

ASX ANNOUNCEMENT

DECEMBER 2018 QUARTERLY REPORT

Highlights

- Strategic capital raising: 5 million fully paid ordinary shares at an issue price of 20c per share to raise \$1 million.
- The number of seeds ordered during the quarter was up 188% year-on-year.
- Abundant Cucumbers receive strong feedback from growers in New South Wales and Victoria.
- New grower trials commence in Queensland, Victoria and Ontario, Canada.
- Production scaled up for popular cucumber varieties.
- Tomatoes grown in commercial quantities for sales, trials and contract growers.
- ANH's presence at the inaugural China International Import Expo proves to be dramatically popular, prompting a revision of the business's brand expansion strategies.
- ANH's product development focusses on extending the magnesium range from the two products currently available to six to eight by year end.
- ANH conducts a major push to be distributed widely in pharmacies across Australia.
- ANH's board takes management of the critical Chinese market in-house.
- ANH Magnesium range appears on shelves in pharmacies and gift shops which specialise in the Daigou trade.

Overview

Abundant Seeds sales grew strongly in the quarter, benefiting from positive grower experiences over the last year combined with early successes from promotional efforts. This trajectory is expected to continue, and seed production is being ramped up accordingly, both in Abundant greenhouses and via contract producers.

Abundant Natural Health experienced significant consumer and distributor interest at the China International Import Expo, particularly for the magnesium products, mirroring consumer responses in Australia, and developed a comprehensive strategy for maximising the opportunities created by this demand which is already starting to produce results.

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Strategic Capital Raising

In November the ABT board determined that additional funding was required to exploit the above opportunities, subsequently announcing that the Company had issued 5 million fully paid ordinary shares at an issue price of 20c per share to EcoMag Limited to raise \$1 million (subject to a 12 month voluntary escrow) and (subject to shareholder approval) attached options to subscribe for 5 million additional shares at the same price up to end November 2020.

EcoMag, which recycles the brines discarded by sea salt producers to extract high purity magnesium, supplies the magnesium to ANH for incorporation into its signature products, and has become a valuable collaborator in product research and development.

ABT will apply the funds raised to the development, production, marketing, distribution and sales of further ANH magnesium-based body care and nutraceutical products.

ABUNDANT SEEDS

The number of seeds ordered in the December Quarter was up 188% year-on-year, indicating a strong growth trajectory for domestic brand awareness and sales.

This follows particularly strong positive feedback from early adopting growers and word-of-mouth. In particular:

- Abundant's mini cucumbers, having proven their superiority over the international competition in South Australia across Summer, Winter and Spring crops, drove increased seed orders during the quarter and generated sales of different cucumber varieties to other growers in the region.
- Excellent results from growers in Coffs Harbour, NSW's dominant cucumber growing region, generated repeat buying for Summer planting. Abundant Seeds is on track to becoming the Lebanese cucumber supplier of choice in this important growing region.
- After a bumper Spring crop, growers who planted Abundant cucumbers last Christmas bought seeds for a third season to repeat that summer's successes.

Determined to capitalise on Abundant's growing success, management has begun a staged campaign to drive brand awareness in the horticultural industry and more broadly. Recent media attention includes articles in Good Fruit & Vegetables, SeedQuest and Horti Daily (and it's Dutch equivalent) and in the RAS Times.

Trials in New Regions in Australia and Internationally

The abovementioned grower feedback and associated promotions led to trials commencing in new growing areas in:

- Queensland - a major Bundaberg cucumber grower is trialling our mini cucumber variety.
- Victoria - a grower in Melbourne's outskirts is trialling our mini cucumber variety (and has requested tomato seeds for trial).
- Canada - an Ontario grower is trialling all six Abundant cucumber varieties currently commercially available.
- USA - a distributor is repeat trialling four of Abundant's cucumbers.
- Middle East - an Abundant cucumber is being trialled for a second year over winter, and the Asia & Pacific Seed Association's annual Asian Seed Congress generated a number of enquiries about cucumber and Tomato trials.

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Breeding Update

During the quarter, Chilean contract growers produced 300,000 Semi-Multi Fruit Variety ACL 516 cucumbers for Abundant Seeds in anticipation of strong demand in Australia as winter approaches, and took delivery of Mini Cucumber ACC 101 seeds to scale up production of this popular variety.

A range of Abundant tomato varieties were grown in commercial volumes at the Cobbity facility, with seeds destined for sales, trials and for supply to Chilean contract producers.

ABUNDANT NATURAL HEALTH (ANH)

An overwhelming response in China, together with feedback from a nine month marketing and testing campaign in Australia, led to a significant refinement of ANH's marketing strategies.

ANH's dramatically popular presence at the inaugural China International Import Expo demonstrated the potential for ANH products in the Chinese marketplace to ANH management, as well as to Chinese distributors and Daigou groups who visited ANH's exhibition stand.

Consumer response to the magnesium product range was particularly strong, reinforcing market intelligence from ANH's Australian distributor, Health One which also indicated acute Australian consumer interest in the company's magnesium products.

Representatives from Chinese distributors and ecommerce platforms, who also showed high levels of interest in ANH's magnesium range, expressed strong interest in establishing direct commercial relationships with the company. Chinese consumer interest in Australian products is intense but nuanced. They are sophisticated shoppers, highly attuned to the plethora of quasi-Australian products on offer via the various cross-border channels.

Accordingly, following an extensive internal review, ANH refined its brand development strategy in the December quarter, the main elements of which can be summarised as follows.

- 1. Focus on Magnesium products.** All of ANH's product research and development efforts in calendar 2019 will be directed to extending the magnesium range from the two products currently available to six-to-eight by year end, including a soap, bath sachets, a hand cream, a foot lotion, and possibly a health drink and a filter face mask.
- 2. Shelf presence.** To directly drive Australian sales, and to enhance brand profile in China, domestic distributor Health One was directed to prioritise the placement of ANH's magnesium range in as many pharmacies as possible Australia wide and specifically to target pharmacies and gift shops which specialise in the Daigou trade. Daigou (or "personal shoppers") act as trusted purchasing agents for contacts in China, investigating the authenticity of Australian products, then purchasing and shipping them to clients. This trade is estimated to be worth between \$350 million and \$1 billion per annum. Australian pharmacy presence establishes 'home market acceptance' and brand credibility in the Daigou market.

On 20th December, Abundant Produce announced that the magnesium range is being rolled out to a select group of Australian pharmacies which specialise in Daigou buyer groups and influencers (also referred to as KOLs or key opinion leaders). To date ANH's magnesium products are receiving excellent customer feedback from these groups.

On 21st January ABT announced that ANH has gained acceptance for its magnesium products to be stocked and ranged in-store and online across the networks of Australian Pharmaceutical Industries Ltd (ASX: API), and has received its first order from API.

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API is a leading wholesale distributor to more than 2,000 pharmacies across Australia, and is the operator of Priceline, Soul Pattinson Chemist and Pharmacist Advice.

These developments, reinforced by continued social media campaigns, are expected to drive a dramatic expansion of ANH's brand awareness in Australia - directly affecting domestic sales; and overseas - paving the way for international sales.

- 3. China direct.** China is the world's second largest import market, expecting to import over 10 trillion U.S. dollars of products and services over the next five years to supply a fast-growing middle class already estimated to include over 145 million people. In the December quarter, the ANH board decided to manage this critical market in-house rather than rely on an external distributor. Accordingly, the agreement with Hong Kong based Fohun International Limited to distribute ANH products via Asia-centric cross border ecommerce platforms was cancelled. Over calendar 2019, ANH will instead implement a staged strategy involving increased Asian social media, a Chinese language website, new product rollouts and direct placement on cross-border ecommerce platforms.

The logo for 'api' is written in a lowercase, blue, sans-serif font.The logo for 'Pharmacist Advice' features the text 'Pharmacist Advice' in white on a blue rectangular background, followed by a white lowercase 'i' with a red checkmark inside a circle.The logo for 'priceline pharmacy' features a purple square with a white heart icon, the text 'priceline pharmacy' in white, and a green plus sign.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Abundant Produce Limited

ABN

46 606 255 887

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year To Date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	59	259
1.2 Payments for		
(a) research and development	(201)	(201)
(b) product manufacturing and operating costs	(103)	(180)
(c) advertising and marketing	(45)	(87)
(d) leased assets	-	-
(e) staff costs	(266)	(482)
(f) administration and corporate costs	(218)	(590)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	55	692
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(719)	(589)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year To Date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1,000	1,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	6	6
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,006	1,006

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,684	2,554
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(719)	(589)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,006	1,006

Consolidated statement of cash flows		Current quarter \$A'000	Year To Date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,971	2,971

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,971	2,684
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,971	2,684

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
17
-

Consulting fees only paid during the quarter – no directors' fees were paid

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.


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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	150
9.2 Product manufacturing and operating costs	70
9.3 Advertising and marketing	30
9.4 Leased assets	-
9.5 Staff costs	225
9.6 Administration and corporate costs	350
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	825

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director)

Date: 23 January 2019

Print name: Tony Crimmins

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

ABUNDANT PRODUCE LTD

ABN 46 606 255 887

ASX CODE: ABT

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