

Market Update and Appendix 4C Quarterly Cash Flow/Quarterly Activity Report

Australian Dairy Nutritionals Limited (AHF or the Group) advises that this quarterly activity report relates to the Appendix 4C for the quarter ended 30 September 2021 (**Quarter**) released to the market on 29 October 2021.

Launch of 'future' Gradulac Gentle infant formula range

The Board is pleased to announce, after over 2 years in development, the launch of its 'future' Gradulac Gentle infant formula range. The 'future' Gradulac Gentle range is a unique, staged lactose formulation which has been scientifically developed to meet the development of the infant's digestive system. It is a premium formulation made from Australian milk and containing prebiotics and probiotics.

The 'future' Gradulac Gentle range is now available to purchase for domestic customers through the Group's direct sales model at www.futureformula.com.au. Customers can make a one off purchase or join a unique subscription model where supply is guaranteed. Victorian customers will also be able to purchase the range through Victorian Farmers Direct. The launch will be supported by a comprehensive omni-channel marketing campaign and the Group is working with distributors, both domestically and international, to continually expand ranging.

The launch of the 'future' infant formula range represents a major milestone for the Group as it expands its operations into the nutritional powders and infant formula category under its own brands.



Sale of Ecklin South farm delivers a 'debt free' balance sheet

The sale of the Group's Ecklin South farm settled on 30 September 2021 allowing the Group to pay out in full its finance facility and deliver a 'debt free' balance sheet. Repayment of the facility allows the Group to focus on the development and launch of its own infant formula ranges starting with the new future range and followed closely by its organic A2 protein formula which will be manufactured at the Group's infant formula facility using organic A2 protein milk from its farms.

Image: Certified organic A2 protein only cows grazing at the Group's Yaringa farm



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. Commissioning and initial trials of the infant formula plant also continued throughout this quarter and is progressing well despite some minor delays due to the impact of the Covid-19 restrictions in Victoria (item 2.1).

As announced on 30 September 2021, the Group sold its Ecklin South farm netting a payment after costs of \$5.4 million (item 2.2). The proceeds of the sale were used to pay out the Group's finance facility (including equipment financing arrangements) delivering a debt free balance sheet for the Group moving forward (items 3.6 and 3.9).

The Group also made a significant investment this Quarter in inventory of the new 'future' infant formula range (item 1.2), which is now available for purchase in the market as noted above.

The Expenditure reported in the Quarter relates primarily to:

- dairy operating costs including feed and labour;
- dairy manufacturing costs including raw materials, packaging, logistics and labour;
- product and range launch costs including contract manufacturing fees, logistics, digital and marketing costs;
- payments in relation to the commissioning and testing of the infant formula facility;
- employment costs; and
- corporate costs including ASX fees, registry fees, consulting and advisory fees.

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

Section 6 of the Appendix 4C includes details of fees and salaries paid to the directors of the Group, who are associates 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.adfl.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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,351	4,351
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,225)	(4,225)
(c) advertising and marketing	(3)	(3)
(d) leased assets	-	-
(e) staff costs	(998)	(998)
(f) administration and corporate costs	(263)	(263)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(87)	(87)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,223)	(1,223)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(765)	(765)
(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	(22)	(22)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	5,421	5,421
	(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	(36)	(36)
2.6	Net cash from / (used in) investing activities	4,598	4,598

3.	Cash flows from financing activities		
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	(5,981)	(5,981)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – lease liabilities	(210)	(210)
3.10	Net cash from / (used in) financing activities	(6,191)	(6,191)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,192	6,192
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,223)	(1,223)

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)	4,598	4,598
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6,191)	(6,191)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,376	3,376

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	3,376	6,192
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)	3,376	6,192

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**

159

-

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	-	-
7.2 Credit standby arrangements	-	-
7.3.1 Other (Equipment Leases)	-	-
7.3.2 Other	-	-
7.4 Total financing facilities	-	-

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)	(1,223)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,376
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	3,376
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.76

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: 29 October 2021

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.