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primary hemp



DECEMBER 2020 QUARTERLY REPORT AND APPENDIX 4C

22 JANUARY 2021



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22 January 2021

ASX Release

Highlights

- Quarterly revenue of \$411,539, up 24% on the previous quarter
- 24% reduction in underlying net cash outflows during the Quarter
- Significant development of revenue generation:
 - Retail distribution agreement secured with 7-Eleven
 - Delivery of first orders under exclusive supply agreement with Annex Foods
 - Subsequent to the Quarter, secured distribution of the Mt. Elephant baking range with Woolworths worth \$2.31 million annually
- Organic certification of APH's Geelong facility
- Strong pipeline of commercial opportunities in development
- Subsequent to the Quarter, successfully completed an institutional placement to raise \$5.2 million and launched an SPP to raise up to \$1 million.
- Cash balance as at 22 January 2021 (subsequent to the Quarter and following completion of the Placement) of \$5.97 million

Melbourne, Australia; 22 January 2021: Australian Primary Hemp Ltd (ASX:APH) ("APH" or "Company"), is pleased to announce its quarterly activity report and Appendix 4C for the three months ended 31 December 2020 ("Q2 FY21" or the "Quarter").

APH recorded revenue of \$411,539 during the Quarter, up 24% on the previous quarter. Revenue growth was driven by the introduction of the Company's new 'Mt. Elephant' branded products into health food and independent supermarket channels and sales of hemp-based face masks in Australia, New Zealand, the UK, and US.

Underlying net cash outflows for the Quarter reduced 24% to \$284,000, compared to the previous quarter underlying net cash outflow of \$373,000.

Retail distribution agreements secured

During the Quarter, APH secured a retail distribution agreement with 7-Eleven Australia Pty Ltd ("7-Eleven") that will see 7-Eleven's Australia-wide network of over 720 stores stock the Company's 'Mt. Elephant' branded hemp snack bars.



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The Company launched its 'Mt. Elephant' brand as a premium range of hemp-based nutritious ingredients and snack foods in September 2020. The agreement with 7-Eleven was secured shortly after the launch of the brand and reflects the growing consumer demand for high-quality, plant-based 'superfoods'.

Subsequent to the Quarter, APH secured a retail distribution agreement with Woolworths Group Limited ("**Woolworths**") for Woolworths to carry APH's new 'Mt. Elephant' range of baking products in its stores across Australia.

The Company expects to deliver the first orders to 7-Eleven and Woolworths during the next quarter.

These retail distribution agreements will see the brand exposed to a significant customer base and potentially act as pathfinders for further retail distribution agreements.

First order fulfilled under exclusive supply agreement with Annex Foods

During the Quarter, APH fulfilled the first orders under its exclusive supply agreement with Annex Foods Pty Ltd ("**Annex Foods**") (see announcement dated 21 August 2020 for further information). The order volumes were above initial expectations and were shipped on schedule.

Annex Foods will use APH grown and supplied hemp seeds as ingredients for its 'Red Tractor' brand of food products, which are sold in supermarkets throughout Australia and in more than 10 countries globally.

Organic certification of APH's Geelong facility

APH's hemp seed processing plant in Geelong, Victoria, received organic certification during the Quarter. This certification enables all APH products to carry the Australian Certified Organic 'BUD' logo.

The Australian Certified Organic Standard is one of the most respected and rigorous standards in the world and is supervised by Australia's organic industry not-for-profit representative group, Australian Organic.

This certification confirms APH's ability to provide an end-to-end organic hemp farming, processing, and consumer goods supply chain and has been a significant focus of the Company's infrastructure development strategy. The Company believes this is the first end-to-end certification in the Australian hemp industry.



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Crop development and increased yield

The Company's invigorated agricultural and sourcing strategy became operational in Q2 FY21.

Direct farmer engagement with APH's contracted agronomist services has ensured implementation of world class farming practices, which is expected to result in greater yields for the upcoming harvest. The Company's network of high-quality farmers across Tasmania was increased and is anticipated to provide greater supply security, reduced harvest costs, and improved hemp quality.

Corporate activities

Subsequent to the Quarter, APH successfully completed an institutional placement to raise approximately \$5.2 million (the "**Placement**"). Approximately 16 million new fully paid ordinary shares in the Company ("**New Shares**") were issued under the Placement to sophisticated and professional investors.

APH also launched a Share Purchase Plan ("**SPP**") to raise up to \$1 million. The SPP will enable eligible shareholders of the Company to purchase New Shares on the same terms as the Placement.

Proceeds of the Placement and the SPP will enable APH to accelerate its growth strategy and its ongoing transformation from an ingredient producer to become a branded, value-added health and wellness company.

Cash position

APH's cash balance as at 31 December 2020 of \$947,000.

The Company's cash balance as at 22 January 2021 (subsequent to the Quarter and following completion of the Placement) of \$5.97 million. APH continues to manage its cash balance prudently.

A total of \$106,000 was paid to related parties during Q2 FY21 in respect of Executive and Non-Executive Director fees.



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Business development and outlook

Australian Primary Hemp CEO, Neale Joseph, remarked, “The last three months have been significant for the Company’s growth as we continue to position APH as a branded, value-added, health and wellness company.

“The launch of the ‘Mt. Elephant’ brand and subsequent supply agreements with 7-Eleven and Woolworths has set a high bar for our future retail development potential and to support our continually expanding ingredient business. As such, the Company will look to drive further engagement with major retailers and enhance our brand marketing and consumer engagement.

“I’d like to thank the team for all their hard work and look forward to the year ahead and the continued development of our pipeline of commercial opportunities.”

ENDS

About Australian Primary Hemp

Australian Primary Hemp Limited (“APH”) is a vertically integrated business which produces, manufactures, and distributes a range of hemp products under the APH brand, to retail, wholesale, and white label customers in Australia. APH engages across the hemp value chain, encompassing hemp seed selection, farming, processing, packaging as well as distribution and sales of bulk and retail products.

Authorised on behalf of the APH Board of Directors by:

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This report may contain certain forward-looking statements, projections, strategies and corporate objectives. Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon as rereport or warranty, express or implied, of APH. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of APH. The forward-looking statements/ projections are inherently uncertain and may therefore differ materially from results ultimately achieved.

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Appendix 4C

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

Name of entity

AUSTRALIAN PRIMARY HEMP LIMITED

ABN

43 071 666 334

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	365	704
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(188)	(1,148)
(c) advertising and marketing	(67)	(130)
(d) leased assets	-	-
(e) staff costs	(311)	(576)
(f) administration and corporate costs	(146)	(247)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(25)	(50)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	46	180
1.8 Other (provide details if material)	42	42
1.9 Net cash from / (used in) operating activities	(284)	(1,225)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(10)	(36)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	10
	(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	(10)	(26)

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	-	-
3.6	Repayment of borrowings	(63)	(127)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(12)	(20)
3.10	Net cash from / (used in) financing activities	(75)	(147)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,316	2,345
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(284)	(1,225)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10)	(26)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(75)	(147)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	947	947

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	947	1,316
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)	947	1,316

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	(106)
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	1,364	1,364
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	1,364	1,364
7.5	Unused financing facilities available at quarter end		-
7.6	<p>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> <p>Loan facilities include a commercial loan (no covenants other than meeting the regular repayment schedule ending on Jul-28) and finance lease facilities outstanding at the end of the quarter. The loan is secured by the Company's present and future property, plant, and equipment as well as by a personal guarantee from a shareholder. The fixed interest rate on the loan is 7% per annum.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(284)
8.2	Cash and cash equivalents at quarter end (item 4.6)	947
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	947
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.33
	<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	
	<i>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.</i>	

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: 22 January 2021

Authorised by: By the Board

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.