

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 December 2021 (**Quarter**) released to the market on 31 January 2022.

- **Infant Formula Plant Project now in trial and testing phase**
- **Favourable farm conditions continue in FY22 for the Group farms**
- **Growing the Group's Infant Formula distribution network**
- **Launch of organic A2 fresh milk in selected Victorian Woolworths stores**

Infant Formula Plant Update

The Group's infant formula project has moved to the trial and testing phase. All services are now commissioned and trials have been completed on the nutritional mixing plant. Our focus now shifts to the evaporator and dryer. The trial process is first done with water to identify configuration changes or improvements that may be required as well as programming changes and then moves to milk and powders.

Covid-19 restrictions and associated resourcing issues continue to pose challenges for the project management of this phase of the project however at this stage AHF still expects the new plant to be operational for milk powders in Q3FY22 or early Q4FY22. The recent Omicron wave in Victoria has delayed the availability of key contractors however management have done an excellent job of mitigating lost time as best as possible, limiting it to 3 – 4 weeks.

Strong seasonal conditions continue for South West Victoria

The Group's farms are on track for a second season of excellent weather conditions in South West Victoria. All the farms experienced strong rainfall during the wet season through April to November and in late December cut large amounts of silage to support feeding through the drier summer months.

Whilst the region experienced warm conditions over the Christmas and New Year period, it has also received periods of good intermittent rainfall delaying the drying off period. Demand for organic milk also appears to be increasing after some softening of the market following the exit of Organic Dairy Farmers of Australia.

Infant Formula distribution network continues to grow

The Group is heavily focussed on the expansion of its infant formula distribution network. Some positive wins in this area during the Quarter include:

- appointment of a Tier 1 distributor for the Chinese cross border e-commerce channel (**CBEC**);
- launch of the Group's future infant formula website (www.futureformula.com.au) and social media platforms offering guaranteed supply for subscribers; and

- announcement of the establishment of a joint venture with Wellnex Life for the distribution of the Group's future formula range and organic A2 infant formula range focusing on the domestic pharmacy channel.

The Group also recently announced that it has secured ranging with Woolworths Market place, the online marketplace where third party suppliers such as AHF can sell their products and services to Woolworths Online customers while they shop for their groceries.

Fresh Processing Update - Launch of Organic A2 Fresh Milk in Woolworths and Collective transition

The Group is very pleased to be launching organic A2 fresh milk in selected Victorian Woolworths stores. At this stage the products are expected to commence ranging in mid-February and will be ranged under the Camperdown Dairy brand.

AHF has also finalised arrangements with The Collective for the termination of its licence and manufacturing agreement. Ranging of The Collective's pouch products will cease in February 2022 and The Collective will make a payment at this time of approx. \$365,000 to Camperdown Dairy for the high-speed pouch machine (plus decommissioning and freight costs). The kefir bottled products will transition to a new manufacturer in March 2022 who will also purchase residual packaging items.

With the wind down of Camperdown's yoghurt manufacturing activities the Group will conduct a further review of the fresh operations to determine the optimal operating structure for the Group's manufacturing.

Quarterly Activity Report (QAR) – Additional Information for the quarter ended 31 December 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. Commissioning of the Group's infant formula plant completed during the Quarter and the project has now moved to the trial and preliminary production phase.

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 contractors in respect of the new infant formula facility; and
- corporate costs in relation to the Group including employment costs, ASX fees, registry fees, accounting and legal fees.

The Board is continually monitoring the cash position of the Group in light of operational activities and developments and remains confident that future operations will be supported.

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

Section 6 of the Appendix 4C includes expenditure of \$159,000 in fees and salaries paid to the Directors of the Group.

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

Ends

Further Details

For additional company information or media enquiries, please contact:

Australian Dairy Nutritionals Limited

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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 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,134	8,485
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,885)	(8,109)
(c) advertising and marketing	(21)	(24)
(d) leased assets	-	-
(e) staff costs	(975)	(1,973)
(f) administration and corporate costs	(221)	(484)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(6)	(94)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(973)	(2,196)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(599)	(1,364)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	(39)	(61)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	100	5,521
	(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	(9)	(45)
2.6	Net cash from / (used in) investing activities	(547)	4,051

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	312	312
3.6	Repayment of borrowings	(125)	(6,106)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – lease liabilities	(31)	(241)
3.10	Net cash from / (used in) financing activities	156	(6,035)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,376	6,192
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(973)	(2,196)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(547)	4,051
4.4	Net cash from / (used in) financing activities (item 3.10 above)	156	(6,035)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,012	2,012

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	2,012	3,376
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)	2,012	3,376

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.
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

159

-

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 The \$159K is comprised of directors' fees and salaries (including superannuation).

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	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (Short-term credit facility - insurance)	187	187
7.4 Total financing facilities	187	187

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.

7.3 Premium Funding (Insurance) – Unsecured short-term loan facility. Flat interest rate: 4.20%.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(973)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,012
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,012
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.07

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 31 January 2022

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.