

Market Update

- **Installation works for Infant Formula Plant to be largely completed by end of June 2021**
- **Commissioning works will commence in Q3 CY2021 with first production of milk powder and infant formula expected in Q4 CY2021**
- **Successful first commercial production of new ‘future’ Infant Formula range**
- **Value of AHF’s farm portfolio has increased 20% in past year demonstrating continued strong demand for agricultural land in South West Victoria**
- **All farms on track to complete 3-year organic pasture transition with Brucknell South farm and herd to achieve full organic A2 certification by October 2021**

Infant Formula Plant Project Update

The Board is pleased to advise that the Group’s cornerstone infant formula plant project is progressing very well despite the ongoing challenges of COVID-19 restrictions and winter weather conditions. Installation of the infant formula plant is expected to be largely completed by the end of this month at which time commissioning works will commence and the final section of the roof will be installed.

The management team lead by Chris Melville are doing an excellent job managing this important project despite the ongoing impact of COVID-19 restrictions on the sequence of works and trades and, more recently, high winds and volatile weather conditions in South West Victoria. The infant formula plant is expected to be operational by the end of Q3CY2021, commencing with milk powders and followed by infant formula in the final quarter of CY2021.



Image: Crane lifting evaporator into building



Image: Installation of stairs and platforms around evaporator



Image: Piping and services

Processing Update: Successful commercial production of ‘future’ Infant Formula range

The Board is very pleased to announce that the first commercial production of the ‘future’ infant formula range was successfully completed last month. The unique formulation has taken over 24 months to develop in conjunction with a team of very experienced food technologists and infant formula specialists.

The novel nature of the formulation has meant the Group’s management and technical team have worked very closely with the external manufacturer to develop the know how to produce the range to specification. As such, the successful first commercial production represents a significant milestone for the Group.

Management is heavily focussed on establishing physical and online retail distribution opportunities in both domestic and international markets. First tins of the 3-step range will be available Q3CY2021 and the Group is planning to send a shipping container of the future infant formula range to China to support international distribution opportunities. Distribution will be supported by a comprehensive omni-channel marketing and promotional campaigns in both Australia and China to drive awareness and education in relation to the new range.

The Group is also pleased to advise that Camperdown Dairy Whole Milk and Jersey Milks are now available to purchase in selected Coles stores in Victoria.

Farms Update – Good Seasonal conditions and organic A2 herd conversion

Demand for quality agricultural land in South West Victoria remains strong with the value of the Group's farm portfolio increasing 20% in the past year. The land value of the farm portfolio is now just over \$21 million.

The Group's farms are all enjoying excellent seasonal conditions with good rainfall from April to June along with intermittent periods of sunshine facilitating good pasture growth. All farms also have significant stores of silage harvested at the end of last year which will be utilised as feed during drier months later in the year. The Group has also concluded negotiations of its milk supply arrangements for the 12 month period commencing 1 July 2021 with all organic and conventional milk produced by the Group farms contracted for sale.

AHF's organic farm, Yaringa has now been converted to an A2 protein only herd thus transitioning to full organic A2 protein milk production. The remaining 3 farms are all on track to complete the 3-year transition to organic pastures by November 2021. Each farm will achieve full organic certification when the cow herd on that farm has converted to organic feed sources for a period of 6 months. The herd on the Brucknell South farm has commenced the organic feed conversion and is on track to join the Yaringa farm in achieving full organic certification by October 2021.

In addition to being fully organic, the Brucknell South farm will convert to A2 protein milk production by October 2021. Together, the Yaringa and Brucknell South farms will produce sufficient organic A2 protein milk to allow the Group's infant formula plant to run at 100% capacity for the production of the Group's organic A2 protein only milk powders and infant formula. Organic A2 only milk production is extremely scarce in the market and therefore the Group is confident that it will see strong demand and good returns for these products.

The herds on the 2 remaining farms will commence the 6 month organic feed conversion process at the appropriate time having regard to the Group's production requirements as well as organic feed and milk prices.

Strategy

The Board acknowledges that the Group's strategy announced back in March 2018 to convert all of its farms to organic milk production has required a long term outlook and commitment from its securityholders. With the new infant formula plant nearing completion and the launch of the 'future' infant formula range next quarter, the Board is excited by the opportunities these developments present and increasingly confident of the benefits to be realised by its strategy to become a fully vertically integrated producer of premium, differentiated infant formula and nutritional products.

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

Ends

Further Details

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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.

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