



**Clover Corporation Limited**

ABN 85 003 622 866

ASX ANNOUNCEMENT

30 June 2014

## MARKET UPDATE

### Sales

Clover Corporation Limited (Clover) sales revenue continues to be affected by the suspected contamination of whey protein announced by Fonterra (NZ) in August last year. As previously advised, the incident did not affect any of Clover's products directly. However, as whey protein is an important ingredient in infant formula, the uncertainty that followed the announcement has affected product sales by a number of Clover's customers. This has had a flow-on effect in reducing demand for some of the company's products.

In the company's half-year report, directors stated that the recovery in sales revenue would be dependent on the length of time it takes those affected customers to recover their manufacturing volumes and market share. It is now apparent that a number of customers have found it difficult to regain market share within the expected timeframe. As a result, Clover's sales revenue continues to be impacted. Sales revenue for FY2014 is currently estimated to be around 40% down on the result for FY 2013.

The sales trend has seen an improvement during May and June as customer orders start to flow again. This is encouraging and confirms the company's previous statement that 'sales revenue in 2015 is expected to increase from the performance being experienced in FY2014'.

### New Product Development

Clover has a product development pipeline with significant near term opportunities. A new product for use in infant formula has been approved by the initial targeted customers, with product shipped in May 2014 and a further shipment due in June 2014. Additional markets in Asia for this product have been identified, and evaluation by prospective customers is in progress.

A second novel proprietary product developed by Clover is targeted to Chinese infant formula manufacturers with their own sources of omega 3-rich oils. The Clover product will improve stability and functionality of the finished product for these manufacturers. Customer trials in parts of Asia have been delayed as a result of local regulatory changes, but are expected to recommence in September 2014, with product sales commencing in FY2015.

## **Sales of Specialty Oil**

To satisfy increased customer demand for high quality tuna oil, Clover has signed a long term contract with its fourth provider of crude tuna oil. This oil has appropriately high grade specifications to meet the requirements of existing and potential new customers in the European market.

## **Medical Foods Program**

Clover has been developing its Medical Foods Program for more than 7 years, initially through support of the DINO study. This was a clinical trial involving augmentation of DHA levels in prematurely born babies. Short term outcomes for the babies involved in the study showed positive benefits from the supplementation.

As a consequence, a large scale Phase 3 clinical trial was initiated by The Women's & Children's Hospital, Adelaide, now involving 50 hospitals in 4 countries, to test the effectiveness of Clover's proprietary DHA emulsion in reducing the incidence and severity of lung disorders in infants born prematurely.

In parallel with this trial, Clover is preparing to obtain the regulatory approvals that it will need for sale of the DHA emulsion once trial results are available (mid 2015). Generally Recognised as Safe (GRAS) registration is currently under review by the US Food and Drug Administration with the Review Committee due to meet in Q3, 2014.

## **Addressing Clover's Strategy**

As previously advised Mr Darren Callahan is acting as interim CEO and reporting directly to the Board of Directors. Mr Callahan has a highly qualified and skilled management team working under his direction. New sales appointments have been made in Oceania, Europe and China to further develop customer relationships and resultant sales opportunities in those areas.

Management continues to drive forward the Company's business strategy which rests on

- Working closely with existing and prospective customers, in particular, with those affected by the Fonterra whey protein issue, to rebuild sales and expand the Company's market reach
- Developing new products with significant sales potential, both for the near term and to take advantage of medium term market opportunities
- Actively exploring potential corporate alliances which can increase Clover's revenues and profitability in the short and longer term.

### **For more information please contact:**

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