



ASX ANNOUNCEMENT

Q3 FY21 Quarterly Activities Report and Appendix 4C Cash Flow Statement

POSITIVE OPERATIONAL CASHFLOW AND LAVVA® INVESTMENT CONTINUING MARKET SHARE GROWTH AND REDUCTION OF DEBT

- Positive operational cashflow of \$1.18 million through disciplined operational execution and cash realisation of inventory through industrial sales
- Confirmed increased ranging with Walmart of Royal Hawaiian Orchards® Natural pack in 625 Store Counts, as well as continued ranging of Sea Salt and Sea Salt & Cracked Pepper packs
- Continuing share growth in macadamia brands in the category¹
- Completion of the first portfolio expansion via an investment in LAVVA®
- Material reduction of working capital debt by a further \$6.9 million and finalisation of facility with American AgCredit

Brisbane, 30 April 2021: Health and Plant Protein Group Limited (ASX:HPP) (**Company**) presents its Activities Report and Appendix 4C for the quarter ended 31 March 2021.

HPP Executive Director Dennis Lin said “Following the corporate rebrand that was completed in December 2020, the Company has remained focused on execution of our stated strategies. Pleasingly, these focused efforts have resulted in positive operational cashflow of \$1.18 million for the quarter, and an additional investment in LAVVA® to further our reach within the health and plant protein categories.

In addition, we have been able to significantly reduce the Company working capital debt by \$6.9 million, as well as our cost of working capital by entering into a new facility with American AgCredit.”

Business Overview

The Company has continued to work with its distribution partners in the USA and growing share of category. Following commencement of COVID-19 vaccination efforts in the USA, there are early signs of recovery. In particular, the Company is seeing growth in States where the demographics have preference for healthy and premium branded products. This can also be attributed to the Company’s continuing tactical marketing campaigns to further brand awareness.

During the quarter, Walmart confirmed continued ranging of Royal Hawaiian Orchards® Sea Salt and Sea Salt & Cracked Pepper packs, and increased ranging of Natural pack in 625 Store Counts.

The Company continues to sell under-utilised inventory in industrial format. Following recruitment of a senior sales personnel to focus on these efforts, the Company intends to grow its industrial division under the MacFarms® brand.

¹ AC Nielsen period ending 27 March 2021 (26 weeks, 13 weeks and 4 weeks)

Following the additional investments in LAVVA®, Dennis Lin has joined the board of LAVVA® and is involved in its growth plans, including the introduction of the brand into the Australasian region.

Debt reduction and effective working capital continue to be a focus. Through its cash reserves, the Company has further reduced its debt by \$6.9 million during the quarter, and successfully transitioned to a new working capital facility with American AgCredit.

Strategy Update

The Company is continuing to progress its strategic review of the Kapua Orchards and expects to announce its plans shortly.

Other items

The amount of \$47,000 under item 6.1 is in relation to remuneration of non-executive directors. Further, the Company notes the Year to Date figures reported as at 31 March 2021 includes adjustments processed after the December 2020 quarter reporting. This relates to the completion adjustments of the Ginger Division divestment, which has resulted in c. \$600,000 adversely affecting YTD Operating cashflow.

This announcement has been authorised for release to ASX by the Board.

ENDS

Media Enquiries:

Mark Rudder GRACosway
Ph: 0411 362 362

Investor enquiries:

Dennis Lin Executive Director
Health and Plant Protein Group Limited
Ph: 0466 137 035

About HPP

HPP, through its Royal Hawaiian Orchards® (RHO) and MacFarms® brands, is the largest vertically integrated orchard to retail macadamia nut processor and marketer in the USA. Macadamia nut contains rich nutrients and beneficial plant compounds, and HPP makes its products from wholesome and unmodified ingredients. The macadamia business forms the basis of HPP's strategic ambitions in becoming a leading independent participant in health and plant based protein food categories.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

HEALTH AND PLANT PROTEIN GROUP LIMITED (ASX: HPP)

ABN

68 010 978 800

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,268	34,375
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,262)	(22,273)
(c) advertising and marketing	(542)	(1,829)
(d) leased assets	(108)	(329)
(e) staff costs	(2,837)	(10,772)
(f) administration and corporate costs	(1,091)	(3,775)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(262)	(727)
1.6 Income taxes paid	19	5
1.7 Government grants and tax incentives	-	1,258
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,185	(4,067)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(78)	(545)
(d) investments	(1,918)	(1,918)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	(220)	10,646
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(2,216)	8,183

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,256
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(467)
3.5	Proceeds from borrowings	-	17,515
3.6	Repayment of borrowings	(7,081)	(23,473)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Repayment of Convertible Note)	-	(5,000)
3.10	Net cash from / (used in) financing activities	(7,081)	(5,169)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,005	2,543
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,185	(4,067)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,216)	8,183

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7,081)	(5,169)
4.5	Effect of movement in exchange rates on cash held	19	423
4.6	Cash and cash equivalents at end of period	1,912	1,912

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	1,912	10,005
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)	1,912	10,005

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	47
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	16,364	3,892
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	1,771	1,771
7.4	Total financing facilities	18,135	5,662
7.5	Unused financing facilities available at quarter end		12,472
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>Note 7.1 Greensill Capital UK – An uncommitted secured revolving short-term working capital facility. Facility limit \$25m maximum with a current borrowing base rate as at 31 March 2021 of \$16.3m. However, as subsequently announced on 07 April 2021, we have moved to a new financier American AgCredit. Interest rate as at 31 March 2021: *8.74% USD funding</p> <p>Note 7.3 *John Deere Financial – Secured equipment finance. 0% interest over 60 months, maturity date 30 October 2024. *Premium Funding – An unsecured loan arrangement for FY20/FY21 Insurance policies. Interest AU 1.99% AUD USD 3.791% repayment over 10 instalments. *Paycheck Protection Program (PPP) – Unsecured US Government loan. 0% interest rate as at 31 March 2021.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	1,185
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,912
8.3	Unused finance facilities available at quarter end (item 7.5)	12,472
8.4	Total available funding (item 8.2 + item 8.3)	14,384
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 29 April 2021

Authorised by: By the Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.