Keytone Dairy Corporation Limited
ABN: 49 621 970 652

ASX Release
Half Year Results
For the period ending 30 September 2019

29 November 2019

www.keytonedairy.com

KEYTONE DAIRY HALF YEAR RESULTS

29 November 2019

Sydney and Melbourne, Australia and Christchurch, New Zealand - **Keytone Dairy Corporation Ltd (ASX:KTD or KTD.AU) ("Keytone Dairy" or the "Company")** is pleased to announce its financial results for the six months ended 30 September 2019 (H1 FY2020) and lodge the accompanying Appendix 4D.

Upon releasing the FY20 half year results, Keytone Dairy's CEO, Danny Rotman commented, "The first six months of FY20 have been transformational in the evolution of the Company, with a major step change occurring in the Company's earning potential. Keytone Dairy's existing New Zealand powdered dairy manufacturing and export business has continued its strong growth. In addition, Keytone Dairy's growth has been turbocharged by the strategic acquisition of Omniblend, a leading Australian-based product developer and contract manufacturer of high value, formulated health and wellness products and long-life UHT drinks. The Omniblend acquisition was completed on 31 July 2019, and as such only two months of Omniblend's financial results are included in the consolidated half year results of the group."

"The Company has made substantial progress in the last six months, resulting in the realisation of record revenue for the period, significantly higher than the financial results for the corresponding period of the previous year."

"Keytone Dairy is a high-growth and rapidly expanding business focusing on international markets and executing on its strategy of expanding its contract manufacturing business while also increasing its focus on high-value, high-margin branded proprietary products both in the formulated dairy space and also in the branded health and wellness sector."

"The acquisitions of Omniblend and Super Cubes have fast-tracked the Company's capacity, scale, manufacturing capability and executive talent whilst simultaneously demonstrating the Company's ability to swiftly execute on-point acquisitions and grow a branded proprietary product portfolio. The Company has been building its product portfolio and manufacturing capability whilst building out its distribution channels across international markets, which it is now well positioned to capitalise on to deliver value for its shareholders."

Financial Performance

Keytone Dairy has experienced a transformational six months ending 30 September 2019. The Company continued to execute on its strategic priorities and delivered substantial revenue growth from a diversified client base and a rapidly growing proprietary branded product suite, notwithstanding the fact that only two months of Omniblend Pty Limited's ("Omniblend") financial performance are included in the consolidated results.

The capital expenditure on the second purpose-built manufacturing facility in New Zealand, to more than triple the Company's New Zealand manufacturing capacity on a one shift basis, was largely completed through the period. The highly successful and oversubscribed capital raise in connection with the acquisition of Omniblend maintained the Company's strong balance sheet moving forward to facilitate further rapid expansion and growth. The highlights for the period include:

- Total sales revenue for the half year ended 30 September 2019 (“H1 FY2020”) **increased to approximately $A7.4 million, being 441% up** on the prior corresponding period’s (“H1 FY2019”) previous record revenue of $A1.38 million.
- Total sales revenue for the half year is equal to **294% of the total sales revenue for the prior full financial year.**
- Sales and cash receipts consolidate only two months of Omniblend and the performance of Super Cubes, acquired after the end of the financial period, is not included in this financial period.
- A substantial part of the statutory loss before tax of approximately $A3.1 million, resulted from non-cash expenses relating to option grants, non-recurring one-off acquisition equity capital raising costs with regard to the acquisitions of Omniblend and Super Cubes, and one-off integration costs in the consolidation of Omniblend powder manufacturing sites, ultimately delivering both operational synergies and leverage.
- The Company’s made substantial progress towards profitability when compared to the prior period, with revenue increasing over 441%, and the loss increasing by only a fraction of the sales growth.
- The cash inflows from financing activities relate to the $A18.0 million raised from the successful and oversubscribed capital raise from new and existing shareholders for the acquisition of Omniblend, funding the cash component of the acquisition, as well as approximately $A1 million in equity raising related transaction costs and the repayment of Omniblend’s debt following the completion of the acquisition.
- Keytone Dairy has a strong balance sheet and as at 30 September 2019, the Company had a combined cash balance of $A10,123,351, outlined in the accompanying Appendix 4D.

Acquisition of Omniblend

Omniblend is a leading Australian-based product developer and contract manufacturer of high value, formulated, blended powder products and long-life UHT drinks, specialising in the health and wellness sector. In addition to its current third-party manufacturing business, Omniblend creates formulations for its clients as well as for its own proprietary products, utilising an in-house product development team and laboratory. This allows organic growth through increased customers, expansion of its product offering with existing clients and cost efficiencies and operating leverage. Omniblend holds numerous accreditations including CNCA (China), Dairy Food Safety Victoria, Australian Certified Organic, British Retail Consortium (AA Grade) and Halal certified.

Adding Omniblend’s four Australian manufacturing sites to Keytone Dairy’s existing site and second purpose-built site, which is now complete and going through the licensing process in New Zealand, diversifies the Company’s locations and provides operational and distribution benefits, whilst the Company’s revenue base has been diversified through an expanded range of value-added products and services (brands, whey protein, sports nutrition, nutraceuticals and ready-to-drink long life UHT products).

As part of the Company’s strategy to grow and expand in international markets, with a particular focus on high-value, high-margin proprietary products, Omniblend has introduced its own proprietary product range, commencing with Tonik, a functional better for you lifestyle beverage with national Australian distribution in Metro, Ezy Mart and national distributors including Global by Nature and

Brackenbury Nutrition. The integrated Keytone Dairy group is working on extracting a further step change in revenue and sales mix from high-value proprietary products, as it focuses on rolling out its proprietary brands in the health and wellness sector, in addition to growing its product offering and capability to its existing combined customer base.

Through the Omniblend facilities, Keytone Dairy will have the ability to contract manufacture high-value formulated, blended powder products and UHT drinks. Omniblend currently counts leading brands and retailers amongst its client base, including Bellamys, OptiSlim, Carman's and Aldi Stores. When creating formulations for its private label clients, Omniblend typically retains the intellectual property in the products. It also holds the IP in its own proprietary brand formulations. The Company is seeking to capitalise on putting Omniblend's multiple products through Keytone Dairy's existing international distribution channels, including online platforms in China (JD.com, Tmall, Pinduoduo) and Chinese bricks and mortar retailers, such as Metro Retail.

Acquisition of Super Cubes

During the period, Keytone Dairy announced the acquisition of Super Cubes, a premier Australian consumer lifestyle health and wellness brand. The acquisition was completed subsequent to the end of the period and as such, the financials of Super Cubes are not reflected in the performance of the Company during the period. Super Cubes' financial performance will be consolidated into the Company's financial results from 17 October 2019 onwards. Super Cubes is a brand owner manufacturing high-value, high-margin health and wellness products.

Super Cubes has a strong core proprietary product range and a growing national distribution network, including national ranging in Woolworths, over 500 independent supermarkets, and an increasing online presence. Super Cubes has also recently secured national distribution with the Global by Nature network and Brackenbury Nutrition, in addition to two state distributors, Complete Health Products and Perth Health, providing access to in excess of 6,500 retailers for the existing product suite plus the new wholefoods series of bars, bites and meal replacement powders.

Capacity Expansion

Through HY FY2020, Keytone Dairy continued to operate its existing manufacturing facility in New Zealand. The completion of the construction and installation of the new and second purpose-built manufacturing facility in New Zealand has occurred, and the facility has moved into the licensing phase with the New Zealand of Ministry of Primary Industries, Risk Management Program, being the final phase prior to commissioning and production.

The additional capability from the second manufacturing facility will take Keytone Dairy's total name plate formulated powdered product manufacturing capacity to 5,000 tonnes per annum, from the existing 1,500 tonnes per annum today, on a one shift basis. Once the licensing and commissioning phase is complete, Keytone Dairy will be able to manufacture significantly higher volumes of finished product more efficiently across a broader range of the Company's proprietary product suite, and re-align the sales mix towards higher value proprietary products, with a view to substantially growing sales.

The second facility has been constructed to comply with the highest food grade standards, is infant formula capable, and has been commissioned with highly automated plant and equipment. Once licensed and commissioned, it will incorporate technology which is a first of its kind in New Zealand.

New Clients

During the period, Keytone Dairy received opening orders from Walmart (China) Investment Co., Ltd ("Walmart China") to manufacture whole and skim milk powder for Sam's Club West, Inc. (China) ("Sam's Club China") through the first half of FY20. Within two weeks of receiving the initial order, Keytone received a second follow-up order for Sam's Club China private label milk powders. The second order was an order of magnitude higher than the first order and the value of the combined first two orders from Walmart China totalled approximately NZ$1 million.

The value of the orders received during September 2019 from Walmart China alone represents approximately 40% of Keytone's revenue across the entire group for the prior full financial year, being the 2019 financial year ended 31 March 2019.

Subsequent to period end and in addition to the announced new sales for Omniblend through the period, Omniblend confirmed opening orders with two of the world's leading protein brands in the health and wellness space for their private label speciality branded whey protein and pea protein products across multiple product lines and packing formats. First orders have been received from both clients for a combined value of more than A$1,300,000.

The Company will continue to nurture and work closely with these new clients to grow volumes nationally and drive new product development initiatives. These recent sales developments continue to validate the credentials of the Company in its core markets including China. The Company now has a wide-ranging manufacturing and product range capability and an experienced executive talent pool, presenting a substantial opportunity for the Company, given the Company's global sales channels and its significant and growing distribution footprint.

* * * * *

Further Information

Jourdan Thompson
Chief Financial Officer, Keytone Dairy Corporation Limited
Email: investors@keytonedairy.com
Tel: +612 9969 9690

About Keytone Dairy Corporation Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Keytone Dairy Corporation Ltd 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.

ENDS

Keytone Dairy Corporation Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Keytone Dairy Corporation Limited
ABN:	49 621 970 652
Reporting period:	For the period ended 30 September 2019
Previous period:	For the period ended 30 September 2018

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	441.7%	to	7,365,917
Loss from ordinary activities after tax attributable to the owners of Keytone Dairy Corporation Limited	up	107.3%	to	(3,118,161)
Loss for the period attributable to the owners of Keytone Dairy Corporation Limited	up	107.3%	to	(3,118,161)

	30 September 2019 Cents	30 September 2018 Cents
Basic loss per share	(1.81)	(1.41)
Diluted loss per share	(1.81)	(1.41)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $3,118,161 (30 September 2018: $1,504,185).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	11.05	9.04

4. Control gained over entities

Name of entities (or group of entities)	Omniblend Pty Ltd
Date control gained	31 July 2019

	$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period	(216,864)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period	496,195

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

The foreign entity of the consolidated entity compiles with the requirements of International Financial Reporting Standards.

10. Audit qualification or review

Details of audit/review dispute or qualification:

The financial statements were subject to a review by the auditor and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments:

The Interim Report of Keytone Dairy Corporation Limited for the period ended 30 September 2019 is attached.

12. Signed

Signed ______________________________ Date: 28 November 2019

Peter James
Chairman
Sydney

Keytone Dairy Corporation Limited

ABN 49 621 970 652

Interim Report - 30 September 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Keytone Dairy Corporation Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 September 2019.

Directors
The following persons were directors of Keytone Dairy Corporation Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter James
James Gong
Robert Clisdell
Peter Hobman
Andrew Reeves
Arie Nudel (appointed 31 July 2019)
Daniel Rotman (appointed 31 July 2019)

Principal activities
The principal activity of the consolidated entity was the manufacture and export of formulated dairy powders, nutrition and health and wellness products. The consolidated entity earns the majority of its revenues from the sales of its products in Australia, export of its New Zealand products to international markets, including China.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial period.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $3,118,161 (30 September 2018: $1,504,185).

Significant changes in the state of affairs
Acquisition
On 31 July 2019, the company acquired 100% of the ordinary shares of Omniblend Pty Ltd (Omniblend) for the total consideration transferred of $18,050,415 (including $8,050,415 cash consideration and $10,000,000 shares issued to the vendors of Omniblend). The purchase agreement also include additional consideration payable to the vendors of Omniblend if certain future financial performance conditions are met. The contingent consideration is fair value at $14,510,591 on the date of acquisition. Omniblend is a product developer and manufacturer in the health and wellness sector, with both dry powder and ready to drink dairy based product capability.

Capital structure
On 30 July 2019, the company completed a capital raising of $8.74 million (before costs) by issuing 20,323,124 fully paid ordinary shares at an issue price of $0.43 per share under the Share Purchase Plan.

On 31 July 2019, 23,255,814 ordinary shares were issued to the Omniblend vendors as partial consideration for Omniblend acquisition.

On 1 August 2019, the company completed a capital raising of $9.26 million (before costs) by issuing 21,536,719 fully paid ordinary shares at an issue price of $0.43 per share.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

Matters subsequent to the end of the financial period
On 17 October 2019, the company completed the strategic acquisition of the assets, brands and business of 40 Forty Foods Pty Limited, trading as Super Cubes, for $750,000 plus an earn-out subject to performance milestones. Super Cubes is a premium Australian consumer lifestyle health and wellness brand and has a strong core product range and a growing national distribution network.

No other matter or circumstance has arisen since 30 September 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Peter James
Chairman

28 November 2019

Independent Auditor's Declaration to the members of Keytone Dairy Corporation Limited

As Lead auditor for the review of the financial report of Keytone Dairy Corporation Limited for the half-year ended 30 September 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporation Act 2001* in relation to the review; and
(b) any applicable code of professional conduct in relation to the review.

This declaration is in respect to Keytone Dairy Corporation Limited and the entities it controlled during the period.

HLB Mann Judd

HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

N J Guest
Director

Sydney, NSW
28 November 2019

hlb.com.au

HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215
Level 19, 207 Kent Street Sydney NSW 2000 Australia
T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

General information

The financial statements cover Keytone Dairy Corporation Limited as a consolidated entity consisting of Keytone Dairy Corporation Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Keytone Dairy Corporation Limited's functional and presentation currency.

Keytone Dairy Corporation Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 5, 126 Phillip Street Sydney NSW 2000 Australia	7 Paragon Place, Sockburn Christchurch, 8042 New Zealand

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 November 2019.

Keytone Dairy Corporation Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 30 September 2019

	Note	Consolidated 30 September 2019 $	30 September 2018 $
Revenue	4	7,365,917	1,359,701
Cost of sales		(5,458,875)	(989,714)
Interest income		64,132	62,417
Other income		269	20,303
Gross profit		1,971,443	452,707
Expenses			
Professional service expenses		(1,234,399)	(384,791)
Employee benefits expense		(1,887,159)	(532,838)
Depreciation and amortisation expense	5	(261,494)	(19,036)
Finance costs	5	(106,903)	-
Marketing		(76,009)	(42,791)
Occupancy expense		(57,802)	(41,892)
Administration		(350,190)	(224,473)
Share-based payments expense	21	(664,358)	(511,686)
Other expenses		(451,290)	(199,385)
Total expenses		(5,089,604)	(1,956,892)
Loss before income tax expense		(3,118,161)	(1,504,185)
Income tax expense		-	-
Loss after income tax expense for the period attributable to the owners of Keytone Dairy Corporation Limited		(3,118,161)	(1,504,185)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(190,492)	(80,222)
Other comprehensive loss for the period, net of tax		(190,492)	(80,222)
Total comprehensive loss for the period attributable to the owners of Keytone Dairy Corporation Limited		(3,308,653)	(1,584,407)
		Cents	**Cents**
Basic loss per share	20	(1.81)	(1.41)
Diluted loss per share	20	(1.81)	(1.41)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Keytone Dairy Corporation Limited
Consolidated statement of financial position
As at 30 September 2019

	Note	Consolidated 30 September 2019 $	31 March 2019 $
Assets			
Current assets			
Cash and cash equivalents		10,123,443	9,768,347
Trade and other receivables	6	5,641,321	242,644
Inventories	7	3,293,882	212,989
Other assets		592,491	478,204
Total current assets		19,651,137	10,702,184
Non-current assets			
Other financial assets		344,375	-
Property, plant and equipment	8	9,247,437	3,451,303
Right-of-use assets	9	9,094,365	-
Intangibles	10	28,561,219	-
Deferred tax		191,683	-
Total non-current assets		47,439,079	3,451,303
Total assets		67,090,216	14,153,487
Liabilities			
Current liabilities			
Trade and other payables	11	4,231,166	411,328
Contract liabilities		311,323	113,889
Lease liabilities	12	870,876	-
Income tax		3,089	-
Employee benefits		721,669	61,796
Total current liabilities		6,138,123	587,013
Non-current liabilities			
Lease liabilities	12	8,628,981	-
Total non-current liabilities		8,628,981	-
Total liabilities		14,767,104	587,013
Net assets		52,323,112	13,566,474
Equity			
Issued capital	13	41,554,224	14,629,027
Reserves	14	17,244,908	2,260,451
Accumulated losses	15	(6,476,020)	(3,323,004)
Total equity		52,323,112	13,566,474

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Keytone Dairy Corporation Limited
Consolidated statement of changes in equity
For the period ended 30 September 2019

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total equity $**
Balance at 1 April 2018	1,980,913	19,295	(32,633)	1,967,575
Loss after income tax expense for the period	-	-	(1,504,185)	(1,504,185)
Other comprehensive loss for the period, net of tax	-	(80,222)	-	(80,222)
Total comprehensive loss for the period	-	(80,222)	(1,504,185)	(1,584,407)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	12,674,490	-	-	12,674,490
Share-based payments (note 21)	-	1,539,246	-	1,539,246
Balance at 30 September 2018	14,655,403	1,478,319	(1,536,818)	14,596,904

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total equity $**
Balance at 1 April 2019	14,629,027	2,260,451	(3,323,004)	13,566,474
Adjustment for change in accounting policy (note 2)	-	-	(34,855)	(34,855)
Balance at 1 April 2019 - restated	14,629,027	2,260,451	(3,357,859)	13,531,619
Loss after income tax expense for the period	-	-	(3,118,161)	(3,118,161)
Other comprehensive loss for the period, net of tax	-	(190,492)	-	(190,492)
Total comprehensive loss for the period	-	(190,492)	(3,118,161)	(3,308,653)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 13)	26,925,197	-	-	26,925,197
Share-based payments (note 21)	-	664,358	-	664,358
Fair value of performance shares (note 18)	-	14,510,591	-	14,510,591
Balance at 30 September 2019	41,554,224	17,244,908	(6,476,020)	52,323,112

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Keytone Dairy Corporation Limited
Consolidated statement of cash flows
For the period ended 30 September 2019

	Note	Consolidated 30 September 2019 $	Consolidated 30 September 2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,782,307	1,208,448
Payments to suppliers and employees (inclusive of GST)		(10,710,886)	(2,976,916)
		(2,928,579)	(1,768,468)
Interest received		64,132	62,418
Interest and other finance costs paid		(106,903)	-
Net cash used in operating activities		(2,971,350)	(1,706,050)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	18	(8,033,740)	-
Payments for other assets		(100,000)	-
Payments for property, plant and equipment	8	(1,893,609)	(209,522)
Payments for intangibles	10	(8,733)	-
Payments for deposit on property, plant and equipment		-	(925,837)
Net cash used in investing activities		(10,036,082)	(1,135,359)
Cash flows from financing activities			
Proceeds from issue of shares	13	17,999,732	15,000,000
Proceeds from borrowings		-	394,955
Share issue transaction costs		(1,074,535)	(1,297,950)
Repayment of borrowings		(3,415,366)	(439,209)
Repayment of lease liabilities		(154,120)	-
Net cash from financing activities		13,355,711	13,657,796
Net increase in cash and cash equivalents		348,279	10,816,387
Cash and cash equivalents at the beginning of the financial period		9,768,347	1,128,614
Effects of exchange rate changes on cash and cash equivalents		6,817	(8,567)
Cash and cash equivalents at the end of the financial period		10,123,443	11,936,434

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 September 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 March 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 April 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 2.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 1. Significant accounting policies (continued)

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 1. Significant accounting policies (continued)

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Impact on the adoption of AASB 16

The consolidated entity has adopted AASB 16 using the modified retrospective approach where the cumulative effect of adopting the standard is recognised in opening retained earnings at 1 April 2019, with no restatement of prior year comparative information. As a result of adopting AASB 16, the consolidated entity has changed its accounting policies which are included in note 1. Practical expedients applied on transition and the impact on the adoption of AASB 16 are detailed below.

Practical expedients applied on transition

In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients on transition:

- elected not to reassess whether a contract is, or contains, a lease at the date of the initial application. Instead for contracts entered into before the transition date, the consolidated entity relied on assessments made applying AASB 117 Leases and Interpretation 4: Determining whether an Arrangement contains a lease;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short term leases;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- the use of a single discount rate to a portfolio of leases with similar characteristics.

Note 2. Impact on the adoption of AASB16 (continued)

Impact of adoption

On the date of initial application, the consolidated entity recognised lease liabilities in relation to leases which have previously been classified as 'operating leases' under the principles of AASB 117 Leases. The lease liabilities are measured at the present value of minimum lease payments for the lease term, discounted using a weighted average incremental borrowing rate of 5.0%.

The associated right-of-use assets for property and equipment leases were measured on a retrospective basis as if the new rules had always been applied.

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- Right-of-use assets - increase by $539,738
- Lease liabilities increase by $574,593

The net impact on accumulated losses on 1 April 2019 was an increase of $34,855.

Note 3. Operating segments

The consolidated entity operates across two segments, being Proprietary Brands and Contract Manufacturing, and accordingly, monitors its revenue and sales as such. The costs of goods sold (and other expenses) and the assets utilised relating to the generation of these segment sales are at consolidated manufacturing sites and are not separately identified for the purpose of the revenue segments. Both revenue segments utilise the same resources, being the plant and equipment, raw materials, packaging and labour force. As such, the Board of Directors monitors the performance of the segments by sales information, allocating the full resource/asset base of the business. Included within unallocated revenue is revenue generated from non-core operations.

	Consolidated	
	30 September 2019 $	30 September 2018 $
Revenue		
Proprietary Brands	939,914	-
Contract Manufacturing (OEM)	5,048,880	-
Unallocated	1,377,123	-
	7,365,917	-

For the period ended 30 September 2018, no separate segments were identified and therefore no comparatives have been included.

Note 4. Revenue

	Consolidated	
	30 September 2019 $	30 September 2018 $
From continuing operations		
Revenue from contracts with customers		
Sales of formulated dairy nutritional blended product	7,365,917	1,359,701

Note 4. Revenue (continued)

The consolidated entity derives its revenue from contracts with customers for the transfer of goods at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment (see note 3).

AASB 15 requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The consolidated entity has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision maker (CODM) in order to evaluate the financial performance of the entity (see note 3).

Note 5. Expenses

	Consolidated	
	30 September 2019 $	30 September 2018 $
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation expenses:		
- right-of-use assets	138,989	-
- property, plant and equipment	113,276	19,036
- amortisation of patents	9,229	-
Total depreciation and amortisation expenses	261,494	19,036
Finance costs		
Interest and finance charges paid/payable on lease liabilities	106,903	-
Superannuation expense		
Defined contribution superannuation expense	100,785	44,519

Note 6. Trade and other receivables

	Consolidated	
	30 September 2019 $	31 March 2019 $
Trade receivables	5,403,242	170,686
Other receivables	238,079	71,958
	5,641,321	242,644

Note 7. Inventories

	Consolidated 30 September 2019 $	Consolidated 31 March 2019 $
Raw materials - at cost	1,797,063	-
Packaging material	939,240	-
Work in progress - at net realisable value	575	-
Less: Provision for impairment	(178,514)	-
	761,301	-
Finished goods - at cost	836,804	212,989
Less: Provision for impairment	(101,286)	-
	735,518	212,989
	3,293,882	212,989

Note 8. Property, plant and equipment

	Consolidated 30 September 2019 $	Consolidated 31 March 2019 $
Land - at cost	1,291,500	775,973
Leasehold improvements - at cost	460,972	-
Less: Accumulated depreciation	(152,383)	-
	308,589	-
Plant and equipment - at cost	8,206,364	490,844
Less: Accumulated depreciation	(3,062,888)	(216,855)
	5,143,476	273,989
Furniture and fittings - at cost	61,880	24,227
Less: Accumulated depreciation	(28,654)	(12,654)
	33,226	11,573
Motor vehicles - at cost	124,031	128,058
Less: Accumulated depreciation	(42,792)	(34,034)
	81,239	94,024
Office equipment - at cost	189,593	13,290
Less: Accumulated depreciation	(160,679)	(6,045)
	28,914	7,245
Assets under construction	2,360,493	2,288,499
	9,247,437	3,451,303

Note 8. Property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	Land $	Leasehold improvement $	Plant and equipment $	Motor vehicles $	Furniture and fittings $	Office equipment $	Assets under construction $	Total $
Balance at 1 April 2019	775,973	-	273,989	94,024	11,573	7,245	2,288,499	3,451,303
Additions	550,919	-	804,396	-	25,811	2,357	510,126	1,893,609
Additions through business combinations (note 18)	-	313,968	3,623,435	-	-	24,397	197,241	4,159,041
Disposals	-	-	-	-	-	(1,063)	-	(1,063)
Exchange differences	(35,392)	-	(35,324)	(2,756)	(797)	(187)	(67,721)	(142,177)
Transfers in/(out)	-	-	567,652	-	-	-	(567,652)	-
Depreciation expense	-	(5,379)	(90,672)	(10,029)	(3,361)	(3,835)	-	(113,276)
Balance at 30 September 2019	1,291,500	308,589	5,143,476	81,239	33,226	28,914	2,360,493	9,247,437

Assets under construction relate to the construction of the new manufacturing facility in Christchurch expected to be completed and ready for use at the end of calendar year 2019.

Note 9. Right-of-use assets

	Consolidated **30 September 2019** **$**	 **31 March 2019** **$**
Plant and equipment - right-of-use	1,595,660	-
Less: Accumulated depreciation	(209,875)	-
	1,385,785	-
Land and buildings - right-of-use	7,961,827	-
Less: Accumulated depreciation	(253,247)	-
	7,708,580	-
	9,094,365	-

Note 9. Right-of-use assets (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	**Right-of-use assets** $
Balance at 1 April 2019	-
Change in accounting policy (note 2)	539,738
Additions through business combinations (note 18)	7,208,042
Additions	1,501,971
Exchange differences	(16,397)
Depreciation expense	(138,989)
Balance at 30 September 2019	9,094,365

The consolidated entity leases land and buildings under agreements of between 5 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The consolidated entity also leases equipment under agreements of between 4 to 5 years.

Note 10. Intangibles

	Consolidated	
	30 September 2019 $	**31 March 2019** $
Goodwill - at cost	28,552,486	-
Patents and trademarks - at cost	17,962	-
Less: Accumulated amortisation	(9,229)	-
	8,733	-
	28,561,219	-

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	Goodwill $	Patents and trademarks $	Total $
Balance at 1 April 2019	-	-	-
Additions	-	8,733	8,733
Additions through business combinations (note 18)	28,552,486	9,229	28,561,715
Amortisation expense	-	(9,229)	(9,229)
Balance at 30 September 2019	28,552,486	8,733	28,561,219

Note 11. Trade and other payables

	Consolidated	
	30 September 2019 $	31 March 2019 $
Trade payable	3,305,618	341,423
Accrued expenses and other payables	925,548	69,905
	4,231,166	411,328

Note 12. Lease liabilities

	Consolidated	
	30 September 2019 $	31 March 2019 $
Lease liabilities - Current		
Land and buildings	388,869	-
Plant and equipment *	482,007	-
Total lease liabilities - Current	870,876	-
Lease liabilities - Non-Current		
Land and buildings	7,611,122	-
Plant and equipment *	1,017,859	-
Total lease liabilities - Non-current	8,628,981	-
Total lease liabilities	9,499,857	-

*Plant and equipment leases represent equipment leases from Commonwealth Bank of Australia. The interest rate varies from 5.33% to 5.98% and the leases are secured against the plant and equipment purchased.

Note 13. Issued capital

	Consolidated			
	30 September 2019 Shares	31 March 2019 Shares	30 September 2019 $	31 March 2019 $
Ordinary shares - fully paid	215,115,658	150,000,001	41,554,224	14,629,027

Note 13. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 April 2019	150,000,001		14,629,027
Issue of shares - Share Purchase Plan	30 July 2019	20,323,124	$0.43	8,738,943
Shares issued as partial consideration for Omniblend acquisition	31 July 2019	23,255,814	$0.43	10,000,000
Issue of shares - Share Placement	1 August 2019	21,536,719	$0.43	9,260,789
Share issue costs		-		(1,074,535)
Balance	30 September 2019	215,115,658		41,554,224

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Note 14. Reserves

	Consolidated	
	30 September 2019 $	31 March 2019 $
Foreign currency reserve	(185,772)	4,720
Options reserve	2,920,089	2,255,731
Contingent consideration reserve	14,510,591	-
	17,244,908	2,260,451

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Options reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Contingent consideration reserve
The reserve is used to recognise the fair value of contingent consideration relating to the acquisition of Omniblend Pty Ltd as outlined in note 18.

Note 15. Accumulated losses

	Consolidated	
	30 September 2019 $	**31 March 2019 $**
Accumulated losses at the beginning of the financial period	(3,323,004)	(32,632)
Change in accounting policy - lease accounting (note 2)	(34,855)	-
Accumulated losses at the beginning of the financial period - restated	(3,357,859)	(32,632)
Loss after income tax expense for the period	(3,118,161)	(3,290,372)
Accumulated losses at the end of the financial period	(6,476,020)	(3,323,004)

Note 16. Performance Shares

On 16 July 2018, the shareholders of Keytone Enterprises (NZ) Company Limited ("Keytone NZ") were granted 49,500,000 Performance Shares, each convertible to one Ordinary Share in Keytone Dairy Corporation Limited upon achievement of various performance milestones, as follows:

Shareholders	Milestones	Number on issue
Class A Performance Share	Each Class A Performance Share will convert into one Share upon Keytone NZ achieving $3,000,000 of earnings before interest, taxes, depreciation and amortisation (EBITDA) in any financial year occurring on or before the third anniversary of the last day of the financial year in which the Company is admitted to the Official List.	16,500,000
Class B Performance Share	Each Class B Performance Share will convert into one Share upon Keytone NZ achieving $6,000,000 of EBITDA in any financial year occurring on or before the third anniversary of the last day of the financial year in which the Company is admitted to the Official List.	16,500,000
Class C Performance Share	Each Class C Performance Share will convert into one Share upon (i) the Shares achieving a 30-day volume weighted average price per Share exceeding $0.30,and (ii) Keytone NZ achieving $6,000,000 of revenue in any financial year occurring on or before the third anniversary of the last day of the financial year in which the Company is admitted to the Official List.	16,500,000

None of the milestones were met in the period ended 30 September 2019 and no Performance Shares were converted to Ordinary Shares during the period.

Note 17. Capital commitments

Significant capital expenditure contracted for as at the end of the reporting period but not recognised as a liability is set out below. The capital commitments at 30 September 2019 represents the balance of plant and equipment relating to the new manufacturing facility.

Note 17. Capital commitments (continued)

	Consolidated	
	30 September 2019 $	31 March 2019 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	126,000	1,412,298
Representing:		
Land and buildings	-	659,890
Plant and equipment	126,000	752,408
	126,000	1,412,298

Note 18. Business combinations

On 31 July 2019, the company acquired 100% of the ordinary shares of Omniblend Pty Ltd (Omniblend) for the total consideration transferred of $18,050,415 (including $8,050,415 cash consideration and $10,000,000 shares issued to the vendor of Omniblend). The purchase agreement also include the following consideration payable to the vendors of Omniblend if the following conditions are met:

- 23,255,814 unlisted Performance Shares (being the Class D Performance Shares) which convert to Ordinary Shares on Omniblend achieving EBITDA of $2,600,000 in any financial year occurring on or before the second anniversary of the last year of the financial year in which the Share Purchase Agreement between the company and the Omniblend Vendors was signed, being 17 June 2019.
- 23,255,814 unlisted Performance Shares (being the Class E Performance Shares) which convert to Ordinary Shares on the company achieving a 30-day VWAP that is greater than $0.65 and Omniblend achieving annual revenue of $50,000,000 in any financial year occurring on or before the third anniversary of the last year of the financial year in which the Share Purchase Agreement between the company and the Omniblend Vendors was signed, being 17 June 2019.
- 23,255,814 unlisted Performance Shares (being the Class F Performance Shares) which convert to Ordinary Shares on the company achieving a 30-day VWAP that is greater than $1.00 and Omniblend achieving annual revenue of $100,000,000 and EBITDA of $7,500,000 in any financial year occurring on or before the third anniversary of the last year of the financial year in which the Share Purchase Agreement between the company and the Omniblend Vendors was signed, being 17 June 2019.

The fair value of the contingent consideration of $14,510,591 has been calculated based on the Black-Scholes and Binomial Option Pricing models and based on management's estimate of the probability of achieving the conditions above. As at 30 September 2019, there have been no changes in management's estimation.

Note 18. Business combinations (continued)

Omniblend is a 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 the company to fast track its development and is underpinned by a strong strategic rationale and articulated upon the company's four-pillar growth strategy.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	16,675
Trade and other receivables	4,699,659
Inventories	3,156,640
Other financial assets	344,375
Plant and equipment	4,159,041
Right-of-use assets	7,208,042
Patents and trademarks	9,229
Deferred tax asset	191,683
Trade and other payables	(4,145,103)
Employee benefits	(638,942)
Bank loans	(3,415,366)
Lease liability	(7,577,413)
Net assets acquired	4,008,520
Goodwill	28,552,486
Acquisition-date fair value of the total consideration transferred	32,561,006
Representing:	
Cash paid or payable to vendor	8,050,415
Keytone Dairy Corporation Limited shares issued to vendor	10,000,000
Fair value of contingent consideration	14,510,591
	32,561,006
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	8,050,415
Less: cash and cash equivalents	(16,675)
Net cash used	8,033,740

Note 19. Events after the reporting period

On 17 October 2019, the company completed the strategic acquisition of the assets, brands and business of 40 Forty Foods Pty Limited, trading as Super Cubes, for $750,000 plus an earn-out subject to performance milestones. Super Cubes is a premium Australian consumer lifestyle health and wellness brand and has a strong core product range and a growing national distribution network.

No other matter or circumstance has arisen since 30 September 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 20. Earnings per share

	Consolidated 30 September 2019 $	30 September 2018 $
Loss after income tax attributable to the owners of Keytone Dairy Corporation Limited	(3,118,161)	(1,504,185)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	172,054,412	106,318,682
Weighted average number of ordinary shares used in calculating diluted earnings per share	172,054,412	106,318,682
	Cents	**Cents**
Basic loss per share	(1.81)	(1.41)
Diluted loss per share	(1.81)	(1.41)

Note 21. Share-based payments

On 31 July 2019, the company issued 1,000,000 options to an advisor of the company as part consideration for professional services moving forward and 4,000,000 options to an employee of the company under the company's Incentive Option Plan.

Set out below are summaries of options on issue as at 30 September 2019:

30 September 2019

Grant date	Expiry date	Exercise price	Balance at the start of the period (1 April 2019)	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
18/07/2018	18/07/2021	$0.30	3,500,000	-	-	-	3,500,000
18/07/2018	18/07/2021	$0.30	2,000,000	-	-	-	2,000,000
18/07/2018	18/07/2021	$0.30	12,000,000	-	-	-	12,000,000
18/07/2018	18/07/2022	$0.30	1,000,000	-	-	-	1,000,000
18/07/2018	18/07/2023	$0.30	1,000,000	-	-	-	1,000,000
18/07/2018	18/07/2024	$0.30	1,000,000	-	-	-	1,000,000
23/11/2018	25/09/2021	$0.68	4,000,000	-	-	-	4,000,000
31/07/2019	16/07/2022	$0.61	-	2,000,000	-	-	2,000,000
31/07/2019	16/07/2023	$0.61	-	1,000,000	-	-	1,000,000
31/07/2019	16/07/2024	$0.61	-	1,000,000	-	-	1,000,000
31/07/2019	16/07/2025	$0.61	-	1,000,000	-	-	1,000,000
			24,500,000	5,000,000	-	-	29,500,000
Weighted average exercise price			$0.36	$0.61	$0.00	$0.00	$0.40

Note 21. Share-based payments (continued)

30 September 2018

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
18/07/2018	18/07/2021	$0.30	-	3,500,000	-	-	3,500,000
18/07/2018	18/07/2021	$0.30	-	2,000,000	-	-	2,000,000
18/07/2018	18/07/2021	$0.30	-	12,000,000	-	-	12,000,000
18/07/2018	18/07/2022	$0.30	-	1,000,000	-	-	1,000,000
18/07/2018	18/07/2023	$0.30	-	1,000,000	-	-	1,000,000
18/07/2018	18/07/2024	$0.30	-	1,000,000	-	-	1,000,000
			-	20,500,000	-	-	20,500,000
Weighted average exercise price			$0.00	$0.30	$0.00	$0.00	$0.30

Set out below are the options exercisable at the end of the financial period:

Grant date	Expiry date	30 September 2019 Number	30 September 2018 Number
23/11/2018	25/09/2021	4,000,000	-
31/07/2019	16/07/2022	2,000,000	-
		6,000,000	-

The weighted average remaining contractual life of options outstanding at the end of the financial period was 2.4 years (2018: 3.09 years).

For the options granted during the current financial period, the valuation model (Black Scholes model) inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
31/07/2019	16/07/2022	$0.48	$0.61	89.00%	-	0.81%	$0.245
31/07/2019	16/07/2023	$0.48	$0.61	89.00%	-	0.81%	$0.281
31/07/2019	16/07/2024	$0.48	$0.61	89.00%	-	0.81%	$0.311
31/07/2019	16/07/2025	$0.48	$0.61	89.00%	-	0.81%	$0.336

Total share-based payments expense recorded in the profit or loss for the period ended 30 September 2019 amounted to $664,358 (2018: $511,686).

Keytone Dairy Corporation Limited
Directors' declaration
30 September 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 September 2019 and of its performance for the financial period ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Peter James
Chairman

28 November 2019

Independent auditor's review report to the members of Keytone Dairy Corporation Limited

Report on the Half-Year financial Report

We have reviewed the accompanying half-year financial report of Keytone Dairy Corporation Limited ("the company") which comprises the consolidated statement of financial position as at 30 September 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half- year end or from time to time during the half-year.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Keytone Dairy Corporation Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half- year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

hlb.com.au

HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215
Level 19, 207 Kent Street Sydney NSW 2000 Australia
T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 30 September 2019 published in the interim financial report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

HLB Mann Judd

HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

N J Guest
Director

Sydney, NSW
28 November 2019