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Beverage Manufacturing Joint Venture

So Natural Foods Australia Limited (ASX Code SNF) has today entered into a binding heads of agreement to establish a manufacturing joint venture for the soy and rice, dairy milk and associated beverage contract manufacturing activities currently conducted at Taren Point.

The joint venture partner is Leppington Pastoral Company Pty Limited ("LPC"), a major New South Wales dairy milk producer with a large intensive dairy farm located on the outskirts of Sydney at Bringelly.

The 50:50 joint venture will acquire SNF's manufacturing plant and equipment at Taren Point and have transferred to it the associated factory employees. In the short term, the joint venture will develop a plan for relocation and expansion to new factory premises in the greater Sydney area, resulting in the subsequent disposal of the Taren Point land and buildings. The joint venture will assume the ongoing manufacture and packaging of SNF's soy and rice products on a cost recovery basis and will seek to expand dairy milk and other beverage contract manufacturing activities over time. The transaction is expected to complete by March 2005.

This transaction is an important strategic initiative for SNF. The development of the manufacturing joint venture in conjunction with a partner with growth ambitions in dairy and other beverages should result in a competitive cost base for the soy and rice business in the medium term, and provide opportunity to expand our brand portfolio. The sale of plant and equipment will be for cash consideration and, together with the ultimate proceeds from the sale of land and buildings, will reduce funds employed in the soy and rice business by approximately $8.0 million.

LPC also considers this transaction a significant long term business partnership. As a result, interests associated with LPC have today agreed to subscribe $3 million for 5 million ordinary shares in SNF at a price of 60 cents per share, equivalent to a 10.3% fully diluted interest.

Potential Seafood Acquisition

SNF is in an advanced stage of negotiation for the potential acquisition of an ambient seafood business to further expand on the Paramount seafood business acquired in 2003. The potential business would require no increase in corporate costs or infrastructure for SNF. The acquisition, which is subject to due diligence and board approvals, is expected to be EPS positive immediately and substantially financed from the funds released from the beverage manufacturing joint venture transaction.

Thorpedo Foods Update

The Australian launch of Thorpedo Advanced Hydration Beverage commenced from October 2004.

The launch into the grocery trade has seen the product ranged nationally in key supermarkets with sales meeting our expectations. For the petrol and convenience channel, our distribution is building with ranging at the end of December expected to be 4,500 outlets compared to our target of 5,100. Our plan in petrol and convenience is particularly focused on the national chains where we expect to achieve our distribution targets by the new-year. We have streamlined our contract packaging with Thorpedo now manufactured by a single contract packer in Victoria. Our focus is to continue to build distribution and awareness of the product through active mainstream marketing strategies in 2005.

In addition to the Australian launch, we continue to develop our plans for the Thorpedo brand in offshore markets. Further work is progressing in identifying partners in Japan and China. We have recently concluded a memorandum of understanding with a leading marketing and distribution group for the launch of Thorpedo beverage in Hong Kong with potential expansion into Southern China.