

Market Update and Appendix 4C Quarterly Cash Flow

Australian Dairy Nutritionals Group Limited (**AHF** or the **Group**) advises that this activity report relates to the Appendix 4C for the quarter ended 30 June 2021 (**Quarter**) released to the market on 30 July 2021.

- **Infant Formula Plant Building complete and commissioning works progressing well**
- **Launch of the Future Infant Formula range on track for Q3CY21**
- **AHF takes 100% ownership of Jonesy's Distribution Pty Ltd and appoints exclusive distributor for Jonesy's Dairy Fresh brand**

Construction and Fit Out of the Infant Formula Plant Building

Construction of the infant formula building is now complete after installation of the final section of the roof. Installation works have also been completed and the team are now focussing on commissioning works, initially for milk powders and then infant formula.

AHF expects the new plant to be operational for milk powders and infant formula in Q4CY21 with production of the Group's new Organic A2 infant formula range to commence in early Q1CY2022. The commissioning/production timeline has been slightly delayed due to the impact of the recent COVID-19 lockdowns in Victoria as well as shipping delays for some additional equipment and raw material but otherwise the Board is very happy with the progress of this important project.



Future Infant Formula production and launch

After a second successful commercial production of the 'future' infant formula range, first tins of the 3-step range will be available this quarter and will be sold domestically via a dedicated 'future' website which will offer a subscription service to customers. The range will also be sold through Victorian Farmers Direct, the Group's online fresh food platform (www.victorianfarmersdirect.com.au).

Management is continuing to focus on securing physical and online retail distribution opportunities in both domestic and international markets and has appointed a partner to establish an online store on one of China's key digital platforms. The store is expected to be launched in Q4CY2021.

Appointment of Exclusive Distributor in Victoria for Jonesy's Dairy Fresh Brand

The Group also advises that it now owns 100% of the shares in Jonesy's Distribution Pty Ltd giving it full ownership of the Jonesy's Dairy Fresh brand. As part of the process of restructuring this business, family owned Victorian distributor Sealane has been appointed as the exclusive distributor of the Jonesy's Dairy Fresh brand in Victoria.

Sealane are an Australian owned and operated family business established in 1982 and based in Melbourne. Sealane delivers over 4,000 product lines in frozen, chilled, dry grocery, packaging and cleaning products and have a highly experienced team servicing a large range of hospitality and retail customers all over Victoria.

Appointing a delivery partner for the Jonesys Dairy Fresh range not only delivers a superior customer experience for Jonesy's customers but also allows the Group focus on its farming and manufacturing operations, in particular the launch of its new infant formula products.

Quarterly Activity Report (QAR) – Additional Information for the quarter ended 30 June 2021 (Quarter)

(a) Details of the Company's Business Activities for the Quarter

The Group's business activities during the Quarter focussed on dairy farming and dairy manufacturing. Construction of the Group's infant formula plant building completed during the Quarter with the closure of the roof section noted above.

The Expenditure reported in the Quarter relates primarily to:

- dairy farm operating costs including feed and employment costs;
- dairy manufacturing costs including raw materials, packaging, employment and waste disposal/effluent costs;
- payments to Spence Construction and other contractors in respect of the new infant formula facility; and
- corporate costs in relation to the capital raisings noted above including lead manager fees, ASX fees, registry fees and legal fees.

(b) Payments to an associate of, a related party of the Company (section 6 of Appendix 4C)

Section 6 of the Appendix 4C includes expenditure of \$150,000 in fees and salaries paid to the Directors of the Group.

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

Ends

Further Details

For additional company information or media enquiries, please contact:

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Communications Policy

AHF makes ASX market releases at times directors believe it would be helpful or necessary for investors and as required by the Listing Rules. For further information regarding our shareholder communications policy, please refer to AHF's website: www.adnl.com.au.

About Australian Dairy Nutritionals Group

Australian Dairy Nutritionals Group (AHF) (previously named Australian Dairy Farms Group) is a vertically integrated Australian dairy group which owns high quality dairy farms and a processing facility (Camperdown Dairy Company) located in South Western Victoria, the 'Golden Triangle' of Australia's dairy industry. The Group is a trusted source of premium quality branded dairy products using milk sourced fresh from its farms.

Disclaimer – Forward Looking Statements

This announcement may include "forward looking statements" within the meaning of securities laws of applicable jurisdictions. These forward-looking statements are not historical facts but are based on AHF's current expectation, estimates and projections about the industry, in which it operates, and beliefs and assumptions. Readers are cautioned not to place undue reliance on forward looking statements.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Australian Dairy Nutritionals Group: Comprising
 Australian Dairy Nutritionals Limited – ABN: 36 057 046 607; and
 Australian Dairy Farms Trust – ARSN: 600 601 689

ABN

See Above

Quarter ended (“current quarter”)

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,345	22,059
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,387)	(17,684)
(c) advertising and marketing	(10)	(139)
(d) leased assets	-	(4)
(e) staff costs	(885)	(3,902)
(f) administration and corporate costs	(466)	(2,298)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	16
1.5 Interest and other costs of finance paid	(68)	(415)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	334
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,466)	(2,033)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(610)	1,252
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	(20)	(79)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	(107)	(107)
2.6	Net cash from / (used in) investing activities	(737)	1,066

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,637
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(417)
3.5	Proceeds from borrowings	-	377
3.6	Repayment of borrowings	(115)	(6,478)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – lease liabilities	(53)	(322)
3.10	Net cash from / (used in) financing activities	(168)	797

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,563	6,362
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,466)	(2,033)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(737)	1,066
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(168)	797
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,192	6,192

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,192	8,563
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,192	8,563

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1. This is comprised of directors' fees and salaries and administrative services.
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

150

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

6.1 Directors' fees and salaries (inc superannuation) of \$150K

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	5,981	5,981
7.2 Credit standby arrangements	-	-
7.3.1 Other (Equipment Leases)	179	179
7.3.2 Other	-	-
7.4 Total financing facilities	6,160	6,160

7.5 Unused financing facilities available at quarter end

nil

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.1 Commonwealth Bank of Australia Limited – Secured loan facilities. Variable interest rate of 4.12% and maturity 4 October 2021.

7.3.1 Commonwealth Bank of Australia Limited – The Group has equipment leasing in place to assist with the financing of key farm capital expenditure. Leases are secured by first registered charges over the leased equipment.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,466)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	6,192
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	6,192
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.22

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

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

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

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 July 2021

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.