

## Appendix 4C Quarterly Cash Flow and Market Update

Australian Dairy Nutritionals Group Limited (**AHF** or the **Group**) advises that this activity report relates to the Appendix 4C for the quarter ended 30 September 2022 (**Quarter**) released to the market on 31 October 2022.

### Current and Future Operating Cash Flows

This Quarter saw net cash outflows from operating activities of \$2.2 million. AHF expects quarterly cash flows to be materially lower than this Quarter for the following reasons:

- \$866k of this amount related to net cash outflows from Camperdown Dairy operations that were discontinued at the end of August 2022, as well as once-off costs of closing the Manifold Street site;
- This Quarter, first commercial production of the Ocean Road Dairies infant formula range commenced at our Infant Formula Plant requiring AHF to invest in raw materials and packaging as well as manufacturing and associated costs to build inventory prior to sales, which commenced in October 2022;
- We continued to build inventory of the Future branded infant formula range and now have sufficient inventory with substantial shelf life to support sales of this brand into 2023.

### Investment in Inventory and Commercial Production at Infant Formula Plant

In the Quarter the Group achieved its most significant milestone to date with the commercial production of the Ocean Road Dairies Organic A2 infant formula range at its infant formula plant, using raw milk from its own farms. The range is now available in Chemist Warehouse stores nationally.

The Quarter includes significant investment in packaging and raw materials as well as the cost of building inventory (base production and canning) for the new range. We continue to refine operations at the Infant Formula Plant to increase efficiency and will build further inventory of the Ocean Road Dairies range in line with sales demand domestically and internationally.

The Quarter also included \$150k of consultancy fees to IJ Funds Management as part of the consulting services provided to AHF to establish operations and networks in Asia. A further \$150k will be paid to IJ Funds Management for consulting services through October to December 2022, at which time the engagement (and fees) will cease.

### Wind down of Camperdown Dairy operations

This Quarter saw the closure of fresh milk processing operations at the Manifold Street site by the end of August 2022. The Quarter includes 2 months of wind down of fresh milk production as well as once off costs including redundancies associated with the closure of the Manifold site.

Negotiations are ongoing with various parties in relation to the transfer of the Manifold Street lease and purchase of processing equipment. Residual costs are now limited to rent, insurance and minor operational items. These are expected to cease once the future arrangements with the Manifold Street site are finalised.

### **Sale of Brucknell North Farm**

This Quarter AHF completed the sale of the Brucknell North farm with proceeds of \$6.09 million received.

### **Organic Certification of the Brucknell North Farm**

AHF is pleased to advise that the Brucknell North farm achieved full organic certification at the beginning of October 2022 following a successful audit by its certification body, Southern Cross Certified. AHF's farm portfolio produces certified organic A2 protein milk and is now paid the organic farmgate milk price for all raw milk produced at its farms.

### **Organic A2 Protein Milk Supply**

AHF's farm portfolio produces approximately 3 times more Organic A2 protein milk per annum than is required to fill its Infant Formula Plant. AHF has strong security of supply of its Organic A2 protein milk to produce the Ocean Road Dairies Organic A2 infant formula range, both now and into the future.

### **Extraordinary General Meeting (EGM)**

An EGM called by certain minority securityholders will be held on Friday 18<sup>th</sup> November 2022. It is important that securityholders vote to protect their investment in AHF. The Board recommends that securityholders **VOTE AGAINST** all 6 resolutions at the EGM.

### **Annual General Meeting (AGM)**

AHF's AGM will be held on Thursday 24<sup>th</sup> November 2022 at 1:00pm. Securityholders will have received the meeting documentation last week, or early this week (depending on postage times). The Board recommends that securityholder **VOTE FOR** all resolutions at the AGM.

## **Quarterly Activity Report (QAR) – Additional Information for the quarter ended 30 September 2022 (Quarter)**

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

The Group's business activities during the Quarter focussed on dairy farming and dairy manufacturing including initial commercial production at the new infant formula plant and wind down of Camperdown Dairy fresh milk processing at the Manifold Street site.

The Expenditure reported in the Quarter relates primarily to:

- dairy farm operating costs including feed and employment costs;
- infant formula production costs including purchase of raw materials, packaging, employment and other associated manufacturing costs;
- fresh milk production costs and wind down of operations at the Manifold Street site including raw materials, employment, testing, relocation and redundancy costs;

- consulting fees for IJ Funds Management;
- repayment of Martin Bryant's unsecured loan (item 3.6); and
- corporate costs in relation to the Group including employment costs, ASX fees, registry fees, insurance, accounting 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 \$180,000 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:

##### **Australian Dairy Nutritionals Limited**

Phone: +61 3 8692 7284

Email: [shareholders@adnl.com.au](mailto:shareholders@adnl.com.au)

**Ends**

#### **About Australian Dairy Nutritionals Group**

*Australian Dairy Nutritionals Group (AHF) is a vertically integrated Australian dairy group which owns high quality organic and organic A2 dairy farms, and a processing facility located in Southwestern Victoria, the 'Golden Triangle' of Australia's dairy industry. In addition to our premium Future range of infant formulas the Group has also commenced production of Australia's first Organic A2 infant formula made with farm fresh Australian milk from our farms at our purpose-built infant formula factory. The Group is a trusted source of premium quality branded dairy products sold in Australia and overseas.*

#### **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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,069	3,069
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,931)	(3,931)
(c) advertising and marketing	(137)	(137)
(d) leased assets	-	-
(e) staff costs	(736)	(736)
(f) administration and corporate costs	(468)	(468)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(12)	(12)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,215)</b>	<b>(2,215)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(449)	(449)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	(35)	(35)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	6,094	6,094
	(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	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>5,610</b>	<b>5,610</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(506)	(506)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – lease liabilities	(113)	(113)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(619)</b>	<b>(619)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,432	2,432
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,215)	(2,215)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	5,610	5,610
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(619)	(619)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>5,208</b>	<b>5,208</b>

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	5,208	2,432
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,208</b>	<b>2,432</b>

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

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1.
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

180

-

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

6.1 The \$180K is comprised of directors' fees and salaries (including superannuation).

**7. Financing facilities**

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

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

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (Short-term credit facility - insurance)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

**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.

**8. Estimated cash available for future operating activities**

**\$A'000**

8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,215)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	5,208
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	5,208
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	2.35

- 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: 31 October 2022

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

## Notes

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