

## **So Natural Foods Australia Limited (ASX code: SNF) Update on recent initiatives**

### Beverage manufacturing joint venture

Documentation to establish the manufacturing joint venture between SNF and Leppington Pastoral Company Pty Ltd has been completed and settlement between the parties has now taken place. As a result, SNF has received cash proceeds of approximately \$5m from the sale of plant and equipment at Taren Point and beverage manufacturing activities have been assumed by the joint venture company. The transaction has generated an income tax liability of \$420k which will be offset against carry forward tax losses.

### Acquisition of minority shareholding in Freedom Foods

Consistent with an earlier agreement, SNF has negotiated the acquisition of the remaining 20% minority shareholding in Freedom Foods (Aust) Pty Limited from the founders of the business. The consideration for this acquisition of \$1.075m will be paid in installments over the period to September 2006, funded from cash flow. Barbara Woods will remain as a key employee of the company under a long term service agreement. SNF is very pleased with the performance and prospects of Freedom Foods.

### Acquisition of Brunswick Seafoods

The acquisition of the Brunswick Seafoods brand from Connor Bros Income Fund is proceeding to plan with both parties substantially progressed on conditions precedent and completion targeted around the end of April.

### Investment in Thorpedo Foods

SNF has a 25% investment in Thorpedo Foods Pty Ltd and has advanced loan funds of \$4.7m to fund the establishment of the company and market development in international markets.

The launch of Thorpedo advanced hydration energy water took place in Australia from October last year. While initial sales performance in the grocery channel has been satisfactory, sales in the route market are behind plan. Work on expanding route distribution in Australia and in identifying potential partners in key Asian markets is progressing and the company is undertaking a test market of the beverage in Southern California. A new children's beverage has been developed and will be soon presented to Australian schools and the grocery trade. To date, Thorpedo Foods has incurred approximately \$2m of development and launch costs and is targeting monthly breakeven for the beverage product by mid year.