

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 30 June 2022 (**Quarter**), following this activity report and also dated 29 July 2022.

Infant Formula Plant Update

In the past month the Group's infant formula project has achieved two significant milestones. Firstly, the infant formula plant has produced Australia's first organic A2 whole milk powder using milk from the Group's farms and second, production of Stage 3 of the Ocean Road Dairies organic A2 infant formula.

These are important milestones for the project and reinforce the Board's confidence that commercial production of the organic A2 infant formula range will occur this quarter, for ranging in Chemist Warehouse stores nationally from October 2022.

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.

Building Inventory of our Infant Formula Ranges

In the Quarter the Group invested heavily in building inventory of its infant formula ranges. Payment was made for a further production of the future Gradulac Gentle range and, the raw materials and packaging for the Ocean Road Dairies organic A2 infant formula range were purchased, in preparation for commercial production this range.

Cash Position

The placement to IJ Funds Management Pty Ltd concluded during the Quarter with the Group receiving further payment of \$1.75 million, bringing the total proceeds of the placement to \$2.75 million. The Group also announced the sale and leaseback of the Brucknell North Farm during the Quarter and the sale settled on 15 July 2022, raising a total of \$6.45 million (before costs).

As at the date of this announcement, the Group now has cash holdings of \$6.5 million placing it in a strong position to support ongoing business operations and work to expand the distribution footprint of its infant formula ranges domestically and internationally.

Quarterly Activity Report (QAR) – Additional Information for the quarter ended 30 June 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 including final testing of the new infant formula plant.

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;
- trial and testing costs for the infant formula plant; and
- corporate costs in relation to the Group including employment costs, ASX fees, registry fees, accounting and legal fees (including in relation to the IJFM placement and sale of the Brucknell North farm).

(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 \$150,000 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.

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”)

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,199	15,128
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,283)	(14,003)
(c) advertising and marketing	(73)	(101)
(d) leased assets	-	-
(e) staff costs	(911)	(3,769)
(f) administration and corporate costs	(190)	(986)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	7
1.5 Interest and other costs of finance paid	(24)	(132)
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	(1,281)	(3,856)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(425)	(2,515)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	(76)	(142)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	321	6,207
	(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	-	(390)
2.6	Net cash from / (used in) investing activities	(401)	3,160

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,750	2,750
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	(10)	(16)
3.5	Proceeds from borrowings	500	1,153
3.6	Repayment of borrowings	(349)	(6,634)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – lease liabilities	(36)	(318)
3.10	Net cash from / (used in) financing activities	1,855	(3,064)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,259	6,192
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,281)	(3,856)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(401)	3,160
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,855	(3,064)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,432	2,432

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	2,432	2,259
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)	2,432	2,259

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**

150

-

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 \$150,000 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	500	500
7.2 Credit standby arrangements	-	-
7.3 Other (Short-term credit facility - insurance)	-	-
7.4 Total financing facilities	349	349

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.

7.1 Loan – M & J Bryant (Chairman)

Short term unsecured loan facility advanced by M & J Bryant at a variable Interest rate: Cash Rate + 6%. The loan has been repaid in full.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,281)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,432
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,432
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.90

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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: On 15 July 2022, the Group significantly increased the level of its cash reserves through receipt of a further \$6.1 million from the sale of the Brucknell North farm. The net operating cash flows are expected to remain in the short-term as the Group increases production and continues to build inventory, however net operational cash flows are expected to improve as sales of the Organic A2 and Future Gradulac Gentle infant formula ranges grow.

- 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: As announced to the ASX on 15 July 2022, the Group received \$6.1M (\$6.4M less deposit already received) from the sale of the Brucknell North farm located at 417 Moreys Road, Brucknell, Victoria.

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes – as referred to above.

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: 29 July 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.