



# Australian Dairy Nutritionals Group

31 January 2019

ASX Code: AHF

## Commentary on Appendix 4C

Australian Dairy Nutritionals Group (AHF) directors provide the following commentary on the Appendix 4C released to ASX on 31 January 2019.

### Sales and Production

The December 2018 quarter showed the first early sales of new contract manufacturing production which is expected to increase materially throughout the March and June 2019 quarters as supermarket sales volumes increase.

December and January are generally the lower production months, reflecting changed consumer buying patterns primarily as a result of Christmas and the school holidays nationally.

### Strategy Implementation

The Directors and expanded management team have commenced the 2019 calendar year with determination and energy to fully implement the Group's published strategy (ASX Release: 26 March 2018) to move the Group from a producer and processor of commodity white milk to a leading producer and manufacturer of high value organic dairy products including organic infant formula.

This is planned to be achieved through a combination of joint ventures with product and facility partners with similar and complementary goals including one or more partners whose main contribution is capital.

The first month of January 2019 has already seen considerable activity with such potential interested partners. Naturally, this activity is conducted in strict confidentiality between parties until successful negotiations are concluded.

The Board intends to release a Strategy Implementation update within the next few weeks for the benefit of securityholders.

### Flahey's Nutritionals Acquisition

The acquisition of Flahey's Nutritionals Pty Ltd was completed in December 2018 and that company became a wholly-owned subsidiary. The purchase was made with a combination of cash and an issue of new securities. As announced to ASX on 22 January 2019, the trademark for the Future formula products was registered in China.

### Appointment of Sales and Marketing Director – Chris Flahey

As part of the acquisition Chris Flahey took up his position as Sales and Marketing Director for the Group, assuming direct responsibility for managing and developing the sales and product expansion for the Group, particularly with major retail groups. Chris's appointment to this new position provides the Group with a full time sales and marketing executive with excellent sales experience and development knowledge in dairy products across the brand range, with particular expertise in the development and marketing of organic products and infant formula both domestically and internationally.

### Appointment of General Counsel and Company Secretary - Kate Palethorpe

During the December 2018 Quarter Kate Palethorpe was appointed to this new position to manage the significant and growing contracting and general legal matters associated with customers and suppliers. Kate is a qualified solicitor with solid experience at senior levels in national law firms and in the corporate sector including a strong background the fast moving consumer goods industry and prior experience in the operations of the Camperdown Dairy Company.

The Executive structure is now moving from an entity with very limited senior management resources, to one where the structure more closely matches the strategy, allowing the Executive and CEO to allocate more time and attention to the implementation of the Group's published strategy.

### **Yaringa Farm Acquisition**

The high capacity organic in-conversion Yaringa farm at Nirranda South was completed during the December 2018 quarter and delivers a farm that is on target to produce fully certified milk by Spring 2019.

### **Glenfyne Farm Contract**

The Glenfyne Farm, which is a non-milking farm producing hay and silage for other Group farms was listed for sale during the December 2018 quarter. The sales process is continuing with several interested parties in different stages of negotiation to acquire the farm.

### **Stapled Security Purchase Plan**

The Group undertook a capital raising by way of a Stapled Security Purchase Plan in the December 2018 quarter, which raised new capital of \$2,629,500.

## **AUSTRALIAN DAIRY NUTRITIONALS GROUP**

Ends.

## Further Details

For additional company information or media enquiries, please contact:

### **Australian Dairy Nutritionals Limited**

Phone: +61 7 3020 3060

Email: [shareholders@adfl.com.au](mailto:shareholders@adfl.com.au)

## Communications Policy

AHF makes ASX market releases at times directors believe it would be helpful or necessary for investors and as required by the Listing Rules. For further information regarding our shareholder communications policy, please refer to AHF's website: [www.adfl.com.au](http://www.adfl.com.au).

## About Australian Dairy Nutritionals Group

**Australian Dairy Nutritionals Group (AHF)** (previously named Australian Dairy Farms Group) is a vertically integrated Australian dairy group which owns high quality dairy farms and a processing facility (Camperdown Dairy Company) located in South Western Victoria, the 'Golden Triangle' of Australia's dairy industry. The Group is a trusted source of premium quality branded dairy products using milk sourced fresh from its farms.

## About Flahey's Nutritionals

**Flahey's Nutritionals** is the first manufacturer to supply certified organic products in the children's nutritional market in Australia. Flahey's Nutritionals has under development a range of infant formula, toddler milks and adult nutritional products that will continue the "First to market" product development program. Flahey's Nutritionals product is ranged in premium retailers across Australia, including Chemist Warehouse, Blooms the Chemist and Cincotta Discount Chemist.

## Disclaimer – Forward Looking Statements

This announcement may include "forward looking statements" within the meaning of securities laws of applicable jurisdictions. These forward-looking statements are not historical facts but are based on AHF's current expectation, estimates and projections about the industry, in which it operates, and beliefs and assumptions. Forward looking statements may include indications of, and guidance on, future earnings or distributions and financial position and performance and involve known and unknown risks. Uncertainties and other factors, many of which are beyond the control of AHF, and its officers, employees, agents, or associates, that may cause actual results to differ materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and AHF assumes no obligation to update such information.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Australian Dairy Nutritionals Group, Comprising:  
Australian Dairy Nutritionals Limited - ABN: 36 057 046 607; and  
Australian Dairy Farms Trust – ARSN: 600 601 689

**ABN**

See Above

**Quarter ended (“current quarter”)**

31 December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,742	10,986
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,441)	(8,411)
(c) advertising and marketing	(7)	(11)
(d) leased assets	(4)	(8)
(e) staff costs	(1,267)	(2,206)
(f) administration and corporate costs	(379)	(680)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid	(191)	(301)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(545)</b>	<b>(627)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5,030)	(5,594)
(b) businesses (see item 10)	(400)	(400)

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	(49)
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(5,430)</b>	<b>(6,043)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	2,633	2,633
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	4,862	5,015
3.6 Repayment of borrowings	(168)	(256)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>7,327</b>	<b>7,392</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,702	2,332
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(545)	(627)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5,430)	(6,043)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	7,327	7,392

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>3,054</b>	<b>3,054</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	3,054	1,702
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,054</b>	<b>1,702</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	141
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director fees and executive director salary.

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	36
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Payment to Jimmy Crow Limited for administrative services and related activities.

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	14,550	14,550
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Commonwealth Bank of Australia Limited – Secured Facility  
Variable Interest Rate: 4.50%

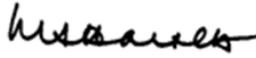
9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(4,427)
9.3 Advertising and marketing	(10)
9.4 Leased assets	(4)
9.5 Staff costs	(1,435)
9.6 Administration and corporate costs	(425)
9.7 Other (provide details if material)	(172)
<b>9.8 Total estimated cash outflows</b>	<b>(6,473)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	Flahey's Nutritionals Pty Ltd	
10.2 Place of incorporation or registration	Sydney, NSW	
10.3 Consideration for acquisition or disposal	\$400,000 Cash + 625,000 AHF Stapled Securities + 6,250,000 Consideration Securities	
10.4 Total net assets	\$150,000	
10.5 Nature of business	Nutritional Product Development and Sales	

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Director)

Date: 31 January 2019

Print name: Michael Hackett

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.