

ASX ANNOUNCEMENT

Q4 FY21 Quarterly Activities Report and Appendix 4C Cash Flow Statement

2nd consecutive quarter of positive cashflow of A\$1.05 million HPP continues to further its leading position in macadamias

- Positive operational cashflow of A\$1.05 million
- Despite pandemic volatilities, HPP achieved net product sales of c. \$36.5 million for the full year¹
- Continuing share growth as no. 1 macadamia brands in the category²
- Kapua Orchards increase in value to US\$33.6m (vs. US\$32.1 million pcg)
- Completion of second tranche investment in LAWA®
- Successful refinance with American AgCredit and forgiveness of PPP loan of \$1.67 million.

Milton, QLD 30 July 2021: Health and Plant Protein Group Limited (ASX:HPP) (Company) presents its Activities Report and Appendix 4C for the quarter ended 30 June 2021.

HPP Executive Director Dennis Lin said "Despite ongoing pandemic volatilities, the team have executed with operational excellence in maintaining margin with retail accounts, while creating a new ingredients solutions business by leveraging our immediate focus of rebalancing inventory.

During the period, the team worked tirelessly in completing the corporate transformation, as well as continuing our share growth in the snack nuts category ahead of our industry peers. As we move into the new financial year, the Company is on track to executing its strategy in becoming a global leader in health and plant protein."

Business Overview

In FY21, the Company achieved net product sales of A\$36.5 million, c. 5% lower than FY20.³ In particular, sales to certain retail key accounts have materially declined due to their exposure to tourist trades.

The Company was able to maintain its gross margin at c. 30% to other retail accounts. The Company's ability to maintain consumer interest and purchases, combined with its industry peer's rapid declining market position, have contributed to material share growth in the category. Since taking over as the no. 1 brand, the Company has further consolidated this position in building further share growth in subsequent months during the quarter.

Following commencement of the MacFarms® ingredients business, the Company has worked with several new accounts in North America and in Europe. In addition to providing

¹ Net Product Sales does not include sales performance of the Ginger division that was divested late last year

² AC Nielsen period ending 19 June 2021 (26 weeks, 13 weeks and 4 weeks)

³ Net Product Sales does not include sales performance of the Ginger division that was divested late last year

macadamia solutions, the Company is now working with its customers in co-developing new products that may be suitable for HPP channels.

In April, the Company made its committed second tranche investment in LAWA® of US\$1.5 million. This follows appointment of Julie Wurfel as the CEO and board director of LAWA®, who has extensive experience in finance and high growth food ventures as a operative. Over the last several months, Julie and the team have been working on the key foundations of the business, and the Company is expecting to provide a further update during the next quarter.

As announced previously, the Company successfully transitioned its finance arrangement to American AgCredit in April. In addition, on 28 June 2021, the Company received notification that its Paycheck Protection Program (PPP) loan of A\$1.67 million has been forgiven.

Strategic Review of Kapua Orchard

In accordance with its announcement on 28 July 2021, the Company has embarked on a process of seeking a strategic partner for its Environmental Social and Governance (ESG) friendly orchards in Hawaii. This follows a harvest of c. 10.8 million LBS (c. 4,900 MT) during FY21, a record volume over the last 5 years. Its independent value also increased to US\$33.6 million.

HPP is committed to ensuring its assets are delivering returns commensurate with a high growth FMCG business. In considering options, the Company will continue to ensure its ability to secure quality base product and ensure processing supply chain integrity, and that the macadamia industry in Hawaii is able to continue to grow sustainably for all participants, especially growers.

The Company will be appointing a corporate advisor to assist with the transaction with a view to finalising a partnership by 3rd quarter of the 2022 Financial Year. In the meantime, any other interested parties should contact the Company directly.

Other items

The amount of A\$46,000 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

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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")

30 June 2021

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	10,909	47,169
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,767)	(27,040)
(c) advertising and marketing	(481)	(2,311)
(d) leased assets	(108)	(437)
(e) staff costs	(3,389)	(14,161)
(f) administration and corporate costs	(946)	(4,721)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(172)	(899)
1.6 Income taxes paid	-	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	1,046	(1,138)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(997)	(1,542)
(d) investments	(1,920)	(3,838)
(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	-	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	(2,917)	5,266

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	8,631	26,146
3.6	Repayment of borrowings	(4,253)	(27,726)
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	4,378	(791)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,912	2,543
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,046	1,138
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,917)	5,266

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)	4,378	(791)
4.5	Effect of movement in exchange rates on cash held	(1,848)	(3,309)
4.6	Cash and cash equivalents at end of period	2,571	2,571

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	2,571	1,912
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)	2,571	1,912

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	46
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	10,589	7,030
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	1,371	1,371
7.4	Total financing facilities	11,960	8,401
7.5	Unused financing facilities available at quarter end		3,559
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>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> <p>*Premium Funding – An unsecured loan arrangement for FY20/FY21 Insurance policies. Interest AU 1.99% AUD USD 3.791% repayment over 10 instalments.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	2,966
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,571
8.3	Unused finance facilities available at quarter end (item 7.5)	3,559
8.4	Total available funding (item 8.2 + item 8.3)	6,130
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	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer: N/A</p>	

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: 30 July 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.