



ASX ANNOUNCEMENT – 28 July 2021

Melbourne, Australia, 28 July 2021: Australian Primary Hemp Ltd (ASX:APH) (“APH or the “Company”), a producer, manufacturer, and distributor of premium plant-based health and wellness products, is pleased to announce its quarterly activity report and Appendix 4C for the three months ended 30 June 2021 (“Q4 FY21” or the “Quarter”).

Highlights

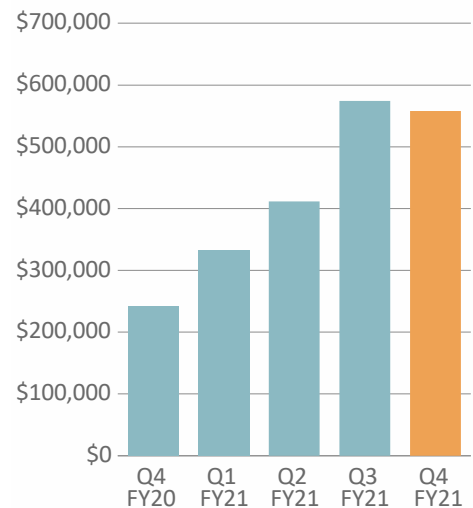
- Quarterly revenue of \$557,856, which is 133% higher than the corresponding quarter in FY20
- Distribution agreement signed with Coles Group for the sale of Mt. Elephant products expected to generate \$3.0 million in annualised revenue from July 2021
- Two year exclusive supply agreement signed with Annex Foods for Hammer Milled Hemp meal valued at \$250,000
- Mt. Elephant online sales grew 62% vs last quarter
- Launch of Field Day, APH’s pet nutritional brand, two months ahead of plan
- Mr Shane Gild joined APH board as an independent non-executive director

Quarterly Performance and Business Update

APH recorded revenue of \$557,856 for the Quarter, 133% higher than the same quarter last year but marginally lower than Q3 FY21 due to a delay in the implementation of previously announced supply agreements with Woolworths, 7 Eleven, and Coles. The product roll-out was expected to commence in April 2021 but was slower than anticipated, with stock only appearing on shelves in late June 2021.

Revenue growth accelerated in Q1 FY22 with full implementation of all announced deals, which represents annualised revenue of \$8 million.

Revenue

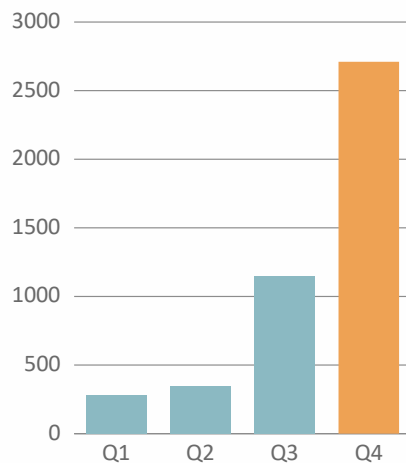




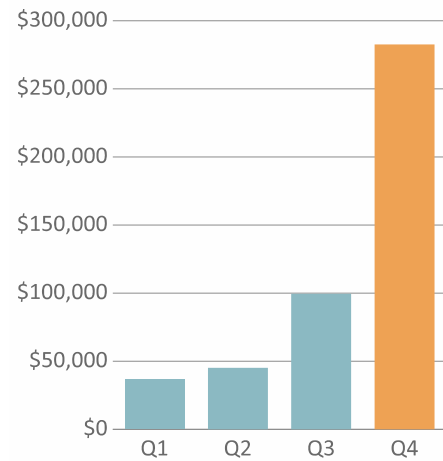
Growing the number of outlets and distribution points, together with targeted investment in marketing initiatives, has been a key strategic focus in Quarter as it provides a strong foundation for future revenue growth.

Over the past year, but particularly in Q4 FY21, APH has expanded the number of outlets stocking its products from 280 to 2,711 and almost tripled its marketing spend on the previous quarter.

**Growth in Store
Numbers (FY21)**



**Marketing
Investment (FY21)**



In addition to the distribution agreements announced in February and March to supply 165 premium Woolworths stores and 140 Coles stores across the eastern states with Mt. Elephant branded 'Hemp & Oat Mylk', growth in distribution points was expanded by two further agreements in April 2021.

On 20 April 2021, the Company announced that Coles Supermarkets had ranged five new Mt. Elephant products nationally. The number of stores that will stock Mt. Elephant products, ranges from 602 to 824 stores, dependent upon the product. This new agreement is forecast to generate annual revenue of \$3.0 million from July 2021.

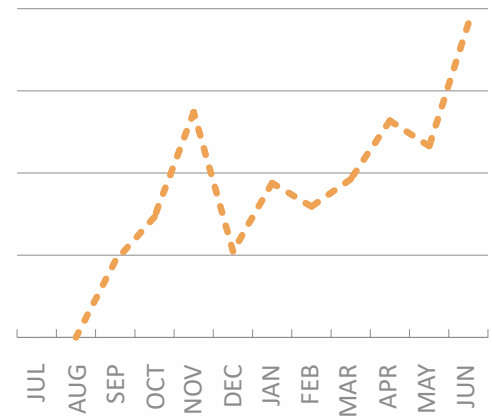
On 26 April 2021, the Company also announced a two-year agreement with Annex Foods to supply hemp meal for its Red Tractor brand, which is sold through Australian supermarkets, and in more than 10 countries globally. The supply of products under this agreement has commenced in line with contracted quantities, and APH expects the total value of sales over the life of this agreement to be approximately \$250,000.



Online sales

While Online sales currently represent only 2% of total revenue, APH is focused on building a direct-to-consumer channel. Revenue growth in Q4 has been strong increasing 63% on the previous quarter. Mt. Elephant mylk products and the full range of baking mixes for superfood protein balls (Chocolate Cherry, Salted Caramel and Chocolate Hazelnut), almond and buckwheat pancakes and high protein bread mixes are available online.

**Mt. Elephant Online
Unit Sales (FY21)**



Pet and animal nutrition

Our pet nutritional brand, Field Day, was released two months ahead of schedule in June 2021 with a range of four nutritional supplements.

The launch was well supported with distribution in leading retailers and e-tailers including Pet Stock, Pet Circle, Pet Culture, Best Friends and My Pet Warehouse. We are also rolling out to independent pet stores and veterinarians along the east coast of Australia.

Our range of nutritional supplements is the first step in line with our strategy announced in May 2020. We continue to invest in new product development with new snacks, treats and grooming products in the pipeline for later this year.

Commentary

Commenting on the Quarter, APH's Managing Director, Mr Neale Joseph, said, "Our achievements this Quarter demonstrate the strength of the Company's strategy to develop its position as a branded, value-added health and wellness company.

"Securing additional retail distribution agreements with Coles and Annex Foods during the quarter further strengthens our long-term outlook and reinforces consumer awareness and demand for high-quality, plant-based health and wellness products.

"To meet this growing demand, we are continuing to accelerate the launch of new products. Development is well progressed for new flavours in existing product ranges and new products for categories that are a natural extension for the brand in FY22.



Additionally, there are some exciting developments in our ingredient product portfolio.”

Summary of Cash Receipts and Outflows

Cash receipts for the Quarter were up approximately 30% to \$449,745 compared to the Q3 FY21.

Operating cash outflow for the quarter was \$1.6 million and included \$570,000 of annual recurring grain purchases which are seasonally due in the 4Q of each financial year.

Underlying net cash outflow, excluding the recurring grain purchases, was \$1.036 million. The Company expects increased revenue from the full implementation of all announced deals.

The Company’s cash balance at the end of the Quarter was \$4.1 million, reflecting the successful capital raise in January 2021; increased inventory levels due to the post-harvest seasonal grain stock build, and inventory build to support growth in distribution as well as the increased marketing spend in Q4 FY21.

Use of Funds Table

Use of Funds	Per Replacement Prospectus 16 Sep 2019	Use of Funds to 30 Jun 2021
	\$m	\$m
Build-up of Inventory	2.19	1.68
Acquisition of new equipment for expansion	1.00	0.40
Operating expenses and working capital	1.49	4.17
Loan Repayments	0.37	0.37
Expenses of the offer	0.65	0.74
TOTAL	5.70	7.36

Related Party Statement

In accordance with Listing Rule 4.7C.3 the payments to related parties (Directors) of \$128,000 comprise directors’ fees, salary, superannuation and consulting fees.

Board and Management Changes

During the Quarter APH’s founder, James Hood, resigned as Chief Operating Officer as part of a planned transition programme. He will continue to serve the Company as a Non-Executive Director and has signed a consulting agreement under which he will work with the team on agriculture, farming and seed genetics, as well as a defined number of operations projects until October 2021.



Cameron Petricevic, our founding Chairman and Non-Executive Director, resigned in June 2021. Cameron led the establishment of APH through the RTO in 2019 and helped steer the Company through its strategic evolution. Cameron's departure has been filled by Shane Gild who joins as an Independent Non-Executive Director. Shane brings 20 years' experience in equity capital markets and this will assist in broadening the Company's capabilities as it grows.

Pauline Gately, Independent Chair said "I would like to thank Cameron Petricevic, our founding Chairman and Non-Executive Director, for his support and leadership during the past 2 years. I'm very pleased to welcome Shane to the Board who joins us as part of the Board's renewal program and brings a highly complementary skill set. I look forward to working with him and the rest of the Board as we implement our strategy of pursuing immediate and sustainable growth."

Outlook

FY21 was a foundational year as APH put in place the structures, processes, and people to scale the business.

In FY22, the Company will be annualising \$8 million in contracted revenue from the retail agreements signed in 2H FY21 to deliver the Mt Elephant brand to Coles, Woolworths and 7 Eleven stores nationally. This will be in addition to the channels APH already operates in, including grocery, health food stores, online platforms and its own direct to consumer website. We believe this will form a strong foundation for sustainable growth.

The recent launch of Field Day is ahead of schedule and budget, and plans for the launch of our wellness brand in Q3 FY22 are on track.

All of the above will be underpinned by new product development and marketing investment to boost consumer awareness and strengthen the support of our retail and wholesale partners. Growing consumer demand for plant-based nutrition is expected to provide the Company with significant opportunities for future growth.

Fourth Quarter (Q4) Results Briefing

Australian Primary Hemp will be providing a briefing on this result through the **Coffee Microcaps Appendix 4C Reporting Wrap** today, commencing 10.30am (AEST). All are welcome to attend, with registration via this [link](#).



australian
primary hemp



Authorised on behalf of the APH Board of Directors by:

Pauline Gately
Non-Executive Chair
Australian Primary Hemp Limited
+61 3 9692 7222

For further information, please contact:

Investor enquiries:
Neale Joseph
Managing Director and Chief Executive Officer
Australian Primary Hemp
investor@ausprimaryhemp.com.au

Media enquiries:
Giles Rafferty
FIRST Advisers
0481 467 903
grafferty@firstadvisers.com.au

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")

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	450	1,516
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,136)	(2,481)
(c) advertising and marketing	(193)	(443)
(d) leased assets	-	-
(e) staff costs	(534)	(1,625)
(f) administration and corporate costs	(168)	(825)
1.3 Dividends received (see note 3)		
1.4 Interest received		1
1.5 Interest and other costs of finance paid	(25)	(102)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	180
1.8 Other (provide details if material)	-	45
1.9 Net cash from / (used in) operating activities	(1,606)	(3,734)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(15)	(116)
(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	-	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	(15)	(106)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,184
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	-	(285)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(64)	(254)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(19)	(49)
3.10 Net cash from / (used in) financing activities	(83)	(5,596)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,805	2,345
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,606)	(3,734)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(15)	(106)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

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)	(83)	5,596
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,101	4,101

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	4,101	5,805
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)	4,101	5,805

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	(128)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 <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	1,236	1,236
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,236	1,236
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>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)	(1,606)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,101
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,101
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.55
<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:	
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:	
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:	
<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: 28 July 2021
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Authorised by: The Board
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(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.