

## **Project Milk - An Opportunity For Investors To Participate In Large-scale, High Quality And Low Cost Integrated Dairy Project Focused On Delivering Infant Formula And Premium Fresh Milk Mainly To Chinese, Indian and UAE Consumers**

**BlueMount Capital Is Mandated in Conjunction with Patersons Securities To Assist Project Milk Raise AU\$60,000,000 In Equity For The First Stage**

### **Overview**

Project Milk (MILK) is a vertically integrated dairy goods producer of fresh milk and infant formula based largely on the 'a2' milk protein which is potentially beneficial to lactose intolerant consumers of dairy products.

Based in Toowoomba, Queensland (Australia), near the Wellcamp International Airport, MILK plans to process over 200ML of raw milk, up to 123ML of fresh milk and 30M (900g) cans of infant and geriatric formula annually, most of which will be exported mainly to China. MILK plans to develop its own dairy farm which will have up to 12,000 head of cows that produce a2 milk. MILK expects to be one of the largest independent producers and exporters of milk in Australia.

MILK will commence infant formula production in 2019 and fresh milk production in 2020. MILK has entered into offtake arrangements with Asian partners for the sale of its dairy exports. MILK is also targeting the export its dairy products into the key growth markets of China, Asia, India and UAE. These arrangements expect to be converted into contracts.

Key management at MILK have overseen the construction of a number of processing facilities in Australia and the Chief Executive Officer was previously a senior executive at a major dairy company in charge of its Chinese production operations.

MILK has commenced construction of the infant formula production facility. This is expected to be operational by 2019.

MILK is currently seeking up to \$60M for Stage 1. The capital raising presents an opportunity for investors to participate in large-scale, high quality and low cost integrated dairy project focused on delivering fresh milk and infant and geriatric formula mainly to Chinese, Indian and UAE Consumers.

| Company Overview |                                    |
|------------------|------------------------------------|
| Name             | Project MILK                       |
| Based            | Australia                          |
| Type             | Private Company                    |
| Founded          | 2017                               |
| Industry Sector  | Agricultural                       |
| Amount           | AU\$60M Equity                     |
| Use of Funds     | Building Facility, Purchasing Land |
| Exit Strategy    | IPO                                |
| Website          | On request                         |

### **Key Features**

- Integrated dairy goods producer
- Based in Toowoomba, Queensland, Australia a2 milk focused products
- Up to 12,000 milk producing cows that produce all year round
- Producing 123ML of milk and 30M cans of infant formula annually
- One of Australia's largest independent dairy producers and lowest cost producers
- Exporting to premium Chinese, Indian and UAE export markets

## Project

- MILK will provide for the staged development of an infant formula facility, milk processing facility, and a dairy farm which together will produce high value premium dairy products for export markets.
- Stage 1 (2019) – completion of an infant/geriatric formula plant. This has commenced construction and is due to enter production in August 2019. Estimated cost is \$60M
- Stage 2 (2020) - Wet milk production plant including high value dairy products. A spray dryer will also be incorporated into the processing facility. Estimated cost is \$150M
- Stage 3 (2021) – develop and own a dairy farm outside Toowoomba to provide milk supply for the majority of the raw milk required for the milk processing facility.

## Production & Supply Chain

China is expected to be a key source of growth in demand for global dairy products and is where MILK will focus its sales and marketing efforts. MILK has commenced the process of obtaining all its necessary certification and accreditation approvals to export to the China and other destinations.

### Chinese and Other Asian Offtake Partners

MILK has entered and/or progressed into memorandums of understanding (MoUs) with various customer and offtake parties in China, Vietnam and Australia. These MOUs will be converted into final sales agreements at Financial Close.

Some of the potential Chinese offtake partners may also participate in the Stage 2 funding process. MILK is also targeting export of its products into the key growth markets of India and UAE as part of a broader diversification strategy.

In a market dominated by the global dairy producers, MILK will rank as one of Australia's largest independent producers. MILK also has significant capacity to scale the business and produce more formula and fresh milk subject to market demand.

### Financial Information

MILK expects to commence infant milk production in August 2019 and fresh milk production in July 2020, generating positive cash flow and profits from FY2020 onwards.

On the basis of achieving full production by FY2022, MILK expects to sell 123ML of fresh milk and 30M cans of infant/geriatric formula to generate revenue of \$655M, EBITDA of \$207M, and NPAT of \$141M.

### Funding Requirements

MILK is raising \$200M to develop the project. It is being conducted in two phases being Stage 1 which will fund the preliminary construction of the project, including the infant formula plant and Stage 2 which will develop the liquid milk plant and fund the acquisition of spray drier.

Stage 1 funding requires \$60M to produce up to 30M tins of infant formula per annum whilst Stage 2 requires ~A\$150M to build the dairy processing facility. Refer to the sources and uses of funds summary below:

## Stage 1

| Sources | Uses                                  |
|---------|---------------------------------------|
| Equity  | 60 Infant Formula Processing Facility |
|         | Buildings / Land                      |
|         | <b>60</b>                             |
|         | <b>60</b>                             |

## Stage 2

| Sources | Uses                   |
|---------|------------------------|
| Equity  | 150 Processing/Systems |
|         | Infrastructure         |
|         | Spray Dryer            |
|         | Indirect Costs         |
|         | Indirect Costs         |
|         | Working Capital        |
|         | <b>150</b>             |
|         | <b>150</b>             |

## Equity Offer (Stage 1)

MILK is raising \$60M to develop its integrated dairy project. Equity will be offered to incoming investors in the following manner:

|                        |   |
|------------------------|---|
| Issuer                 | <ul style="list-style-type: none"> <li>Project MILK</li> </ul>  |
| Securities             | <ul style="list-style-type: none"> <li>New Ordinary shares of the Issuer, ranking pari passu with existing shareholders, including Stage 1 investors</li> </ul> |
| Consideration          | <ul style="list-style-type: none"> <li>Up to A\$60M</li> <li>Single investor or club of investors</li> </ul>  |
| Shareholding           | <ul style="list-style-type: none"> <li>Majority shareholding available subject to valuation and level of investment</li> </ul>                                  |
| Conditions Precedent   | <ul style="list-style-type: none"> <li>Due diligence</li> <li>Financial Close</li> <li>Definitive Documentation, including Shareholders Agreement</li> </ul>    |
| Use of Proceeds        | <ul style="list-style-type: none"> <li>Fund the development of Stage 2</li> <li>Working capital</li> </ul>  |
| Financial Close        | <ul style="list-style-type: none"> <li>[Q1 2019]</li> </ul>   |
| Board Representation   | <ul style="list-style-type: none"> <li>Board membership available, subject to minimum level of shareholder</li> </ul>   |
| Offtake / Distribution | <ul style="list-style-type: none"> <li>Rights to offtake commensurate with level of shareholding</li> </ul>   |

**For a full Investor Presentation please contact:**

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