

Clarification of Unrelated Camperdown Property Listing for Sale at 325 Manifold St Camperdown

- **Offer for Sale not associated with Australian Dairy Nutritionals Group**

This announcement is provided for the information of investors in Australian Dairy Nutritionals Group (ASX Code AHF) to clarify a real estate listing by property agent CBRE Melbourne of a development site at 325 Manifold Street, Camperdown for a proposed dairy factory is not associated with ADNG or its wholly owned subsidiary Camperdown Dairy Company.

Camperdown Dairy occupies a leasehold factory tenancy on the site under a registered lease in place until April 2020 which includes a Camperdown Dairy option to extend the lease for a further period of five years (to 2025). The sale of the freehold land does not change Camperdown Dairy's rights under the lease of the existing factory premises.

In addition, Camperdown Dairy owns and maintains all operating plant and equipment within the leased factory premises, which plant and equipment is fully capable of relocation during the available remaining lease.

Update on Camperdown Dairy Park

In December 2016, after receiving specialist advice and engaging closely with the local authority, Corangamite Shire, and Victorian Government, the Group acquired the 10 acre industrial zoned land at the corner of Depot Rd and Old Geelong Road Camperdown (Camperdown Dairy Park) as a "fit for purpose "greenfields site" to accommodate its planned expansion.

Planning for the development of the Camperdown Dairy Park including relocation and expansion of the Group's processing operations is well advanced and further information will be provided to shareholders in due course. A copy of the original announcement in relation to the purchase of Camperdown Dairy Park is attached for shareholders' reference.

AUSTRALIAN DAIRY NUTRITIONALS GROUP

Ends.

Further Details

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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.

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.



AHF SECURES CAMPERDOWN INDUSTRIAL ZONED LAND

- **Preparation for prospective expansion with JV partners**
- **Securing future for the existing Camperdown factory**

AHF subsidiary, Dairy Fund Management Limited as trustees for the Camperdown Dairy Park Trust has conditionally contracted to acquire 4.2 hectares (10 acres) of industrial zoned Camperdown land from a local businessperson.

The purchase price is \$260,000, which includes \$20,000 to be paid via fully paid securities in AHF Stapled Securities. The contract is conditional on AHF confirming that it is suitable for the type and scale of potential development, statutory planning and is appropriately serviced for the intended uses.

Over the last 6 months, three site locations have been investigated at a high level to identify how suitable each would be to accommodate current and future potential opportunities. The suitability of each site was assessed predominantly on the following criteria:

- Physical characteristics of the site;
- Planning controls effecting the site;
- Location and accessibility;
- Infrastructure availability;
- Environmental aspects; and
- Buffer distances to nearby non-industrial uses.

The Directors decided to purchase the site on Old Geelong Road, Camperdown to achieve a number of goals including:

- Securing freehold land with room for potential relocation and future expansion of the existing CDC processing factory which is currently in leased premises;
- Providing security of tenure for several developing opportunities which are expected to arise from multiple joint venture discussions in progress with established businesses.

The existing CDC factory at 325 Manifold Road, Camperdown was built in 2010 as a “new building within an old building” using modern processing plant and equipment acquired from a new factory in New Zealand that did not proceed. The plant installation in 2010 was specifically designed and constructed to facilitate and minimise costs of relocation if it ever became necessary. While no current decision has been made to relocate the existing processing plant and the existing lease has a further five year option beyond 2020, a “greenfields” site such as the contracted industrial land would make a factory relocation, a financially viable option if required. The Directors and Management are also reviewing medium term volume expectations and the capacities for each of the product ranges currently produced in the existing facility (milks, yoghurts and butter).

The primary reason for this acquisition is that the board is in advanced discussions with multiple potential joint venture partners in respect of different but compatible dairy processing opportunities where the depth of operational experience and flexible capability of CDC is a valuable input.

Each of the ventures under discussion require CDC to provide the operational and technical expertise and construction management oversight with the prospective partners providing a level of funding along with longer term take-off agreements. Each venture will require the installation and operation of new plant, equipment and processes that CDC does not currently have, although would greatly benefit from having access to, for greater product diversification.

The advantage to AHF is that it can leverage these capabilities to increase production capabilities and efficiencies in a wider range of value added products, while significantly minimizing the development and sales risks including the Group's financial capital requirements but allow significant upside profit potential with a low level downside exposure.

The land has been selected after considerable investigation of suitable sites with valuable assistance and input from the local Corangamite Shire. Generally, when undertaking significant "greenfields" developments, particularly in rural areas which have the potential to create and maintain employment, companies can obtain financial assistance or contributions from the State and Federal Governments for aspects of the development. The Board will be reviewing the government support opportunities available.

Additionally, the South West Region of Victoria has numerous large scale dairy processing facilities which employ a wide range of skilled but specialised employees, many of whom already have the skills and experience to ensure a strong and capable workforce for the expanded operations.

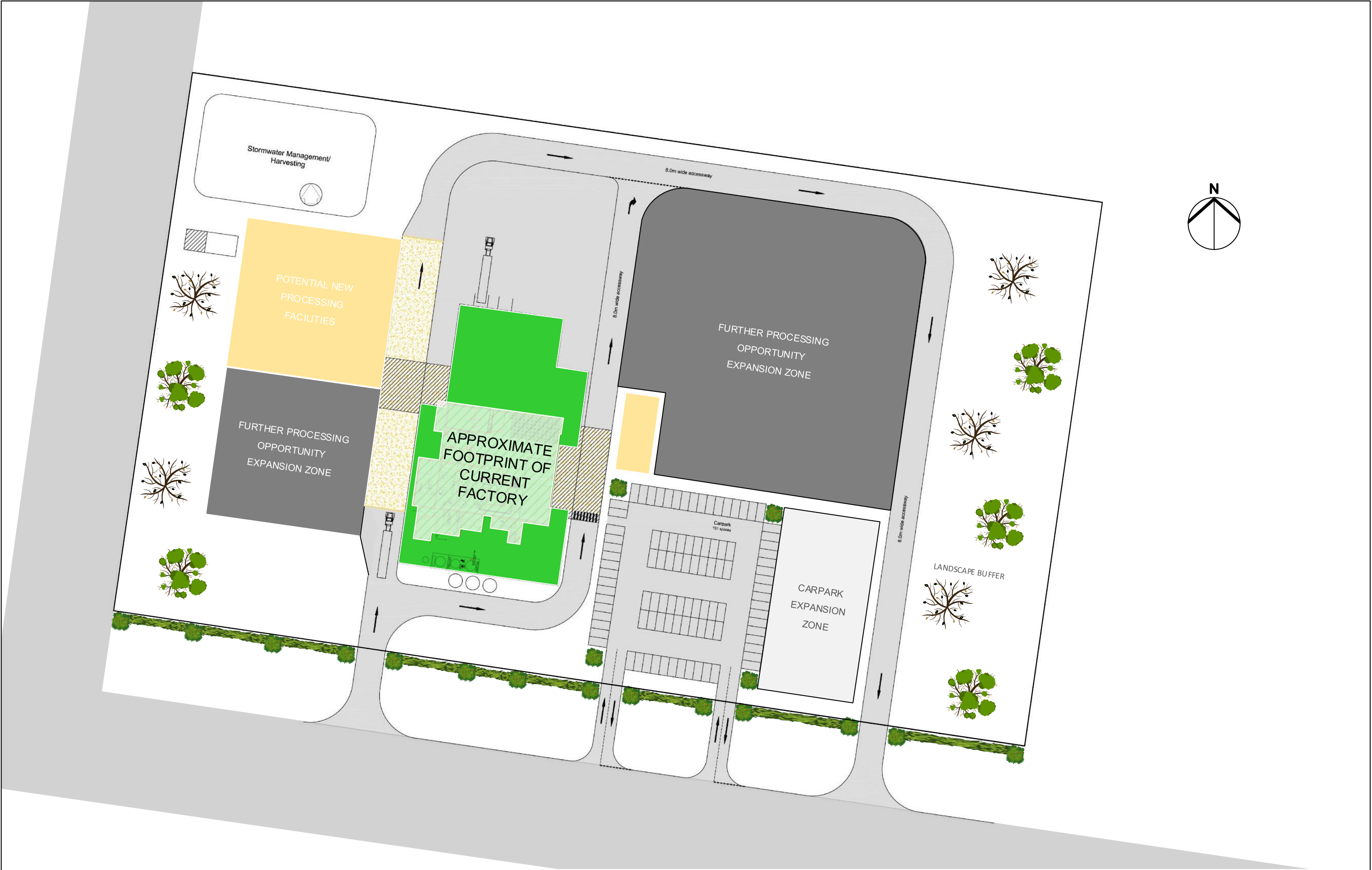
The attached diagram shows just over 10 acres of land with an area identified as the current footprint of the existing Camperdown factory. Also identified are:

- The yellow section next to the carpark provides for the export fresh milk factory, which was announced on 7 November 2016.
- The yellow section labelled potential new processing facility relates a developing feasibility study on spray dryer opportunities with a current focus on speciality powders including organic skim milk powder, organic whole milk powder, organic infant formula base and other products.

This acquisition is a modest one in terms of price, being less than the cost of an average metropolitan area house block although it provides tangible evidence to our prospective partners that the Board is serious in its intentions to provide solutions for their particular requirements.

Australian Dairy Farms Group

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ISSUE	DESCRIPTION	DATE	LEGEND		DESIGNED:	SCALE:	PROJECT:	CCVIL REF. No.:	SHEET:	REV
A	FOR DISCUSSION		<div></div> Sealed road pavement	<div></div> Existing factory when relocated	CHECKED:	SHEET SIZE:	CAMPERDOWN Dairy	CAMPERDOWN DAIRY EXPANSION OPPORTUNITIES DISCUSSION PLAN	1	C
B	AMENDMENTS TO LAYOUT		<div></div> Concrete road pavement	<div></div> Potential new processing facilities	DATE:					
C	AMENDMENTS ARISING FROM MEETING		<div></div> Pedestrian Crossing	<div></div> Future opportunity expansion zones						
			<div></div> Canopy over				CLIENT:			