

ASX ANNOUNCEMENT

Q1 FY22 Quarterly Activities Report and Appendix 4C Cash Flow Statement

3rd consecutive quarter of positive cashflow

HPP continues to build sales, distribution and progresses strategic review of Kapua Orchard

- Positive operational cashflow of \$451,000
- MacFarms Products to be in Japan before Christmas
- Kernel procurement from Australia and Africa underway to meet expected demand
- Strategic review of Orchard advances with discussions with interested parties

Milton, 26 October 2021: Health and Plant Protein Group Limited (ASX:HPP) (Company) presents its Activities Report and Appendix 4C for the quarter ended 30 September 2021.

HPP Executive Chairman Dennis Lin said: "We are very pleased to report our third consecutive quarter of positive operational cashflow. In particular, a strong marketing push through our MacFarms industrial sales division has yielded several new and important business customers in North America, and we see future long term relationships with these partners.

"As a result of our expected growth rate in industrial sales, retail distribution and international expansion, the Company has begun to supplement its Hawaiian macadamia supply with macadamias from around the world, including Africa and Australia. This additional sourcing will allow our supply chain to be more agile and ensure that we are able to continue to focus on new product development and sales growth," said Mr Lin.

Business Overview

During the quarter, the Company achieved sales of c. USD 8.4 million. In particular, sales were driven by a strong demand from new and existing customers in their MacFarms® ingredients business. The demand was driven principally by growing consumer interest in macadamia based protein product as a component in packaged goods.

"Importantly, in securing this new business, the Company has been able to maintain its pricing levels such that the standard gross margin for the business for the quarter was 36 percent (vs 23 percent in FY21) including kernels that were provided for in the FY21 accounts," said Mr Lin.

"Following several months of research and discussions, the Company has appointed a distributor in Japan, a key market for macadamia. The first shipment of MacFarms products are now in transit. The products are expected to be available on shelves of premium grocery and department stores before end of the year. As one of the leading consumer markets for macadamias and plant protein based foods generally, the Company is optimistic about the long term potential of the Japanese market.

Primary processing investment

Mr Lin said that with another strong quarterly operating cashflow during the quarter, the company invested further in its primary processing facility in Hawaii through a significant upgrade to the factory floor and acquisition of additional electronic sorting capability.

"The Company is also in discussions with AMD in relation to its convertible notes. Since its initial investment, AMD has been a supportive strategic shareholder and noteholder and continues to do so. The present discussions are expected to more closely align the repayment obligations with the Company's expected growth as well as working capital requirements," said Mr Lin.

Strategic Review of Kapua Orchard advances

The strategic review of Kapua Orchard has now advanced to the next stage with the appointment of FTI Consulting to assist the Company in its deliberations and evaluate a number of options. HPP's Executive Chair Dennis Lin is currently in the USA engaging in discussions with prospective parties and partners. The Company will continue to provide updates as the review progresses.

Other items

The amount of \$31,000 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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,432	10,432
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(6,076)	(6,076)
(c) advertising and marketing	(509)	(509)
(d) leased assets	(135)	(135)
(e) staff costs	(2,351)	(2,351)
(f) administration and corporate costs	(817)	(817)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(73)	(73)
1.6 Income taxes paid	(20)	(20)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	451	451
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(525)	(525)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(525)	(525)

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	(418)	(418)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Repayment of Convertible Note)	-	-
3.10	Net cash from / (used in) financing activities	(418)	(418)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,725	2,725
4.2	Net cash from / (used in) operating activities (item 1.9 above)	451	451
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(525)	(525)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(418)	(418)
4.5	Effect of movement in exchange rates on cash held	(407)	(407)
4.6	Cash and cash equivalents at end of period	1,826	1,826

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	1,826	2,725
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)	1,826	2,725

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	31
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	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	10,589	7,365
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	997	997
7.4 Total financing facilities	11,586	8,363
7.5 Unused financing facilities available at quarter end		3,224
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> <p>*Premium Funding – An unsecured loan arrangement for FY21/FY22 Insurance policies. Interest AUD 2.8718% and USD 3.109% 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)	451
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,826
8.3 Unused finance facilities available at quarter end (item 7.5)	3,224
8.4 Total available funding (item 8.2 + item 8.3)	5,050
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: 26 October 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.