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KEYTONE COMPLETES ACQUISITION OF OMNIBLEND

31 July 2019

Keytone Dairy Corporation Ltd (ASX:KTD) ("Keytone Dairy" or the "Company") is pleased to announce it has completed the strategic acquisition of Omniblend Pty Limited ("Omniblend")(the "Acquisition") earlier today in line with the terms of the binding agreement signed by the Company and Omniblend on 17 June 2019.

The Acquisition of Omniblend is a compelling and transformational acquisition for Keytone Dairy. Omniblend is a profitable and leading Australian product developer and manufacturer in the health and wellness sector, with both dry powder and ready to drink dairy based product capability. The Acquisition enables Keytone to fast track its development and is underpinned by a strong strategic rationale and articulated upon the Company's four-pillar growth strategy. Importantly, the Acquisition is highly EPS (earnings per share) accretive for Keytone's existing shareholders.

The highlights of the Acquisition include:

- Keytone has acquired 100% of Omniblend
- All necessary shareholder approvals have been obtained and all the conditions precedent have been met
- Omniblend is a profitable and leading Australian product developer and contract manufacturer of health and wellness powdered and UHT drinks products
- Omniblend expects revenues of $29.7 million and EBITDA of $2.244 million for the 30 June 2019 year
- A highly strategic and attractive acquisition for Keytone's shareholders - Keytone has purchased an order of magnitude increase in revenues and earnings base
- Omniblend is a highly complementary, accretive and synergetic business in a logical adjacency
- Omniblend holds numerous accreditations, including from the Certification and Accreditation Administration of the People's Republic of China

The required funding for the acquisition of Omniblend, being $18.0m, was raised in full. The $8.0m placement component to new institutional and sophisticated investors was oversubscribed and significant scalebacks were applied. The SPP raised $8.7m from existing and eligible shareholders of the Company, and the balance of $1.3m was placed with institutional and sophisticated investors. The $1.3m balance of shares will be issued under the Company's placement capacity, pursuant to Listing Rule 7.1.

Peter James, Chairman of Keytone, said: "We are excited to have completed the formalities of the Acquisition and officially welcome the Omniblend business and team into Keytone Dairy. I would particularly like to make a warm welcome to Danny Rotman, Managing Director of Omniblend and Arie Nudel, General Manager International and Business Development, both of whom join the Keytone board as executive directors. This strategic and transformational Acquisition has received overwhelming support through the capital raise and shareholder approval process and it significantly fast tracks the development of the combined group. The exceptional level of demand speaks to the quality of Omniblend and Keytone."

"Omniblend provides Keytone with a strong platform for growth into the health and wellness sector, a logical and highly attractive adjacency, offering an early mover advantage into Asian markets in the space whilst leveraging both Keytone's and Omniblend's proprietary brands into Asia, particularly China."

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Omniblend Trading Update

Between the announcement of the Acquisition and today's completion, **Omniblend has achieved a number of significant milestones. The key highlights include**:

- **Omniblend's proprietary products** are continuing to gain traction in the local market; and its own branded "Tonik", a functional lifestyle beverage with a number of product SKUs, has **secured national ranging with Metro Petroleum** stations. Metro Petroleum currently has 225 sites nationally around Australia and Tonik will be in stocked in stores from September 2019.
- The **commencement of the integration** between the existing Omniblend manufacturing sites into one large-scale powder manufacturing site, ultimately leading to significant operational synergies. The integration of the facilities are further advanced than anticipated and the project is expected to be complete prior to the end of calendar year 2019.
- Omniblend has **entered into an exclusive manufacturing agreement** with one of the world's leading protein brands for a new range of ready to drink products. Omniblend has received the first sales order from the customer for approximately 40 tonnes of product, scheduled to be manufactured during August 2019.
- Omniblend has recently dispatched its first product for a leading day spa network and new client, Endota Spa, which has **launched a new product** with the first commercial production run taking place in early July. Endota Spa has over 100 premium locations throughout Australia and is considered the largest network of its kind in the country.

Selected examples of Omniblend's proprietary brand, Tonik

Appointment of executive directors to the Keytone Dairy Board

In line with the Acquisition, Daniel Rotman and Arie Nudel have been appointed as executive directors to the Keytone Dairy Board. Daniel and Arie have extensive commercial experience in the health and wellness, nutritional and more broadly fast moving consumer goods sector having co-founded Omniblend and grown the business over the course of the last decade, bringing a wealth of experience and insight to Keytone Dairy and the Board.

Mr Rotman is a co-founder and Managing Director of Omniblend. During his 11 years with Omniblend he has successfully overseen the operation of the business from inception with turnover of $3m to $32m in FY18.

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Mr Rotman is the key relationship manager for Omniblend clients with a proven track record of identifying and commercialising product innovation and was key in developing the company's UHT bottling capabilities into PET bottles - the first of its kind in Australia. In addition to managing the Omniblend business, Mr Rotman's key responsibilities include business development opportunities and leading all product innovation within the Omniblend business. These responsibilities will continue moving forward. Prior to founding Omniblend, Mr Rotman worked as a commercial lawyer with Gadens.

Mr Nudel is a founding partner of Omniblend. At Omniblend, Mr Nudel's key responsibilities include identification and strategy for business growth including joint ventures, Government grant programs, vertical integration and export market development opportunities for Omniblend. Mr Nudel has initiated and facilitated many arrangements with a diverse range of organisations including large dairy companies, research institutes, universities, industry groups, other investment companies as well as technology and product licensing arrangements for domestic and international companies. Mr Nudel has significant experience with advancements in nutritional understanding in recent times that can be used in preventative and adjunct therapies. His key experience aim is life stage nutrition with a focus of evidence-based nutrition targeted for specific health outcomes in conditions such as type 2 diabetes, metabolic disease, weight and blood sugar management and for the particular nutritional needs of an aging population both domestically and in Asia. He is a graduate of the Australian Institute of Company Directors. He has experience with both public and private companies having previously been a director of an ASX listed public company. Mr Nudel was recently invited to join the Board of the Australia China Nutrition and Health Association.

Please refer to the Notice of Annual General Meeting dated 26 June 2019 for the terms of executive employment agreements for Daniel Rotman and Arie Nudel.

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Further Information

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About Keytone Dairy Corporation Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Keytone Dairy is an established manufacturer and exporter of formulated dairy products and health and wellness products. Keytone Dairy is the 100% owner of Omniblend, being a leading Australian product developer and manufacturer in the health and wellness sector, with both dry powder and ready to drink health and wellness based product capability. In addition to Keytone Dairy's own brands, the company is a trusted production partner, contract packing for well-known brands in Australia, New Zealand and internationally. The Company's purpose-built production facilities in Australia and New Zealand offer a wide range of dairy, health and wellness and nutritional packing solutions, meeting the diverse needs of consumers from different markets and cultures. Please visit www.keytonedairy.com for further information.

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