



Clover Corporation Limited

ABN 85 003 622 866

ASX ANNOUNCEMENT

5 November 2018

Clover adds spray drying capacity with investment in Melody Dairies, New Zealand

- Melody Dairies Ltd Partnership will finance a dedicated Nutritional Spray Drying facility to be built in Waikato Innovation Park, Hamilton, New Zealand (NZ)
- Clover holds a 35% share with equivalent rights of access for spray drying its products
- This facility is the second dryer at the Food Innovation Waikato Park in NZ
- It provides additional capacity to meet growing demand for Clover's products
- Clover has financed the purchase through a \$11m debt facility

Clover Corporation Ltd (ASX:CLV) today announced it has acquired a 35% stake in a new company, Melody Dairies, based at the Waikato Innovation Park in Hamilton, New Zealand. The company is owned by four partners; New Zealand Food Innovation Waikato (NZFIW) 10%, Dairy Nutraceuticals Investment Limited (DNL) 20%, Landcorp Farming Limited (LFL) 35% and Nu-Mega Ingredients (NZ) Limited (NMI) 35% – a company wholly owned by Clover Corporation. The partnership in Melody Dairies is an extension of the relationship Clover has had with NZFIW since 2014, when Clover invested in the first spray dryer built at Waikato.

An industrial spray dryer is a multimillion dollar facility for converting large volumes of liquid (such as milk) into a dried form (milk powder) for ease of use, transport and storage. The additional dryer, which will be owned by the partners in Melody Dairies, will augment the capacity of Clover to manufacture its range of specialty micro-encapsulated powders which service the infant formula, pharmaceutical, nutraceutical and functional food markets. This move reflects the increasing demand for Clover's products, sales having grown by more than 20% annually over the past 4 years.

The additional dryer owned by Melody Dairies will be a specialist nutritional dryer at 1.2 metric ton drying capacity per hour, providing options for manufacturing Clover's specialty products, and increasing capacity to supply the growing New Zealand infant formula market. Clover maintains relationships and contracts providing access to third party spray drying facilities which will continue to provide manufacturing capacity for much of the Company's product requirements. Clover Corporation has a range of patented micro-encapsulated products created through the spray drying process, and containing omega 3 oils. These

unique products are recognised in the infant formula sector as best in class for delivering high levels of DHA (a key component in omega 3 oils) with no sensory issues of taste or smell and twenty-four-month shelf life without the need for refrigeration. These are attractive features for infant formula manufacturers who need to ensure the high quality of their products according to market requirements.

Governments are increasingly legislating the requirement for DHA in infant formula to match the levels found naturally occurring in breast milk. DHA is clinically recognised as a required nutrient for normal brain, eye and cardiovascular function, and is being used to fortify functional foods targeting sports, children and senior's nutrition to support cognitive and physical performance, in addition to its use in infant formula.

Mr. Peter Davey, Clover Corporation's CEO & Managing Director, noted that this investment will position Clover to meet the fast-growing demand for its products from both the infant formula and functional food markets. "The acquisition of a significant share in Melody Dairies is part of the company's strategy to vertically integrate into its supply chain. It will reduce the risk for both customers and the company of disruption to product supply which could result from problems of availability or quality at other facilities, and allow for expansion of the supply chain to meet new opportunities" he said.

Since its 2014 investment at Waikato, Clover has increased its production at the facility well beyond the original contracted volume, as it has at its alternative manufacturing facilities. The relationship with NZFIW has been excellent, which has made the partnership with NZFIW a logical and easy choice for further investment. Melody Dairies will be managed by the existing NZFIW facility team and board. Clover Corporation has invested in the business through debt funding, with the factory being built over the next two years (allowing for construction and qualification).

For further information, please contact:

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About Clover Corporation Limited

Clover Corporation is an Australian company listed on the Australian Stock Exchange (ASX:CLV). Clover evolved from being a research and development, manufacturing and marketing company to one concentrating on forming strategic relationships focused on technology, new product development and commercialisation. Clover's superior microencapsulation technology enables nutritional oils, such as tuna, fish, algal and fungal oils, to be added to infant formula, foods and beverages. Developed through extensive research and development, our proprietary technologies protect those sensitive oils from oxidation, allowing them to be incorporated into a range of applications. All of our products reach the highest standards of purity, stability and performance, allowing customers to maximise and deliver nutrition.

For more information about Clover visit www.clovercorp.com.au