

ASX ANNOUNCEMENT

Melbourne, Australia, 29 July 2022: The Sustainable Nutrition Group (ASX:TSN) (“TSN” or the “Company”), a producer, manufacturer and distributor of premium hemp and plant-based health products, reports its quarterly activities report and Appendix 4C for the three months ended 30 June 2022 (“Q4 FY22” or the “Quarter”).

Quarterly Update

- **Q4 & H2 revenue:** Q4 unaudited revenue of \$973K vs \$900K in Q3 FY22 and 75% higher than \$557K in Q4 FY21. H2 revenue of \$1.9m, up 20% on H1 FY22 revenue of \$1.6m. H2 revenue was impacted by lower-than-expected sales from branded products and ingredients sales, including weaker than expected sales from The Australian Super Food (TASCo) acquisition.
- **Cash receipts:** Cash receipts of \$1.04m, in line with \$1.07m in Q3 FY22, and up 130% from \$450K in Q4 FY21.
- **Significant cost reductions in FY23:** TSN has seasonally higher cash burn in Q4 due to cash payments for harvested grain and native ingredients for TASCo. However, as part of its ongoing Strategic Review, TSN has implemented significant cost reductions across the business, which are expected to impact financial results during H1 FY23.

Quarterly performance

TSN recorded revenue of \$973K for the Quarter, up 8% on the previous quarter and 130% on Q4 FY21. This revenue growth reflects the full quarter contribution from the acquisition of The Australian Superfood Company in January 2022. TSN’s blended gross margin of 43% was in line with the blended gross margin of 42% recorded in Q3. 69% of revenue was generated from ingredients (including TASCo) and 31% from branded product sales compared with 63% and 37% respectively in Q3.

Update on key supplier agreements

In May 2022, Coles advised TSN that it would no longer have capacity to stock the Mt Elephant baking range products. TSN continues to supply Coles with Mt Elephant Mylk products.

The relationship with Woolworths remains strong with 8 SKUs of Mt Elephant baking products to be sold in stores in FY23.

Sales in the Pet Nutrition vertical are also expected to deliver revenue growth in FY23 as the Company expands its Field Day range in response to demand from national pet retailers.




MT. ELEPHANT™

Field Day™
KEEPS TAILS WAGGING



NATIVE INGREDIENT
— SPECIALISTS —



Australian
Primary Hemp™

ASX Code: TSN

THE SUSTAINABLE NUTRITION GROUP LTD.

www.sustainablenutrition.com.au

Level 4, 100 Albert Road, South Melbourne VIC 3205

Cash balance

As at 30 June 2022, TSN's cash balance was \$386K which excludes a term deposit of \$920K as security for a bank loan of \$920K. Including the security for the term deposit, the cash balance at the end of Q4 was \$1.3m. An initial finance facility has been secured from a non-bank lender, and the Company is also in the final stages of securing a larger facility while it works through monetising excess grain inventory.

Summary of cash receipts and outflows

Cash receipts in Q4 FY22 were \$1.04m, which is \$32K lower than cash receipts in Q3. Net cash used in operating activities was \$1.5m, down from \$1.6m in Q4 FY21.

TSN had seasonally higher cash burn in Q4 due to cash payments for harvested grain and ingredients. Cash out flows included \$340K of hemp grain purchasing costs, which represents 20% payment from the annual harvest in Q3. Inventory levels in TASCo also increased by over \$200K in Q4 due to the seasonality of native produce harvesting.

As part of its ongoing Strategic Review, TSN has implemented significant cost reductions with costs expected to fall by over 40% in FY23.

ASX Waiver

The Company received an ASX waiver in December 2021 with regard to Listing Rule 7.3.4 to issue deferred consideration shares, in relation to the TASCo acquisition, to a maximum 5,750,000 ordinary shares by no later than 31 October 2022.

As at 31 December 2021, there were no deferred consideration shares issued and there are up to 5,750,000 ordinary shares remaining to be issued.

New Executive Chair

Neale Joseph resigned as Managing Director and Chief Executive Officer, as announced on 26 May 2022. The current Chair, Pauline Gately, has assumed the role of interim Executive Chair while the Board undertakes a Strategic Review and secures additional funding.



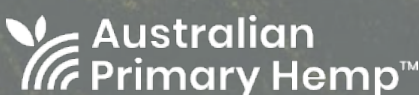
MT. ELEPHANT™



Field Day™
KEEPS TAILS WAGGING



NATIVE INGREDIENT
— SPECIALISTS —



Australian
Primary Hemp™

Related Party Statement

In accordance with Listing Rule 4.7C.3 the payments to related parties (Directors and the former Managing Director) of \$127,000 comprise 50% of Directors' fees, former MD salary, superannuation, and payment of annual entitlements. Over 75% of the related party payments in Q4 were made to the former Managing Director.

ASX Suspension Update

TSN is expected to remain suspended until the Company has completed its strategic review, secured sufficient funding, and has a clear path to execute its inventory monetisation plans.

Authorised for release by the TSN Board of Directors

For further information, please contact:

Melanie Leydin
Company Secretary
The Sustainable Nutrition Group
+61 3 9692 7222

Forward-Looking Statements

This announcement contains forward-looking statements, including references to forecasts. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond TSN's control and speak only as of the date of this announcement. Readers are cautioned not to place undue reliance on forward-looking statements.




MT. ELEPHANT™

Field Day™
KEEPS TAILS WAGGING



NATIVE INGREDIENT
— SPECIALISTS —



Australian
Primary Hemp™

ASX Code: TSN

THE SUSTAINABLE NUTRITION GROUP LTD.

www.sustainablenutrition.com.au

Level 4, 100 Albert Road, South Melbourne VIC 3205

Appendix 4C

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

Name of entity

THE SUSTAINABLE NUTRITION GROUP LIMITED

ABN

43 071 666 334

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,040	3,753
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,414)	(3,927)
(c) advertising and marketing	(209)	(1,180)
(d) leased assets	-	-
(e) staff costs	(551)	(2,593)
(f) administration and corporate costs	(328)	(969)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(82)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	13
1.9 Net cash from / (used in) operating activities	(1,466)	(4,985)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(1,855)
(c) property, plant and equipment	(11)	(131)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	9
	(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	(11)	(1,977)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,700
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	-	(235)
3.5	Proceeds from borrowings	-	1,000
3.6	Repayment of borrowings	(28)	(1,133)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material – see comment at 5.5 below for further information)	(28)	(1,093)
3.10	Net cash from / (used in) financing activities	(56)	3,239

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,911	4,101
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,466)	(4,985)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(1,977)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(56)	3,239
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	378	378

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	378	1,911
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) <i>*Note: cash and cash equivalents at the end of the quarter excludes \$920,000 in a bank term deposit with National Australia Bank as security for a term loan. See 7.6 below for more information.</i>	378*	1,911

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	(127)
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	1,076	1,076
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,076	1,076
7.5 Unused financing facilities available at quarter end		-
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>The entity has a term loan facility of \$920,000 with National Australia Bank (NAB). The loan will mature in February 2032. The interest rate (floating) at commencement is 4.2%. Interest only terms apply for 12 months after which principal and interest payments commence. The loan balance is secured by a term deposit with NAB which can only be accessed on a drawdown basis as the loan balance reduces. The loan facilities balance also includes finance lease liabilities for \$156,000..</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,466)
8.2 Cash and cash equivalents at quarter end (item 4.6)	378
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	378
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.26
<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: it is expected that the level of operating expenditure per quarter will reduce commencing during the next quarter.	
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: Yes, the Company has secured additional funding of \$230,000 in July 2022 that is scheduled to be drawn down 1 August 2022. The terms of an additional larger facility are currently being negotiated.	

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 the entity expects to be able to continue its operations and meet its business objectives noting that the Board is undertaking a strategic review and there may be changes to these objectives. The Company intends to be funded through existing and new facilities to enable business objectives to be met together with support from the investment community.

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 July 2022

Authorised by: The Board of Directors
(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.