

ASX ANNOUNCEMENT

Q3 FY22 Quarterly Activities Report and Appendix 4C Cash Flow Statement

- Orchard Review continues with select parties that are strategically aligned
- Seasonality and supply chain impact on cashflow expected to be temporary
- Initial brand launch in Japan and Korea has been well-received through re-orders

Milton, 29 April 2022: Health and Plant Protein Group Limited (ASX:HPP) (**Company**) presents its Activities Report and Appendix 4C for the quarter ended 31 March 2022.

Seasonality and supply chain impact on cashflow for the quarter

The January-March quarter is typically the most intense period when the Company is at the peak of its annual harvest and builds up its inventory balance for future sales, over the course of the next 12 months. During this quarter, in addition to the typical seasonal increase in inventory build-up, disruptions to the supply chain have required the Company to procure kernels from external sources to ensure that future sales can be fulfilled. This resulted in negative operational cashflow of \$2.9 million for the quarter.

Orchard Review

Over the last six months, the Company engaged with a variety of interested parties in relation to strategic review of the Orchard, assisted by FTI Consulting. As part of a potential transaction, it is critical for the Company to ensure that the successful strategic partner is capable of continuing with production and provide a reliable and appropriate supply off-take arrangement with the Company, as well as committing a level of investments to improving production and processing assets. This has resulted in deeper and more detailed discussions with a private group in relation to the possibilities of working closer together, with a view to ensuring that the broader macadamia industry will benefit from the strategic alliances. To do so requires a more comprehensive discussion, and the Company expects to be in a position to provide a further update in June 2022. The Company continues to engage with other interested parties.

Business Update

During the quarter, the Company continues to focus on operational aspects of the business. Pleasingly, the Company has recently launched its brands in Korea, and received reorders from Japan for its branded products.

Following end of the quarter, American Ag Credit has approved an increase of existing working capital facility to USD 10 million. The Company expects the cashflow position to significantly improve by June and beyond as the inventory is converted to cash.

Other items

The amount of \$22,000 under item 6.1 is in relation to remuneration of non-executive directors.

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 Chair
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 2022

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	9,735	31,999
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(8,071)	(19,383)
(c) advertising and marketing	(406)	(1,588)
(d) leased assets	(105)	(473)
(e) staff costs	(3,090)	(8,791)
(f) administration and corporate costs	(942)	(2,521)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(70)	(215)
1.6 Income taxes paid	-	(31)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,949)	(1,003)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(86)	(672)
(d) investments	-	(144)
(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	-	-
	(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)	52	52
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(34)	(764)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	3,210	3,210
3.6	Repayment of borrowings	(311)	(1,144)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Repayment of Convertible Note)	(939)	(939)
3.10	Net cash from / (used in) financing activities	1,960	1,127

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,823	2,725
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,949)	(1,003)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(34)	(764)

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)	1,960	1,127
4.5	Effect of movement in exchange rates on cash held	157	(128)
4.6	Cash and cash equivalents at end of period	1,957	1,957

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	1,957	2,823
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)	1,957	2,823

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	22
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<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>		

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	10,621	10,171
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	247	247
7.4	Total financing facilities	10,868	10,418
7.5	Unused financing facilities available at quarter end		450
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 American AgCredit – A secured revolving working capital facility. Facility limit US\$8 million. Interest rate: *3.63% subject to change due to LIBOR</p> <p>Note 7.3 *John Deere Financial – Secured equipment finance. 0% interest over 60 months, maturity date 30 October 2024.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,949)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,957
8.3	Unused finance facilities available at quarter end (item 7.5)	450
8.4	Total available funding (item 8.2 + item 8.3)	2,407
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1
	<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: No, March quarter negative operating cashflow was caused by the seasonality of the business, supply chain challenges and timing of cash inflows. It is not expected to carry forward.	

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: *The company is currently in the process of formalising a verbal approval from the company's financier American Ag Credit to increase the existing working capital facility to USD \$10m. However, the impact on cashflows for the March quarter was largely caused by supply chain constraints and seasonal factors.*

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: *Yes, supply chain challenges are being addressed to minimise working capital impacts moving forward.*

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 2022

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.