

### **Sale and Leaseback of Brucknell North Farm**

- **AHF signs unconditional contract for sale of Brucknell North farm**
- **AHF to lease back Brucknell North farm for a period of 3 years after settlement**
- **Remaining farm portfolio produces sufficient milk to supply AHF's infant formula plant even at full capacity**

The Board of Australian Dairy Nutritionals Group (**AHF** or the **Group**) is pleased to advise that the Group has entered a contract to sell the farm located at 417 Moreys Road, Brucknell, Victoria (**Brucknell North farm**). The purchase price of the property is \$6.425 million, representing a price of over \$10,000 per acre. The sale includes the land and farm chattels but not the herd.

The farm will be sold as two (2) separate land allotments to two separate purchasers. A total deposit of \$321,250 has been paid by the purchasers. Neither sale agreement is conditional on the relevant purchaser obtaining finance. Settlement is due to occur on 15 July 2022 at which time AHF will be paid the balance of proceeds of \$6,103,750.

Immediately following settlement AHF will lease the Brucknell North farm back from the purchasers for a period of 3 years with an option to extend for a further 12 months. Rent will be paid based on an agreed percentage return on the purchase price of the Brucknell North property. AHF will continue to operate the farm and maintain its organic certification to produce organic A2 protein milk for its fresh milk and infant formula products. AHF will also have the right to terminate the lease at any time during the term (and any extended term) on 90 days written notice, giving significant flexibility to the Group in determining the optimal strategy for sourcing its raw milk requirements.

The decision to sell the farm was made to support the capital requirements of the Group during this important period where AHF is preparing for commercial production of its organic A2 infant formula range and making significant investments in inventory for both the organic A2 range and the future Gradulac Gentle range.

The Group's farm portfolio ties up a significant amount of the Group's capital notwithstanding that the two remaining farms (Yaringa and Brucknell South) produce sufficient raw milk to supply the Group's raw milk requirements, even when the new infant formula plant is operating at full capacity. The sale of the Brucknell North farm allows the Group to release a portion of this capital to support its strategic objectives at a time of record high property prices, while the lease back gives the Group flexibility in determining the optimal strategy for securing its raw milk requirements.

The proceeds of the farm sale (after costs) will be used to fund raw material and packaging purchases, additional infant formula production runs as well as general working capital requirements. Following completion of the sale of the Brucknell North farm the Group will investigate options to simplify its corporate structure to reduce complexity and costs including destapling the Group's securities.

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

**Ends**

## Further Details

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## About Australian Dairy Nutritionals Group

*Australian Dairy Nutritionals Group (AHF) is a vertically integrated Australian dairy group which owns high quality organic and organic A2 dairy farms, and a processing facility located in Southwestern Victoria, the 'Golden Triangle' of Australia's dairy industry. The Group have now added to the award-winning milks and yoghurts with a new premium range of infant formulas and are nearing completion of a purpose-built infant formula factory ready for the launch of its organic A2 infant formula in 2022. The Group is a trusted source of premium quality branded dairy products using fresh milk sourced direct 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.*