

COVID-19 UPDATE AND SECOND MANUFACTURING PLANT IN NZ OPERATIONAL

25 March 2020

- Second manufacturing facility in New Zealand completes first commercial production run
- New Zealand production capacity more than triples on a one shift basis
- Significant increase in inbound demand for proprietary products as a result of COVID-19
- KeyDairy formulated milk powders experiencing an increase in demand of four times greater than that prior to COVID-19
- Increase in orders and inbound enquiries from private label clients for food staples as a result of COVID-19
- Keytone Dairy manufacturing sites, in Australia and New Zealand, considered essential food production service, and will continue operations through lockdown periods

Sydney and Melbourne, Australia and Christchurch, New Zealand – Keytone Dairy Corporation Limited (ASX:KTD or KTD.AU) (the “Company” or “Keytone”) is pleased to announce the first commercial production run at the Company’s newly built second manufacturing plant in New Zealand, as well as an update on the impact of, and opportunities presented by, the outbreak of COVID-19.

Newly built and licensed New Zealand manufacturing plant operational

Following the commissioning phase of the Company’s recently completed, state-of-the-art, second manufacturing facility in New Zealand, the first commercial production run has now been undertaken and completed for the Company’s own proprietary KeyDairy brand, specifically, Whole Milk Powder and Skim Milk Powder SKUs.

The additional capacity from the second manufacturing facility will more than triple Keytone Dairy’s total name plate product manufacturing capacity in New Zealand on a one shift basis and will be implemented immediately given the increased level of demand from that earlier anticipated, given the current outbreak of COVID-19. As previously announced, with the demand from the existing client base for both high-value, high-margin Keytone Dairy proprietary products and third-party private label work, the Company expects to scale up production to multiple shifts over the short to medium term.

Keytone Dairy is now in a position to manufacture significantly higher volumes of finished product from its New Zealand manufacturing facilities 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 and meeting demand of the existing client base. The new facility will also enable Keytone Dairy to better service the demands of clients and leading brands such as Walmart (China) and Woolworths New Zealand, in addition to winning new large-scale clients and business.

The second facility has been constructed to comply with the highest food grade standards, is fully accredited and licensed by the New Zealand Ministry of Primary Industries (including CNCA registration (Certification and Accreditation Administration of the People’s Republic of China)), is infant formula

capable, and incorporates highly automated plant and equipment with technology which is a first of its kind in New Zealand. These attributes are expected to drive operational leverage and efficiencies within the business and further improve gross margins.

COVID-19 Update

Keytone is experiencing a significant increase in inbound demand for its proprietary products and those manufactured for third party clients. This increase in demand is being recorded across all operations of the business in Australia and New Zealand and is being driven from international and domestic markets.

The Company's proprietary KeyDairy formulated powdered dairy products have experienced an increase in demand approximately four times greater than that prior to the outbreak of COVID-19. As outlined above, Keytone's second manufacturing facility is now online to service this additional demand. The Company is also fast tracking the roll-out of an online platform for the direct purchase of its milk powders.

With regard to its private label business, Keytone is experiencing a strong uplift in the volume and frequency of orders from existing third-party clients for the manufacture of their shelf stable nutritional products and demand for these products continues to grow both internationally and domestically. Furthermore, an increase in in-bound queries from new clients wishing to diversify their supply chain and ensure continuity of supply is further broadening the client base and financial performance of the business.

The Company will continue to work closely with its key distributors, retail partners and private label clients to ensure on-time delivery of orders and prioritising supply, and does not foresee any material supply chain or packaging constraints at this point in time.

Notwithstanding the increasing and varied levels of Government lockdowns being implemented in New Zealand and Australia, Keytone Dairy as a food manufacturer is considered an essential service and will continue to operate through these challenging periods. The Company has a flexible and diversified operational base across five manufacturing sites in New Zealand and Australia, has implemented additional risk mitigation measures and stringent personal and food safety standards, on top of the normal sanitised packing rooms which the business and employees are highly accustomed to operating within on a daily basis.

Keytone expects that following the containment of COVID-19, there will likely be a structural shift in the consumption patterns of consumers globally with an increased focus on health and wellbeing, which the Company is ideally placed to service.

Keytone's Chief Executive Officer, Danny Rotman commented: "The health and safety of our employees, customers and our community is first and foremost in these challenging and uncertain times. We have acted quickly and diligently and put in place additional measures for the safety of our people and customers as well as to ensure the continuity of our diversified operations."

"We are experiencing a significant increase in demand for nutritional products, across our product portfolio and in particular immunity related products. Given our flexible and diversified operational manufacturing base we are in a unique position to fulfil the growing number of customer orders."

"The commencement of commercial operations at the second manufacturing plant in New Zealand is a major milestone in the history of the Company, and this facility will be a significant production asset for the Company moving forward and allowing for a significant ramp up in production volumes from



New Zealand.”

The release of this announcement was authorised by the Non-Executive Chairman, Mr. Peter James, on behalf of the board.

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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 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.

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