

**QUARTERLY ACTIVITY REPORT AND APPENDIX 4C –  
NAMOI COTTON LIMITED (ASX: NAM)**

Namoi Cotton Limited (**'Namoi'** or the **'Company'**) is pleased to provide its Activity Report and Appendix 4C cash flow statement for the quarter ended 31 August 2020 (**'Q2'**).

**Cashflow Seasonality**

As reported in the last quarter, the Company's payments for product manufacturing and operating costs are weighted to its first two quarters (i.e. the 6 months ending 31 August), whilst its receipts from customers are weighted to its third and fourth quarters. This results in a potentially significant variation in net cash flows between quarters. The Company's \$10 million working capital facility is designed to cater for this volatility in cash flow.

Whilst ginning volumes in the current financial year are lower than recent history, the seasonal trend in cashflow is forecast to be comparable with prior years. Hence, receipts from suppliers is traditionally higher than payments to suppliers in the 3<sup>rd</sup> and 4<sup>th</sup> quarters which historically have resulted in net cash surpluses in these quarters which, is used to fund the repayment of working capital debt.

In line with that seasonal trend, the Company is forecast to generate positive operating cashflow in the upcoming 3<sup>rd</sup> quarter which will be used to repay and replenish its working capital debt facility which is sufficient to fund the Company's ongoing operations.

**Business activities in the Second Quarter (Q2)**

There was no material change in the activities of the Company during Q2.

The Company's cashflow in Q2 reflects the commencement of the ginning season during which the bulk of payments to suppliers are made and hence net cash outflows from operations increased just over 4 times compared to Q1 (i.e. the prior quarter ended 31 May 2020).

Receipts from customers totalled \$50.3 million during Q2 and compare to product manufacturing and operating costs of \$53.3 million for the same period. These amounts are in line with ginning volumes and as previously noted, cash outflows for the purchase of cotton crops to be ginned by Namoi occurs post-harvest, predominantly in the 2<sup>nd</sup> quarter (i.e. ending 31 August). Hence, cash payments to suppliers are often higher than receipts from suppliers in the 2<sup>nd</sup> quarter.

Staff plus other administration and corporate costs totalled \$4.0m in Q2 compared to \$3.2m in Q1, reflecting a 26% increase due predominantly to the increase in ginning volumes and related variable costs, predominantly staff related.

Net cash used for operating activities in Q2 totalled \$7.0 million which was funded by a \$6.5 million draw down of the Company's \$10 million working capital facility, leaving an undrawn balance of \$1.5 million in this facility as of 31 August 2020. The Company's total unused financing facilities available on 31 August 2020 was \$4.1 million. There was no change in the Company's debt facilities during Q2.

The Company repaid \$0.5 million of scheduled debt repayments during Q2, whilst cash raised from the disposal and purchase of property, plant and equipment totalled \$0.4 million.

### **Material Developments**

As announced on 17 September 2020, the Company has executed binding implementation agreements with Louis Dreyfus Company in connection with the restructure of its joint venture partnership, NCA. This restructure is a part of Namoi's overall strategy to reduce the Company's exposure to cotton lint trading volatility and associated debt, whilst improving its ginning and associated service offerings for Australian cotton growers.

This announcement was approved by the Board of Namoi Cotton.

**For further information, please contact:**

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