

ASX ANNOUNCEMENT

SEPTEMBER 2019 QUARTERLY REPORT

Overview

During the September Quarter, Abundant Produce Limited raised \$1,362,000 of new capital via a share purchase plan offered to existing shareholders, in which each of the Directors participated. The funds are being applied to Abundant's operations, in particular to further the expansion of the Abundant Natural Health business, including the manufacture of three new products and associated marketing campaigns.

Abundant expects to take delivery of the new product inventory, with a retail value in excess of \$700,000 during the current quarter, and commence sales in Australian pharmacies, via Amazon.com into the United States (and internationally) and through cross border sales into China.

ABUNDANT NATURAL HEALTH (ANH)

PRODUCT EXPANSION

Over the September Quarter, ANH commissioned and co-ordinated the manufacture of three new products, expanding the existing magnesium range and initiating a new range of products providing relief to sufferers from symptoms of mild psoriasis and other dermatological conditions;

1. Magnesium Lotion: providing natural relief rich in magnesium while moisturising the skin.
2. Ocean Soothe Gel: mineral salts combined with extracts of Cucumber and Aloe Vera providing relief from the symptoms of mild psoriasis.
3. Ocean Soothe Lotion: mineral salts combined with extracts of Olive and Aloe Vera providing relief from the symptoms of mild psoriasis.

Management expects this inventory (with a retail value in excess of \$700,000) to be available for distribution during the current quarter.

ONGOING PRODUCT DEVELOPMENT

During the September Quarter, Abundant initiated trials of a 100% natural, innovative and effective, opioid-free nasal spray for the treatment of headaches and migraines.

Early results indicate the majority of participants experience a reduction in both the duration and frequency of migraine episodes. A positive correlation with pain intensity is also noted but more data is required to confirm the association, and accordingly, the Company has extended public trials which are currently ongoing.

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ABUNDANT NATURAL HEALTH (ANH)

Additional products are under development and expected to be released during the current financial year for both the magnesium and dermatological ranges, building up to the critical mass required for strong international brand development.

Management believes that a third range, developed around headache and migraine relief, would reinforce the brand substantially in addition to addressing a separate market niche.

DISTRIBUTION

Australian Pharmacy sales are growing as consumer demand drives re-ordering. Management expects the increased product offerings to accelerate Australian pharmacy orders through the current financial year.

In conjunction with Health One, the management team has been pre-selling Ocean Soothe into Pharmacy banner groups, receiving strong interest to stock the range prior to formal category reviews.

In the September quarter, Abundant made preparations for exhibiting at the second China International Import Expo (5th to 10th November), including free-trade-zone bonded warehouses and an ecommerce platform to facilitate distribution agreements with third party (China based cross-border) online sellers in addition to direct-to-consumer sales.

Supported by Chinese language websites and social media activity, these preparations position the Company to enter into distribution agreements at, and following, the Expo.

Initial (magnesium range) inventory was delivered to the United States in the September quarter in conjunction with Amazon.com. Delivery of the three new products will trigger a comprehensive nationwide marketing campaign, initially focusing on online sales.

Abundant appointed Market Solutions Inc to develop and implement a campaign to develop Abundant Natural Health's shelf presence in US mainstream and specialty retailers. This retail strategy will complement the Company's Amazon.com placement and leverage a National Psoriasis Foundation campaign targeting members, patients and medical practitioners.

ABUNDANT SEEDS

During the quarter, the Board decided to investigate the sale of the seeds business and appointed an industry consultant to advise the Company, prepare an information memorandum and approach potential buyers.

This decision reflects long grower trial lead-times and international seed industry appetite for vegetable plant IP together with the opportunities offered by the fast-growing nutraceuticals business.

The Board decided that, should an appropriate price be achieved for the seeds business, shareholder value would be maximized by the company reinvesting the proceeds into the ongoing development, marketing and distribution of the expanding range of therapeutic Abundant Natural Health nutraceutical products.

Reflecting the substantial IP already developed by Abundant Seeds (offering a multi-year commercialization pathway), management has decided to pause further horticultural research and development and minimize costs pending the outcome of the sale investigation process.

FINANCIAL COMMENTARY

Costs were approximately \$97,000 higher in the September quarter, primarily reflecting the increased product manufacturing and marketing expenditure required to expand the business. Management expects revenues associated with these costs to positively impact in the current and coming quarters.

Costs in the coming quarter are expected to drop significantly with lower manufacturing costs and cost reduction measures in the Abundant Seeds business.

At the end of the quarter Abundant's cash balance was \$2.47 million (from \$1.95 million at 30 June 2019).

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")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year To Date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	249	249
1.2 Payments for		
(a) research and development	(60)	(60)
(b) product manufacturing and operating costs	(220)	(220)
(c) advertising and marketing	(135)	(135)
(d) leased assets	-	-
(e) staff costs	(308)	(308)
(f) administration and corporate costs	(367)	(367)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(843)	(843)

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 (3 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	1,362	1,362
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	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,362	1,362

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	1,953	1,953
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(843)	(843)
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)	1,362	1,362

Consolidated statement of cash flows		Current quarter \$A'000	Year To Date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,472	2,472

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	2,472	1,953
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)	2,472	1,953

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
6
-

Directors fees of 6K were paid in the quarter.

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	60
9.2 Product manufacturing and operating costs	50
9.3 Advertising and marketing	70
9.4 Leased assets	-
9.5 Staff costs	250
9.6 Administration and corporate costs	250
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	680

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: 25 October 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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