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KEYTONE COMPLETES ACQUISITION OF SUPER CUBES

ASX Announcement – 17 October 2019

Keytone Dairy Corporation Ltd (ASX:KTD) ("**Keytone**" or the "**Company**") is pleased to announce that it has completed the strategic acquisition of the assets, brands and business of 40 Forty Foods Pty Limited, trading as Super Cubes (**"Super Cubes"**), for $750,000 plus an earn-out subject to performance milestones (the "**Acquisition**").

Highlights

- Keytone has completed the acquisition of 100% of Super Cubes, a premium Australian consumer lifestyle health and wellness brand – the first of its kind in the marketplace
- Super Cubes has a strong core product range and a growing national distribution network, including national ranging in Woolworths, 400 independent supermarkets, and an increasing online presence with over 20,000 unique visits to the Super Cubes website per month
- In FY19, Super Cubes first full 12 months of trading, the business realised sales of approximately $650,000, with significant distribution and sales only achieved in the last quarter of FY19
- Purchase price of $120,000 cash, settlement of $487,000 of Super Cubes existing debt, deferred cash payment of $143,000 payable over 2 years plus the issue of performance shares convertible into Keytone shares dependent on substantial increases in Super Cubes performance over the next three years
- Since announcement of the Acquisition, Super Cubes has secured national distribution with the Global by Nature (GBN) network, providing access to in excess of 1,000 retailers for the new wholefoods series of bars, bites and meal replacement powders
- First order for the wholefoods bars has a value in excess of $165,000 with the bars expected to be ranged from late October 2019
- The strategic Acquisition accelerates Keytone's growth into high value, high margin proprietary products
- Keytone has funded the Acquisition via existing cash reserves and the issuance of equity, subject to performance milestones being met, with no capital raise required

Keytone's Chief Executive Officer, Danny Rotman, stated "Super Cubes is an exceptionally exciting and fast-growing brand with an experienced high performing management team. The performance of the business to date has continued to exceed expectations due to the highly appealing range of proprietary products aimed at the health conscious, time-poor, consumer."

"Keytone is well placed to leverage our expertise and capitalise on the early mover advantage into China and South East Asia in the health and wellness sector with strong proprietary brands, such as Super Cubes. The acquisition further bolsters the strategic priority and development of Keytone's branded product portfolio."

"We are delighted to welcome Ash McMillan to the team. Ash has an established and successful track record in developing and growing strong brands in the health and wellness sector. Ash will lead the roll-out of the Company's proprietary health and wellness branded portfolio."

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Strategic Rationale

As previously announced, Keytone believes the acquisition of Super Cubes is highly strategic with strong financial rationale and in-line with the Company's stated growth strategy. Further it substantially fast-tracks the Company's key strategic priority of developing its own high value, high margin proprietary product suite. The key strategic highlights include:

- ✓ Health Halo Brand
  - Strong, fast-growing health and wellness brand
  - Ability to leverage unique product offering into international markets, including South East Asia and China
  - Uncompromising first-class health credentials and ingredients, including 5-star health rating

- ✓ Established Distribution Channels
  - Four established channels to market, including:
    1. Independent Grocery – ranged in 400 independent groceries nationally
    2. Major Grocery – national ranging in Woolworths
    3. Super Cubes website – 20,000 unique visits to the website per month and growing
    4. Global by Nature Distribution – providing access to over 1,000 retailers nationally
  - Existing strategic channels grow brand equity and brand awareness whilst simultaneously driving social media following
  - New distribution channels and ranging over short to medium term:
    1. Petrol & Convenience – range review meetings scheduled for Q4 2019 calendar year
    2. Pharmacy – range reviews meetings scheduled for Q4 2019 calendar year
  - Ability to leverage Keytone's existing distribution channels for growth in core markets, including China

- ✓ Innovative Product Range
  - Core Super Cubes smoothies range established and growing
  - Introduction of 'permissible indulgence' smoothie range being rolled out nationally
  - Innovative Super Tubes (Icy Poles) and Super Cubes Wholefoods Bars range being rolled out to existing distribution channels through Q4 2019 calendar year providing significant growth and upside
  - Innovative new product pipeline to be commercialized through 2020 and beyond

- ✓ Expertise
  - Ashley McMillan has more than 12 years' experience in significantly growing branded products in the health and wellness sector
  - Proven sales capability and track record with established brand and national distribution expertise
  - Highly complementary team to drive Keytone's strategic priority of growing high value, higher margin proprietary product suite

- ✓ Manufacturing Upside
  - Omniblend will bring the manufacture of certain Super Cubes product lines in-house over time, providing additional margin accretion in the medium term

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A condition of ASX approving the terms of the performance shares to be issued in conjunction with the Acquisition is that shareholder approval is obtained for their issue. As such, a notice of meeting for an extraordinary general meeting will be dispatched to all shareholders in due course.

For Further Information

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About Keytone Dairy Corporation Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Keytone Dairy Corporation Ltd (the "Company") is an established manufacturer and exporter of formulated dairy products and health and wellness products. Keytone Dairy's wholly-owned subsidiary Omniblend is 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.

About Super Cubes

Based in Sydney, Australia, Super Cubes is a wellness company offering frozen cubes of fruits, vegetables plant-based proteins and highly nutritious ingredients that provide beneficial effects on the body and immune system. Super Cubes was founded out of a simple desire to create a consumer product with uncompromising health credentials that support busy and demanding lives, making it simple and east to choose the healthy options. Their products contain no added sugar or preservatives and are blast frozen in the factory to seal in as many quality vitamins and minerals as possible. Please visit www.supercubes.com.au for further information.

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