



INTERIM FINANCIAL REPORT

FOR THE HALF YEAR
ENDING 31 DECEMBER 2023

AUSTRALIAN DAIRY NUTRITIONALS GROUP



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APPENDIX 4D



AUSTRALIAN DAIRY NUTRITIONALS GROUP (ASX CODE: AHF)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2023

	Movement	% Change	\$000 December 2023	\$000 December 2022
Revenues from ordinary activities	Down	-11%	3,748	4,207
Loss for the period	Down	-46%	(2,751)	(5,060)
Loss for the period attributable to members	Down	-47%	(2,694)	(5,055)

	December 2023 cents	December 2022 cents
Net tangible asset backing per security	4.7	6.2

Dividend Information

	Amount per Share (Cents)	Franked Amount per Share (Cents)	Tax Rate for Franking (%)
Final dividend	Nil	Nil	Nil
Interim dividend	Nil	Nil	Nil
Record date	Not Applicable		

The Group does not have any dividend re-investment plan in operation.

Loss or gain of control over other entities

There has been no loss or gain of control over other entities during the period.


Investment in associates and joint ventures

Not applicable.

Audit Status

This report has been subject to audit review. There is no dispute or qualification to report.

Refer to the Directors' Report and Interim Financial Report for additional information.



The Group is heavily focused on building distribution domestically and in key international markets.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

The names of directors who held office during or since the end of the half-year:

CURRENT DIRECTORS

Name	Position	Appointment / Resignation
Bernard Kavanagh	Non-Executive Chairman	appointed Chairman 13 September 2023
Jason Dong	Non-Executive Director	
Scott Lai	Non-Executive Director	appointed 7 August 2023

FORMER DIRECTORS

Name	Position	Appointment / Resignation
Martin Bryant	Non-Executive Chairman	resigned 13 September 2023
Adrian Rowley	Non-Executive Director	resigned 28 July 2023

OPERATING RESULTS

For the half-year ended 31 December 2023, the consolidated net loss from continued operations of the Group was \$2,751,443 (December 2022: \$1,845,929 loss).

The operating result is comprised of the following segment results:

- net loss from the dairy farms segment of \$71,139 (December 2022: \$848,998 profit).
- net loss from the nutritional powders segment of \$1,710,840 (December 2022: \$1,477,728).
- corporate costs of \$969,464 (December 2022: \$1,138,433).

In the 31 December 2022 comparative, there was also a loss from discontinued operations of \$3,213,941 and a loss from the consumer direct segment of \$78,766, which became a discontinued operation in April 2023.

The dairy farms segment result includes an increase in production and milk sales; however, this is offset by an increase in feed costs and the deemed cost of livestock sales and a loss from changes in fair value of livestock.

The nutritional powders segment result is down on the December 2022 comparative, largely attributable to a \$419,412 write-down in relation to the remaining short-dated stock of the discontinued Future range. Refer to the Review of Operations for further commentary on the challenges and prospects for the segment.

Total revenue from continuing operations for the half-year ended 31 December 2023 is \$3,747,657 (December 2022: \$4,206,822).

Below is a breakdown of total revenue by segment:

- total revenue and other income from the dairy farms segment of \$3,418,716 (December 2022: \$3,442,438).
- total revenue from the nutritional powders segment of \$328,942 (December 2022: \$229,833).

The dairy farms segment revenue in the December 2022 comparative includes other income of \$428,544 (December 2023: \$146,019 loss), from fair value increases to livestock. Excluding the fair value increases, revenue for the current half-year has increased by \$404,822 on the back of increased production, milk price and cattle sales.

Despite the increase from the December 2022 comparative, the nutritional powders segment revenue is below expectations. Refer to the Review of Operations for further commentary on the challenges and prospects for the segment.

Total expenses from continuing operations for the half-year ended 31 December 2023 were \$6,499,100 (December 2022: \$6,481,295).

Below is a breakdown of total expenses by segment:

- total expenses from the dairy farms segment of \$3,489,854 (December 2022: \$2,593,440).
- total expenses from the nutritional powders segment of \$2,039,782 (December 2022: \$1,707,561).
- total corporate expenses of \$969,464 (December 2022: \$1,138,433).

The dairy farms segment expenses increase of \$896,414 on the December 2022 comparative is largely attributable to an increase in the deemed cost of livestock sales, increased feed costs and a loss from changes in fair value of livestock.

The nutritional powders segment expenses increase of \$332,221 on the December 2022 comparative is largely attributable to the write-down in relation to the remaining short-dated discontinued Future range. The remaining costs are reflective of operating the facility on limited production and will increase in line with additional sales and production.

The decrease in corporate expenses of \$168,969 compared to December 2022 is largely attributed to a decrease in employment and consulting costs.

DIRECTORS' REPORT (cont'd)

FINANCIAL POSITION

The net assets of the Group at 31 December 2023 total \$31,414,302, a decrease of \$2,109,052 from the June 2023 comparative. The decrease is driven by a net loss from operations of \$2,751,443, offset by a net contribution of equity of \$642,391 from a placement to sophisticated investors on 12 July 2023.

The key assets and liabilities in the statement of financial position at 31 December 2023 are:

- cash and cash equivalents of \$402,966 (June 2023: \$2,007,429).
- inventories of \$2,380,871 (June 2023: \$1,732,674).
- non-current assets held for sale of \$6,992,325 (June 2023: \$nil).
- biological assets (livestock) of \$2,677,181 (June 2023: \$3,535,686).
- property, plant and equipment of \$19,087,586 (June 2023: \$26,381,586).
- borrowings of \$388,314 (June 2023: \$nil).

REVIEW OF OPERATIONS

DAIRY FARMS SEGMENT

(i) Dairy Farms Segment Update

In the half-year ended 31 December 2023, the Group continued to operate its two owned farms, Yaringa and Brucknell South and the leased farm at Brucknell North.

All milk produced on the farms continues to be either utilised in formula or powder production or sold as part of a two-year milk supply contract which commenced on the 1 July 2023 and provides for a minimum organic premium price.

Seasonal conditions in Southwest Victoria have been mixed in the half-year. After one of the wettest starts to July (on the back of the same conditions in May and June), unseasonal dryness in the second half of July was a welcome relief. However, these dry conditions continued to December and whilst it was generally good for grazing conditions, it had a major impact on fodder conservation.

Conserved fodder on the farms was down just over 50% on the previous season, with Yaringa impacted more than the Brucknell farms. The Darlington cropping lease, established in 2023 to produce a portion of the farms organic grain and silage requirements, has pleasingly produced quality fodder and will assist with summer and autumn feeding requirements.

December saw a welcome turnaround, with late season rain and moderate temperatures producing favourable grazing conditions well into January. The Brucknell farms benefited the most from the changed conditions, but there was also some regrowth recorded at Yaringa.

Production in July and August was below expectations, however the improved conditions in the back half of the period saw a half-year on half-year increase in milk production of 8% to 3,916,434 litres. This was a pleasing result for the half-year but was offset by increased feed costs as a result of the dry conditions.

(ii) Dairy Farm Segment Performance

The dairy farms segment net loss for the half-year was \$71,139 (December 2022: \$848,998 profit).

The December 2023 result includes a loss from changes to fair value of livestock of \$146,019 (December 2022: \$428,544 gain) and deemed cost of livestock sales of \$712,486 (December 2022: \$175,061). Both of these movements are non-cash and are a result of softening livestock valuations and the herd restructure following the announcement of the Brucknell South sale (refer to (iv) below).

After removing the impact of the livestock movements noted above, the dairy farm operating segment's financial performance has seen an improvement on the December 2022 half-year result, with an operational net profit of \$787,366 (December 2022: \$595,515). This is a result of a stronger milk price and increase in production, offset by cost increases largely attributable to feed.

(iii) Livestock Values

Livestock values continued to soften in the half-year ended 31 December 2023, resulting in a loss from changes in fair value of livestock of \$146,019 (December 2022: \$428,544 gain).

(iv) Brucknell South Sale

On 22 December 2023 the Group announced to the ASX that it had entered a binding contract of sale for the Brucknell South Farm located at 650 Timboon Nullaware Road, Brucknell for a price of \$7,125,000. A deposit of \$356,250 was paid by the purchaser on execution of the sale agreement and the sale is expected to settle on 20 March 2024.

As a result, a major herd restructure and reduction is currently underway with a sell down of lower value or quality cows and the export of 100 surplus spring heifer calves. Groups of surplus higher value cows will also be offered to the market.

DIRECTORS' REPORT (cont'd)

(v) Farm Values

Registered valuers Preston Rowe Paterson completed independent valuations on both farms for the year ended 30 June 2023. The basis of the valuations was 'As Is and In Use' with vacant possession and the fair value of the farms was \$8,400,000 for Yaringa and \$7,000,000 for Brucknell South.

The Board has reviewed carrying amounts at 31 December 2023 and are satisfied they are not impaired.

The carrying amount for the Yaringa farm of \$8,403,251 represents the independent valuation from June 2023 plus capitalised costs from the valuation date, less depreciation (refer Note 7(i)(a)).

The carrying amount for the Brucknell South farm of \$6,992,325 represents the sale price of the farm less costs to sell (refer Note 4).

NUTRITIONAL POWDERS SEGMENT

(i) Nutritional Powders Segment Update

During the half-year, the production facility has performed at expectations. The facility is running well and producing high quality product results. The high quality standard associated with our export licence, own best practice procedures and organic certification have all been well maintained and there have been no material breakdowns or safety issues.

Production volumes are still relatively low, however, there are several strategic opportunities which have been identified with the potential to have a material positive impact on manufacturing volumes and revenue (refer below).

The Group continues to focus on building distribution domestically and in key international markets.

Domestically, the Ocean Road Dairies range continues to be available in Chemist Warehouse stores nationally. Our targeted marketing investment has focussed on driving brand and product recognition with consumers, including social media campaigns and attendance at Pregnancy and Baby Shows. The infant formula category remains highly competitive, and consumers tend to be very brand loyal, so progress has been slower than anticipated, however, volumes are steadily increasing.

On 28 June 2023, the Group announced the appointment of an experienced Vietnamese infant formula distributor. The distributor has extensive local market knowledge, well established distribution networks and customer relationships, enabling them to effectively reach a wide range of consumers. Since the announcement, the Group have been working closely with our distributor through a detailed and long process for gaining country access, which has now been successful.

The first small order was airfreighted to Vietnam in January 2024 and the first full order is due to be dispatched in March 2024.

Vietnam is considered a promising market in the Asian region as it has a low average age, rising middle class and high rates of birth per capita. Now our Ocean Road Organic A2 Protein formula is in the country, we will jointly invest in local marketing initiatives to raise awareness and build brand recognition in Vietnam. Our marketing campaigns will focus on educating parents about the unique benefits and superior quality of our infant formula, establishing trust and credibility among Vietnamese families.

Following the appointment of a distributor with a team that have extensive experience introducing new products to the market in Canada, the Group and the distributor have invested considerable time in gaining market access. The opportunity continues to progress, and the expectation is to commence with stage 3 (toddler milk).

The Group is continuing discussions with a USA group that have the potential to achieve substantial sales in the USA market, and like Canada, will most likely commence with stage 3 (toddler milk).

In addition to the opportunities in Canada and the USA, there are various other international opportunities under consideration and discussions are ongoing.

STRATEGIC PILLARS

At the 2023 Annual General Meeting, the Group outlined its four strategic pillars in its revised strategy:

- 1. Stabilise:** Stabilise the cash position to provide meaningful cash resources to execute on the revised strategy.
- 2. Grow Sales:** Continue to grow sales of the Ocean Road Dairies range both domestically and internationally.
- 3. Increase Utilisation:** Increase utilisation of the Depot Road manufacturing facility by pursuing contract manufacturing opportunities and complementary product extensions.
- 4. Consolidation:** Proactively investigate synergistic consolidation opportunities.

The Group has delivered on the first pillar of the strategy, securing a \$3,000,000 loan facility and the sale of the Brucknell South farm, which will net proceeds of \$7,000,000 in March 2024. This is expected to provide the cash resources to execute on the remaining pillars of the strategy.

We have provided an update on sales and utilisation in the Nutritional Powders segment above, and whilst progress continues to be slower than anticipated, we are optimistic that with access to the Vietnamese market now secured and other markets on the horizon, that we can increase factory utilisation and subsequent sales volumes.

DIRECTORS' REPORT (cont'd)

The Group has identified and continues to evaluate synergistic consolidation opportunities. Most of these opportunities also have the capacity to materially increase sales for the Group and/or increase factory utilisation. We continue to work on the best outcome; however, no conclusion has been reached at this stage and we will continue with a proactive approach to progress worthwhile opportunities.

GOING CONCERN

The financial statements have been prepared using the going concern basis of preparation. During the half-year the Group incurred a loss of \$2.75 million (December 2022: \$5.29 million loss), has total accumulated losses of \$51.50 million and had a net cash outflow from operations of \$2.27 million (December 2022: \$3.90 million outflow). The Groups cash and cash equivalent balance as at 31 December 2023 was \$403k and it has an unutilised 2-year loan facility of \$2.75 million.

The Board is satisfied the going concern basis of preparation remains appropriate, reaching such a conclusion after having regard to the circumstances which they consider reasonably likely to affect the Group during the period of at least one year from the date of this report.

The Board has been closely monitoring working capital and cash flows throughout the half-year while infant formula product sales build, and the Group works to gain access to international markets and continues to evaluate synergistic consolidation opportunities.

The Board is confident in the Groups ability to continue as a going concern for the 12-month period assessed above as it has secured working capital from the below initiatives:

1. On 5 December 2023, the Group established a \$3,000,000 secured loan facility with Gippsreal Limited for a period of 24 months.
2. On 22 December 2023, the Group announced it had entered a binding contract of sale for the Brucknell South farm for \$7,125,000, with the sale expected to settle on 20 March 2024.

The Board are satisfied at the date of signing the financial report there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis.

The financial report does not include any adjustments to the amounts or classifications of recorded assets or liabilities that might be necessary should the Group not continue as a going concern.



Bernard Kavanagh
Non-Executive Chairman

28 February 2024

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration under s307C of the *Corporations Act 2001*

To the Directors of Australian Dairy Nutritionals Limited

As lead auditor for the review of the financial report of Australian Dairy Nutritionals Group which comprises Australian Dairy Nutritionals Limited and the entities it controlled at the end of the period or from time to time during the period for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Gavin Ruddell
Director

Date: 28 February 2024

Advisory. Tax. Audit.

Registered Audit Company 299289

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FINANCIAL STATEMENTS

FOR THE HALF YEAR
ENDING 31 DECEMBER 2023



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	NOTE	DECEMBER 2023	DECEMBER 2022
Continuing Operations		\$	\$
Revenue	2(a)	3,747,657	4,206,822
Other income	2(b)	-	428,544
Administration and non-dairy related costs	2(c)(vi)	(380,575)	(479,930)
Employment expenses	2(c)(v)	(1,664,627)	(1,712,404)
Finance costs	2(c)(i)	(27,492)	(32,971)
Dairy farm related costs	2(c)(ii)	(1,855,230)	(1,638,215)
Infant formula product related costs	2(c)(iii)	(1,168,590)	(1,186,493)
Consumer direct product related costs	2(c)(iv)	-	(949,678)
Depreciation and amortisation		(544,081)	(306,543)
Deemed cost of livestock sold		(712,486)	(175,061)
Loss from changes in fair value of livestock		(146,019)	-
Loss before income tax		(2,751,443)	(1,845,929)
Income tax expense	2(d)	-	-
Loss from continuing operations		(2,751,443)	(1,845,929)
Discontinued operations			
Loss from discontinued operations after tax	3	-	(3,213,941)
Loss for the period		(2,751,443)	(5,059,870)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Fair value movement on land and buildings at fair value through other comprehensive income		-	(225,614)
Other comprehensive loss for the period		-	(225,614)
Total comprehensive loss for the period		(2,751,443)	(5,285,484)
Loss attributable to:			
Company shareholders		(2,693,943)	(5,054,897)
Non-controlling interest		(57,500)	(4,973)
		(2,751,443)	(5,059,870)
Total comprehensive loss is attributable to:			
Company shareholders		(2,693,943)	(5,280,511)
Non-controlling interest		(57,500)	(4,973)
		(2,751,443)	(5,285,484)
Earnings per share from continuing and discontinued operations:			
Basic earnings per share (cents)	13	(0.42)	(0.92)
Diluted earnings per share (cents)	13	(0.42)	(0.92)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	NOTE	DECEMBER 2023	JUNE 2023
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		402,966	2,007,429
Trade and other receivables		715,010	660,390
Inventories		2,380,871	1,732,674
Non-current assets held for sale	4	6,992,325	-
Other current assets		427,780	276,267
Total Current Assets		10,918,952	4,676,760
Non-Current Assets			
Biological assets	5	2,677,181	3,535,686
Right of use assets		762,668	1,009,996
Intangible assets	6	644,255	635,732
Property, plant & equipment	7	19,087,586	26,381,586
Total Non-Current Assets		23,171,690	31,563,000
Total Assets		34,090,642	36,239,760
LIABILITIES			
Current Liabilities			
Trade and other payables		969,373	945,138
Lease liabilities		518,289	555,605
Provisions		528,592	699,559
Borrowings	8	388,314	-
Total Current Liabilities		2,404,568	2,200,302
Non-Current Liabilities			
Lease liabilities		240,845	484,920
Provisions		30,927	31,184
Total Non-Current Liabilities		271,772	516,104
Total Liabilities		2,676,340	2,716,406
Net Assets		31,414,302	33,523,354
EQUITY			
Issued capital	9	76,733,411	76,091,020
Reserves		6,176,512	6,176,512
Accumulated losses		(51,372,493)	(48,678,550)
Equity attributable to shareholders		31,537,430	33,588,982
Non-controlling interests			
Accumulated losses		(123,128)	(65,628)
Equity attributed to non-controlling interests		(123,128)	(65,628)
Total Equity		31,414,302	33,523,354

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	NOTE	DECEMBER 2023 \$	DECEMBER 2022 \$
Cash Flows from Operating Activities			
Receipts from customers		3,882,726	5,413,238
Payments to suppliers and employees		(6,130,139)	(9,261,562)
Interest received		5,536	1,035
Finance costs		(27,492)	(45,058)
Net operating cash flows		(2,269,369)	(3,892,347)
Cash Flows from Investing Activities			
Payment for property, plant & equipment		(47,718)	(665,673)
Proceeds from sale of property, plant & equipment		-	6,093,919
Payment for intangible assets		(23,523)	(62,829)
Net investing cash flows		(71,241)	5,365,417
Cash Flows from Financing Activities			
Net proceeds from issue of shares		642,391	-
Proceeds from borrowings - unsecured		332,820	630,555
Repayment of borrowings - unsecured		(96,059)	(237,412)
Net proceeds from borrowings - secured	8(ii)	151,554	-
Repayment of related party loan		-	(500,000)
Repayment of lease principal		(294,559)	(225,251)
Net financing cash flows		736,147	(332,108)
Net increase / (decrease) in cash held		(1,604,463)	1,140,962
Cash at the beginning of the period		2,007,429	2,431,696
Cash at the end of the financial period		402,966	3,572,658

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	NOTE	Issued Ordinary Capital	Asset Revaluation Reserve	Option Reserve	Non- controlling Interests	Accumulated Losses	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2023		76,091,020	6,101,897	74,615	(65,628)	(48,678,550)	33,523,354
Comprehensive income for the year							
Loss attributable to company shareholders for the period		-	-	-	-	(2,693,943)	(2,693,943)
Non-controlling interests		-	-	-	(57,500)	-	(57,500)
Total comprehensive loss for the period		-	-	-	(57,500)	(2,693,943)	(2,751,443)
Transactions with equity holders in their capacity as equity holders and other transfers:							
Contribution of equity, net of transaction costs	9(i)(a)	642,391	-	-	-	-	642,391
Total transactions with equity holders		642,391	-	-	-	-	642,391
Balance at 31 December 2023		76,733,411	6,101,897	74,615	(123,128)	(51,372,493)	31,414,302
Balance at 1 July 2022		43,563,897	7,160,545	866,364	23,900,256	(35,541,736)	39,949,326
Comprehensive income							
Loss attributable to company shareholders for the period		-	-	-	(20,482)	(5,034,415)	(5,054,897)
Non-controlling interests		-	-	-	(4,973)	-	(4,973)
Other comprehensive income for the period		-	(225,614)	-	-	-	(225,614)
Total comprehensive loss for the period		-	(225,614)	-	(25,455)	(5,034,415)	(5,285,484)
Transactions with equity holders in their capacity as equity holders and other transfers:							
Director performance rights		-	-	58,000	-	-	58,000
Share-based payments	9(ii)(a)(e)	231,100	-	-	-	-	231,100
Share-based payment	9(ii)(d)	90,000	-	-	-	-	90,000
Transfer to retained earnings		-	(1,891,956)	(164,341)	-	2,056,297	-
Transfer from NCI on de-stapling	9(ii)(c)	30,744,991	-	-	(23,880,612)	(6,864,379)	-
Shares issued on exercise of rights	9(ii)(b)	27,000	-	(27,000)	-	-	-
Total transactions with equity holders		31,093,091	(1,891,956)	(133,341)	(23,880,612)	(4,808,082)	379,100
Balance at 31 December 2022		74,656,988	5,042,975	733,023	(5,812)	(45,384,233)	35,042,941

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2023 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Australian Dairy Nutritionals Limited and its controlled entities (referred to as the "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2023, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on the date of signing the directors' declaration.

(b) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

(c) New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period but determined that their application to the financial statements is either not relevant or not material.

(d) Restatement of comparative

The Group has discovered in the half-year ended 31 December 2022, it had erroneously included the non-cash gain on disposal of the Brucknell North farm in other income, with a corresponding fair value loss on land and buildings in other comprehensive income.

The 31 December 2022 comparative has been corrected in this report by restating each of the affected line items in the prior period statement of profit or loss and other comprehensive income.

Consolidated statement of profit or loss and other comprehensive income - for the half-year ended 31 December 2022	Previously Reported	Adjustment	Restated
	\$	\$	\$
Other income	2,289,418	(1,860,874)	428,544
Dairy farm related costs	(1,607,133)	(31,082)	(1,638,215)
Profit / (loss) before income tax	46,027	(1,891,956)	(1,845,929)
Profit / (loss) from continuing operations	46,027	(1,891,956)	(1,845,929)
Profit / (loss) for the period	(3,167,914)	(1,891,956)	(5,059,870)
Fair value movement on land and buildings at fair value through other comprehensive income	(2,117,570)	1,891,956	(225,614)
Other comprehensive income / (loss) for the period	(2,117,570)	1,891,956	(225,614)
Total comprehensive income / (loss) for the period	(5,285,484)	-	(5,285,484)

The resultant adjustment has no impact on the total comprehensive loss for the period, the net assets or the statement of cash flows of the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Going Concern

The financial statements have been prepared using the going concern basis of preparation. During the half-year the Group incurred a loss of \$2.75 million (December 2022: \$5.29 million loss), has total accumulated losses of \$51.50 million and had a net cash outflow from operations of \$2.27 million (December 2022: \$3.90 million outflow). The Groups cash and cash equivalent balance as at 31 December 2023 was \$403k and it has an unutilised 2-year loan facility of \$2.75 million.

The Board is satisfied the going concern basis of preparation remains appropriate, reaching such a conclusion after having regard to the circumstances which they consider reasonably likely to affect the Group during the period of at least one year from the date of this report.

The Board has been closely monitoring working capital and cash flows throughout the half-year while infant formula product sales build, and the Group works to gain access to international markets and continues to evaluate synergistic consolidation opportunities.

The Board is confident in the Groups ability to continue as a going concern for the 12-month period assessed above as it has secured working capital from the below initiatives:

1. On 5 December 2023, the Group established a \$3,000,000 secured loan facility with Gippsreal Limited for a period of 24 months.
2. On 22 December 2023, the Group announced it had entered a binding contract of sale for the Brucknell South farm for \$7,125,000, with the sale expected to settle on 20 March 2024.

The Board are satisfied at the date of signing the financial report there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis.

The financial report does not include any adjustments to the amounts or classifications of recorded assets or liabilities that might be necessary should the Group not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 2: REVENUE AND EXPENSES

	Note	December 2023 \$	December 2022 \$
(a) Revenue			
Continued Operations			
Revenue from contracts with customers	(i)	3,690,954	4,187,229
Other sources of revenue	(ii)	56,703	19,593
Total revenue		3,747,657	4,206,822
 (i) Revenue disaggregation			
The revenue is disaggregated by service line and timing of revenue recognition.			
Service lines:			
- Nutritional powders		301,660	229,833
- Dairy Farms		3,389,294	2,994,301
- Consumer Direct		-	963,095
		3,690,954	4,187,229
 Timing of revenue recognition			
Services transferred to customers:			
- at a point in time		3,690,954	4,187,229
 (ii) Other sources of revenue			
Interest - unrelated		5,536	1,035
Farm costs recoveries		18,573	15,300
Fuel rebate and other revenue		32,594	3,258
		56,703	19,593
 (b) Other Income			
Gain from changes to fair value of livestock		-	428,544
		-	428,544
 (c) Expenses			
(i) Finance costs			
Loans - secured		3,849	-
Loans - unsecured		9,818	16,050
Loan - related party		-	2,904
Right of use assets		13,825	14,017
		27,492	32,971
 (ii) Dairy related costs			
Feed costs		1,043,105	738,892
Repairs, maintenance and vehicle costs		139,161	148,711
Animal health costs		12,657	14,604
Land holding and lease costs		24,663	15,594
Breeding and herd testing expenses		61,027	34,475
Dairy shed expenses		70,456	66,981
Electricity		63,466	68,853
Other dairy farm related costs		440,695	550,105
		1,855,230	1,638,215

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 2: REVENUE AND EXPENSES (cont'd)

	December 2023	December 2022
	\$	\$
(iii) Nutritional powders related costs		
Cost of goods sold	209,075	149,888
Inventory impairment	419,412	-
Manufacturing related costs	280,236	391,888
Advertising and marketing costs	172,151	312,166
Property related costs	16,779	13,244
Other infant formula costs	70,937	319,307
Total nutritional powders related costs	1,168,590	1,186,493
(iv) Consumer direct related costs		
Cost of goods sold	-	835,704
Other consumer direct costs	-	113,974
Total consumer direct related Costs	-	949,678
(v) Employment benefits expense		
Employee and director remuneration costs	1,664,627	1,428,304
Equity settled share-based payment costs	-	284,100
	1,664,627	1,712,404
(vi) Administration and non-dairy related costs		
Administraion costs	257,062	286,531
Equity settled share-based payment - professional costs	-	90,000
Professional costs	123,513	103,399
	380,575	479,930

(d) Tax Expense

There is no income tax applicable to the result for the period due to the availability of carried forward tax losses.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 3: DISCONTINUED OPERATIONS

Fresh milk processing at the Manifold Street site in Camperdown ceased at the end of August 2022.

(a) Statement of Profit or Loss and Other Comprehensive Income for the period from discontinued operations:

	December 2023	December 2022
	\$	\$
Revenue	-	657,742
Employment expenses	-	(341,210)
Finance costs	-	(9,317)
Dairy product related costs	-	(1,175,123)
Depreciation and amortisation expense	-	(120,575)
Impairment expense - right of use assets	-	(168,857)
Impairment expense - property, plant and equipment	-	(2,056,601)
Loss before income tax	-	(3,213,941)
Income tax expense	-	-
Net loss from discontinued operations	-	(3,213,941)

(b) The net cash flows of the discontinued operation, which have been incorporated into the statement of cash flows, are as follows:

	December 2023	December 2022
	\$	\$
Net cash outflow from operating activities	-	(951,172)
Net cash outflow from investing activities	-	(1,226)
Net cash outflow from financing activities	-	689,018
Net cash outflow by discontinued operations	-	(263,380)

NOTE 4: NON-CURRENT ASSETS HELD FOR SALE

On 22 December 2023 the Group announced to the ASX that it had entered a binding contract of sale for the Brucknell South farm located at 650 Timboon Nullaware Road, Brucknell for a price of \$7,125,000. A deposit of \$356,250 was paid by the purchaser on execution of the sale agreement and the sale is expected to settle on 20 March 2024.

In accordance with AASB 5: *Non-current Assets Held for Sale*, the Group has reclassified the assets of the Brucknell South farm in the proposed sale as held for sale at the sale price less costs to sell.

Following is a breakdown of the assets held for sale on 31 December 2023:

	December 2023	June 2023
	\$	\$
Non-current assets		
Land and buildings	6,992,325	-
Total intangible assets	6,992,325	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 5: BIOLOGICAL ASSETS

	Note	December 2022 \$	June 2023 \$
Non-current			
Dairy livestock	(i)	2,677,181	3,535,686
Total biological assets		2,677,181	3,535,686
Opening carrying amount		3,535,686	4,416,205
Deemed cost of livestock disposed		(712,486)	(641,606)
Loss from changes to fair value		(146,019)	(238,913)
Closing carrying amount		2,677,181	3,535,686

Movement during the year (herd numbers):

	December 2023 No.	June 2023 No.
Opening balance	2,305	2,227
Natural increase and attrition	285	860
Sales	(626)	(782)
Closing balance	1,964	2,305

(i) Biological assets represent the dairy livestock owned by the Group. The livestock is valued at fair value, by an independent stock agent, based on the prices in the open dairy cattle market in the locality of the Group's dairy farming operations. A fair value loss of \$146,019 (December 2022: \$428,544 gain) has been recognised in profit and loss at 31 December 2023, and represents price movements, natural increase and the movement in ages of young stock.

Financial risks associated with the Group's dairy herd relates to selling prices of milk, and is managed by way of contracted revenue prices.

NOTE 6: INTANGIBLE ASSETS

	December 2023 \$	June 2023 \$
Recipes, formulations, trademarks and patents		
- at cost	621,510	597,987
	621,510	597,987
Product development		
- at cost	59,505	59,505
Less accumulated amortisation	(36,760)	(21,760)
	22,745	37,745
Total intangible assets	644,255	635,732

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Note	December 2023 \$	June 2023 \$
Land buildings and improvements			
- at fair value		13,703,714	20,500,000
less accumulated depreciation		(244,889)	-
	(i)	13,458,825	20,500,000
Plant and equipment			
- at cost		6,890,771	6,901,800
Less accumulated depreciation		(1,262,010)	(1,020,214)
		5,628,761	5,881,586
Total property, plant and equipment		19,087,586	26,381,586

(i) Below is a table showing the carrying value of land and buildings and improvements by property:

Property name	Note	Acquisition date	December 2023	June 2023
Brucknell South	(a)	22 October 2014	-	7,000,000
Yaringa - Nirranda South	(b)	4 October 2018	8,403,251	8,400,000
Infant Formula Facility	(c)	1 July 2022	5,055,574	5,100,000
Total			13,458,825	20,500,000

(a) Registered valuers Preston Rowe Paterson completed an independent valuation of the farm for 30 June 2023. The basis of the valuation was 'As Is and In Use' with vacant possession and the fair value of the farm was \$7,000,000. On 22 December 2023 the Group announced to the ASX that it had entered a binding contract of sale for the farm for a purchase price of \$7,125,000. (refer Note 4).

(b) Registered valuers Preston Rowe Paterson completed an independent valuation of the farm for 30 June 2023. The basis of the valuation was 'As Is and In Use' with vacant possession and the fair value of the farm was \$8,400,000. The Board has reviewed carrying amounts at 31 December 2023 and are satisfied they are not impaired and the best estimate of the property values are the independent valuations from June 2023 plus capitalised costs from the valuation date, less depreciation.

(c) Registered valuers IPN Valuers - Greater Geelong completed an independent valuation of the Depot & Old Geelong Road land and infant formula building for 30 June 2023. The basis of valuation is a cost approach using the summation of land and improvements, supported by comparable sales evidence and capitalisation of income. The combined fair value was assessed at \$5,100,000. The Board has reviewed carrying amount at 31 December 2023 and are satisfied it is not impaired and the best estimate of the facility value is the independent valuation from June 2023 plus capitalised costs from the valuation date, less depreciation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 8: BORROWINGS

	Note	December 2023 \$	June 2023 \$
Current			
Loans - unsecured	(i)	236,760	-
Loans - secured	(ii)	250,000	-
Transaction costs		(98,446)	-
Total current borrowing		388,314	-

(i) The Group has unsecured short-term loans for payment of the Group's insurance policies.

(ii) On 5 December 2023, the Group established a \$3,000,000 secured loan facility with Gippsreal Limited. The facility is secured against the Group's Yaringa dairy farm as well as a first ranking security over the assets of the borrower in connection with the property. The loan is for a period of 24 months and the lender has the right to review the terms and conditions of the loan on an annual basis. Interest is calculated on a variable interest rate at the Reserve Bank of Australia prevailing rate plus a margin of 5.4% per annum. At 31 December 2023 the Group has drawn down \$250,000 (2022: \$nil) of the facility.

NOTE 9: ISSUED CAPITAL

	December 2023 \$	June 2023 \$
Contributed equity of the Group	76,733,411	76,091,020

(i) Movement in ordinary shares at 31 December 2023:

	Date	Number of Shares	Issued Capital \$	Issue Price \$
Opening balance	1 Jul 2023	611,472,858	76,091,020	
Placement shares (a)	11 Jul 2023	32,272,727	710,000	0.022
Placement shares (b)	11 Jul 2023	12,121,212	-	-
Transaction costs		-	(67,609)	
31 December 2023		655,866,797	76,733,411	

(a) On 12 July 2023, there were 32,272,727 shares issued to sophisticated investors. The fair value of shares issued, determined by reference to the placement price of \$0.022, was \$710,000, with transaction costs of \$67,609.

(b) On 26 April 2023, there were 33,333,333 shares issued to Mr Xin Yang in a private placement. The fair value of shares issued, determined by reference to the placement price of \$0.03, was \$1,000,000, with transaction costs of \$50,000. Subsequent to the initial issue, on 11 July 2023, Mr Yang was issued a further 12,121,212 top up shares to ensure consistency with the price of the completed share purchase plan on 29 June 2023.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 9: ISSUED CAPITAL (cont'd)

(ii) Movement in ordinary shares at 30 June 2023:

Details	Date	Number of Stapled Securities	Shareholders \$	Unitholders \$	Stapled Entity \$	Issue Price \$
Opening balance	01 Jul 2022	548,552,225	43,563,897	30,744,991	74,308,888	
Employee performance securities (a)	24 Aug 2022	3,230,000	226,100	-	226,100	0.070
Performance rights exercised (b)	24 Aug 2022	1,500,000	27,000	-	27,000	0.018
Transfer from NCI on de-stapling (c)	5 Dec 2022	-	30,744,991	(30,744,991)	-	n/a
Supplier securities (d)	16 Dec 2022	1,800,000	90,000	-	90,000	0.050
Employee performance securities (e)	16 Dec 2022	100,000	5,000	-	5,000	0.050
Placement shares (f)	26 Apr 2023	33,333,333	1,000,000	-	1,000,000	0.030
Share purchase plan (g)	29 Jun 2023	22,957,300	505,061	-	505,061	0.022
Transaction costs		-	(71,029)	-	(71,029)	n/a
30 June 2023		611,472,858	76,091,020	-	76,091,020	

Until 5 December 2022, the stapled securities of the Group were comprised of one share in the Company and one unit in the Trust.

(a) On 24 August 2022, there were 3,230,000 stapled securities issued as a share-based payment under the AHF Long Term Incentive Plan at a price of \$0.070 per security. The fair value of securities issued, determined by reference to the market price, was \$226,100.

(b) On 24 August 2022, there were 1,500,000 stapled securities issued at a price of \$0.018 per security upon vesting of employee performance rights.

(c) On 5 December 2022, the Company and the Trust were destapled.

(d) On 16 December 2022, there were 1,800,000 shares issued as a share-based payment for consulting services under the AHF Long Term Incentive Plan at a price of \$0.05 per security. The fair value of securities issued, determined by reference to the market price, was \$90,000.

(e) On 16 December 2022, there were 100,000 shares issued as a share-based payment under the AHF Long Term Incentive Plan at a price of \$0.050 per security. The fair value of securities issued, determined by reference to the market price, was \$5,000.

(f) On 26 April 2023, there were 33,333,333 shares issued to Mr Xin Yang in a private placement. The fair value of shares issued, determined by reference to the placement price of \$0.03, was \$1,000,000, with transaction costs of \$50,000. Subsequent to the year end on 11 July 2023, Mr Yang was issued a further 12,121,212 top up shares to ensure consistency with the price of the completed share purchase plan on 29 June 2023.

(g) On 29 June 2023, there were 22,957,300 shares issued on completion of a Share Purchase Plan (SPP). The fair value of shares issued, determined by reference to the SPP price of \$0.022 per share, was \$505,061.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 10: SEGMENT REPORTING

(i) Segment Performance

	Nutritional Powders \$	Dairy Farms \$	Total \$
31 December 2023			
Revenue			
External sales	328,942	3,413,179	3,742,121
Other income	-	-	-
Interest revenue	-	5,536	5,536
Total segment revenue	328,942	3,418,716	3,747,657
Total group revenue			3,747,657
Segment net loss before tax	(1,710,840)	(71,139)	(1,781,979)
Reconciliation of segment result to group net profit/loss before tax:			
Amounts not included in segment result but reviewed by the Board:			
- Corporate charges	(484,732)	(484,732)	(969,464)
Net loss before tax			(2,751,443)

(ii) Segment Performance

	Nutritional Powders \$	Dairy Farms \$	Consumer Direct* \$	Total \$
31 December 2022				
Revenue				
External sales	229,833	3,012,859	963,095	4,205,787
Other income	-	428,544	-	428,544
Interest revenue	-	1,035	-	1,035
Total segment revenue	229,833	3,442,438	963,095	4,635,366
Total Group revenue				4,635,366
Segment net profit / (loss) before tax	(1,477,728)	848,998	(78,766)	(707,496)
Reconciliation of segment result to group net profit/loss before tax:				
Amounts not included in segment result but reviewed by the Board:				
Corporate charges	(375,683)	(375,683)	(11,383)	(762,749)
Corporate charges allocated to discontinued operations				(375,684)
Net loss from continuing operations before tax				(1,845,929)

* This comparative segment is the Victorian Farmers Direct business that was sold in April 2023.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 10: SEGMENT REPORTING (cont'd)

(iii) Segment Assets

	Nutritional Powders \$	Dairy Farms \$	Total \$
As at 31 December 2023			
Segment assets	12,921,902	21,168,740	34,090,642

Segment assets include:

Additions to non-current assets	36,668	34,573	71,241
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(iv) Segment Assets

	Nutritional Powders \$	Dairy Farms \$	Total \$
As at 30 June 2023			
Segment assets	13,286,970	22,952,790	36,239,760

Segment assets include:

Additions to non-current assets	786,292	1,261,599	2,047,891
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(v) Segment Liabilities

	Nutritional Powders \$	Dairy Farms \$	Total \$
As at 31 December 2023			
Segment liabilities	872,435	1,803,905	2,676,340

(vi) Segment Liabilities

	Nutritional Powders \$	Dairy Farms \$	Total \$
As at 30 June 2023			
Segment liabilities	1,066,963	1,649,443	2,716,406

NOTE 11: SHARE-BASED PAYMENTS

(i) Ordinary shares granted to employees under the Group Incentive Plan as share-based payments

During the half-year ended 31 December 2023, there were no ordinary shares granted to employees.

(ii) Performance rights granted to employees under the Group Incentive Plan as share-based payments

During the half-year ended 31 December 2023, there were no performance rights issued, forfeited or exercised and there are none on issue.

(iii) Options

During the half-year ended 31 December 2023, there were no options issued, forfeited, or exercised.

A summary of movements in options is as follows:

	December 2023	June 2023
Opening balance	3,000,000	9,500,000
Expired	-	(6,500,000)
Closing balance	3,000,000	3,000,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 11: SHARE-BASED PAYMENTS (cont'd)

(iv) Loan securities

During the half-year ended 31 December 2023, there were no loan securities issued or exercised.

During the year ended 30 June 2023, 9,500,000 loan securities expired. The expired loan securities were cancelled and bought back on 19 January 2024 and there are no longer any on issue.

(v) Total expenses arising from share-based transactions recognised during the half-year

	Note	December 2023 \$	December 2022 \$
Equity settled share-based payments - employment benefit costs	2(v)	-	284,100
Equity settled share-based payments - professional costs	2(vi)	-	90,000

NOTE 12: FAIR VALUE MEASUREMENT

(a) Fair Value Hierarchy

The following tables provide the fair values of the Group's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

31 December 2023

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Level 4 \$	Total \$
Non-financial assets						
Biological Assets	5	-	2,677,181	-	-	2,677,181
Land and buildings	4,7	-	20,451,150	-	-	20,451,150
Total non-financial assets recognised at fair value on a recurring basis		-	23,128,331	-	-	23,128,331

30 June 2023

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Level 4 \$	Total \$
Non-financial assets						
Biological Assets	5	-	3,535,686	-	-	3,535,686
Land and buildings	7	-	20,500,000	-	-	20,500,000
Total non-financial assets recognised at fair value on a recurring basis		-	24,035,686	-	-	24,035,686

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 12: FAIR VALUE MEASUREMENT (cont'd)

(b) Techniques and Inputs Used to Measure Level 2 Fair Values

In the absence of an active market for an identical asset, the Group selects and uses one or more valuation techniques to measure the fair value of the asset. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach uses prices and other relevant information generated by market transactions for identical or similar assets.
- Income approach converts estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Description	Fair Value at 31 December 2023 \$	Valuation Technique(s)	Input Used
Non-financial assets			
Biological assets	2,677,181	Market approach using recent observable industry market data for dairy cattle	Breed, weight, condition
Land and buildings	20,451,150	Market approach using recent observable comparable sales evidence	Price per hectare, improvements value, current replacement cost
	23,128,331		

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 13: EARNINGS PER SHARE CALCULATION

	December 2023 cents	December 2022 cents
From continuing and discontinued operations		
Basic loss per share	(0.42)	(0.92)
Diluted loss per share	(0.42)	(0.92)
From continuing operations		
Basic loss per share	(0.42)	(0.34)
Diluted loss per share	(0.42)	(0.34)
From discontinued operations		
Basic loss per share	-	(0.58)
Diluted loss per share	-	(0.58)
Reconciliation of earnings to profit or loss:	\$	\$
Loss attributable to shareholders and unitholders	(2,751,443)	(5,059,870)
	Number of Shares	Number of Shares
Weighted average number of shares outstanding during the period used in calculating basic EPS	653,440,899	552,042,225
Weighted average number of options outstanding	-	-
Weighted average number of shares outstanding during the period used in calculating dilutive EPS	653,440,899	552,042,225

All options on issue are considered to be dilutive potential ordinary shares, however they are presently anti-dilutive at 31 December 2023 as the average market price of shares during the period is less than the exercise price of all options.

NOTE 14: EVENTS AFTER THE BALANCE DATE

In the opinion of the directors there are no material matters that have arisen since 31 December 2023 that have significantly affected or may significantly affect the Group, that are not disclosed elsewhere in this report or in the accompanying financial statements.

DIRECTORS' DECLARATION



Australian Dairy Nutritionals

DIRECTORS' DECLARATION

For the half-year ended 31 December 2023

In accordance with a resolution of the directors of Australian Dairy Nutritionals Group, the directors of the staples entity declare that:

- (a) the financial statements and notes set out on pages 11 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
- (b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Bernard Kavanagh
Chairman

28 February 2024

INDEPENDENT AUDITOR'S REVIEW TO THE MEMBERS



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Independent Auditor's Review Report to the Members of Australian Dairy Nutritionals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Dairy Nutritionals Group (the Company and its subsidiaries ("the Group")) which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(e) in the financial report which indicates that during the year the Group incurred a loss of \$2.75 million (December 2022: \$5.29 million loss) has total accumulated losses of \$51.50 million and had a net cash outflow from operations of \$2.27 million (December 2022: \$3.90 million outflow). As stated in Note 1(e), the financial statements have been prepared on a going concern basis on the expected success of the initiatives outlined. Should these events or conditions not occur then a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Advisory. Tax. Audit.

Registered Audit Company 299289

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INDEPENDENT AUDITOR'S REVIEW TO THE MEMBERS (cont'd)



Independent Auditor's Review Report to the Members of Australian Dairy Nutritionals Limited (continued)

The financial report does not include adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Gavin Ruddell

Gavin Ruddell
Director

Level 28, 10 Eagle Street,
Brisbane QLD 4000

Date: 28 February 2024

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Bernard Kavanagh
Non-Executive Chairman

Jason Dong
Non-Executive Director

Scott Lai
Non-Executive Director

COMPANY SECRETARY

Peter Skene
Company Secretary

REGISTERED OFFICE

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STOCK EXCHANGE

Australian Dairy Nutritionals Group is listed on the official List of the Australian Securities Exchange Limited (ASX).

The ASX Code is "AHF".

WEBSITE

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