

Dear Shareholders

On behalf of the Board of Directors of Clover Corporation Ltd (“Clover” or “Company”) I am pleased to present our Annual Report for FY21.

Shareholders would be aware that Clover like much of the world has been impacted by the global COVID-19 pandemic which has reduced sales for many of our customers combined with challenging conditions in supplying infant formula into the China market. The Company continues to see good opportunities for growth in health foods segments, however development of these markets was constrained due to COVID-19.

The company has continued to maintain a focus on the health and safety of its employees operating under COVID-19 safe plans. Many staff have been asked to work from home for much of the year whilst a core operational staff have maintained the day-to-day production of the business. Thankfully no staff have contracted COVID-19 during the year. The company has not received any financial assistance from the government.

As highlighted at the half year, Clover experienced challenging trading conditions as our major customers delayed new projects, reduced their orders due to lower consumer demand and the challenges of servicing the China market. The FY21 financial summary is:

- Revenues of \$60.5m (2020: \$88.3m)
- Net Profit after tax of \$6.0m (2020: \$12.5m)
- Excluding the Melody Dairy operating loss and IP legal defence costs, the underlying NPAT for FY21 would be \$7.3m

The balance sheet remains strong with cash of \$9.0m (2020: \$9.2m) that places the business well to support growth opportunities and service existing debt.

Clover has continued its strong focus in the development of new products and in expanding into new markets outside its traditional infant milk powder customer base. The Company maintains a strong global pipeline of new opportunities with new products, customers and markets. This has resulted in the company launching new products through the 2021FY. The targeted customers are now trialling these ingredients to develop their own new products which will be released in the future of which we have secured some sales in FY22. In addition, the Company continues to work with customers in developing encapsulated products for the planned legislated changes in Omega 3 levels in infant milk powder segment in China. Whilst it has experienced delays due to COVID-19 conditions, a reasonable conversion of this pipeline should provide a base for future growth for the Company.

Clover has and will continue to invest in its people to ensure timely responses to customers and the ongoing development and growth of the business. The Company also focuses on improving competitive capability with the investment in Melody Dairies expected to be fully operational and at least cash neutral in FY22. The R&D facility in Brisbane has been relocated to a larger facility that will include a new pilot production plant that will improve confidentiality of product development plans and reduce development time cycles.

Based on the performance of Clover in FY21 the Directors declared a fully franked final dividend for FY21 of 0.5 cent per share making the total dividend payable for the year ending 31 July 2021 1.0 (2020: 2.5 cents per share).

Turning to FY22, it is clear that COVID-19 will continue to impact our business as we had flagged in September with our FY21 results announcement. Over recent months we have seen more confidence in the market and this is reflected in a more stable forward order book albeit with little growth at this stage. We expect to re-engage with our customers on a face to face basis during FY22 as international travel opens up. This is essential to future growth.

On behalf of the Board of Directors, I would like to thank our shareholders for their continued support. I would also like to acknowledge and thank our CEO and employees for their continued hard work, dedication and commitment to Clover.

Rupert Harrington