HEALTH
PLANT
PROTEIN

# Capital Raising Presentation

November 2020

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# Corporate Strategy

**Focus on higher margin sustainable business in health and plant protein categories, anchored by macadamia business**

### Health

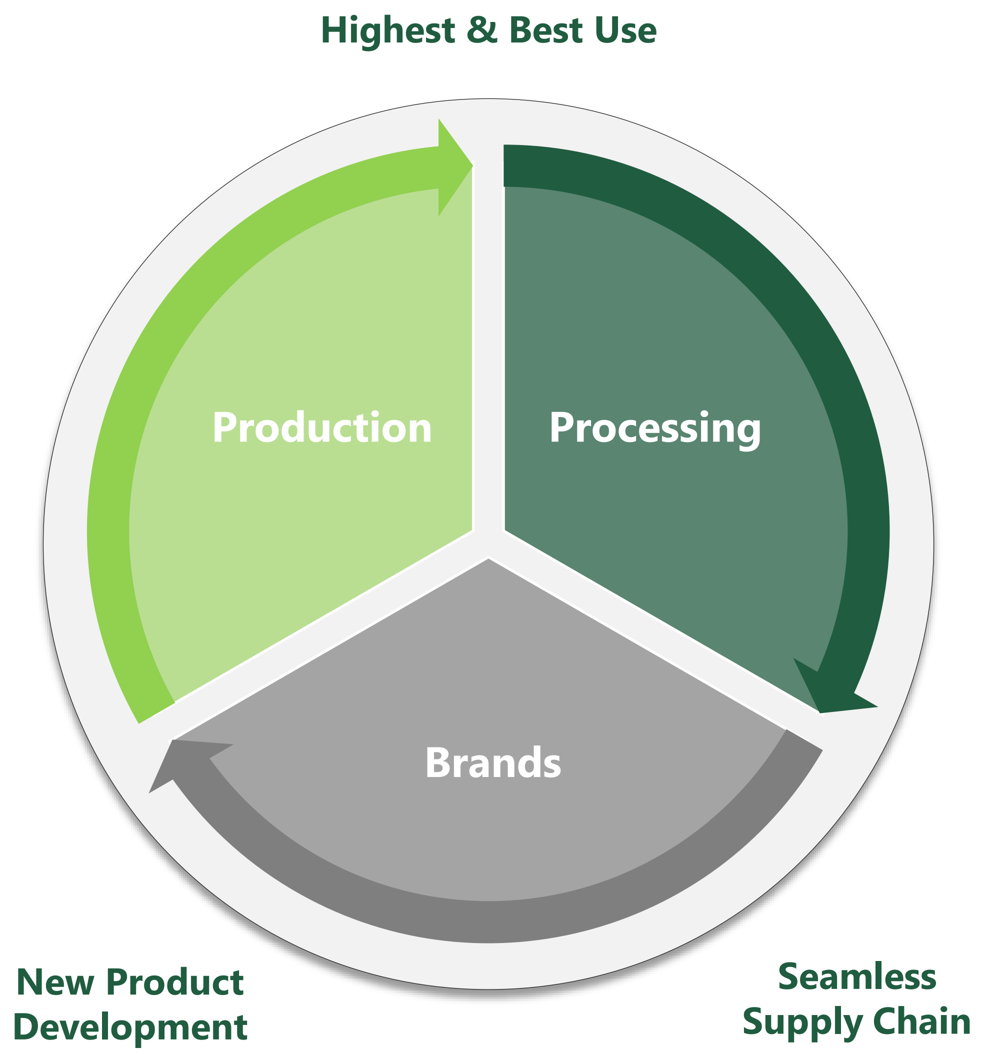
All better-for-you products, that promote a healthy lifestyle and provide education and opportunity for proper nutrition

### Plant Protein

Plant-based proteins that complements people's diet as the trends and eating habits shift to a more sustainable and holistic approach

### HPP

The ultimate parent company that provides healthier plant-based protein products across multiple brands, categories, and touch points for consumers




*Prepared by Buderim Group Limited*

# Key Highlights and Outlook

**Q1 Highlights**

- Group Gross Profit up 107% quarter on quarter with strong final contribution from the Ginger business
- Sale of the Ginger business was completed on 30 September 2020
- Cash balance increased to $14.9 mn for the quarter*
- Macadamia continue to see improved gross margin performance in retail branded products, despite challenging trading conditions and limited tourist activities in Hawaii
- Macadamia continues to increase share of market in our current categories.

**in accordance with the 4C activity report, the Company made a $5mn repayment to AMD on 1 October 2020*

**Outlook**

- Health and Plant Protein Group (**HPP**) is ready for its refreshed strategic focus, anchored by its core business in branded macadamia
- The business is preparing for the upcoming holiday season in the USA with corresponding campaigns and the expected consumer sentiments post COVID-19 environments and the USA election
- The orchard has had favourable climatic conditions for production to be in line with or better than expectations
- Strong demand and pipeline of macadamia products through existing and new accounts.

# Corporate History

**HPP has, through both organic and inorganic growth, come to be one of the largest vertically integrated branded macadamia nut businesses in the world**

**2020** Ginger division is sold, and the Company proposes to change its name to "Health and Plant Protein Group Ltd" and focus on higher margin sustainable business in health and plant protein categories, anchored by macadamia business.

**2018** Acquisition of RHO, making the combined business the largest macadamia business in continental USA, dominating the snack and confectionery category

**2017** Strategic investments from Asia Mark Developments to re-energise the business and direction

**2014** Acquisition of Kapua Orchard, one of the largest contiguous macadamia orchards in the world

**2008** Acquisition of MacFarms business

**1989** Company restructures and lists on the Australian Securities Exchange

**1941** Formation of Buderim Ginger Co-operative Association

*HPP has a strong strategic shareholder base that can assist with its global ambitions beyond the US, including Asia.*

# Macadamia = Health Plant Protein

*Macadamia delivers material nutrition including the largest macronutrients (fat, protein, carbohydrates) to the smallest phytochemicals thought to help prevent diseases*

*Macadamia, therefore, serves as the anchor of our health and plant protein business*

# Financial Overview

| Working Capital (30 September 2020)[1] | FY20 |
|---|---|
| Cash | $14.9m |
| Trade Receivables | $1.1m |
| Inventory | $22.2m |
| **Total Current Assets** | **$38.2m** |
| Trade Creditors | ($2.9)m |
| Other Payables | ($2.4)m |
| Working Capital Facility | ($12.7)m |
| **Net Working Capital[2]** | **$20.2m** |

*[1]Based on unaudited management accounts*
*[2]Net Working Capital does not include $10m Convertible Notes currently on issue*

## Financial Highlights

- $5m convertible note repayment completed on October 1, 2020
- Overall reduction in debt from October 1, 2020 including the revolving 120 day working capital facility with Greensill Capital UK
- Material inventory expected to convert to cash by Q3 of FY2021.
- [2]$20.2m Net Working Capital provides scope to grow the business, invest in our people and plant & equipment

*HPP's Kapua Orchards (Kona, Hawaii) is one of the largest contiguous macadamia orchards in the world, and is independently valued at c. A$45mn*

# Operational Overview

## Vertically integrated macadamia production, processing & brand company focussed on the US market

**SUPPLY SECURITY**
- 2.6% of all world macadamia nut production*
- 35.5% of all USA production*

**ASSET BACKING**
- Orchard is independently valued at c. A$ 45mn

**NATURAL HEDGE AGAINST PRICES**
- Vertical integration allows the business to have a natural hedge and better predictability on cost of goods/production
- World macadamia production is expected to materially increase at a rate potentially quicker than demand, creating further cost optimization opportunities.


**CRACKING FACILITY**
- Ownership of this processing element allows control/understanding on kernel recovery rates
- Understanding of the kernel also allows the business to continue explore with highest and best use opportunities
- Some of the possibilities include beverage, healthy energy bars, and other keto and vegan friendly items.


*IMC conference papers 2018 and actual production

52,700 store distribution + e-Commerce + brand led = better margins

# Key Leadership Team

## A highly experienced management team with a  track record in scaling globally focused consumer brands

**Dennis Lin | *Executive Director* |** *Strategic Leadership, High Growth Execution in FMCG* **|** *Australia*

Dennis has been involved with the business since 2016 and has a specific focus on strategically directing above industry growth in key markets such as USA and China through organic growth and acquisition activities.

**Lisa Davis | *CFO & Company Secretary* |** *Finance, Regulatory Compliance, Systems* **|** *Australia*

Lisa joined the business in early 2019 and has been instrumental in working through the transformation of the business. She is responsible for Finance as well as IT systems.

**Adam Cunningham | *Commercial Manager* |** *Global Macadamia Knowledge, Supply Chain* **|** *Australia*

Adam has spent over 12 years with the business and has intimate knowledge of macadamia supply chains throughout the world.  Adam is mainly responsible for commercial aspects of the business.

**Mark Crawford | *Head of Operations* |** *Production, Supply Chain, Operations* **|** *Hawaii*

Mark has been with the business and its predecessor for over 30 years.  Having spent much of his time in Hawaii, Mark oversees production, processing and operational matters.

**KC Blinn | *GM of Sales & Marketing* |** *Marketing, E-Commerce, High Growth Brands* **|** *California*

With significant background and experience in marketing FMCG products, KC has been driving the branding and marketing strategies since joining in late 2018.  This includes extending the business' digital penetration including e-commerce activities.

**Claude Weiller | *Senior National Sales Manager* |** *Strategic Sales, Account Management* **|** *California*

Claude has been a strategic sales executive for over 30 years, and he manages the team in maintaining accounts that generate distribution footprint of over 52,000 offline stores in the USA.

# Our Brands

**Two brand strategy allows differentiation (healthy & indulgent) to take full advantage of market demands and trends**

ESTABLISHED 1977
MACFARMS®


- Targeting flavoursome snacks and confectionary, appealing to a broad market audience
- Heritage brand (established 1977)

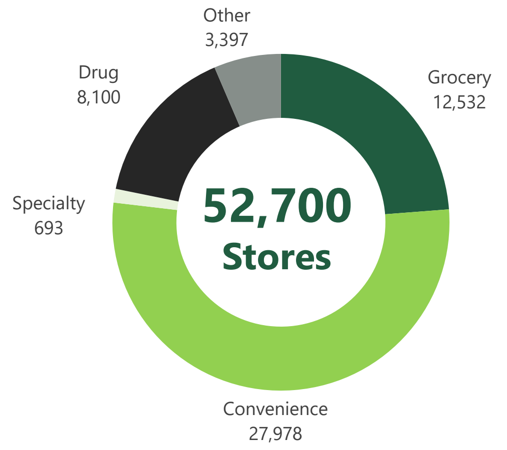
Royal® Hawaiian ORCHARDS


- FDA approval for Heart Healthy Claim on label
- Targeting healthy snacking audience, a premium and above industry growth category

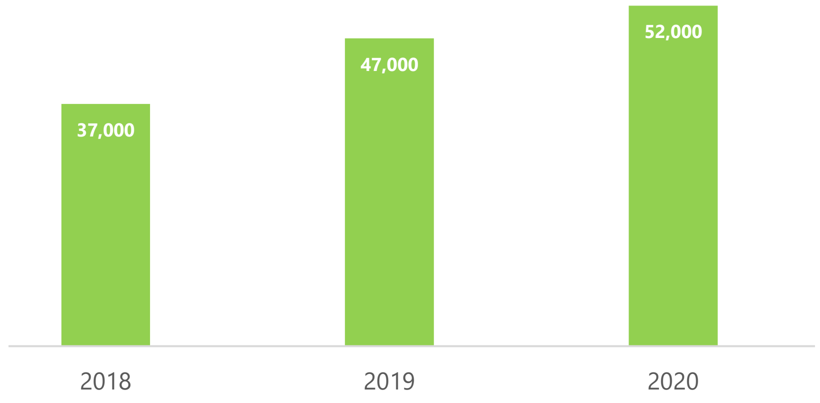
# Our Distribution Network

HEALTH PLANT PROTEIN

**HPP products are sold through a substantial distribution network that can be leveraged for cross-selling / revenue synergies for new products & brands**




**Distribution Points - US Stores**



# Sales & Marketing

## Distribution network spans the entire US $6.0bn Nut Market, accounting for 0.5% of total FY20 sales

- HPP products distributed through a network which extends to all 50 states across the US and continues to grow
- HPP continues to foster market awareness of both MacFarms and Royal Hawaiian brands via:

  a) **Sponsorships** with key sporting teams to encourage health eating:

     **Anaheim Ducks**

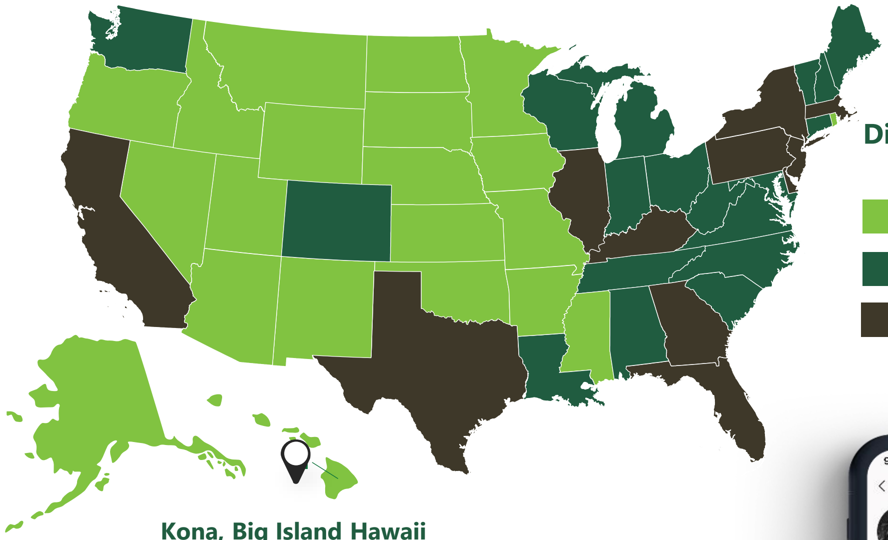
     **New York Yankees**

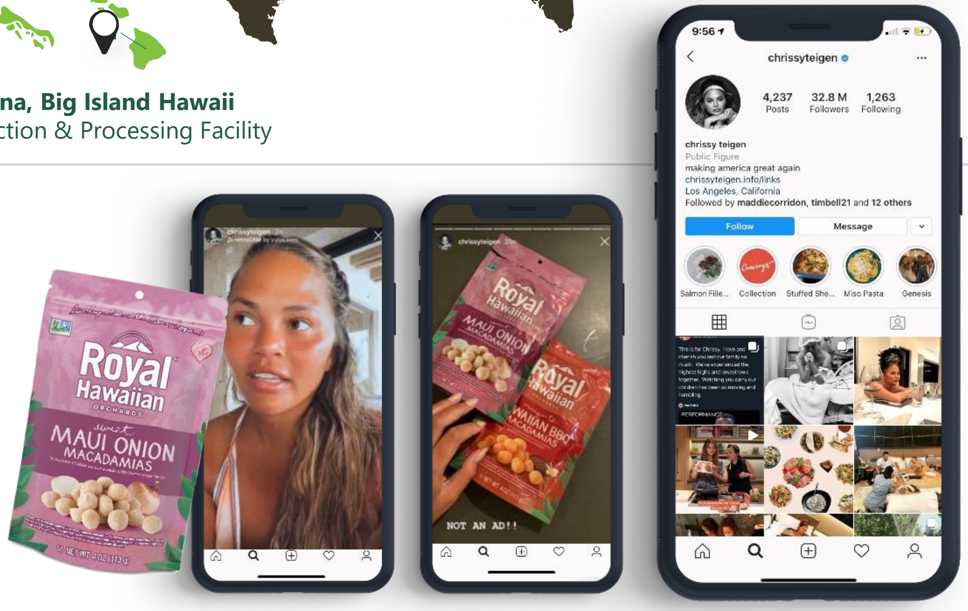
  b) **Lifestyle Specific Media** that showcase our product to targeted core demographics

     ORIGIN.

  c) **Sampling Activations** that get product into the hands of consumers

  d) **E-commerce campaigns** that tactically engage with consumers

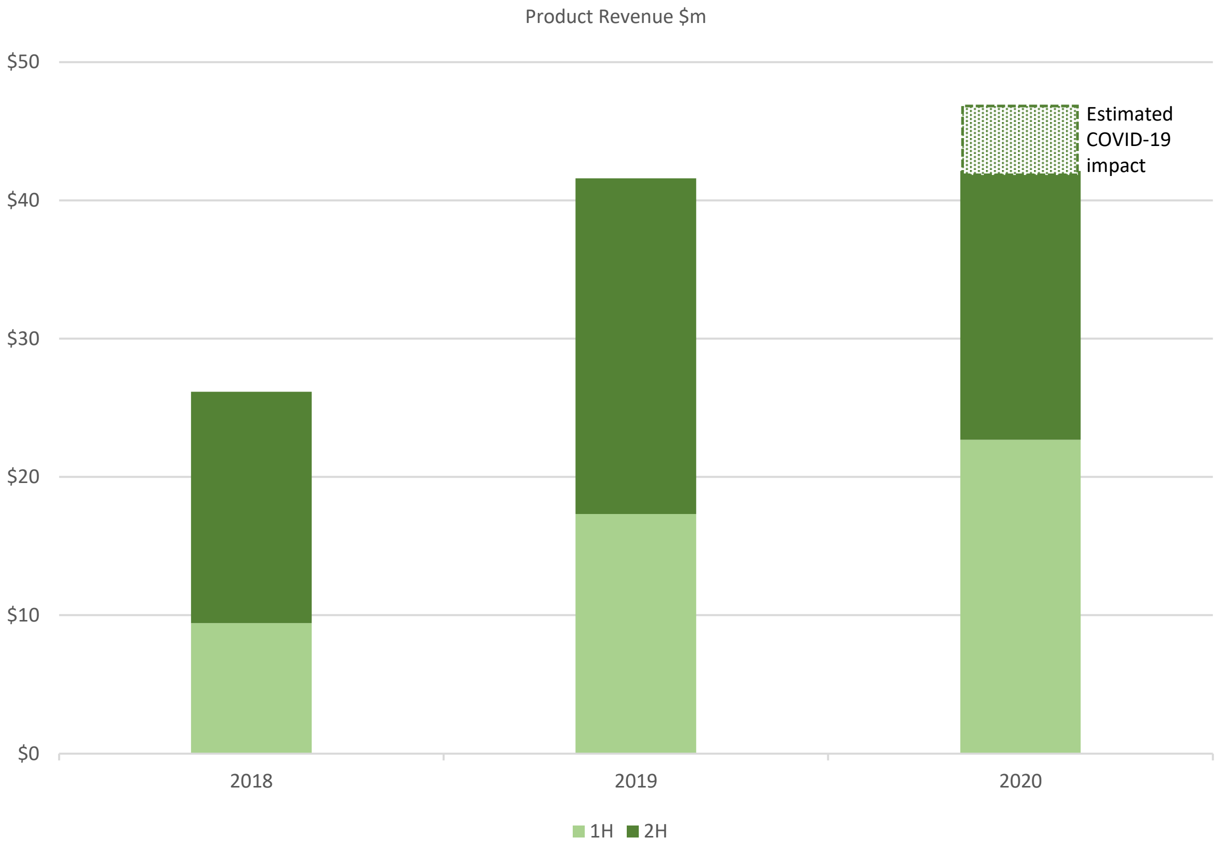


# Track Record of Growth

## HPP has delivered stable revenue growth

- The business has achieved a level of commercialised scale (FY20 revenue of c. A$40mn) with a much larger addressable market in the USA and beyond;
- There remains significant opportunities to continue consumer engagement and further increasing offtake and also distribution points;
- Through its vertically integrated model, HPP will continue to consolidate and look for highest and best use of macadamia that can supply consumer trends, including plant based beverages and products;
- In addition, HPP will leverage its existing sales and marketing infrastructure and knowledge to explore asset light brand opportunities in the health and plant protein space that are margin and earnings accretive.

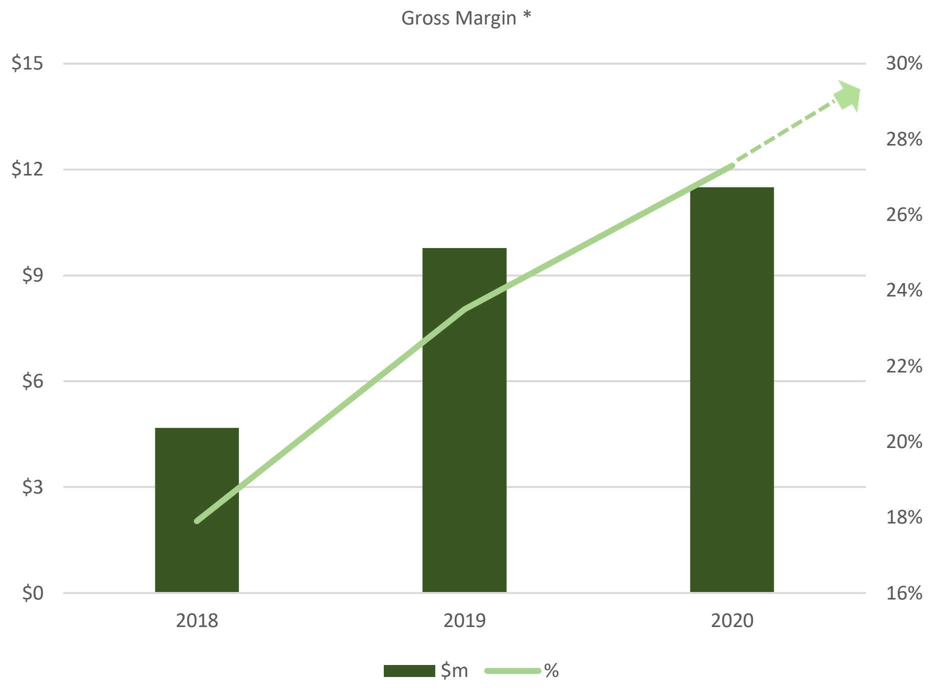


# Gross Margin

## HPP continues to build upon improved margins

- Following the acquisition of RHO in 2018, HPP implemented a range of initiatives which resulted in increased gross margin performance year on year across all sales channels;
- Gross margin net of trade spend up 380 basis points to 27.3% vs 2019;
- Q1 2021 margin performance ahead of plan and continues to build upon the platform set by these initiatives;
- Focus on driving increased sales through higher margin channels (eg. branded products in larger networks with high customer engagement levels);
- NPD driven by strategic objective of achieving highest and best use of macadamia;
- HPP is targeting to achieve blended gross margin across all retail products to be above 30% over the next 18 months[1]

*[1]This is an internal financial metric for management purposes and not a forecast or forward looking statement regarding gross margin outcomes.*



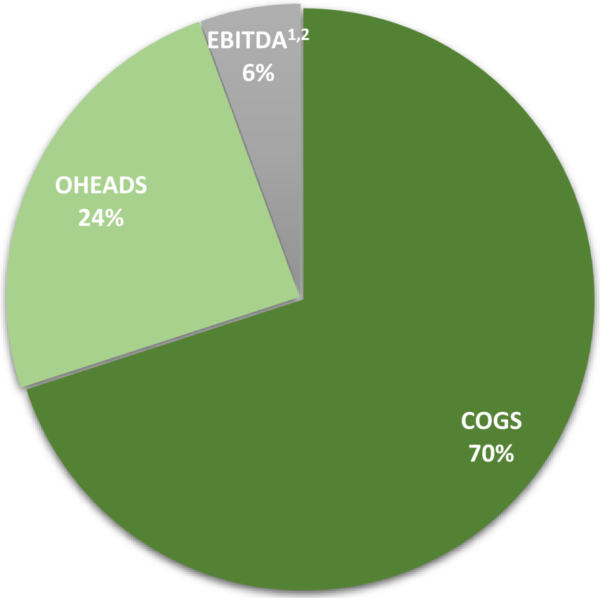

** Gross margin on branded retail products net of trade spend*

*Prepared by Buderim Group Limited*

# Profitability – EBITDA

## HPP to leverage increasing sales and margins to drive EBITDA performance

- Sale of the Ginger division has created a more focused and agile business readily able to leverage market opportunities in the health and plant protein space;
- Building on the current gross margin of 27.3%, HPP is focused on revenue growth coupled with increasing gross margins to generate enhanced EBITDA performance
- Since completion of the Ginger division sale, HPP has focused its efforts on being agile and maintaining a disciplined approach on costs, particularly overheads;
- Overhead expenditure percentage of 24% of revenue is anticipated to decline on back of increased sales revenue to drive EBITDA results;
- Additional consumer engagement through the existing distribution network is also expected to drive further efficiencies;
- HPP is targeting an underlying EBITDA of greater than 6% of revenue.




*[1]Underlying HPP EBITDA performance after 30 September 2020 divestment of the Ginger operations not comparable to historical reported EBITDA for the macadamia segment on or before 30 September 2020, due to changes in internal overhead allocations after divestment*

*[2]HPP has targeted a underlying EBITDA margin of at least 6% – this is an internal financial metric for management purposes and not a forward looking statement regarding EBITDA outcomes.*

# Balance Sheet and Asset Backing

**HPP will maximise shareholder value through continuing to assess options to further optimise its assets**

- HPP has $10mn of convertible notes held by its largest shareholder AMD;
- In addition to its cash and inventory balance, Kapua Orchards is an aggregation of blocks on Big Island, Hawaii that is valued at c. A$45mn;
- The location is a well known tourist area and has seen significant urbanisation;
- In the past, HPP has managed the orchards and monetised parts of the orchards that are not delivering expected production efficiencies;
- HPP will continue to focus on having a secure supply chain to ensure that it is able to be a leading branded FMCG business;
- As the strategy is to focus on brand-led growth, the board will continue to assess the balance sheet to ensure that the assets are delivering returns commensurate with a high growth FMCG business to maximise shareholder value.

# Strategic Overview

# Long-term Growth Strategy

HEALTH PLANT PROTEIN

**Strategic initiatives to become global leader in health and plant protein utilizing macadamia business as a platform business**

Growth

Time

Current Focus

### Immediate Priorities & Opportunities

Growing existing macadamia business through further penetration in USA and new product development

Identifying key new expansion markets

Actively source macadamia globally including Australia and Africa.

### Next Opportunities

Look for touch points to further consolidate brand led opportunities in macadamia or tree nut categories

Consider opportunities that would further consolidate and secure supply chain

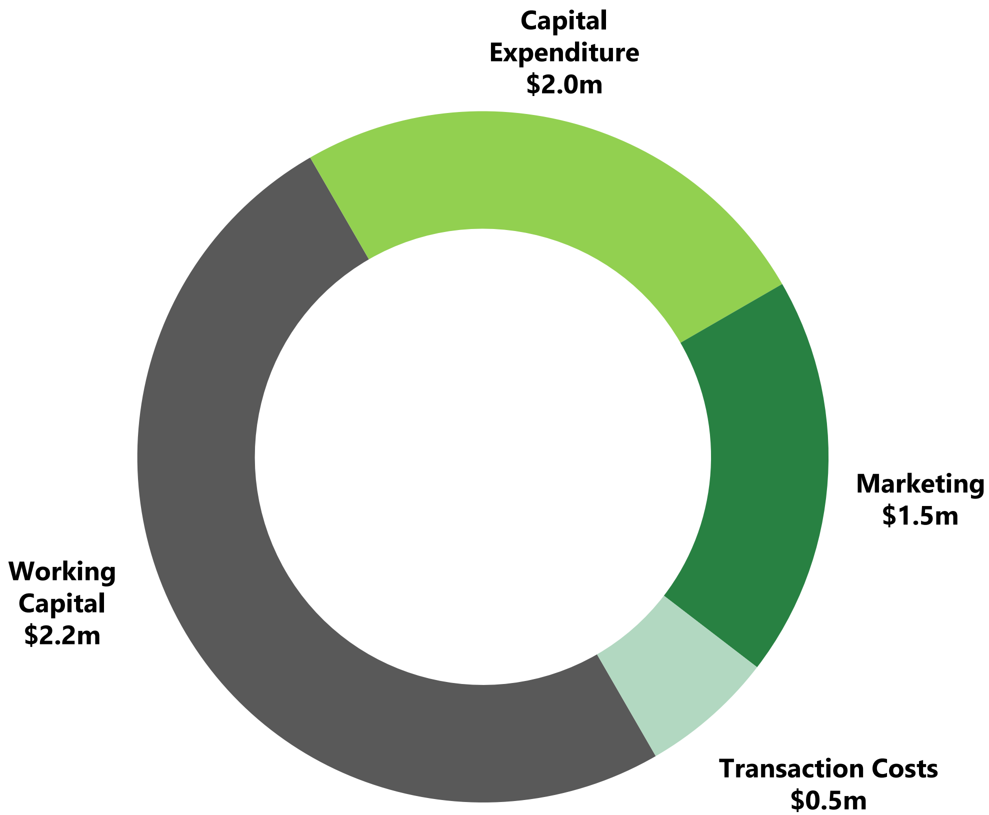
### Taking HPP Global

Look for synergistic opportunities in health and plant protein space that can achieve further economy of scale

This can include Australian or other brands that may be seeking to leverage on the business' understanding of the USA market

# Capital Raising

**HPP is undertaking an $6.2m capital raise to accelerate growth strategy & provide capital for acquisition strategy**




**Capital Raise**

- HPP will raise $6.2m via a private placement & rights issue

**Use of Funds[1]**

- Capital expenditure including agricultural & manufacturing equipment
- Marketing to expand brand building campaign, support new product offerings and launch in international markets
- Working Capital
- Transaction Costs

*[1]Use of funds is indicative only of HPP's present intention. HPP reserves the right to apply funds towards such uses as the Board determines from time to time having regard to HPP's corporate and business strategies and circumstances at the time.*

*Prepared by Buderim Group Limited*

# Capital Raise Overview

| | |
|---|---|
| **Offer Size & Structure** | Placement to institutional and sophisticated investors raising up to $2.2m and Rights Issue raising $4.0m, or as otherwise advised<br><br>The placement will result in approximately 12,903,279 new shares being issued, representing approximately 15% of HPP's existing issued share capital. The placement is not underwritten |
| **Ranking** | New shares issued under the Placement and Rights Issue will rank equally with existing HPP shares on issue |
| **Offer Price** | The Institutional Placement and Rights Issue is priced at $0.17, representing:<br>27.7% discount to last close at $0.2350<br>27.8% discount to 5-day VWAP[1] of $0.2356<br>20.4% discount to 30-day VWAP[1] of $0.2135 |
| **Joint Lead Managers** | Bell Potter Securities Limited and PAC Partners Securities Limited |

| | Number of Shares |
|---|---|
| Existing Shares on Issue | 86.0m |
| New Shares to be issued under Placement | 12.9m |
| New Shares to be issued under Rights Issue | 23.5m |
| **Total Shares on issue post the Offer** | **122.4m** |

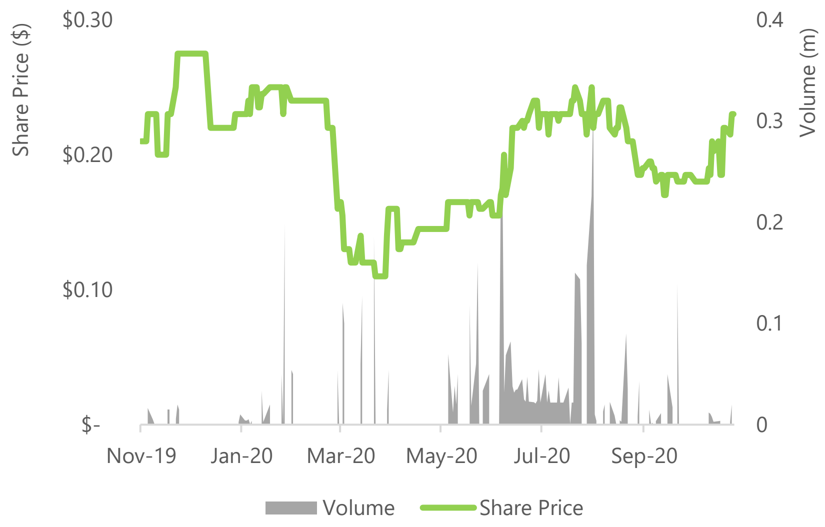
*[1]VWAP measured on 9 November 2020*

# Indicative Timetable

| Description | Date |
|---|---|
| Trading Halt | Tuesday, 10 November 2020 |
| Bookbuild conducted for placement | Wednesday, 11 November 2020 |
| Trading Halt Lifted & Announcement of Placement and Entitlement Offer | Thursday, 12 November 2020 |
| Record date for Entitlement Offer | Tuesday, 17 November 2020 |
| Settlement of Placement Shares | Wednesday, 18 November 2020 |
| Allotment of Placement Shares | Wednesday, 18 November 2020 |
| Entitlement Offer Opens | Wednesday, 18 November 2020 |
| Entitlement Offer Closes | Wednesday, 2 December 2020 |
| Announcement of results of Entitlement Offer results | Monday, 7 December 2020 |
| Allotment of Entitlement Offer Shares | Wednesday, 9 December 2020 |

# Capital Structure

HEALTH PLANT PROTEIN




| (ASX:BUG) | |
|---|---|
| Share Price (9-Nov-2020) | $0.235 |
| 52 Week High / Low | $0.28 / $0.11 |
| Market Capitalisation | $20.2m |
| Shares on Issue | 86.0m |
| Options Issued | 2.0m |

| | Share Register (9-Nov-2020) | Shares | % |
|---|---|---|---|
| 1 | Asia Mark Development Limited | 28.8m | 33.4% |
| 2 | Mr John Cheadle | 13.2m | 15.3% |
| 3 | Citicorp Nominees Pty Limited | 9.0m | 10.5% |
| 4 | Randell Management Services Pty Ltd <Timms Super Fund Account> | 4.9m | 5.7% |
| 5 | Rubicon Family Office Pty Limited | 4.2m | 4.9% |
| 6 | Bundaberg Sugar Group Ltd | 2.3m | 2.7% |
| 7 | Ace Property Holdings Pty Ltd | 2.2m | 2.6% |
| 8 | Redarea Pty Ltd <The Templeton Family A/C> | 1.4m | 1.7% |
| 9 | HSBC Custody Nominees (Australia) Limited | 0.9m | 1.1% |
| 10 | Mr Andrew Paul Bond + Mrs Karen Michelle Bond <The Karand Family A/C> | 0.8m | 0.9% |
| | **Top 10** | **67.7** | **78.8%** |
| | **Total Shares on Issue** | **86.0** | **100.0%** |

# Key Risks

**1.1 General**

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company, its products, the industry in which it operates and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that forward-looking statements will be realised.

This section describes certain, but not all, risks associated with an investment in the Company.  Each of the risks set out below could, if it eventuates, have a material adverse impact on the Company's operating performance, financial performance, financial position, liquidity and the value of its Shares.

Before deciding to invest in the Company, potential investors should read the entire Entitlement Offer Booklet and the risk factors that could affect the financial performance of the Company.

You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

**1.2 Specific Risk Factors**

In addition to the general risks set out in sections 1.1 and 1.3, the Directors believe that there are a number of specific factors that should be taken into account before investors decide whether or not to apply for Shares. Each of these factors could have a materially adverse impact on the Company's operating performance, financial performance, financial position, liquidity and the value of its Shares.

These include:

**(a) Impact of COVID-19**

The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of businesses, individuals and governments to operate.  Emergency powers and restrictions have been enacted in the USA and other markets in which the Company operates, which, amongst other things, has restricted travel and the ability of individuals to leave their homes and travel to places of work.  There may be further changes in USA policy which may increase the restrictions travel or business operations.

The Company has already experienced a material adverse impact on its financial performance and its ability to progress key sales opportunities over the second half of Q3 and Q4 FY2020.

COVID-19 has significantly increased unemployment in the USA and it could reduce further consumer discretionary spending and demand for the Company's products.

Given the high degree of uncertainty surrounding the extent and duration of COVID 19, it is not currently possible to assess the full impact of COVID-19 on the Company’s business. However, a number of aspects of the Company's business may be directly or indirectly affected by government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions associated with COVID-19, including:

(i) disruption to the Company’s supply chain and workforce, particularly the availability of products and logistics (including shipping of materials and finished goods);

(ii) government imposed shut downs of manufacturing and distribution centres affecting the supply of products to customers; and

(iii) customers of the Company ceasing to operate and the Company not being able to collect outstanding receivables or customers materially adjusting trading terms, impacting the Company's sales.

There is a risk that if the duration of events surrounding COVID-19 are prolonged, the Company may need to take additional measures in order to respond appropriately (eg restructuring to reduce further costs from its business and raising additional funding).

There are also other changes in the domestic and global macroeconomic environment associated with the events relating to COVID-19 that are beyond the control of the Company and may be exacerbated in an economic recession or downturn. These include but are not limited to (i) changes in inflation, interest rates and foreign currency exchange rates; (ii) changes in employment levels and labour costs; (iii) changes in aggregate investment and economic output; and (iv) other changes in economic condition which may affect the revenue or costs of the Company.

# Key Risks

**(b) Funding risk**

The Company has implemented a funding strategy comprising its working capital facility with Greensill Capital UK Limited and the raising of additional equity to meet its immediate and near term capital requirements. There is no guarantee however that the funds raised under this strategy or that the equity raised under the Entitlement Offer will be sufficient or adequate to meet the Company's ongoing funding requirements under its current business plan.

The Company's net cash flows from operating activities for the June 2020 and September 2020 quarters were $956,000 and negative $1,904,000 respectively. Cash and cash equivalents on hand as at 30 September 2020 was $14,919,000.

If the Company requires access to further funding at any stage in the future, there can be no assurance that additional funds will be available either at all or on terms and conditions which are commercially acceptable to the Company. If the Company is unable to obtain such additional capital, it may be required to reduce the scope of its anticipated activities or sell down assets, which could adversely affect its business, financial condition and operating results.

**(c) Liquidity risk**

The management of liquidity to meet the cashflow requirements of the Company including the purchase of inventory, payments to staff and suppliers and the payment of debts as and when they fall due is important to the Company's business operations.

Unexpected reductions in sales or increases to operating or other costs could result in the Company's cash requirements being over and above its available liquidity. To the extent that the Company's operating cash flows, debt facilities and equity base are insufficient to meet its requirements for ongoing operations, for example, because the COVID-19 related restrictions prevail longer than expected, the Company may need to seek additional funding.

**(d) Financial risk**

Any dispute, or breakdown in the relationship, between the Company and its senior lender or convertible noteholder, could adversely impact the business if the Company's financial position deteriorates, or the Company is otherwise in breach of its financing terms, and its senior lender or convertible noteholder is unwilling to grant waivers or amendments to financing facilities, potentially resulting in debt covenant breaches or other defaults. If a breach of any of those covenants occur, the Company's senior lender or convertible noteholder may seek to exercise enforcement rights under its financing facility, including requiring immediate payment, which may lead to forced asset sales or default and have a material adverse effect on the financial performance and position of the Company.

While the Company currently has the support of its senior lender and convertible noteholder, it cannot guarantee that this will always be the case.

**(e) Sales and revenue risk**

The Company recorded negative cash outflows from operating activities for the September 2020 quarter due to difficult trading conditions (including as a result of COVID 19). There is a risk that sales may take longer than expected to return to normal levels or not return to normal levels at all (including due to the impact of COVID-19).

The Company's revenue also depends, in part, on its ability to respond to current market trends, which can be impacted by a variety of factors, including changing tastes and dietary habits of consumers, entry of new market participants and changes in the purchasing patterns of the Company's customers. Responding to new market trends can require significant investment. If the Company fails to anticipate, identify, or react to changes in market trends on a timely basis, it could experience reduced demand and/ or profit margins for its products, which could in turn adversely affect financial performance.

**(f) Inventory risk**

At 30 June 2020, macadamia inventory amounted to approx. $22.1m, comprising finished goods, raw materials and biological assets.

The Company has increased its US promotional activity in an attempt to drive consumer purchasing and reduce inventory levels. However, if the Company is not able to improve sales to the level required to sell through inventory, there is a risk that the carrying value of inventory will need to be written down. This may have a material adverse impact on the Company's reported financial performance.

The Board regularly monitors impairment risk and, consistent with accounting standards, the Company periodically assesses the carrying value of its assets.

# Key Risks

**(g) Weather, climate and growing conditions risk**

The Company is exposed to Hawaiian weather patterns, disease and insect infestations and natural disasters, for example volcanic activity, drought, extreme heat, floods, hail and associated changes in agricultural activity.

Variability in weather conditions and natural disasters may impact key drivers of the Company's earnings including harvest size and quality and economic activity. There has also been an increased frequency of natural disasters globally in recent years and it is expected that this trend will continue.

The Company is exposed to a number of potential climate change related risks, including increased operating costs due to carbon pricing policies and impacts on harvest yields and supply chain from climate change and extreme weather events.

Any of these risks could result in the Company losing all or part of its harvest and the associated revenue stream. Such a loss could have a material impact on the operations and financial performance and prospects of the Company. For example, in FY2020, high rainfall contributed to an increased level of macadamia inventory write downs totalling approx. $1.53m, primarily due to an increased level of aflatoxin affected kernel. Aflatoxin is a mould which occurs when nut-in-shell is exposed to high moisture for extended periods.

**(h) Processing risks**

**(i) General**

There are risks which are inherent in processing operations including machinery breakdowns, damage from flood and fire, below standard workmanship or materials, employee issues (including accidents) and workplace health and safety issues. Any adverse impact on production could have a materially adverse impact on the Company's ability to meet customer needs, customer claims risk and financial performance.

**(ii) Regulatory risk**

The Company is required to comply with a range of laws and regulations, including food standards, labelling and packaging, consumer protections, employment, property and the environment, quarantine, customs and tariffs, and taxation.

In particular, the Company's Hawaiian operations are subject to extensive regulation by the US Food and Drug Administration, the USDA, the United States Environmental Protection Agency and other state, local and foreign authorities in jurisdictions where the Company's products are manufactured, processed or sold. The Company is also subject to California's Proposition 65, which requires that clear and reasonable warnings be given to consumers who are exposed to certain chemicals deemed by the state of California to be dangerous.

These regulations govern the manufacturing, importation, processing, packaging, storage, distribution, advertising and labelling of the Company's products. Amendments to existing regulations, increased production at existing facilities or any expansion into new operations and jurisdictions, may require the Company to obtain additional licenses and permits and potential changes to its methods of operations at costs that could be substantial. This may have a material adverse impact on the Company's financial performance and prospects.

The Company's compliance with applicable regulations may be time-consuming, expensive or costly and failure to comply could subject the Company to civil remedies, including fines, injunctions, recalls or seizures and possible criminal sanctions.

**(iii) Foreign operations risk**

The Company's operations in Hawaii and the USA are subject to the risks of operating in foreign jurisdictions. The operating and financial performance of the Company is highly exposed to economic and business conditions in the USA, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies.

A prolonged deterioration in economic conditions in the USA (whether or not due to COVID-19, civil unrest or otherwise), including an increase in interest rates or a decrease in consumer and business demand, may have a material adverse impact on the Company's business or financial condition.

**(iv) Supply risk**

The Company's processing operations depend on obtaining raw materials, parts and components, equipment and other supplies, including services from reliable suppliers in adequate quality and quantity, in a timely manner. For example, the Company has long term supply arrangement with nut producer RHO which provides material volume of macadamias for the Company's processing operations.

It may be difficult for the Company to substitute one supplier for another, increase the number of suppliers or change one component for another in a timely manner or at all due to the interruption of supply or increased industry demand (including as a result of COVID-19). This may adversely affect the Company's operations (for example, the efficiency and profitability of its processing operations).

The prices of raw materials, parts and components and equipment may increase due to changes in supply and demand. In addition, currency fluctuations and the weakening of the Australian dollar against foreign currencies may adversely affect the Company's purchasing power for raw materials, parts and components and equipment from foreign suppliers.

If the Company is unable to secure key supply inputs in a timely and economically acceptable manner, it could have a materially adverse effect on its ability to meet customer demand and maintain gross margin.

# Key Risks

**(i) Product liability risk**

Any contamination, spoilage, or the presence of foreign objects or substances in the Company's products may injure its customers. The risk of injury can result from activities throughout the life cycle of the Company's products, including growing, harvesting, packaging, processing or sale phases. The Company may have limited ability to mitigate these risks, for example where title to produce has passed to a customer or where the risk arises from product tampering.

The risk of injury from the Company's products exposes the Company to loss of product, damage to relationships with customers, liability (including monetary judgements, fines, injunctions, and criminal sanctions) and negative publicity. Even if a product liability claim is unsuccessful or is not fully pursued, negative publicity surrounding any assertion that the Company's product has caused injury could adversely affect its reputation and brands.

While the Company maintains insurance cover for some of these risks, it may not be able to recover fully under those policies in all circumstances, and any amounts that it does recover may not be sufficient to offset any damage to the financial performance, reputation or prospects of the Company caused by any produce contamination, recall or produce liability claim or the negative publicity surrounding such event or claim.

**(j) Brand risk**

The Company's success in generating revenue and increasing its market share is based on the success of the brands that it distributes and sells, namely the MacFarms and Royal Hawaiian Orchards brands. Reliance on key brands makes the Company vulnerable to brand damage from negative publicity, product tampering or recalls, material delays in the supply of the key brands of such products to customers (including in connection with COVID-19) which may increase the risk of inventory and asset write-downs.

The Company's ability to maintain protection of its proprietary intellectual property (including trade marks) and operate without infringing the proprietary intellectual property rights of third parties is a critical part of its business. If the Company fails to protect its intellectual property rights it may be exposed to potential infringement and/ or cybersquatting from competitors or third parties, which may have an adverse financial impact.

**(k) Information technology upgrade risk**

The Company relies heavily on its computer hardware, software and information technology systems to operate its business. The Company is currently upgrading its information technology system to a cloud-based platform, which is expected to be completed by end of CY2020. There is a risk that the transition and data migration could cause unexpected system disruptions or loss of business information. Should this occur, or if the Company's information technology systems or disaster recovery processes are otherwise not adequate, there may be a negative impact on the Company's performance.

**(l) Cybersecurity risk**

Any data or information security breach has the potential to result in unauthorised access (including targeted phishing operations), disclosure, loss and/or misuse of company information and funds which may cause significant business and reputational damage, adverse regulatory and financial impacts and legal proceedings. Additionally, business interruptions due to a failure of operating systems could impact the operations of the Company and lead to financial loss.

**(m) Counterparty risk**

There is a risk that counterparties (including customers and suppliers) may fail to meet their contractual obligations (particularly to the extent that counterparties are facing financial distress, including as a result of COVID-19) resulting in financial loss to the Company and impacting on the Company's business relationships and operations.

The Company cannot guarantee that its counterparties will fulfil these obligations or that the Company will successfully manage counterparty credit and performance risk. While the Company holds insurance products to insure credit related losses with policy specifications and insured limits that the Company's consider are customarily carried for business of a similar nature and size, the failure of customers to meet their financial obligations to the Company may adversely impact on the Company's revenue and the financial position, performance and prospects.

**(n) Major customer risk**

The Company sells its products to a number of large customers, including several large supermarket chains and other retailers. The Company's top three retail comprised 57% of total FY2020 macadamia sales. Some of these large customers currently, or could in the future, wield significant market power due to their size, putting them in a strong negotiating position with the Company.

There is a risk that if key customers terminate their contracts with the Company (or allow them to expire without renewing them), change the terms to be less favourable than those currently on foot, or promote the products of one or more of the Company's competitors, it may materially impact the financial position, performance and prospects of the Company.

**(o) Supply chain risk**

Disruption to the Company's supply chain may have a material adverse effect on the productivity and results of the Company's operations during the affected period. Any material damage or disruption to the Company's supply chain (including as a result of COVID-19) will impair the Company's ability to deliver its products and result in significant disruption to the business and the Company's customers.

# Key Risks

**(p) Competition risk**

The Company operates in a business environment and sector which is highly competitive. This competitive environment can be significantly affected by local market forces, such as new market entrants and changes in economic conditions and product demand. Any increased competition from new and existing competitors can impact on the Company's ability to generate sales, lead to a loss of market share and cause a reduction in profitability. Such changes to the competitive environment in which the Company operates may have an adverse impact on the Company's financial position, performance and prospects.

**(q) Insurance risk**

The Company maintains insurance coverage that is substantially consistent with industry practice. However, there is no guarantee that such insurances or any future necessary coverage will be available to the Company at economically viable premiums (if at all) or that, in the event of a claim, the level of insurance carried by the Company now or in the future will be adequate, or that a liability or other claim would not materially and adversely affect the Company's business.

Any future increase in the cost of such insurance policies, or an inability to fully renew or claim against insurance policies as a result of the current economic environment and the impact of COVID-19 (for example, due to a deterioration of an insurer's ability to honour claim, a hardening of insurance markets or reduced capacity or willingness to insure), could adversely affect the Company's business, financial condition, risk profile or operational results.

**(r) Foreign exchange and interest rate risk**

(i) Foreign exchange risk – the Company's material revenue and costs are denominated in US dollars and the Company's corporate costs are denominated in Australian dollars. Accordingly, adverse exchange rate movements between the Australian dollar and US dollar may have a materially adverse effect on the Company's financial performance and profitability in Australian dollar terms.

(ii) Interest rate risk – the Company will be subject to the risk of rising interest rates associated with borrowing on a variable rate basis. To the extent that the Company does not hedge effectively (or at all) against movements in interest rates, such interest rate movements may adversely affect the Company's profitability.

**(s) Personnel risk**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends on its senior management and its key personnel. If any member of the senior management team ceases their engagement with the Company there may be a detrimental impact on the Company's prospects.

Whilst the ability of the Company to achieve its objectives may be affected by the matters mentioned above, the Directors believe that appropriately skilled and experienced professionals would be available to provide services to the Company at market levels of remuneration in the event key external contractors cease to be available.

**(t) Dividends**

There is no guarantee that the Company will pay dividends at any time in the future. Future determinations as to the payment of dividends will be at the discretion of the Board and will depend on the availability of profits, the operating results and financial condition of the Company, future capital requirements, covenants in relevant financing agreements, general business and financial conditions (including the current impact of COVID-19 on global economic conditions).

**(u) Share market liquidity and realisation risk**

There may be few potential buyers of the Company's Shares on the ASX at any time. This may affect the prevailing market price at which Shareholders are able to sell their Shares. Further, there is a risk that the Company's convertible noteholder may sell its Shares at a future date. This could cause the price of the Company's Shares to decline.

**(v) Dilution risk**

Shareholders who do not participate in the Entitlement Offer will have their percentage shareholding in the Company diluted. Even if Shareholders take up their full entitlement, their percentage shareholding in the Company may still be diluted as a result of the Placement. There is also a risk that Shareholders may have their investment diluted by future capital raisings or issues of new equity securities by the Company.

# Key Risks

**1.3 General Risk Factors**

**(a) Share market**

On completion of the Entitlement Offer, the New Shares may trade on ASX at higher or lower prices than the Offer Price. Investors who decide to sell their New Shares after the Entitlement Offer may not receive the amount of their original investment. There can be no guarantee that the price of New Shares will increase after listing. The price at which the New Shares trade on ASX may be affected by the financial performance of the Company and by external factors over which the Directors and the Company have no control.

These factors include movements on international share and commodity markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

**(b) Dependence on general economic conditions**

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies.

A prolonged deterioration in general economic conditions (whether or not due to COVID-19), including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on the Company's business or financial condition. Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact on the Company's earnings and financial performance.

**(c) Issue of additional securities**

Shareholders who do not participate in this Entitlement Offer, or who do not take up all of their Entitlement under the Entitlement Offer, will have their percentage security holding in the Company diluted by not participating to the full extent in the Entitlement Offer. In certain circumstances, the Board may issue equity securities without any vote or action by Shareholders. If the Company were to issue any equity securities the percentage ownership of existing Shareholders may be further reduced and diluted.

**(d) Legislative and regulatory changes**

Legislative or regulatory changes, including property or environmental regulations or regulatory changes in relation to products sold by the Company, could have an adverse impact on the Company.

**Contact:**

**Dennis Lin**
Executive Director

E: dlin@buderimgroup.com