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**TASMAN FARMS LIMITED****Company Announcement**

The Board of Tasman Farms Limited (**Company**) has decided to raise approximately A\$10 million in new capital through:

- a convertible debt facility provided by New Plymouth District Council (**Convertible Debt Facility**); and
- a pro rata non-renounceable rights issue of ordinary shares to existing shareholders (**Rights Issue**).

*Convertible Debt Facility*

The Company today entered into an agreement with New Plymouth District Council (**NPDC**), under which NPDC has agreed to subscribe for, and the Company has agreed to issue, convertible notes (**Notes**) in the principal amount of the New Zealand dollar equivalent of A\$5 million. NPDC will also subscribe for further Notes if the Rights Issue does not successfully raise the New Zealand dollar equivalent of A\$5 million by 30 June 2010, in the principal amount of the New Zealand dollar equivalent of A\$5 million less the amount raised under the Rights Issue. The Company is not expecting to issue more than the New Zealand dollar equivalent of A\$5 million of Notes as the Rights Issue is fully underwritten by NPDC (albeit on normal terms which entitle NPDC to terminate its commitments in certain circumstances). Interest is payable on the Notes at a rate of 12% per annum. The principal amount of the Notes together with accrued interest will be repayable on the second anniversary of the date on which they are issued. NPDC will be able to elect to convert, at any time up to the repayment date, some or all of the Notes into ordinary shares in the capital of the Company at a price equivalent to the Rights Issue price (a ratio of one and one third ordinary shares for every \$1 of the principal amount plus accrued interest on the notes to be converted).

The Company requires the proceeds of the Convertible Debt Facility pending the completion of the Rights Issue for working capital purposes and to assist with its capital development programme, further funding for which is being sought under the Rights Issue.

*Rights Issue*

The Company intends to raise approximately \$6.5 million in new equity capital by way of the Rights Issue. Under the Rights Issue, the Company intends to offer each New Zealand and Australian resident shareholder the right to subscribe for 1 new share in the Company for every 8 existing shares held at an issue price of \$0.75. In addition, any entitlements

under the Rights Issue that would result in a shareholder holding less than 1,000 shares will be rounded up to an amount necessary to enable the share holder to hold 1,000 shares.

The Rights Issue is fully underwritten by NPDC which ensures that the Company raises at least \$6.5 million. Furthermore, because the Rights Issue is in New Zealand dollars, if the Australian-dollar equivalent of the proceeds of the Rights Issue are less than A\$5 million on the date on which the new shares are allotted, NPDC has committed to subscribe for such number of further shares as is necessary to ensure that the Company has raised a minimum of A\$5 million.

No money is currently being sought and no applications for securities will be accepted or money received with respect to the Rights Issue. Those shareholders who are eligible and wish to acquire shares under the Rights Issue will need to complete the application form which will be in or accompany the offer documentation which will be distributed by the Company in connection with the Rights Issue (which will include an investment statement for New Zealand shareholders).

#### *De-listing and increase in Minimum Holding*

In view of the high ongoing cost of maintaining its listing on the Unlisted Platform and servicing small shareholders, and as a condition of NPDC providing the Convertible Debt Facility and agreeing to underwrite the Rights Issue, the Company has committed to de-list from the Unlisted Platform on or before 14 September 2010 and to convene a special meeting of shareholders to be held on or before 14 September 2010 at which a resolution will be proposed to increase the minimum holding of shares in the Company to 1,000 shares. If this resolution is approved, the Company intends to enforce the new minimum holding by buying back, or requiring the transfer of, holdings less than the new minimum holding.

#### *Use of proceeds*

The proceeds of the Convertible Debt Facility and the Rights Issue will be used by the Group to provide additional cashflow and to assist with the Group's capital development programme, which will be primarily focused on improving the existing farming operations. The Board expects the capital development programme to comprise, principally, of:

- building wallaby fencing;
- application of capital fertiliser to bring the fertility of the Group's farm land up to optimum levels;
- implementing a capital programme of pasture renewal to complement and enhance the normal farm operational maintenance programme; and
- designing and installing water reticulation systems where this is impacting on milk quality;
- in-shed technology such as scanners and automatic drafting machines; and
- deferred building maintenance across all farming operations.

The Board is confident that the completion of the proposed capital development projects will leave the Company better prepared to deliver improved profitability and growth.

For further information please contact:

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