

Market Update

Major milestone achieved - first production of the Ocean Road Dairies organic A2 infant formula

The Board of Australian Dairy Nutritionals Group (**AHF** or the **Group**) is pleased to advise that the Group has achieved another significant milestone with the successful production of Stage 3 of the Ocean Road Dairies organic A2 infant formula. This is a critical milestone for the Group's infant formula project and reinforces the Board's confidence that commercial production of the organic A2 infant formula range will occur this quarter, ready for ranging in Chemist Warehouse stores nationally from October 2022.

This milestone follows our Market Update dated 1 July 2022 advising that the Group had successfully produced Australia's first organic A2 whole milk powder using organic A2 protein milk from our farms. Test results for the organic A2 whole milk powder are all within specification enabling it to be used in the ongoing trials of our organic A2 infant formula products.

The Board is impressed with the progress which the Group has made in bringing this project very close to completion just 24 months after construction commenced on the new infant formula building in June 2020. This is despite the entire project being undertaken under the shadow of Victoria's COVID-19 lockdowns where restrictions on movements of consultants and advisors, personnel absences and logistics delays (particularly for new and replacement parts) have imposed significant challenges.

INFANT FORMULA PROJECT TIMELINE



JUNE 2020

Building construction commences



JANUARY 2021

Installation & Commissioning commences



FEBRUARY 2022

Trial & Testing commences
Site Opening



JULY 2022

Production of Stage 3 organic A2 infant formula

Step Up in Organic Milk Prices

The Board is also pleased to advise that it has already been notified of a step up in the farmgate price of organic milk for FY23. As previously noted, the price difference between conventional and organic milk for the FY23 contracting period was relatively narrow prompting many farmers to cease organic milk production. As a result, availability of organic milk has reduced significantly prompting the Group's processor to offer a step up in the organic milk price less than 4 weeks after FY23 price negotiations have concluded.

The step up is expected to deliver approximately \$750,000 additional revenue for the Group, assuming FY23 milk production of 500,000 kg of milk solids and, after taking into account the impact that the higher organic milk price will have on the Group's manufacturing segment (where raw milk is a production input).

FDA Approval Process for future infant formula range

The Group is also continuing to progress its application with the US Food and Drug Administration (FDA) for accelerated approval for the sale of its future Gradulac Gentle infant formula range in the United States. The application remains under active review. Technical information in relation to the products has been reviewed and the Group has provided the FDA information in relation to its existing inventory and future production capacity. While there are no guarantees, the board and management remain hopeful this progression will result in approval.

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

Ends

Further Details

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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.