



AHF'S ORGANIC INFANT FORMULA STORY

Vertical Integration from the Farm to the Tin

As the 2019 Calendar year draws to a close, the AHF board reflects that it has been a year of significant consolidation and change as the Group prepares for its future as the first fully vertically integrated producer of 100% Australian Organic Infant Formula.

The Group's strategy is to convert organic milk produced on the Group's own farms into organic infant formula at own purpose built infant formula plant to be constructed on land it owns at Camperdown Dairy Park in South West Victoria, Australia.

The Organic Farms Conversion Component

AHF owns and operates six high quality dairy farms with five located in the "Golden Triangle" of Australia's dairy industry in South West Victoria, which together produce over 15 million litres of organic and "in-conversion" organic fresh milk annually.

On 22 November 2019, the Group's 'Yaringa' farm, located at Nirranda South, successfully obtained 100% organic certification becoming the Group's first fully certified Organic farm. AHF's remaining farms are on track to achieve full organic certification through 2021.

Processing Capability and Strategy

AHF's existing fresh dairy processing factory, Camperdown Dairy Company (CDC) is located in Camperdown and produces organic and non-organic dairy products across fresh milk, specialised yoghurt and premium butter categories.

Stage 1: Infant Formula Plant

AHF will execute its infant formula strategy in two stages. Stage 1 includes construction of a purpose-built building on the Camperdown Dairy Park site to house the introductory infant formula plant it purchased earlier this year and is located in Camperdown.

The Stage 1 plant consists of a drier together with compatible evaporator and nutritionals blending equipment that has capacity to produce approximately 400,000 – 600,000 tins of infant formula per annum. AHF plans to produce its own branded range of organic infant formula using organic milk sourced from its farms as well as organic cream and butter. Construction of the Stage 1 Infant Formula Plant building component and recommissioning of the Stage 1 Infant Formula Plant Equipment is expected to cost approximately \$5-6 million with production of milk powders expected to commence in the second half of 2020 with organic infant formula to follow shortly thereafter.



The AHF Board views the Stage 1 Infant Formula Plant as an important “safe first step” and relatively low capital cost way to enter the organic infant formula market.

This staged process will enable the Group to assess domestic and international demand for Australian manufactured organic infant formula and tailor its distribution strategy of both bulk organic milk powder and branded infant formula to maximise revenues for the Group.



Stage 2: Infant Formula Plant

Stage 2 of the Infant Formula Strategy includes purchase and construction of a larger drier and infant formula tinning plant, together having capacity to produce over 10 million tins of infant formula per annum. The Camperdown Dairy Park building has been designed to allow for expansion to accommodate the larger drier and tinning line. A specific time frame has not yet been set for Stage 2.

The Board sees the two-stage Infant Formula Strategy as a commercially sensible way to enter the Organic Infant Formula market with the Stage 1 Infant Formula Plant providing a solid foundation and early revenues for the future expansion of the Camperdown Dairy Park site as sales and distribution grow

Being Prepared – Trademarks

In conjunction with the building project, AHF has trademarked Pure Organic and Tummy Health Infant Formula brands in both Australia and China and the internal development of new ranges of infant formula is well progressed.



AHF Board and Management

AHF has a strong board, comprised of five directors who together have a strong combination of strategic, operational and commercial acumen with a genuine commitment to develop the business of the Group.

The Board recently appointed a new Melbourne based Director and Deputy Chairman, Martin Bryant, who has significant strategic and operational experience particularly in Asia, which will drive strategy and growth.

Further Details

For additional company information or media enquiries, please contact:

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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.

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