

Dear Valued Securityholder

2022 AGM and Extraordinary General Meeting (EGM) of the Minority Securityholders – Important Information

In November 2022 there will be two (2) securityholder meetings of Australian Dairy Nutritionals and the Australian Dairy Farms Trust (AHF). Important information in relation to each meeting is contained/enclosed in this letter.

EGM called by certain Minority Securityholders – Friday 18th November 2022

An Extraordinary General Meeting proposed by certain minority securityholders (**Minority Securityholders**) under section 249F of the *Corporations Act 2001* (Cth) will be held **online only** at 10:00am on Friday 18th November 2022. Securityholders can join the EGM at the following link:

<https://meetings.linkgroup.com/AHFEGM22>

At the EGM the Minority Securityholders will put 6 resolutions to AHF securityholders to:

- remove two (2) current directors of AHF, Martin Bryant and Adrian Rowley; and
- appoint three (3) new directors to the Board of AHF - John Day, Nathan Leman and Peter Huskins (**Nominee Directors**).

The Minority Securityholders have NO PLAN OR STRATEGY for AHF and their actions risk losing skilled infant formula staff and threaten to DESTABILISE current negotiations with potential customers.

THE CURRENT BOARD AND MANAGEMENT HAVE THE SKILLS AND EXPERIENCE TO DELIVER AHF'S STRATEGY AND GROW SECURITYHOLDER VALUE

A copy of the EGM Notice was emailed/posted to you on 19 October 2022 and is available on the ASX Announcements Platform (Code: AHF). A copy of AHF's Response to the EGM Notice is enclosed with this letter. **All Securityholders should read AHF's Response carefully before deciding to vote or appoint a proxy for the EGM.**

Don't Risk Your Investment in AHF, VOTE AGAINST Resolutions 1 to 6 at the EGM.

Voting at the EGM and How to Appoint a Proxy

You can **VOTE AGAINST** all resolutions at the EGM in the following ways:

- attending the Meeting and **VOTING AGAINST** Resolutions 1 to 6 at the Meeting;
- if you can't attend the Meeting, lodge your votes by 10:00am (Melbourne time) on **Wednesday, 16 November 2022** by clicking on the link(s) below and:
 - ✓ appointing the Chairman as your proxy. The Chairman will **VOTE AGAINST** Resolutions 1 to 6 for you at the Meeting; or
 - ✓ appointing another person to act as your proxy and directing them to **VOTE AGAINST** Resolutions 1 to 6 by putting an 'X' in the **AGAINST** box for each of the resolutions to be considered at the EGM.

A Proxy Form for the EGM is printed in YELLOW and enclosed with this letter.

2022 Annual General Meeting – Thursday 24 November 2022

The 2022 Annual General Meeting (**AGM**) of AHF will be held in person on Thursday 24 November 2022 at 1:00 pm (Melbourne time) at Watershed Funds Management, Level 22, 459 Collins Street, Melbourne VIC 3000. Please find enclosed the following documents in relation to the 2022 AGM:

- Proxy form printed in **PINK**;
- Question form; and
- Communications Preference form.

Securityholders who cannot attend in person will be able to view and listen to the meeting and ask questions via the Zoom virtual meeting platform however they will not be able to vote. If you cannot attend the AGM in person we encourage securityholders to appoint a proxy to vote on their behalf at the AGM. We also encourage securityholders to submit questions in advance of the AGM so that we can respond efficiently.

Notice of Annual General Meeting

The Notice of Annual General Meeting is provided electronically this year via our Investor Centre at the Company's website: <http://adnl.com.au/investor-centre>. We will not be mailing hard copies by post unless you have elected for a copy to be mailed to you per Corporations Act 2001 (Cth).

Lodgement of Proxy votes and Questions prior to the AGM

Securityholders are encouraged to lodge their votes by completing and returning the attached **PINK** proxy form to the share registry or logging in to their portfolio or holding(s) on the share registry's website at www.linkmarketservices.com.au by 1:00pm (Melbourne time) on **Tuesday 22nd November 2022**.

Questions can also be submitted prior to the AGM through the share registry's website at www.linkmarketservices.com.au or by completing and returning the enclosed Question form to the share registry.

In the lead up to the AGM, securityholders can visit the Investor Centre on the Company's website at <http://adnl.com.au/investor-centre> to access all of the relevant documents for the AGM.

Receiving your securityholder communications electronically

Receiving your communications by email is the best way to stay informed and keep in touch about your securityholding. I strongly encourage you to take this opportunity to switch to paperless communications if you have not already done so.

To receive your securityholder communications electronically, simply complete and return the enclosed Communications Preference Form in the Reply-Paid envelope provided.

On behalf of the Board, I would like to thank you for your ongoing support and encourage you to visit the ASX Announcements Platform to read about the transformation which our business has undertaken, the launch of our new infant formula ranges and our plans for the future.

Yours faithfully
Martin Bryant
Chairman
Australian Dairy Nutritionals Group

LODGE YOUR VOTE

 **ONLINE**
<https://investorcentre.linkgroup.com>

 **BY MAIL**
Australian Dairy Nutritionals Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND***
Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street, Parramatta NSW 2150
*During business hours Monday to Friday

 **ALL ENQUIRIES TO**
Telephone: 1300 554 474 Overseas: +61 1300 554 474

LODGE A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **1:00pm (Melbourne time) on Tuesday, 22 November 2022**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

 **ONLINE**
<https://investorcentre.linkgroup.com>

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

 **BY MOBILE DEVICE**

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link <https://investorcentre.linkgroup.com> into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

QR Code



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all shareholders must sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

NAME SURNAME
 ADDRESS LINE 1
 ADDRESS LINE 2
 ADDRESS LINE 3
 ADDRESS LINE 4
 ADDRESS LINE 5
 ADDRESS LINE 6



X99999999999

PROXY FORM - 2022 ANNUAL GENERAL MEETING

I/We being a member(s) of Australian Dairy Nutritionals Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **1:00pm (Melbourne time) on Thursday, 24 November 2022 at Watershed Funds Management, Level 22, 459 Collins Street, Melbourne VIC 3000** and made available online to watch, listen and ask questions but not vote (please refer to the Notice of Meeting for more details) (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolutions 1, 8, 9, 10, 11 and 12: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 8, 9, 10, 11 and 12, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies IN FAVOUR of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Remuneration Report (Non-Binding)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Issue of performance rights to Bernard Kavanagh under the Company's Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director – Bernard Kavanagh	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Issue of performance rights to Martin Bryant under the Company's Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Director – Adrian Rowley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Issue of performance rights to Adrian Rowley under the Company's Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Ratification of Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Issue of performance rights to Jason Dong under the Company's Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 Section 195 Approval (regarding issue of performance rights to Directors)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval to unstamp the Company and Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
7 Approval of amendments to Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
8 Approval of issue of securities under 2022 Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 2

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

STEP 3

This form should be signed by the shareholder. If a joint holding, all shareholders must sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

AHF PRX2203D



MINORITY SECURITYHOLDER MEETING – RESPONSE TO NOTICE OF MEETING

The Board of Australian Dairy Nutritionals Group (**AHF** or the **Group**) has today lodged a copy of the Notice of Extraordinary General Meeting and Explanatory Statement (**EGM Notice**) proposed by certain minority securityholders (**Minority Securityholders**) under section 249F of the *Corporations Act 2001* (Cth).

After advising AHF securityholders in July 2022, the Minority Securityholders will hold a general meeting of the Company **online** at 10:00am on Friday 18 November 2022 (**Meeting**). At the Meeting, the Minority Securityholders will put 6 resolutions to AHF securityholders to:

- remove two (2) current Directors of AHF, Martin Bryant and Adrian Rowley; and
- appoint three (3) new directors to the Board of AHF - John Day, Nathan Leman and Peter Huskins (**Nominee Directors**).

THE CURRENT BOARD AND MANAGEMENT OF AHF HAVE THE SKILLS AND EXPERIENCE TO DELIVER AHF'S STRATEGY AND GROW VALUE

- The Minority Securityholders have given **NO ALTERNATE PLAN OR STRATEGY** for AHF (despite claiming to be industry experts who understand our business);
- The Nominee Directors contribute **NO ADDITIONAL KNOWLEDGE, SKILLS OR EXPERIENCE** to the Board;
- The Nominee Directors have nominated as Executive Directors which indicates they plan to **TERMINATE (OR RISK LOSING)** AHF's experienced infant formula personnel;
- The actions of the Minority Securityholders threaten to **DERAIL CURRENT NEGOTIATIONS** with significant potential domestic and international customers.

INFANT FORMULA IS COMPLEX AND HIGHLY REGULATED

DON'T RISK YOUR INVESTMENT IN AHF, VOTE AGAINST ALL RESOLUTIONS

IN CONTRAST, THE CURRENT BOARD AND MANAGEMENT OF AHF:

- have delivered AHF's 5-year vertical integration infant formula strategy:
 - ✓ converted all farms to organic and farm herds to A2 protein only cows;
 - ✓ constructed and commissioned the new infant formula plant despite the challenges during COVID;
 - ✓ developed and launched two (2) proprietary infant formula brands;
 - ✓ commercially produced the Ocean Road Dairies Organic A2 infant formula range;
 - ✓ achieved national ranging in Chemist Warehouse for BOTH formula brands; and
 - ✓ commenced international distribution of our Future branded infant formula range,
- have significant experience and capability in all areas of infant formula manufacturing, quality assurance, labelling, marketing compliance and sales, which **cannot be underestimated for a product that is fed to infants**;
- have closed, sold or transitioned AHF's loss-making operations to **focus on infant formula** (many were acquired or approved under the leadership of the Minority Securityholders' Michael Hackett and Nathan Leman); and
- **have a clear plan to leverage AHF's investment in its vertical integration strategy** by growing sales in Chemist Warehouse, securing additional domestic and international distribution opportunities and investing in targeted marketing to build successful, long-term brands.

VOTE AGAINST RESOLUTIONS 1 TO 6 AT THE EGM ON 18 NOVEMBER 2022

How to Vote

You can **VOTE AGAINST** all resolutions in the following ways:

- 1) attending the Meeting and **VOTING AGAINST** Resolutions 1 to 6 at the Meeting;
- 2) if you can't attend the Meeting lodge your votes by 10:00am (Melbourne time) on Wednesday, 16 November 2022:
 - ✓ by appointing the Chairman as your proxy in Step 1 of the Proxy Form. The Chairman will **VOTE AGAINST** Resolutions 1 to 6 for you at the Meeting; or
 - ✓ by appointing another person to act as your proxy in Step 1 of the Proxy Form and directing them to **VOTE AGAINST** Resolutions 1 to 6 by placing an "X" in the **AGAINST** box in Step 2 of the Proxy Form.

EGM Notice

A copy of the EGM Notice has been sent to Securityholders by post or email. AHF wishes to address several key points raised in the EGM Notice below:

The Minority Securityholders have No Strategy or Plan for AHF

- On page 2 of the Notice of Meeting the Minority Securityholders advise '*there is an urgent need to facilitate change to salvage some of the remaining in value in the Group*' yet, provide **NO PLANS OR STRATEGY** on how to achieve this. On page [4] of the EGM Notice the Minority Securityholders advise that if the resolutions are successful '*they intend to conduct an independent review with the help of external advisers*' to "work out what to do".
- If the Minority Securityholders and Nominee Directors know the industry and AHF's business as well as they claim, Securityholders **should expect** that they have a clear strategy for AHF which outlines what the Minority Securityholders would do **DIFFERENTLY** to the current Board and Management team.
- Instead, they plan to further divert focus from AHF's business operations to undertake an **EXPENSIVE REVIEW** with the assistance of external advisors.

Executive Directors Increase Wage Costs and Compromise AHF's Governance

- On pages 7 and 8 of the EGM Notice the Director Nominees nominate as Executive Directors, which would add 3 new people to AHF's Management team.
- The Minority Securityholders have not told Securityholders:
 - × what the remuneration cost of this will be - we estimate a **WAGE BLOW OUT** of between \$600,000 to \$900,000; and
 - × their intention for existing Management so we can only assume they intend to terminate key members of the current Management team.
- Appointing 3 new Executive Directors to the Board of AHF will **COMPROMISE AHF's GOVERNANCE** as Management Directors will control the Board.
- The cornerstone of good corporate governance is that the **BOARD IS SEPARATE TO MANAGEMENT** so the Board can hold management accountable for achieving the organisation's strategic objectives for the benefit of shareholders.
- **How will AHF Management be held accountable by the Board if the Board has a majority of Management Directors?**

Significant Risk of Losing Skilled Staff and Potential Customers

- While the Director Nominees are engaging external advisors to "work out what to do", AHF must continue to operate its infant formula plant to ensure production of the Ocean Road Dairies organic A2 infant formula continues.
- Infant formula manufacture, labelling and marketing is complex and highly regulated – it is more aligned to pharmaceutical and healthcare products than FMCG products.
- AHF has developed its infant formula from the ground up. Our current team have

ACTUAL EXPERIENCE of the complexities in all areas of our operations from manufacturing, quality assurance, labelling and sales and marketing compliance.

- The importance of infant formula skills and experience cannot be underestimated for a complex, highly regulated product that is fed to infants. **There is a real risk AHF Management and staff experienced with infant formula will be terminated or leave AHF** if the Minority Securityholders' action is successful.
- The Director Nominees have **NO DAIRY OR INFANT FORMULA PROCESSING EXPERIENCE** if this occurs.
- Furthermore, AHF's infant formula plant has recently entered full commercial production and important work continues to scale up production at the plant to achieve capacity targets. AHF is extremely reliant on the skills and experience of our personnel to complete this work.
- AHF Management are also **IN ONGOING NEGOTIATIONS WITH SEVERAL DOMESTIC AND INTERNATIONAL DISTRIBUTORS** in key target markets. The actions of the Minority Securityholders threaten to destabilise existing customer relationships and ongoing negotiations with significant prospective customers.

Director Nominees Add No Additional Skills to the Board

- The current size and composition of AHF's Board allows it to effectively discharge its duties and **ENSURE IT ACTS IN THE BEST INTERESTS OF SECURITYHOLDERS**.
- In line with ASX Corporate Governance Recommendation 2.2, AHF has published a Board Skills Matrix which outlines the broad range of skills, experience and expertise needed to ensure the Board effectively fulfills its role to set AHF's strategy and oversee the execution of it by AHF Management.
- Industry knowledge is just 1 of 8 criteria identified in the Board Skills Matrix as essential to fulfilling the Board of AHF's role. The current Board covers all 8 criteria with each Director covering at least 5 criteria on their own. Their skills cover areas essential to the Board's role including strategy development, risk management, governance and process, financial reporting and analysis and regulatory compliance.
- Bernard Kavanagh is the only Board member with specific dairy industry and dairy farm/processing experience. The Management team also have formal qualifications and significant experience in these areas, particularly CEO Peter Skene (who was a director until 21 June 2022), General Manager Operations, Christian Melville, General Manager Farms, Graeme Willis, General Manager Sales & Marketing, Jaci Hegarty and General Manager Corporate & Company Secretary, Kate Palethorpe.
- Based on the information provided by the Minority Securityholders:
 - × none of the Director Nominees add any expertise at Board level **NOT ALREADY** covered by the current Directors and/or Management team; and
 - × 2 of the Director Nominees have **NO LISTED BOARD EXPERIENCE**; and
 - × the Director Nominees have **NO INFANT FORMULA EXPERIENCE**.
- At least one of the Director Nominees, Nathan Leman is unlikely to be considered independent and none of the Director Nominees increase the Board's gender diversity.
- If the Director Nominees are appointed to the Board, and Adrian Rowley and Martin Bryant retain their positions, the Board will comprise 7 Directors. A board of this size is **EXPENSIVE AND UNNECESSARY** given the current size and state of AHF's operations.

Strong Board Leadership Has Driven Our Strategy and Business Transformation

- Since taking over from Michael Hackett as Chairman of AHF in December 2019, Martin Bryant has significantly improved Board performance and focused on delivering the 2018 strategy to become a vertically integrated infant formula producer (**2018 Strategy**).
- As part of this process, the Board has overseen the decision to discontinue non-core or

loss-making operational activities including terminating the yoghurt manufacturing arrangement with The Collective, converting the Jonesy's Distribution business to a distributor model, and ceasing fresh milk processing at Camperdown Dairy.

- The Minority Securityholders justify their action to take control of the Board to “stop the losses’ yet **THE EXISTING BOARD HAS ALREADY TAKEN THESE DECISIONS.**
- Whilst the benefit of hindsight may suggest AHF should not have pursued fresh milk processing or yoghurt manufacturing as it worked to deliver the 2018 Strategy, these activities were considered genuine opportunities for AHF at the time these decisions were made.
- Indeed, it was the Minority Securityholders who made, or were heavily involved in these decisions:
 - ✓ Michael Hackett and Nathan Leman decided to enter fresh milk processing by acquiring Camperdown Dairy in 2016; and
 - ✓ Michael Hackett was Chairman when AHF entered the manufacturing agreement with The Collective.
- As Chairman, Martin Bryant has also undertaken a Board renewal process to ensure the Board is comprised of individuals with the skills, knowledge and experience to deliver AHF’s long term strategic vision.
- This has resulted in the appointment of Jason Dong who has significant knowledge and networks across Asia (in addition to Mr Bryant’s own experience) and Bernard Kavanagh who has extensive experience in dairy, agriculture, infant, functional and nutritional sectors both in Australia and overseas. His experience also includes areas such as strategy, corporate development and major capital projects. Bernard’s appointment also allowed Peter Skene to step down from the Board and focus on the CEO role.

Continuous Annual Significant Losses Overseen by the Minority Securityholders

- AHF **DID NOT** “celebrate” the FY22 financial loss made by the Group, as stated by the Minority Securityholders in the EGM Notice. This is absurd and a desperate attempt by the Minority Securityholders to a reference to the impact which difficult operational decisions taken by the Board in FY21 and FY22 had on AHF’s financial position relative to the prior year.
- It is important to note that one of the Minority Securityholders’ representative, Mr Michael Hackett was Chairman of AHF from 2014 until December 2019, retiring as a director in March 2020. Under his leadership during financial years 2016 to 2019 and most of FY20, AHF incurred losses and total losses accumulated to \$21 million. Furthermore, the FY21 financial result included a further \$2.35 million write down of the goodwill on acquisition of Camperdown Dairy, which Michael Hackett and Nathan Leman decided to acquire in 2016.
- **Taking the write down of Camperdown Dairy goodwill into account, the Minority Securityholders’ Mr Michael Hackett and Mr Nathan Leman presided over 73% of the accumulated losses of AHF to date.**

Close Inventory Management and AHF’s Strong Sales Capability

- The comments of the Minority Securityholders on page 2 of the EGM Notice in relation to sales of AHF’s Future branded formula range demonstrate the Minority Securityholders’ lack of understanding of infant formula production, marketing and sales.
- AHF is closely managing the inventory of both of its infant formula ranges to ensure finished goods and bulk inventory is not wasted. It is strategically promoting both ranges through an integrated marketing plan which includes in-store and digital marketing. The marketing approach is highly strategic, targeted and cost efficient.
- Whilst the Director Nominees boast of their significant relationships with domestic Australian major retailers, AHF Management also have strong relationships with the major domestic retailers **AS WELL AS LARGER CROSS BORDER E-COMMERCE**

AND INTERNATIONAL DISTRIBUTORS.

- Unlike the Director Nominees who appear to have **NO INFANT FORMULA SALES EXPERIENCE**, AHF Management understand how significantly COVID-19 has changed the infant formula category for the major domestic retailers and distributors and have maintained an ongoing dialogue with them to ensure AHF is adapting to the fast-changing retail environment and strongly positioned to participate in these channels.
- In addition, AHF already has a very experienced and capable sales and marketing function. Like the Director Nominees, Jaci Hegarty our General Manager of Sales & Marketing has many years' experience working in the FMCG food and health industry (including dairy) and she is highly skilled in sales and marketing for domestic and international markets. Jaci is supported by experienced marketing/sales specialists, one of whom has worked extensively with infant formula brands such as Bellamy's and Swisse Wellness (Biostime) in Asia and the cross-border e-commerce channel (**CBEC**).
- AHF had a substantial achievement in securing ranging of both its Future branded infant formula and the Ocean Road Dairies infant formula in Chemist Warehouse through our Ocean Dairy joint venture with Wellnex Ltd.
- This is a strategic joint venture that provides AHF access to Brand Solutions' (a subsidiary of Wellnex) pharmacy and retail distribution and sales expertise. Brand Solutions is a boutique sales and marketing brokerage with a proven track record in the domestic pharmacy and grocery channels as well as a national field team of sales managers covering over 3,000 stores.

Selling the Farm Assets and Livestock to Fund Manufacturing and Marketing

- How a business funds its operations to achieve its strategy is complex yet critical decision facing all Boards, particularly ASX listed companies. When AHF announced its strategy to become a vertically integrated organic infant formula producer, it committed AHF to a 5-year business transformation requiring organic conversion of its farms, construction of a purpose-built infant formula manufacturing plant and investment in the marketing and promotion of its proprietary brands.
- This was an ambitious project requiring AHF to invest significant capital **PRIOR TO** generating revenue from infant formula sales. **A key decision facing the Board was how this strategy would be funded?**
- Whilst there is no doubt the farm portfolio offers a strong asset backing for a debt facility, the Minority Securityholders don't seem to understand that **BANKS DON'T JUST LEND ON SECURITY POSITION** but **ALSO** the ability of a borrower to make ongoing principal and interest repayments.
- Debt funding was always going to be difficult for AHF to secure to fund its strategy for three key reasons:
 - ✓ AHF's dairy farming operations cannot be relied upon to generate consistent cash flows due to the impact of factors outside AHF's control such as climate conditions, seasonality of production and raw milk prices;
 - ✓ Camperdown Dairy's major customer went into liquidation less than 24 months after Michael Hackett and Nathan Leman decided to acquire it, meaning AHF's bank was not willing to extend the debt facility it provided to AHF to fund that acquisition; and
 - ✓ fallout from the 2018/2019 Banking Royal Commission saw dramatic tightening of lending criteria making debt funding very difficult to secure - at all, or at reasonable prices, for businesses without consistent cash flows, **not just AHF**.
- To ensure the construction and commissioning of the infant formula plant was adequately funded the Board decided it was in the best interests of AHF securityholders to issue equity to fund the project (including the high-speed canning line acquired in 2020) and general working capital requirements.
- In early 2021, cognisant of the expiry of AHF's finance facility in October 2021 as well as

the dilutive effect of further equity raises, the Board conducted a review of AHF's farms to determine optimal holdings versus manufacturing requirements.

- The results showed that AHF's farm milk production was dramatically higher than its future manufacturing requirements, even when the infant formula plant was operating at full capacity. As a result, the Board decided it was in the best interests of AHF and securityholders to **sell selected surplus farm assets to repay AHF's debt facility in full** and provide additional working capital to commercially produce its organic A2 infant formula and market and promote its infant formula brands.
- Contrary to the simplistic view of the Minority Securityholders, the **SALE OF THE SURPLUS FARM ASSETS WAS A DELIBERATE AND PRUDENT DECISION OF THE BOARD** to ensure AHF delivered its strategy. The surplus farm sales also:
 - ✓ locked in strong capital gains as the farms were sold at a time of low interest rates and record farm prices in Southwest Victoria; and
 - ✓ right sized AHF's farm portfolio to its manufacturing capacity.
- The sale of the surplus farms **DOES NOT IMPACT AHF's SUPPLY OF ORGANIC A2 PROTEIN MILK** as the two remaining farms produce more organic A2 protein milk than is required for the infant formula plant, even at full capacity.

Issue of FY22 Director and Management Incentives

- On page 2 of the EGM Notice the Minority Securityholders are critical of the issue of FY22 performance securities to the Board and Management personnel.
- The Directors were only issued performance securities that were approved by securityholders at the 2021 AGM on 21 January 2022. Securityholders were provided with full disclosure of the number of securities which could be issued, and the performance hurdles attached to them in the 2021 AGM Notice.
- The Directors only qualified to be issued securities attached to the Total Shareholder Return hurdle, which used a mathematical formula to determine if the hurdle was achieved. No discretion or subjective assessment was involved. **Furthermore, Mr Martin Bryant voluntarily forfeited his entitlement to be issued 500,000 securities.**
- It is worth noting that during 2015 to 2019 when Michael Hackett was Chairman and Nathan Leman was a director of the Australian Dairy Farms Trust, securityholders were also asked to approve the issue of performance securities to Directors, including Mr Hackett and Mr Leman. In those years AHF didn't achieve the performance hurdles attached to those securities however **we have no doubt that if any of the performance hurdles had been achieved performance securities would have been issued to the Directors notwithstanding that AHF made losses.**
- Like most listed and unlisted companies, management personnel are awarded incentives based on their individual performance as well as the overall performance of AHF. In FY22, the Management personnel were only issued performance securities based on their individual performance which included many significant milestones for AHF including in relation to:
 - ✓ organic certification of AHF's farm portfolio and conversion of the farm herd to A2 cows;
 - ✓ successful configuration and installation of AHF's infant formula plant, licensing and organic certification of the infant formula plant and development and implementation of the plant's OH&S and quality assurance program;
 - ✓ development of AHF's brand strategy, product development and sales/distribution pipeline; and
 - ✓ commencement of supply to Chemist Warehouse, establishment of domestic and international e-commerce platforms and distribution opportunities.

Prudent Liquidity Management

- On page 3 of the EGM Notice the Minority Securityholders are critical of the \$500,000

loan provided by AHF's Chairman Martin Bryant in late June 2022 (**Loan**), stating that it indicates the fragility of AHF's liquidity.

- In fact, the Loan was a prudent step taken by the Board to manage AHF's capital and ensure AHF complies with minimum liquid asset holdings under its Australian Financial Services License. Whilst the Directors were confident the Loan funds wouldn't be required by AHF it was put in place as a safety measure as the purchasers of the Brucknell North farm requested further time for their banks to finalise the \$6.15 million purchase.
- In addition, the Loan was unsecured, demonstrating Martin Bryant's confidence in AHF's prospects, and, on more favorable terms than AHF would have received from an external loan provider. The Loan was repaid in full on 29 July 2022.
- The Board proactively manages AHF's cash flows to ensure the business is supported by adequate cash levels and meets its legal and regulatory obligations. As a small, listed business that is in the investment phase of its growth this is more difficult than for an established business.
- The Board is very cognisant of this which is the reason it pursued both the IJ Funds Management Placement as well as the Brucknell North farm sale in the first half of 2022 to support its cash flows during the final phase of the infant formula project and FY23 and beyond.

Changing the Board and Management Risks the Future of AHF

The changes sought by the Minority Securityholders threaten the future of AHF and are not in the best interests of **ANY OF AHF's SECURITYHOLDERS**. The actions of the Minority Securityholders threaten to de-stabilise AHF's people, customers and operations at a critical time when AHF is beginning to realise its strategy to become a fully vertically integrated manufacturer of premium organic infant formula and dairy nutritionals.

The Board recommends all Securityholders VOTE AGAINST Resolutions 1 to 6 at the Minority Securityholders' General Meeting held on Friday 18 November 2022.

How to Vote

You can **VOTE AGAINST** all resolutions in the following ways:

- 1) attending the Meeting and **VOTING AGAINST** Resolutions 1 to 6 at the Meeting;
- 2) if you can't attend the Meeting lodge your votes by 10:00am (Melbourne time) on Wednesday, 16 November 2022:
 - ✓ by appointing the Chairman as your proxy in Step 1 of the Proxy Form. The Chairman will **VOTE AGAINST** Resolutions 1 to 6 for you at the Meeting; or
 - ✓ by appointing another person to act as your proxy in Step 1 of the Proxy Form and directing them to **VOTE AGAINST** Resolutions 1 to 6 by placing an "X" in the **AGAINST** box in Step 2 of the Proxy Form.

Questions?

If any securityholder would like to discuss the action of the Minority Securityholders, the Meeting or AHF's Response we welcome them to submit a request for a call from one of our Directors through the investor centre on our website at www.adnl.com.au/response.

HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to **vote against** all resolutions, appoint the Chairman of the Meeting as your proxy by marking the **FIRST** box in Step 1. If you wish to **vote in favour** of all resolutions, appoint Mr Kerry Daly as your proxy by marking the **SECOND** box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting or Mr Kerry Daly as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

If you wish to cast a vote that is different to the intention of the Chairman of the Meeting or Mr Kerry Daly, you may direct your proxy (including the Chairman of the Meeting and Mr Kerry Daly) on how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all securityholders must sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Extraordinary General Meeting. A form of the certificate may be obtained from the Company's share registry or online at <https://investorcentre.linkgroup.com>.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Melbourne time) on Wednesday, 16 November 2022**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

<https://investorcentre.linkgroup.com>

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link <https://investorcentre.linkgroup.com> into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Australian Dairy Nutritionals Group
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

*During business hours Monday to Friday (9:00am - 5:00pm)

LODGE YOUR VOTE

-  **ONLINE**
<https://investorcentre.linkgroup.com>
-  **BY MAIL**
Australian Dairy Nutritionals Group
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
-  **BY FAX**
+61 2 9287 0309
-  **BY HAND**
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
-  **ALL ENQUIRIES TO**
Telephone: 1300 554 474 Overseas: +61 1300 554 474



X999999999999

PROXY FORM - EXTRAORDINARY GENERAL MEETING

I/We being a member(s) of Australian Dairy Nutritionals Group and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting or Kerry Daly as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy.

Name

Kerry Daly of Corporate Solutions Pty Ltd (mark box)

Email

If the Chairman of the Meeting (Mr Martin Bryant) is your proxy, unless otherwise stated in Step 2 below, you are directing the Chairman of the Meeting to lodge all your votes **AGAINST** each resolution.

If Mr Kerry Daly is your proxy, unless otherwise stated in Step 2 below, you are directing Mr Kerry Daly to lodge all your votes **IN FAVOUR** of each resolution.

An email will be sent to your appointed proxy with details on how to access the virtual meeting or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **10:00am (Melbourne time) on Friday, 18 November 2022 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://meetings.linkgroup.com/AHFEGM22> (refer to details in the Virtual Meeting Online Guide).

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an .

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Removal of Mr Adrian Rowley as a director of Australian Dairy Nutritionals Limited (ACN 05 046 607)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Appointment of Mr John Day as a director of Australian Dairy Nutritionals Limited (ACN 05 046 607)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Removal of Mr Martin Bryant as a director of Australian Dairy Nutritionals Limited (ACN 05 046 607)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Removal of directors of Australian Dairy Nutritionals Limited (ACN 05 046 607) appointed after this Notice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Appointment of Mr Peter Huskins as a director of Australian Dairy Nutritionals Limited (ACN 05 046 607)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Appointment of Mr Nathan Leman as a director of Australian Dairy Nutritionals Limited (ACN 05 046 607)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)	Joint Securityholder 2 (Individual)	Joint Securityholder 3 (Individual)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the securityholder. If a joint holding, all securityholders must sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

AHF PRX2202N



