

Ecklin South Farm Sale

- **Unconditional contract for sale of Ecklin South farm**
- **Proceeds of the farm sale to repay finance facility, de-leverage the Group's balance sheet**
- **Remaining farm portfolio will produce sufficient milk to supply the Group's infant formula plant even at full capacity**

The Board is pleased to advise that the Group has entered into a contract to sell the farm located at 300 Missens Road, Ecklin South, Victoria (**Ecklin South farm**). The sale comes at a time of record land sales in South West Victoria and the Board is pleased to advise there was significant interest in the property and the final sale price of \$5.625 million represents a price of over \$9,500 per acre. The sale includes the land and farm chattels but does not include the herd. Some of the herd will be sold and some relocated to the Group's remaining farms.

The agreement is not conditional on the purchaser obtaining finance and settlement of the sale is to occur on 30 September 2021 (or earlier by agreement). A deposit of \$250,000 was paid on execution of the purchase agreement. The decision to sell the farm was made following a Board review of the farm portfolio and milk production requirements. The review identified that a significant amount of capital is tied up in the farm portfolio and, the Group's farm milk production is significantly higher than its manufacturing requirements, both now and in the future.

Combined with anecdotal reports that there was very strong demand for quality farmland in South West Victoria, the Board determined that circumstances were ripe to 'right size' the Group's farm holdings and sell the Ecklin South farm. The successful offer equates to a price of just over \$9,500 per acre which is significantly above the valuation for the farm at 30 June 2021 of \$7,900 per acre.

The proceeds of the farm sale (after costs), as well as additional funds raised through the sale of the herd noted above, will be used repay the Group's finance facility in its entirety. Deleveraging the balance sheet puts the Group in a strong financial position as its stage 1 infant formula plant strategy nears completion and focus firmly shifts to product development and investment in the Group's own brands and infant formula ranges.

The Group's farm portfolio now consists of the fully certified organic dairy farm, Yaringa as well as the two adjacent farms located in Brucknell, Victoria. The Brucknell South farm will be fully certified organic in October 2021. At this time, both the Yaringa and Brucknell South farms will produce fully certified organic A2 protein only milk. The Brucknell North farm will also achieve organic pasture certification by end of 2021 however the decision whether to transition the herd will be made at a later date.

Renewed focus on vertically integrated infant formula and nutritionals strategy

In recent months, the Board has taken important decisions to streamline the operations of the Group to ensure there is strong alignment between its operations and its strategy to become a fully vertically integrated farmer and producer of infant formula and nutritional products.

Right sizing the farm portfolio and de-leveraging the Group's balance sheet enables the Group to focus heavily on the completion of its stage 1 infant formula project and ramp up operational activity in the key areas required to support its vertical integration strategy.

The Group's farm portfolio will now focus on specialised milk production (eg. organic and A2 protein only milk), with the revised portfolio producing sufficient volume to support manufacturing of its infant formula range even when the plant is at full capacity.

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

Ends

Further Details

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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.