

Appendix 4C Quarterly Cash Flow and Market Update

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 2022 (**Quarter**) released to the market on 29 April 2022.

- **future Gradulac infant formula range now in Chemist Warehouse stores nationally**
- **Early signs indicate record farm milk prices for FY23**
- **Infant Formula Plant in the final stages of test and trial phase for first commercial production of organic A2 infant formula**

Infant Formula Plant and future Gradulac infant formula

The Group's infant formula facility has reached the final stages of its test and trial phase in preparation for the first commercial production of the Group's Ocean Road Dairies organic A2 infant formula in June 2022.

The project team are working on milk trials which includes services testing, test and replacement of incidental equipment and resourcing and training. The Board is pleased with the progress of the project particularly the team's ability to co-ordinate the final works and contractors whilst navigating Covid-19 absences and isolation requirements.

The Group also confirms that all 3 stages of its future Gradulac infant formula range are now on shelf in Chemist Warehouse stores nationally. The Group is supporting its future distribution activities with a comprehensive digital marketing and brand awareness program.

Dairy Farms Update and FY23 Milk Prices

The months of March and April 2022 were typically dry for the Southwest Victoria region however early rainfall predictions indicate a good start to the wet season for the Group's farms. Like many producers in the region shortages of skilled and unskilled staff are impacting the Group and the Board welcomes the lifting of the travel restrictions as well as initiatives to attract skilled and unskilled people to agricultural regions.

The Group is anticipating record farm milk prices for FY23 with early indications from processors at over \$8.30 per kg milk solids for conventional milk. This is good news for the Group's farm operations but will be somewhat offset by increased raw material prices for the Group's processing operations. However, with the Group moving to higher margin infant formula and nutritional products, higher milk prices have less impact than fresh milk products.

Placement to IJ Funds Management

During the Quarter the Group exercised its call option with IJ Funds Management pursuant to the Placement announced on 10 March 2022. The Group received \$1,000,000 in return for the issue of 15,455,951 fully paid ordinary stapled securities (refer line 3.1). For the balance of the Placement Funds, IJFM and AHF have mutually agreed that IJFM will pay a further \$500,000 by the end of this month and the remaining \$3 million by 30 June 2022.

Quarterly Activity Report (QAR) – Additional Information for the quarter ended 31 March 2022 (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. The Group's infant formula plant is completing the test and trial phase in preparation for first commercial production in June 2022.

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;
- infant formula plant trial and testing costs including equipment costs and fees for consultancy services; and
- corporate costs in relation to the Group including employment costs, ASX fees, registry fees, accounting 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 expenditure of \$156,000 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:

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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 Southwestern 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.