

KEYTONE RAISES \$12.5 MILLION TO ACCELERATE GROWTH INITIATIVES

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ASX Announcement – 11 May 2020

KEY HIGHLIGHTS

- Keytone receives binding commitments for a placement raising \$12.5 million
- Proceeds will be used to accelerate the Company's growth initiatives, including sales and marketing of its higher margin proprietary products, capital expenditure towards the AusConfec bar line, working capital and to provide funding to execute a pipeline of strategic acquisition opportunities
- Placement received strong support from institutional and sophisticated investors and scale backs have been applied
- Keytone to undertake a Share Purchase Plan for existing eligible shareholders to raise up to \$2.5 million¹
- Keytone to acquire the assets of AusConfec for \$2.25m, consisting of state-of-the-art equipment for the manufacturing of protein bars with contracts with Woolworths and Coles and incumbent annual revenue of approximately \$3 million per annum
- Keytone's wholly owned subsidiary, Omniblend Pty Limited, awarded \$800,000 grant under the Australian Federal Government's Manufacturing Modernisation Fund to be applied against future bar line expansion

Keytone Dairy Corporation Ltd (ASX:KTD) ("Keytone" or the "Company") is pleased to announce it has received binding commitments to raise \$12.5 million via a placement of approximately 40.3 million shares at \$0.31 per share ("Placement"). The proceeds of the Placement will be used to accelerate the Company's growth initiatives and was well supported by new and existing institutional and sophisticated investors, with scale backs applied.

Placement

The offer price for the Placement was \$0.31 per share, represents an 11.4% discount to the last close price and a 19.4% discount to the 5-day volume-weighted average price of the Company's shares prior to the Placement.

The placement was well supported with scale backs applied and sees a number of high-quality institutions joining the register.

32,267,349 shares will be issued under the Company's placement capacity under Listing Rule 7.1 and a further 8,055,232 shares issued under Listing Rule 7.1(a).

¹ Keytone reserves the right to increase or decrease the size of the SPP and/or scale back applications under the SPP at its discretion

Settlement of the Placement is expected to occur on Wednesday, 13 May 2020.

Share Purchase Plan

Keytone will also offer eligible shareholders in Australia and New Zealand the ability to participate via a Share Purchase Plan to raise up to \$2.5 million (**SPP**). Eligible shareholders will be entitled to subscribe for up to \$15,000 of new shares and Keytone reserves the right to increase the size of the SPP or scale back applications under the SPP at its discretion. The new shares to be issued under the SPP will be issued at \$0.31, the same price as the Placement. The Company applied for, and was granted on 30 April 2020, a conditional waiver from ASX Listing Rules 7.1 and 10.11 (**Waiver**) to permit the Company to conduct a further share purchase plan within the 12 month period of completion of a previous share purchase plan without shareholder approval. Further details of the Waiver and the SPP will be included in the SPP offer documentation expected to be announced on ASX and despatched to eligible Keytone shareholders on or about Tuesday 12 May 2020.

New shares issued under the Placement and the SPP (together, the **Offer**) will rank equally with existing Keytone shares on issue.

Peloton Capital Pty Ltd and Bell Potter Securities Limited acted as Joint Lead Managers to the Offer.

Use of Funds

Proceeds from the Offer will be used to:

- Fund sales and marketing for the Company's higher margin proprietary products;
- Provide working capital to fulfil the increasing size and number of customer orders;
- Provide capital expenditure towards the AusConfec barline; and
- Provide funding to execute a pipeline of strategic acquisition opportunities.

Strategic Acquisition of AusConfec

Contemporaneously with the Offer, Keytone's wholly owned subsidiary Omniblend Pty Ltd (**Omniblend**) has entered into a binding conditional agreement to acquire the assets of AusConfec Pty Ltd (**AusConfec**) for \$2.25m (**Acquisition**). The Acquisition is highly strategic, completing Keytone's fully diversified manufacturing operation across powders, ready to drink protein drinks and now protein bars. The Acquisition offers significant upside for proprietary product development in the Company's existing proprietary product range, in addition to substantial cross-sell opportunities for the Company's large existing client base as well as new clients.

AusConfec's assets consist of state-of-the-art German equipment for the manufacture of protein bars in an operational facility, with a high grade fitout and customer contracts with Woolworths and Coles. AusConfec's assets are being acquired at a 35% discount to the fair market value in continued use² and a 25% discount to net asset value, with approximately \$3.0m revenue per annum. The Acquisition enables Keytone's proprietary brand, SuperCubes' Wholefoods Bars to be brought in house immediately and become vertically integrated, providing scale, additional margin and operating efficiencies.

The Acquisition is expected to make a positive earnings contribution in FY21, being 1 April 2020 to 31 March 2021. Expansion of the Acquisition assets will take advantage of the \$800,000 Manufacturing Modernisation Fund grant awarded to Omniblend by the Australian Federal Government and offsetting

² Valued by independent valuer, Pickles Valuation Services, on 5 May 2020



future capital expenditure earmarked for further capability enhancement. This is a highly competitive grant for which Omniblend was one of the successful candidates from many thousands of applications.

The Acquisition provides Keytone significant growth opportunities to cross-sell to existing clients that currently produce bars and new product development opportunities for clients who are not yet producing bars and wish to utilise the service of the new product development expertise within Keytone. The Company also intends to introduce first-to-market innovation for proprietary and contract manufacturing sales in relation to bars and ancillary SKUs. The Acquisition completes Keytone's manufacturing offering to its existing bluechip and diversified client base, offering the ability to be a one stop shop for powders, ready to drink protein drinks and multi-layered protein bars.

The Acquisition is conditional upon both AusConfec and Omniblend executing a lease surrender and new lease terms, both of which have been agreed, with the landlord of the premises upon which the Acquisition assets are located. These agreements are expected as an administrative course of business.

Keytone's CEO Danny Rotman, said: "Demand for the Placement was in excess of \$12.5 million, and has been exceptionally well-supported by both new and existing institutional and sophisticated investors with scale backs applied. The Company is strongly encouraged by the significant level of institutional support and positive feedback received on the Company's health and wellness strategy including the endorsement of its proposed name change to Halo Food Co. Limited."

"The Company has strengthened its balance sheet and is well capitalised to execute on its growth strategy as it aggressively grows its proprietary brands into key markets, particularly China and South-East Asia. Keytone is benefiting from the tailwinds of increasing demand for nutritional, shelf stable health and wellness products and the Offer provides the Company with balance sheet strength and flexibility to execute on its organic and acquisition growth strategy."

Indicative Timetable

The timetable below is indicative only and subject to change. All times below are Sydney, Australia time (AEST)

Event	Date
SPP Record Date	7:00pm (AEST), Friday, 8 May 2020
Trading halt announced	Wednesday, 6 May 2020
Placement and SPP announced, trading halt lifted and Keytone shares recommence trading on ASX	Monday, 11 May 2020
Settlement of the Placement	Wednesday, 13 May 2020
Allotment and normal trading of New Shares issued under the Placement	Thursday, 14 May 2020
SPP Offer Booklet dispatched to eligible shareholders	Tuesday, 12 May 2020
SPP offer opens	Tuesday, 12 May 2020
SPP offer closes	5:00pm (AEST) Monday, 25 May 2020
Announcement of results of SPP	Wednesday, 27 May 2020
Allotment of New Shares issued under the SPP	Friday, 29 May 2020



Additional Information

Further details of the Offer and AusConfec acquisition are set out in the investor presentation also released on the ASX today.

The release of this announcement was authorised by the Non-Executive Chairman, Mr. Peter James, on behalf of the board.

For Further Information

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About Keytone Dairy Corporation Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Keytone Dairy Corporation Ltd is an established manufacturer and exporter of formulated dairy products and health and wellness products. Keytone Dairy's wholly-owned subsidiary Omniblend is a leading Australian product developer and manufacturer in the health and wellness sector, with both dry powder and ready to drink health and wellness-based product capability. In addition to Keytone Dairy's own brands, the company is a trusted production partner, contract packing for well-known brands in Australia, New Zealand and internationally. The Company's purpose-built production facilities in Australia and New Zealand offer a wide range of dairy, health and wellness and nutritional packing solutions, meeting the diverse needs of consumers from different markets and cultures. Please visit www.keytonedairy.com for further information.

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