON 9TH NOVEMBER 2018

MEETING OPENED: 1.30 pm

PRESENT:
Cornelius Den Haring & Marie Grandjonc, Jennifer Ann Thompson and David Russell Thompson, John William Dalmer, Maurice Bernard Crozier and Vivienne Elsie Crozier, Murray Bruce Bailey & Joan Gwendoline Bailey, Roger Dickie Holdings Limited, Russell Ballard and Phillipa Anne Ballard, Suzette Marie Holm, The Osborne Family Trust, The Trout Family Trust

ATTENDING: J Whitlock (Director, Accountant), Roger Dickie (Director) D McDermott & G Morris (Roger Dickie NZ Ltd)

APOLOGIES AND PROXIES:
Andrew Patrick Charles Tipping, Brenda Joy Clark and Geoffrey James Clark, Capybara Trust, Daniel Despard Twigg, David Stewart Goult, Gweneth Major (Deceased), Heinz-Dietmar Seitz, James Cunningham Harper III, Michael George Colley and Susan Colley, Michael Kingdon Turnbull, Neil Cedric Pilbrow and Pauline Maude Pilbrow, Next Ten Limited, Peter James Conroy, Reekie Investments Limited, Robert Edmund Birch & Ruth Moria Birch, Roc-amadour Forestry Limited, Sapp Trust, Scotlink Limited, Selwyn & Pip Stafford Family Trust, Stephenson Family Trust , Surrey Charles Innes Kent, Susan Clare Wood, The CGW Family Trust, The D & B Family Trust, The Nick Miller Family Trust, The Nixon Family Trust, The RK & HI Leonard Family Trust, The Wincanton Family Trust, W Uebelhoer as Authorised agent for Emily Kristin Uebelhoer, West Forestry Limited

It was MOVED by Cornelius den Haring and SECONDED by David Thompson THAT apologies and proxies be accepted.

CARRIED

MINUTES OF THE PREVIOUS MEETING:
Correction from last year's minutes

In last years minutes M Baileys name was incorrectly put in place of R Dickie as director. This was acknowledged by M Bailey at this years meeting.

It was MOVED by Cornelius den Haring and SECONDED by Murray Bailey THAT the corrected minutes of the previous meeting be accepted.

CARRIED

ANNUAL REPORT:

Roger Dickie explained change in sharemilker reasons being the financial difficulty the sharemilker had brought onto the farm unknown to anyone at the time he was employed after the departure of Jason Checketts.

It was MOVED by Roger Dickie and SECONDED by Russell Ballard THAT the Annual Report be accepted. CARRIED

AUDITED FINANCIAL ACCOUNTS:

It was MOVED by Jeff Whitlock and SECONDED by Murray Bailey THAT the Audited Financial Accounts be accepted.

CARRIED

APPOINTMENT OF AUDITOR:
Appointment of Auditor. That Silks Audit Chartered Accountants Ltd of Whanganui be appointed.

It was MOVED by Roger Dickie and SECONDED by Jeff Whitlock THAT the appointment of auditor be accepted.

CARRIED

APPOINTMENT OF DIRECTOR:
Appointment of Director. Jeff Whitlock retires as Director and is available for re-election. That Jeff Whitlock be re-appointed Director.

It was MOVED by Michael Van Boheemen and SECONDED by Maurice Crozier THAT the appointment of director be accepted.

CARRIED

GENERAL BUSINESS: The options for the future of the farm were put forward to the meeting 1. Do Nothing 2. Sell Property 3. Buy Back Shares
It was discussed that shares were available for sale on the secondary market for $1.90.

A discussion document was circulated to all shareholders attending today's meeting from shareholder Nic Davies regarding potential sale of Coldstream Downs. Copy attached.

Following a brief discussion of the above options Roger Dickie went around the room and a general discussion followed:

Russell Ballard proposed looking at sale of the property in 2 years

Roger Dickie explained to the meeting what the previous group had decided regarding the buyback of shares and the previous meetings resolution was read to this meeting who also decided to adopt the same resolution.

A Resolution was passed from this meeting then as follows:
The Directors seek expert advice as to the process that needs to be undertaken to buy back shares in the company for those that wish to exit.

It was MOVED by Michael Van Boheemen and SECONDED by Geoff Tomkins

Dividend The dividend of $135,000 will be paid in December

Shareholders visit to farm March, 2019 date to be decided.

MEETING CLOSED: 2.20 pm

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Chairman
Coldstream Downs Dairy Farm Limited 2018

Comments for discussion on the Potential Sale of Coldstream Downs
From Nic Davies

1) Background and Intentions for the investment in Coldstream Downs (CD)

I initially invested in Coldstream Downs, understanding that the intention of the Board would be to consider the overall sale of CD and offer investors an exit at some time in the future. This intention was covered by such comments included in the initial flyer & Prospectus such as:

"Term of investment
The current intention of the board is to review its investment in the Farm after a period of eight years".

My intention was never to invest purely for a dividend stream and I therefore consider that **the question is not if but when** this opportunity is provided to the investors. From the reaction at last year's AGM, I suggest that a large number of investors concur.

2) Valuation of CD share price

From recent previous year's Roger Dickie reports the share price for CD has been advised as:
(I have also added for interest the Fonterra pay-out price)

Year	Share price	Fonterra pay-out price
Current	$ 2.47	$ 6.70 / kgMS
2017	$ 2.55	$ 6.12 / kgMS
2016	$ 2.44	$ 3.90 / kgMS
2015	$ 2.62	$ 4.40 / kgMS

Over the last 4 year's the share price valuation has varied between $2.45 & 2.62 per share. The recent Fonterra pay-out price has varied from $ 8.40 (2014) down to $ 3.90 / kgMS.

What is of interest is how little the Fonterra price seems to affect the farm share price. For example, the current share price, although at the low end of the noted share price, is at the highest Fonterra pay-out!

What I also suggest is clear is that the current share price advised is at the lower end of recent values, and I also suggest that this has lot to do with current issues, some of which I raise below.

3) Events and issues affecting the current valuation

The current valuation is an opinion (from an expert) at the time. It is my opinion that such valuations when requested are always presented in a conservative manner, the reason being that if values are later proven to be low no one minds but if it is the reverse, they have some explaining to do.

It is also based upon last year's milk production, which was 34,959 kgMS (12.34%) less than the previous year. This in effect was due to the poor performance of the previous share milker, which Roger Dickie notes as being very disappointing.

It is also based on market sales, for which the report notes there have not been many. This is not surprising since the Mycoplasma bovis outbreak will have substantially curtailed farm sales.

The current valuation is also based upon a share value for the Fonterra shares, which are not far off a 3 year low. Hopefully with the poor Chinese (Beingmate) investment and (Danone) botulism scare legal issue resolved and with a new management board in place, there is some hope on the horizon for an increase in the share price

For all of the above reasons I consider that the current valuation presented to be at the very bottom end of any valuation range for CD.

I also suggest that to ascertain what is the true market value for the farm, **<u>this can only be determined if the farm is put on the market for sale</u>**.

4) <u>Future considerations (i.e. when)</u>

CD's current target milk production is 310,000 litres. The new share milker seems on board and hopefully production will meet the budget. This should resolve the poor farm result from last year and better present the farm for sale.

Farm sales were minimal last year but hopefully MPI's eradication programme of M bovis will signal some success on this front and by the end of the season, some normalisation in farm sales will be noted.

On the horizon is the Governments investigation and report on tax and the potential for the introduction of a Capital Gains tax seems likely to be on the horizon at the next elections (2020).

My suggestion is that we should therefore monitor the above events and **<u>probably put CD farm up for sale at the end of this season</u>**. I note this would work with the 1 year share milker contract currently in place.

5) <u>Other comments</u>

If a number of current investors wish to remain, an option maybe for Roger Dickie Ltd. to ascertain the number of these investors and following CD having sourced market prices, for a fair market price to be determined and then an internal transfer of funds through Roger Dickie occurs. The key to this would be ensuring that a fair market price was established. An agreed process on how this could be obtained would need to be put to all investors.

The advantage to this is that all investors (including those wanting to remain) would secure their capital profit, before the introduction of any capital gains tax.

6) <u>Input from all investors</u>

Unfortunately, I am not able to be at the AGM and have therefore put this together in some haste. I trust that it aids discussion.

Whatever is decided at the meeting, I urge that direct communication be made to all of the investors, so that hopefully some consensus on the future direction can be made.

N.J. Davies
6 November 2018