



# ASX Release Quarterly Report

For the period ending 30 June 2020

15 July 2020



## KEYTONE DAIRY QUARTERLY REPORT

**Keytone Dairy Corporation Ltd (ASX:KTD)** (“Keytone” or the “Company”) is pleased to provide the following update on its activities and lodge the Appendix 4C Cash Flow Statement for the quarter ending 30 June 2020. Keytone operates on a 31 March 2021 financial year and consequently, the 30 June 2020 quarter was the first quarter of its financial year 2021 (“FY21”).

Keytone recorded a sixth consecutive quarter of record growth with sales revenue for the quarter increasing to **more than \$A11.5m, growing approximately 33%** on the prior quarter revenue of \$A8.7m realised in Q4 FY20 (1 January 2020 to 31 March 2020). The substantial majority of this growth was organic growth from the consolidated business on a like for like basis with the prior quarter, with only 10% of the revenue growth, being approximately \$A0.3m accounted for from sales of the newly acquired protein bar line facilities completing in May 2020. Total customer cash receipts for the quarter were steady quarter on quarter at \$A8.2m.

Key recent developments include:

- Keytone undertook and completed a well-supported institutional capital raise of A\$12.5m during the quarter, with scalebacks applied, to support the growth initiatives of the business;
- Growth accelerated during the quarter with **record sale orders of A\$5.2m** received in one week alone in April 2020 – these orders will be fulfilled through the first two quarters of FY21;
- The quarter saw **significant follow-on orders from major Chinese customers** including, Nouriz and Walmart China – Nouriz placed its largest order to date of approximately A\$1.4m to be produced in Q2 FY21 and not reflected in the results of Q1 FY21;
- Importantly the potential impact of a trade war between China and Australia is **substantially mitigated by the fact that Keytone derives its China revenue from its New Zealand operations** and these revenues are continuing to grow;
- The second manufacturing facility in New Zealand continues to scale and recorded approximately **\$A2.0m of sales in New Zealand through the quarter**, the largest sales quarter in New Zealand recorded to date;
- **Substantial new proprietary product development** continues to be commercialised and will be brought on stream in Q2 FY21;
- The **strategic acquisition of the assets of AusConfec Pty Limited (“AusConfec”)** for \$A2.25m completed in May 2020. Assets consist of state-of-the-art German equipment for the manufacture of protein bars in an operational facility, with a high grade fitout and customer contracts with Woolworths and Coles;
- Expansion of the assets of Ausconfec will take advantage of the **\$800,000 Manufacturing Modernisation Fund Grant** awarded to Keytone’s wholly owned subsidiary, Omniblend, by the Australian Federal Government. The grant is not reflected in the cashflows of Q1 FY21.
- Proprietary product ranging continued and Tonik Pro was launched through E-Cargo, one of Keytone’s eCommerce partners in China, for the 18 June online festival;
- Keytone continues to pursue its strategy of making to order rather than making to stock to mitigate the potential buildup of excessive inventory balances and the necessity to write down stock levels as has been occurred in the industry.

Releasing the update to the market, Danny Rotman, Keytone Dairy's Chief Executive Officer, stated: "The first quarter of FY21 has recorded a further period of significant growth and development for the Company with a record sales result, all of which was substantially driven by organic growth in the consolidated business. The quarter has been challenging on many fronts as the business continues to operate within and adapt to the COVID-19 business environment. Notwithstanding the challenges, under the Company's classification as an essential service both in New Zealand and Australia, sales have continued at an impressive growth trajectory and additional distribution has been secured despite the postponement of many range review meetings in key channels through the period and the inability of the sales team to travel."

"The Company undertook a successful capital raise through the quarter, securing the required funding for future growth initiatives and welcomed a number of new institutional and sophisticated investors onto the Keytone register. Additionally, Keytone secured a highly strategic asset in Sydney for the manufacture of protein bars at a very attractive discount to net asset value. The acquisition rounds out Keytone's manufacturing capability and moving forward the Company will focus on growing its stable of proprietary products."

"The Company's strategy of pursuing a stable of health halo brands continues and the results of the proprietary branded business continue to improve month-on-month, quarter-on-quarter as the Company realigns its sales mix to higher value proprietary fast moving consumer brands."



*A production run in the operational second plant in New Zealand*

### **Financial Highlights**

The first quarter of FY21, being 1 April 2020 to 30 June 2020 ("Q1 FY21") is another record quarter for Keytone as the Company recorded further increases in total sales revenues compared with both the corresponding quarter of the FY20 year and the last quarter, Q4 FY20, achieving six consecutive quarters of record growth.

The Company is continuing to scale and build momentum across all its business units recording strong organic growth across all divisions including New Zealand, proprietary brands such as Key Dairy, Tonik and Super Cubes and the contract manufacturing business in Australia.

The record sales orders of A\$5.2m received in April 2020 were only partly realised during Q1 FY21 and the significant follow-on orders from Nouriz China and Walmart China will be realised in subsequent quarters, highlighting the strong momentum in the underlying Keytone business.

With the significant growth being experienced by the Company and as orders and customers volumes continue to grow for both contract manufacturing and Keytone's suite of health halo proprietary



brands, the strategic investment in working capital has continued. This investment has increased the cash requirement to fund the growth profile of the Company and the investment in inventory of raw materials, as well as a growing debtors ledger due to volume and frequency of orders, is in line with the Company's internal business plan and strategy, and is expected to begin to unwind through the coming quarters as the benefits of scale are realised.

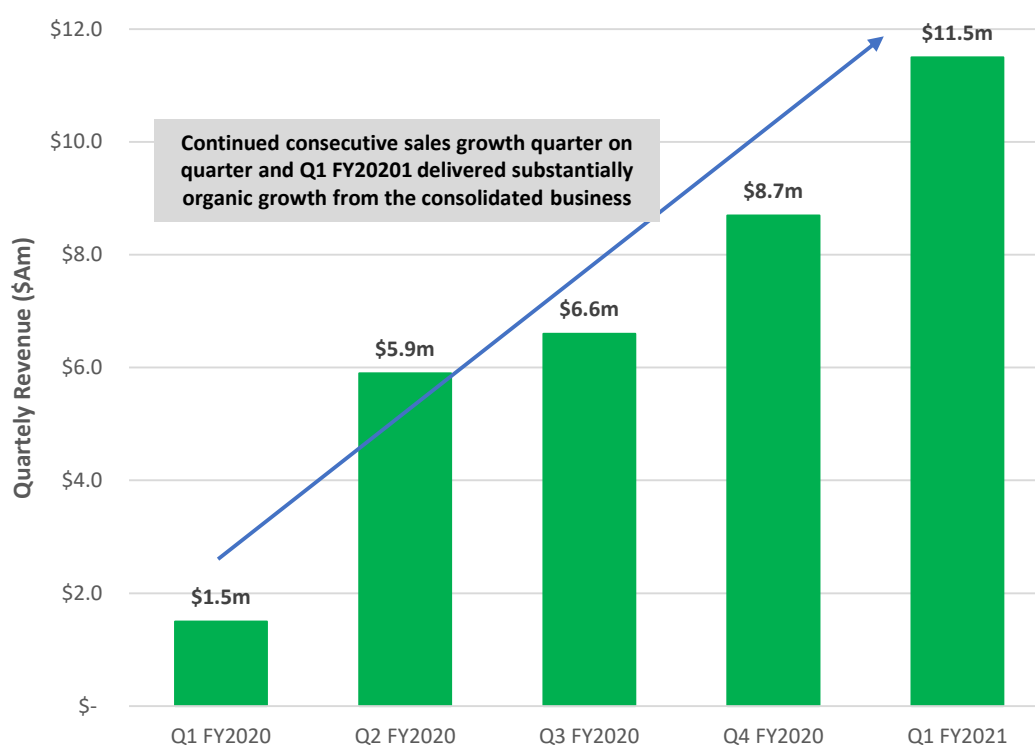
The financial highlights for Q1 FY21 quarter (1 April 2020 to 30 June 2020) include:

- Total sales revenue **increased to approximately \$A11.5m, being 133% of the prior quarter's revenue (1 January 2020 to 31 March 2020), a sixth consecutive quarter of growth;**
- The sales revenue growth realised through the quarter was **substantially organic growth** from the consolidated business. Of the total sales growth of more than \$A2.8m through the quarter, an amount of only \$A0.3m was realised from the acquisition of the assets of AusConfec completed in May 2020;
- The Keytone New Zealand business realised **approximately \$A2.0m of sales, being 151% of the sales in New Zealand in Q4 FY20 and 131% of the prior corresponding period in FY20, the quarter of 1 April 2019 to 30 June 2019;**
- Total customer cash receipts were broadly **steady at \$A8.2m**, compared with the prior quarter's cash receipts of \$A8.4m, highlighting the ongoing investment in working capital;
- The sales of the Company's proprietary products under its Super Cubes and Tonik brands have continued to scale and gather momentum. Sales for the proprietary products **were 200% greater than the prior quarter**. This growth was recorded notwithstanding some challenges faced with product roll-out as a result of COVID-19 and the postponement of face-to-face range review meetings in many of the Company's distribution channels. As these range review meetings are being rescheduled over the coming quarters, the Company expects future distribution penetration as a result, as well as continued scale and volume in existing channels;
- Net **cash outflow from operating activities increased to \$A4.3m** in the quarter. The increase in net cash operating outflow highlights the increasing scale and growth profile of the Company. Specifically, the increase was driven by steady cash receipts from customers at \$A8.2m and \$A9.8m of product manufacturing and operating costs, an increase of approximately \$A1.8m compared with the prior quarter;
- The **investment in working capital** is principally driven by increased debtors as customer orders have grown in frequency and volume and larger inventory balance of raw materials to take advantage of economies of scale through forward purchasing a quarter in advance, prior to conversion of finished product on receipt of confirmed purchase orders. It further reflects the growing nature of the proprietary branded business as it continues to increase sales volumes. The increase in the product manufacturing and operating costs does not correlate to the increased sales nor the customer receipts in the quarter and importantly, these cash receipts and sales will be received and realised in future quarters;
- As previously noted, by opportunistically forward purchasing raw materials for the forthcoming quarter, ahead of conversion to finished product upon receipt of confirmed purchase orders, the Company is **improving realised gross margins in the longer term**. The increase in raw materials and inventory reflects the fast-growing nature of the business;
- As the business moves towards positive cash generation and the investment in working capital unwinds and releases cash into the business over subsequent quarters, the **net cash outflow from operations is expected to materially decrease** through the balance of the FY21 year;
- During the quarter, Keytone completed the **strategic acquisition of the assets of Ausconfec for \$A2.25m plus associated one-off transaction costs**. AusConfec's assets were acquired at a 35%



discount to the fair market value in continued use<sup>1</sup> and a 25% discount to net asset value, with approximately \$2.4m revenue per annum.

- Keytone **completed a \$A12.5m placement** to institutional and sophisticated investors during Q1 FY21 and an associated Share Purchase Plan (“SPP”) to all eligible shareholders. The placement was well supported and scale backs were applied. The totalled capital raise from the placement and the SPP totalled \$A12.8m. The Company welcomed a number of new institutions and sophisticated investors and the capital will be utilised towards the growth initiatives of Keytone. The associated costs of the raise were more than \$1.0m, including brokerage, legal fees and share registry costs.
- As at 30 June 2020, Keytone had a combined cash balance of \$A9.4m outlined in the accompanying Appendix 4C.



*Keytone's quarterly revenue growth profile*

### Capacity Expansion

#### ***Acquisition of Protein Bar Manufacturing Capacity***

During May 2020 Keytone acquired the assets of AusConfec. AusConfec is a highly strategic acquisition, completing Keytone's fully diversified manufacturing operation across powders, ready to drink protein drinks and now protein bars. The acquisition offers significant upside for proprietary product development in the Company's existing proprietary product range, in addition to substantial cross-sell opportunities for the Company's large existing client base as well as new clients for protein bars.

The assets consist of state-of-the-art German equipment for the manufacture of protein bars in an operational facility, with a high grade fitout and customer contracts with Woolworths and Coles. The

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<sup>1</sup> Valued by independent valuer, Pickles Valuation Services, on 5 May 2020





assets were acquired at a 35% discount to the fair market value in continued use<sup>2</sup> and a 25% discount to net asset value, with approximately \$2.4m revenue per annum. The acquisition of the assets enables Keytone's proprietary brand, Super Cubes' Wholefoods Bars to be brought in house in the short term and become vertically integrated, providing scale, additional margin and operating efficiencies.



*Automated Facilities at Keytone's newly acquired Protein Bar Facility in Sydney*

The acquisition is expected to make a positive earnings contribution in FY21, being 1 April 2020 to 31 March 2021. Expansion of the AusConfec assets will take advantage of the \$800,000 Manufacturing Modernisation Fund grant awarded to Omniblend by the Australian Federal Government and offsetting future capital expenditure earmarked for further capability enhancement. This is a highly competitive grant for which Omniblend was one of the successful candidates from many thousands of applications.

The acquisition provides Keytone significant growth opportunities to cross-sell to existing clients that currently produce bars and new product development opportunities for clients who are not yet producing bars and wish to utilise the service of the new product development expertise within Keytone. The Company also intends to introduce first-to-market innovation for proprietary and contract manufacturing sales in relation to bars and ancillary products. The acquisition completes Keytone's manufacturing offering to its existing bluechip and diversified client base, offering the ability to be a one stop shop for functional dairy and sports nutrition powders, ready to drink protein drinks and multi-layered protein bars.

### ***Second Manufacturing Facility in New Zealand Operational***

The second manufacturing facility was operational through the quarter and has more than tripled Keytone Dairy's total name plate product manufacturing capacity in New Zealand on a one shift basis, continuing to scale month on month with increased volume of work in the plant. This volume is being driven from the existing client base, the KeyDairy™ proprietary product range expansion and new client wins. The Company expects to continue to scale up production to multiple shifts over the short to medium term.

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<sup>2</sup> Valued by independent valuer, Pickles Valuation Services, on 5 May 2020





*The operating second manufacturing plant in New Zealand*

Keytone is now in a position to manufacture significantly higher volumes of finished product and to tender for substantially larger volumes of work from its New Zealand manufacturing facilities, whilst also increasing manufacturing efficiencies across a broader range of the Company's proprietary product suite. The Company is currently undertaking a range of new product development work in-house for its KeyDairy brand which it aims to bring to market in the coming quarters developed for target markets in China and the broader South-East Asia region. These products will seek to re-align the sales mix towards higher value proprietary products, with a view to substantially growing sales and meeting demand through the Company's growing distribution footprint and channels.

### **Proprietary Product Expansion**

Keytone has continued to aggressively grow its proprietary product offering across its local and international distribution channels of major grocery, independent retailers, petrol and convenience and online sales channels. This growth has resulted in record results of the proprietary branded division, with sales being 200% in the Q1 FY21 quarter compared with the prior quarter, notwithstanding the challenges which COVID-19 has created for increased distribution. In store sampling campaigns, trade shows and range review meetings for further distribution have been postponed through lock down periods in Australia and New Zealand, temporarily setting back the Company's "product-in-hand" strategy. National distribution in domestic markets is a key component of the Company's successful strategy to validate the credentials and demand for the products in New Zealand and Australia, whilst simultaneously building brand equity and awareness. This domestic validation subsequently leverages



the Company's credentials in international export markets, in particular China, the broader South-East Asia region and beyond.



*Selected Keytone Proprietary Products of the Company's growing stable of Health Halo and Permissible Indulgence Brands*

During the quarter, Keytone successfully commenced a number of new initiatives in local and international markets including the following:

#### **1. TonikPro E-Cargo Incubator Project – China**

The Company's proprietary branded, Tonik Pro, premium protein shakes manufactured in-house at Keytone's Melbourne facilities were launched on Metcash's Tmall.com site in China for the 18 June online ecommerce festival. E-Cargo is an eCommerce enabler, providing holistic eCommerce solutions to designer brands, retailers and branded manufacturers who wish to operate eCommerce businesses in China. E-Cargo is considered unique as it is currently the only business operating in the China market that can provide a range of all in services to its clients. Tonik Pro performed extremely well during the course of the incubator project given it is a new brand in the health and wellness channel in China. Furthermore, Tonik Pro has received positive consumer feedback through the platform and the Company will continue to invest in expanding its proprietary product range in eCommerce channels with local partners. To this end, Keytone will continue to engage with E-Cargo in China to further grow the offering and volume of not only Tonik products, but a range of the Company's proprietary products.







*Tonik Pro Range listed on Metcash's Tmall ecommerce site for the 18 June online festival in China*

## 2. Middle East Distribution

Keytone has established a relationship with a distributor in the Middle East for its Tonik Pro products. The distributor is long established and looks after many Australian branded foods and beverages to the Middle East. Whilst the initial orders for Tonik Pro are relatively small in value and volume as the product is tested in market, Keytone will look to further develop this relationship across its entire portfolio of branded products as it grows distribution and geographic markets.

## 3. Further National Distribution and Ranging

The Company's experienced sales team has continued to drive ranging into national distributors and retailers, notwithstanding the challenges of COVID-19 lockdowns and the limited ability to meet new distributors/retailers face to face and present the proprietary product range.

The acquisition of the assets of AusConfec has provided further national ranging in Coles for the permissible indulgence Grans brand and cemented the relationship with Woolworths in which Grans is also sold. Being an approved vendor in Coles also accelerates ranging discussions for the remainder of Keytone's proprietary products.

Ranging into the independent grocers channel has been secured for Tonik and Super Cubes into On the Run, a large South Australian distributor with 40 metro sites confirmed and 100+ sites under discussion after a trial period. Further distribution for additional product SKUs of Tonik and Super Cubes into Ritchies Group and Romeos Group, totaling a further 125+ stores nationally, including confirmed and set planograms.



Furthermore, advanced discussions are ongoing with a number of partners in the pharmacy channels for KeyDairy formulated milk powders, as well as some of Keytone's pipeline new product development projects in the health and wellness space. Whilst there is no certainty that a distribution deal will be signed, positive discussions are ongoing and the Company looks forward to providing further updates on new distribution channels and agreements.

#### 4. Growing Social Media Presence

Through the Q1 FY21 quarter, the Company has focused on growing its social media presence and in particular with its proprietary brand Super Cubes. The Company has made significant



Liked by supercubes and others

my\_life\_uncorked mmm ... When you're breakfast resembles a decadent dessert ( but it's actually a super healthy breakfast parfait 🥰 ).  
My Coconut & Mango Chia seed pudding layered with @supercubes Mango puree , @jordanscerealsaustralia low sugar almond & hazelnut granola & sliced banana starts the day off right 🥰  
Fruity / Nutty , low in sugar and loaded with the good stuff ( fibre , protein , superfoods ) 🥰... Breakfast of champions right here ! 🥰

progress on growing brand awareness and presence on Instagram for Super Cubes, undertaking influencer campaigns and substantially growing the brand's followers, impressions and engagements.

Through the quarter, the net follower growth increased 123% over the prior quarter, impressions were more than 2.5m for the quarter an increase of 15% on the prior quarter and engagements were up 55% and engagement rate per impression up 36%. Additionally, Super Cubes undertook an influencer campaign and a winter breakfast promotion with well known brand Jordans Cereals to further drive brand awareness.

The Company will further seek to grow its social media presence and brand awareness with Super Cubes and selected other proprietary brands through the coming quarters.

The winning post is set out on the left for the winter breakfast promotion, substantially increasing followers

and engagements with the Super Cubes brand. Social media activity continues to drive online sales as well in-store sales in all distribution channels.

#### 5. Licensing Agreement for Baileys™ Indulgent Products

Keytone signed a license agreement with R & A Bailey & Co Ltd ("Baileys") for the distribution of premium ready-to-drink Baileys™ non-alcoholic coffee flavoured milk drinks and premium Baileys™ powdered beverages.

The Company has an initial license period through to 31 December 2022. The sales through this period are expected to be magnitudes higher than the license cost and the range is manufactured in-house at Keytone's Melbourne facilities and will deliver further margin benefit to the Company. Such sales further elevate the credentials and product recognition of the Company's full proprietary product suite to Keytone's existing and potential new distributors and retail partners as well as its contract manufacturing clients, existing and prospective.

The range under license will commence with 3 flavour SKUs, being Original Irish Cream Iced Coffee, Iced Mochaccino and Iced Butter Caramel & Sea Salt with new product development well advanced to bring additional premium ready-to-drink flavours to market in the near future.





*Premium ready to drink Baileys flavoured non-alcoholic coffee drinks to be manufactured and sold by Keytone*

The products will be distributed nationally at Beer Wine Spirits (“BWS”) (Woolworths Australian retail chain of 1,352 liquor stores), with more than half BWS stores confirmed for the initial product roll out due to commence over the coming quarter.

### Private Label Clients

The quarter delivered substantial wins in the contract manufacturing division of the Company. Combined orders of more than \$5.2m were received during the early weeks of April 2020, with substantial follow-on orders received from China strategic clients including Walmart China and Nouriz. The Nouriz order alone received through the quarter totaled \$A1.4m and is not included in the results of the current quarter, due for production in August 2020. The \$5.2m orders have been part booked as sales in Q1 FY21, with the remainder to be realised in the next quarter.

The growing volume and frequency of client orders highlights the strategic nature of the relationship Keytone has with its clients and the importance of the “one stop shop” offering from innovative product development through to the high standards of food safety and manufacturing to on time delivery and performance. The Company works closely with its clients in the private label portfolio to ensure innovation, quality and order commitments are met in full and on time.

The sales pipeline continues to grow and the Company works on a number of tenders for new strategic clients leveraging the broad manufacturing capability, capacity and expertise of the Company, both in New Zealand and Australia, as Keytone continues its growth into a leading operator, brand developer and manufacturer in the health and wellness sector.

The Company will continue to update the market on contract wins as they occur.

### Other

During the quarter, Mr. James Gong resigned from the board of directors of the Company, reducing the size of the board to five members.

Payments to executive and non-executive directors totaled approximately \$305,000 for salaries and wages in the period, as outlined in section 6.1 of the accompanying Appendix 4C.

As at 30 June 2020, 124,767,442 Performance Shares are on issue. No performance share vesting or conversion milestones were met during the period, and no performance shares were redeemed during the period.

	Performance Shares on issue at start of period or issued through the period (A)	Performance Shares converted to KTD shares during the period (B)	Performance Shares expired during the period (C)	Performance Shares on issue at the end of the period (A) – (B) – (C)
Class A <sup>3</sup>	16,500,000	0	0	16,500,000
Class B <sup>4</sup>	16,500,000	0	0	16,500,000
Class C <sup>5</sup>	16,500,000	0	0	16,500,000
Class D <sup>4</sup>	23,255,814	0	0	23,255,814
Class E <sup>5</sup>	23,255,814	0	0	23,255,814
Class F <sup>6</sup>	23,255,814	0	0	23,255,814
Class G <sup>7</sup>	2,200,000	0	0	2,200,000
Class H <sup>8</sup>	3,300,000	0	0	3,300,000
Total	124,767,442	0	0	124,767,442

The release of this announcement was authorised by the Non-Executive Chairman, Mr. Peter James on behalf of the board.

\* \* \* \* \*

3 Each Class A Performance Share will convert into one share upon Keytone Enterprises (NZ) Company Limited achieving, \$3,000,000 of earnings before interest, taxes, depreciation and amortisation (EBITDA) in any financial year occurring on or before 31 March 2022.

4 Each Class B Performance Share will convert into one Share upon Keytone Enterprises (NZ) Company Limited achieving, \$6,000,000 of EBITDA in any financial year occurring on or before 31 March 2022.

5 Each Class C Performance Share will convert into one share upon (I) the shares achieving a 30-day volume weighted average price per share exceeding \$0.30, and (II) Keytone Enterprises (NZ) Company Limited achieving, in relation to Keytone, \$6,000,000 of revenue in any financial year occurring on or before 31 March 2022.

4 Each Class D Performance Share will convert into one share upon the Omniblend Pty Limited achieving, in relation to the Omniblend Group, \$2,600,000 of earnings before interest, taxes, depreciation and amortisation, in any financial year occurring on or before 31 March 2022

5 Each Class E Performance Share will convert into one share upon the Company achieving a volume weighted average price of its shares over a period of 30 consecutive trading days upon which the shares are traded that exceeds \$0.65 and, in relation to the Omniblend Group, \$50,000,000 of annual revenue, in any financial year occurring on or before 31 March 2023

6 Each Class F Performance Share will convert into one share upon the Company achieving a volume weighted average price of its Shares over a period of 30 consecutive trading days upon which the Shares are traded exceeding \$1.00 and, in relation to the Omniblend Group, \$100,000,000 of annual revenue and \$7,500,000 of earnings before interest, taxes, depreciation and amortisation, in any financial year occurring on or before 31 March 2023

7 Each Class G Performance Share will convert into one share upon the business of Super Cubes achieving sales revenue of \$20,000,000 in the financial year ending 31 March 2021

8 Each Class H Performance Share will convert into one share upon the business of Super Cubes achieving sales revenue of \$35,000,000 and Omni Brands Pty Limited achieving \$5,000,000 of earnings before interest, taxes, depreciation and amortisation in the financial year ending 31 March 2022





## Further Information

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## About Keytone Dairy Corporation Limited

Based in Sydney and Melbourne, Australia and Christchurch, New Zealand, Keytone Dairy Corporation Limited is an established manufacturer and exporter of formulated dairy products and health and wellness products. Keytone Dairy's wholly-owned subsidiary Omniblend is a leading Australian product developer and manufacturer in the health and wellness sector, with both dry powder and ready to drink health and wellness-based product capability. In addition to Keytone Dairy's own brands, the company is a trusted production partner, contract packing for well-known brands in Australia, New Zealand and internationally. The Company's purpose-built production facilities in Australia and New Zealand offer a wide range of dairy, health and wellness and nutritional packing solutions, meeting the diverse needs of consumers from different markets and cultures. Please visit [www.keytonedairy.com](http://www.keytonedairy.com) for further information.

**ENDS**



## Appendix 4C

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

**Name of entity**

Keytone Dairy Corporation Limited

**ABN**

49 621 970 652

**Quarter ended ("current quarter")**

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	8,197	8,197
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(9,806)	(9,806)
(c) advertising and marketing	(167)	(167)
(d) leased assets	(13)	(13)
(e) staff costs	(1,862)	(1,862)
(f) administration and corporate costs	(707)	(707)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	6
1.5 Interest and other costs of finance paid	(15)	(15)
1.6 Income taxes paid	(16)	(16)
1.7 Government grants and tax incentives	50	50
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,333)</b>	<b>(4,333)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	(2,286)	(2,286)
(c) property, plant and equipment	(307)	(307)
(d) investments	-	-
(e) intellectual property	(2)	(2)
(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,595)</b>	<b>(2,595)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	12,859	12,859
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	(855)	(855)
3.5	Proceeds from borrowings	1,800	1,800
3.6	Repayment of borrowings	(1,800)	(1,800)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>12,004</b>	<b>12,004</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,389	4,389
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,333)	(4,333)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,595)	(2,595)

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)	12,004	12,004
4.5	Effect of movement in exchange rates on cash held	(45)	(45)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>9,420</b>	<b>9,420</b>

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	9,420	9,420
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,420</b>	<b>9,420</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
305
-

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



**7. Financing facilities**

*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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	1,900	1,288
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	1,900	1,288

7.5 **Unused financing facilities available at quarter end** 612

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.

The financing facilities outlined above are equipment finance facilities, secured against select plant and equipment. Commonwealth Bank of Australia is the financier at an average interest rate of 5.7% with an average maturity of December 2022.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(4,333)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	9,420
8.3 Unused finance facilities available at quarter end (Item 7.5)	612
8.4 Total available funding (Item 8.2 + Item 8.3)	10,032
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	2.3

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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

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

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

## **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: .....

Authorised by: .....  
(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.