

CORPORATE UPDATE

- **Keytone successfully completes significantly oversubscribed IPO with strong support from investors**
- **Construction of the second manufacturing facility continues to advance, remains on schedule for delivery during 1H CY19**
- **Launch of KeyDairy Goat Milk Powder and listing of product on Chinese B2C platform JD.com, with over 300 million active users, and Tmall.com**
- **Launch of proprietary product range in additional retail channels in affluent Chinese province of Guangdong, China - Corner's Deli and CPLotus – including their respective websites**

Sydney, Australia and Christchurch, New Zealand - **Keytone Dairy Corporation Ltd (ASX:KTD)** ("Keytone Dairy" or the "Company") is pleased to provide the following corporate update on its activities over the recent weeks.

Capital

The Company closed its ASX Initial Public Offering ("IPO") on 11 July 2018, and trading in the Company's shares is due to commence at 12 noon Eastern Standard Time on 18 July 2018. Demand for Keytone Dairy's shares significantly exceeded the planned fund raising of A\$12 million as well as the oversubscription level of A\$15 million, being multiple times oversubscribed at the upper end of the subscription range. As a result, substantial scale backs were applied.

At listing, Keytone Dairy had a market capitalisation of A\$30 million (based on the IPO issue price of \$0.20 per share). Funds raised from the IPO will be used to, among other things:

- expand Keytone Dairy's manufacturing base from its one existing facility (thus substantially expanding its production capacity);
- expand Keytone Dairy's product range;
- expand Keytone Dairy's existing distribution network; and
- develop distribution in additional geographic markets.

Execution of Growth Plan

During the course of the IPO, Keytone Dairy has continued to execute on its four-pillar strategic growth plan:

1. Capacity Expansion

Second manufacturing facility

Currently, Keytone Dairy operates its purpose-built manufacturing facility with a normal manufacturing capacity of 1,500 tonnes per annum. In May 2017, the Company acquired a parcel of land for a second manufacturing facility and construction of this second manufacturing facility commenced in April 2018. The second manufacturing facility will take Keytone Dairy's total normal powdered product manufacturing capacity to 5,000 tonnes per annum and will enable the Company to significantly expand the range of its powdered dairy products. The construction is advancing.

The concrete floor has been poured, and the steel framework for the manufacturing facility and warehouse is currently under construction and due for installation in the third quarter of calendar year 2018, ahead of the installation of the plant and equipment, including two new packing lines, a two-thousand litre blender, a sterilised packing room and ventilation systems.

This facility remains on schedule for delivery during the first half of calendar year 2019

Keytone Dairy wholly-owns and operates its proprietary manufacturing facility, has stringent in-house quality control procedures and holds a CNCA (China) manufacturer registration, enabling it to export its products to China. Keytone Dairy does not depend on third party manufacturing facilities for its powdered dairy products or, critically, additional registrations, for its ability to manufacture powdered products and export them to China.

The expansion of the Company's manufacturing capacity will enable the Company to process orders from larger customers for whom its current capacity is insufficient.



Keytone Dairy's existing purpose built manufacturing facility

2. Product Expansion

Goat milk powder

Historically, the Company offered whole and skim milk powder products and a limited range of other powdered dairy products under its proprietary brands, as well as contract manufacturing products for third parties under their brands. In the second quarter of 2018, Keytone Dairy expanded its product range and launched its proprietary Goat Milk Powder on the Chinese ecommerce platform JD.com.



Keytone Dairy's proprietary Goat Milk Powder launched on JD.com in July 2018

The company is developing several other proprietary powdered dairy products. These include customised products for specific distributors and retailers.

Organic certification

The Company currently expects organic certification from the New Zealand Ministry of Primary Industries to be granted in the next several months, enabling the Company to further expand its proprietary range of products into organic derivatives as well as contract manufacture organic powders for third party private label brands.

3. Expansion of Distribution Channels

Keytone Dairy continues to expand its distribution channels in China, a key market.

JD.com and Tmall.com

In recent weeks, the Company's newly launched goat milk powder product listed on JD.com. JD.com is China's largest retailer by revenue and transaction volume and has over 300 million active users as at Q2 2018. JD.com also claims the largest fulfilment infrastructure of any e-commerce company in China with seven fulfilment centers and more than 400 warehouses covering 2,830 counties and districts. Through its user-friendly website, native mobile apps and WeChat and Mobile QQ entry points, JD.com offers consumers a superior shopping experience.

Keytone Dairy has also listed its goat milk powder product on Tmall.com. Tmall.com (formerly Taobao Mall) is a Chinese e-commerce marketplace B2C platform with over 500 million monthly active users.

Corner's Deli/Lotus

In recent weeks, Keytone Dairy launched its proprietary product range in additional Chinese retail channels of Corner's Deli and Lotus. Corner's Deli provides access to ten food stores in the Pearl River Delta of Guangdong. The relationship with Lotus South China provides access to 38 stores primarily in Guangdong – the most affluent province of China. Corner's Deli and Lotus have also listed Keytone Dairy's proprietary range on their respective websites.

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Other

The Keytone Dairy team is actively working on expanding the company's distribution footprint. Funds from the IPO will enable the Company to hire more sales staff to drive distribution channel expansion.

4. Geographic Expansion

Keytone Dairy continues to explore opportunities in new geographies and is actively seeking new partnerships and distribution agreements to leverage its clean, green, pristine New Zealand credentials in addition to its Halal certification and its expected organic certification.

James Gong, Keytone Dairy's Chief Executive Officer, commented "We are excited about the future of Keytone Dairy. We believe that the business is riding a giant macro wave of changes in food consumption and incomes outside of the Western world. During its short history, Keytone Dairy has proven that it can develop, manufacture, sell and export a range of dairy products and achieve growth in a short period of time, from a standing start. We believe that the proceeds of the IPO will enable the company to accelerate that growth."

Further Information

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About Keytone Dairy Corporation Limited

Based in Sydney, Australia and Christchurch, New Zealand, Keytone Dairy is an established manufacturer and exporter of formulated dairy products. In addition to Keytone Dairy's own brands, the company is a trusted production partner, contract packing for well-known brands in New Zealand and internationally. Keytone's purpose built dairy production facility offers a wide range of dairy and nutrition packing solutions, meeting the diverse needs of consumers from different markets and cultures.

Keytone Dairy's facility is certified with the New Zealand Ministry of Primary Industries, and Keytone holds a Certification and Accreditation Administration (CNCA) of the People's Republic of China manufacturer registration, thereby enabling export of Keytone's products to China. In addition, the facility holds a Halal certification from the Federation of Islamic Associations of New Zealand (an accredited body recognised by Islamic countries worldwide). Please visit www.keytonedairy.com

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