

Market Update and Appendix 4C Quarterly Cash Flow

Australian Dairy Nutritionals Group Limited (**AHF** or the **Group**) advises that this activity report relates to the Appendix 4C for the quarter ended 31 March 2021 (**Quarter**) released to the market on 30 April 2021.

- **Fit out of Infant Formula Plant Building is complete and installation works have now commenced on site**
- **Acquisition of the Blend & Canning line completed and on-site in Camperdown**
- **Launch of the Future Infant Formula range on track for Q2 CY2021**
- **Following completion of the Infant Formula Plant, Ecklin South Organic A2 Infant Formula expected to commence production in Q4 CY2021**
- **Seasonal conditions on the Group farms looking promising with good early rainfall through April**

Construction and Fit Out of the Infant Formula Plant Building

Construction of the infant formula building is now complete, with only a section of the roof to be installed once the equipment installation is finished. Base fit out of the building has also been completed and the team are now focussing on layout and installation works for the plant equipment.

Commissioning works are on track to commence in Q3 2021. The infant formula plant is expected to be operational by the end of Q3 2021, commencing with milk powders and followed by infant formula in the final quarter of calendar year 2021.



Image: Exterior of the Infant Formula Building



Image: Equipment being installed at the Infant Formula Plant

Acquisition of High Speed Blend & Canning Line Completed

Acquisition of the high speed blend and canning line was completed on 10 March 2021. The line has been transported to Camperdown and is being stored in shipping containers at the site of the new Infant Formula building pending stage 2 of the Group's infant formula strategy.

Future Infant Formula production and launch

First production of the Group's 3-stage Future Infant Formula range is now scheduled this quarter with domestic launch in this quarter. Management is heavily focussed on securing physical and online retail distribution opportunities in both domestic and international markets.

Distribution will be supported by a comprehensive omni-channel marketing and promotional campaign to drive range awareness and education of the new range.

The Group also welcomes the appointment of Mr Jason Dong as a director of the Group (announced 16 April 2021) to provide valuable knowledge and assistance in establishing distribution networks for the Group's products in the Chinese market.

Excellent seasonal conditions for all of the Group's farms

The Group's farms have all received good rainfall in April indicating a promising start to the Autumn season in South West Victoria. The Yaringa farm is on track for conversion to a full A2 Organic herd by the end of June, transitioning this farm to organic A2 milk production to support production of the Ecklin South Organic A2 milk powder and infant formula launch in 1HFY22.

Quarterly Activity Report (QAR) – Additional Information for the quarter ended 31 March 2021 (Quarter)

(a) Details of the Company's Business Activities for the Quarter

The Group's business activities during the Quarter focussed on dairy farming and dairy manufacturing. Construction of the Group's infant formula plant building continued through the Quarter as noted above. The Group also acquired the high speed blend and canning line in March 2021, with the final instalment payment of \$US100,000 paid to the vendors at this time (see item 2.1 of the Quarterly Cash Flow).

The Group also completed the sale of the Drumborg farm on 11 February 2021. \$6.15 million of the proceeds of the sale were used to reduce the Group's finance facility with the Commonwealth Bank of Australia (see item 3.6 of the Quarterly Cash Flow).

The Group announced a placement to sophisticated and institutional investors to raise \$6.5 million (**Placement**) on 15 December 2020. Tranche 2 of the Placement completed during the Quarter on 25 February 2021 raising a further \$3.18 million (before costs). The Group also completed a Security Purchase Plan to its existing securityholders and an equivalent placement to its Directors raising an additional \$1.165 million (before costs). The proceeds of these capital raisings are reflected in item 3.1 of the Quarterly Cash Flow.

The Expenditure reported in the Quarter relates primarily to:

- dairy farm operating costs including feed and employment costs;
- dairy manufacturing costs including raw materials, packaging, employment and waste disposal/effluent costs;
- payments to Spence Construction and other contractors in respect of construction and fit out works for the new infant formula facility; and
- corporate costs in relation to the capital raisings noted above including lead manager fees, ASX fees, registry fees and legal fees.

(b) Payments to an associate of, a related party of the Company (section 6 of Appendix 4C)

Section 6 of the Appendix 4C includes details of the following fees paid to associates or related parties of the Group:

- \$174,000 in fees and salaries paid to the Directors of the Group;
- \$3,000 paid to Australian Adventure Tourism Pty Ltd (**AAT**) for administrative services provided comprising book keeping and accountancy fees (charged at cost). The Group's non-executive director Michael Hackett is a shareholder of AAT, although Mr Hackett resigned from the Board on 23 March 2021.

The release of this announcement was authorised by the Board of AHF.

Ends

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.adnl.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.*

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. Readers are cautioned not to place undue reliance on forward looking statements.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,825	17,714
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,252)	(13,297)
(c) advertising and marketing	(13)	(129)
(d) leased assets	-	(4)
(e) staff costs	(1,010)	(3,017)
(f) administration and corporate costs	(597)	(1,832)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	11
1.5 Interest and other costs of finance paid	(96)	(347)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	334
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	862	(567)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	4,413	1,862
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets	(14)	(59)
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	-	-
2.6 Net cash from / (used in) investing activities	4,399	1,803

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	4,321	7,637
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(196)	(417)
3.5 Proceeds from borrowings	6	377
3.6 Repayment of borrowings	(6,187)	(6,363)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other – lease liabilities	(127)	(269)
3.10 Net cash from / (used in) financing activities	(2,183)	965

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,485	6,362
4.2 Net cash from / (used in) operating activities (item 1.9 above)	862	(567)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	4,399	1,803
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,183)	965
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	8,563	8,563

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	8,563	5,485
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8,563	5,485

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1. This is comprised of directors' fees and salaries and administrative services.
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

177

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

6.1 Directors' fees and salaries (inc superannuation) of \$174K
Payments to Australian Adventure Tourism Group Limited for administrative services of \$3K

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	5,981	5,981
7.2 Credit standby arrangements	-	-
7.3.1 Other (Equipment Leases)	199	199
7.3.2 Other (Short-term credit facility - insurance)	115	115
7.4 Total financing facilities	6,295	6,295

7.5 Unused financing facilities available at quarter end

nil

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.1 Commonwealth Bank of Australia Limited – Secured loan facilities. Variable interest rate of 4.12% and maturity 4 October 2021.

7.3.1 Commonwealth Bank of Australia Limited – The Group has equipment leasing in place to assist with the financing of key farm capital expenditure. Leases are secured by first registered charges over the leased equipment.

7.3.2 Hunter Premium Funding (Insurance Premium Funding) – Unsecured short-term loan facility. Flat interest rate: 6.15%.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	862
8.2 Cash and cash equivalents at quarter end (Item 4.6)	8,563
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	8,563
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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.

Date: 30 April 2021

Authorised by: the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.