



Australian Dairy Nutritionals Group

4 April 2019
ASX Code: AHF

- **Australian Dairy Nutritionals announces purchase of infant formula plant**
- **Plant includes nutritionals mixing equipment, evaporator and dryer**
- **Staged investment lowers capital cost and accelerates market entry**
- **In house production of company branded infant formula and other specialty powders expected to commence mid 2020**
- **Purchase also includes a stand-alone cheese making plant**

Acquisition of infant formula facility for relocation to Camperdown

The Board of Australian Dairy Nutritionals Group (the **Group** or **AHF**) is pleased to announce that it has executed an agreement to purchase an existing, offshore infant formula plant comprising dryer together with compatible evaporator and nutritionals blending equipment. The Plant has the initial capacity to produce approximately 400,000 – 600,000 tins of infant formula and other products per annum. This will enable the Group to produce its own company branded range of organic infant formula manufactured using organic milk sourced from its own farms.

The Plant can also be utilised to produce skim and whole milk powders including from niche milks such as sheep, goat and camel, which are in high demand and command high prices. The Cheese plant will be utilised to produce other specialty organic dairy ingredients including organic whey.

The vendor is a producer and exporter of infant formula into the Chinese market that installed the nutritionals mixing plant in 2015 but has since outgrown the production capacity. The Plant will require dismantling, relocation to Camperdown and re-assembly in a special purpose building to be erected on the Group's Camperdown Dairy Park site. The total estimated investment is approximately AU\$5 million which represents substantial savings on equivalent new plant costs and significantly reduced timelines. The Group expects the Plant to arrive in Camperdown, Victoria in September this year.

The purchase agreement is conditional upon AHF being satisfied with the results of its formal due diligence investigations into the Plant expected to be completed by end of April.

Staging capital investment to reduce risk and manage cash flow

The Board sees the purchase of this Plant as a way to accelerate its entry into the organic infant formula market in a sensibly staged manner without the initial, much higher cost of a large dryer having significantly more capacity. The Directors are encouraged by the outcomes of a review of the investment and strategy by an independent industry expert. The Board believes staged investment in infant formula production capacity is a more measured approach, with the purchase of the Plant providing a solid foundation for the future expansion on the Camperdown Dairy Park site. As sales grow and further investments are made, it is anticipated that the Plant will continue to be utilised for specialty milk powders and infant formula production.

Progressively and consistently implementing our strategy

The purchase of the Plant represents another significant milestone in the implementation of the Group's strategy to shift away from production of conventional white milk to concentrate on production of value-added Own Brand products and contract packing of premium brands owned by others.

AUSTRALIAN DAIRY NUTRITIONALS GROUP

Ends.

Further Details

For additional company information or media enquiry matters please contact:

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Communications Policy

As a policy, because of the heavy demands on limited management resources and to ensure compliance with continuous disclosure requirements, AHF does not respond to individual security holder communications regarding the management of the business, the company or with respect of any opinion or analysis that is not contained in market releases and released financial reports. 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) was Australia's first ASX listed dairy farmer. Its initial focus was on aggregating high quality dairy farms in Victoria, initially in the South Western region of Victoria with particular emphasis on the famous Dairy Golden Triangle region between Warrnambool and Colac south of the Princes Highway.

In April 2016 the Group completed the acquisition of its processing facility Camperdown Dairy Company Pty Ltd. The Group is now a vertically integrated milk producer, processor and product distributor in Australia and for export. Refer to the Group's Strategy Overview released to market on 11 July 2017 for additional information about AHF's immediate and longer term strategic planning.

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