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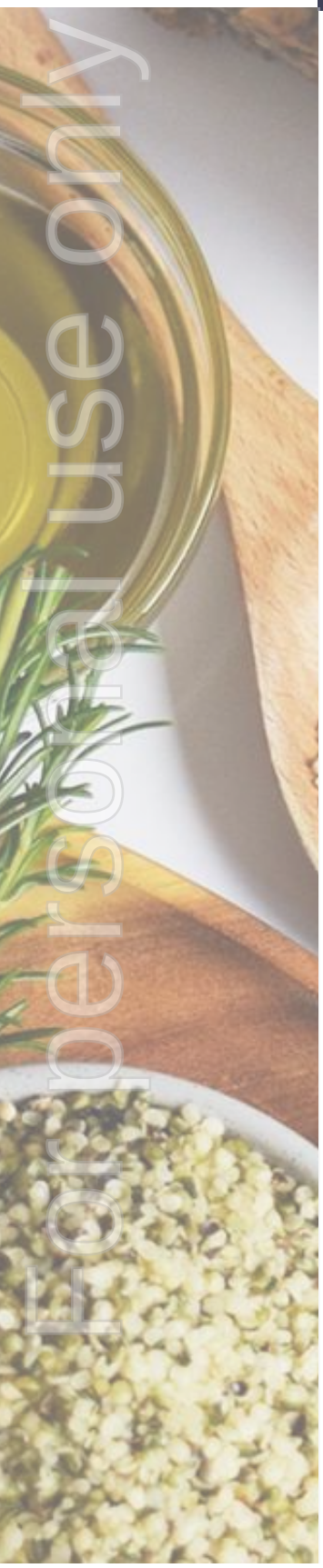


SEPTEMBER 2020 QUARTERLY REPORT AND APPENDIX 4C

27 OCTOBER 2020

SEPTEMBER 2020 QUARTERLY REPORT AND APPENDIX 4C

27 October 2020



ASX Release

Highlights

- Quarterly sales of $332,159, up 37.1% on previous quarter and continues consecutive quarterly revenue growth
- Rollout of premium hemp product brand, Mt. Elephant, into over 400 stores nationally
- Two-year agreement with Annex Foods to supply hemp seeds, worth $760,000
- Launch of hemp-infused hand sanitiser and hemp face masks with leading retailers in response to COVID-19
- Q1 FY21 underlying net cash outflows reduced to $373,000, compared to $430,000 in Q4 FY20

Melbourne, Australia; 27 October 2020: Australian Primary Hemp Ltd (ASX:APH) ("**APH**" or the "**Company**"), is pleased to announce its quarterly activity report and Appendix 4C for the three months ended September 30 2020 ("**Q1 FY21**" or the "**Quarter**").

APH recorded revenue of $332,159 during the Quarter, 37.1% growth on the previous quarter. Underlying operating cash outflows were reduced by 27.8%, driven by reductions in staffing and corporate costs.

Operating cash flows for the Quarter included two annually recurring costs:

1. Annual purchase of cultivation seed to be utilised in farming activities for the 2020-2021 crop season and harvest ($101,000); and
2. Annual purchase of harvested grain from the 2019-2020 crop season ($682,000).

Underlying net cash outflows – excluding these annually recurring costs – was $373,000. The Company expects Q2 FY21 net cash outflows to be no more than the underlying net cash outflow for this Quarter.

After adjusting for the above cash flow items, there is sufficient cash available to meet future operating requirements over the next 3.72 quarters.

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SEPTEMBER 2020 QUARTERLY REPORT AND APPENDIX 4C

27 October 2020

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Mt. Elephant premium hemp brand launch

During Q1 FY21, APH continued its evolution from ingredients producer to value-added supplier with new premium hemp products. The Company launched its Mt. Elephant brand of nutritious ingredients and snack foods in September 2020.

Mt. Elephant products have been developed to capture the growing consumer demand for high-quality, plant-based superfood products. Mt. Elephant products unleash the power of hemp with nourishing Omega-3 and -6, Magnesium and Gamma Linoleic acids, which enhance health and wellbeing.

The Mt. Elephant snack range is showing signs of early success with the first month's orders selling out in all distributors nationally. Leading retailer TK Maxx Australia recently submitted its first order for snack products and Oz Medicann Group has ordered oil and proteins. A significant new product development pipeline will be commercialised in the balance of FY21 into FY22.



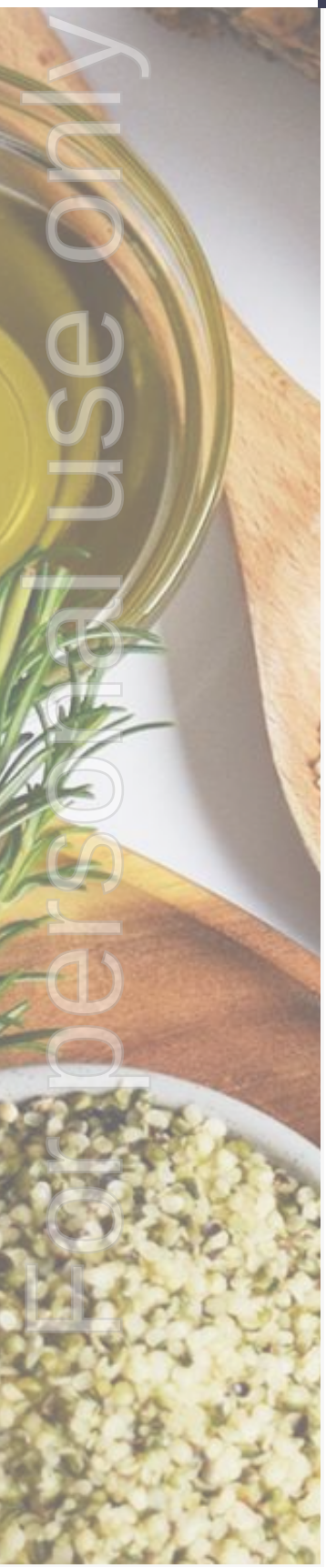
ASX Code: APH

AUSTRALIAN PRIMARY HEMP LTD

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SEPTEMBER 2020 QUARTERLY REPORT AND APPENDIX 4C

27 October 2020



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Two-year deal signed with Annex Foods to supply hemp seeds

APH has signed a two-year exclusive supply agreement with Annex Foods valued at $760,000 to supply Australian grown hemp seeds. The hemp seeds will be used exclusively in Annex's "Red Tractor" brand, which is sold throughout Australia in leading supermarkets and in more than 10 countries globally.

The agreement with Annex Foods marks a significant milestone in APH's strategy of expanding its ingredients supply business, with the first order, received for October 2020, double planned monthly production order.

Supplies hemp-based PPE to major retailers

In response to COVID-19 and its associated impacts, APH launched a hemp-based face mask PPE product, which provides 99.9% microbial reduction. APH will supply this product along with its hemp-infused hand sanitiser to major Australian and International retailers.

These hemp-based PPE products have been developed in response to concern around the environmental impact of traditional PPE masks and other disposable accessories. APH had orders valued at more than $315,000 at the end of the September quarter, fulfilment of which is expected to occur in Q2 FY21.

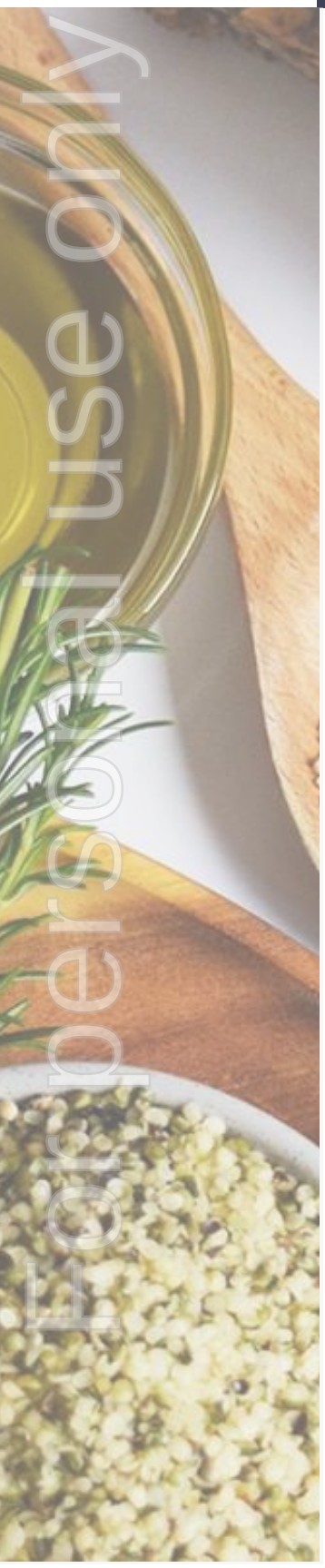
New agricultural strategy implemented

APH's invigorated agricultural and sourcing strategy is now operational. Direct farmer engagement with the Company's contracted agronomist services will ensure best farming practices are implemented. The Company's network of high-quality farmers across Tasmania has increased, which is expected to result in greater supply security, lower costs, and improved hemp quality. This is an area of continuous improvement for the Company and is expected to enable scale for future growth.

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SEPTEMBER 2020 QUARTERLY REPORT AND APPENDIX 4C

27 October 2020



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Additional Information

The Quarter is covered by The Use of Funds Statement included in the Replacement Prospectus dated 16 September 2019, a summary of expenditure to date is outlined below:

Use of Funds	Per Replacement Prospectus dated 16 September 2019	Actual to 30 September 2020
	$m	$m
Build up of Inventory	2.19	1.11
Acquisition of new equipment for expansion	1.00	0.31
Operating Expenses and Working Capital	1.49	1.81
Loan Repayments	0.37	0.37
Expenses of the Offer	0.65	0.74
TOTAL	**5.70**	**4.34**

Operating Expenses and Working Capital increased in this quarter due to marketing investments made.

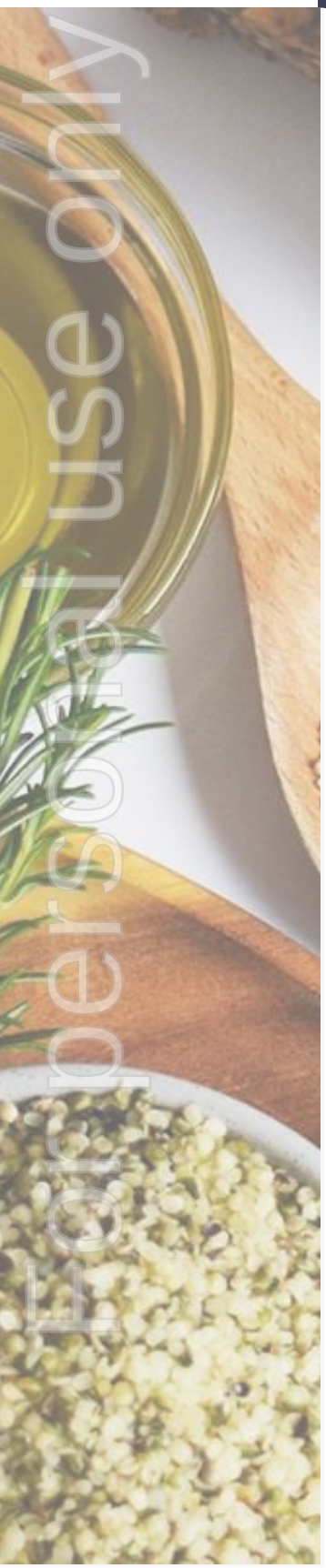
In accordance with listing rule 4.7C.3 the payments to related parties (Directors) of $76K comprise directors' fees, salary and superannuation.

Business development and outlook

Commenting on the Company's outlook, CEO Neale Joseph said, *"We have made great strides this Quarter towards our goal of becoming a branded, value-added health and wellness company. A key focus has been our continued evolution from ingredients producer to value-added supplier with the successful launch of our Mt. Elephant premium brand within the food segment.*

SEPTEMBER 2020 QUARTERLY REPORT AND APPENDIX 4C

27 October 2020



"We are also proud of APH's move into the PPE market, which was made in response to the unprecedented COVID-19 environment. The rollout of our new hemp-based PPE products highlights our agility and the diverse application of our hemp products.

"Pleasingly, our ingredients supply business has exceeded expectations as Annex Food's established Red Tractor brand takes up an exclusive two-year supply agreement. Our recent distribution deals with TK Maxx Australia and Oz Medicann Group are examples of our growing distribution network. We look forward to Q2 FY21 and enhancing our brand marketing and consumer engagement.

"Our pipeline of opportunities continues to remain full and we look forward to commercialising many of these as the year continues."

ENDS

Authorised on behalf of the APH Board of Directors by:

Pauline Gately
Chair
+61 3 9692 7222

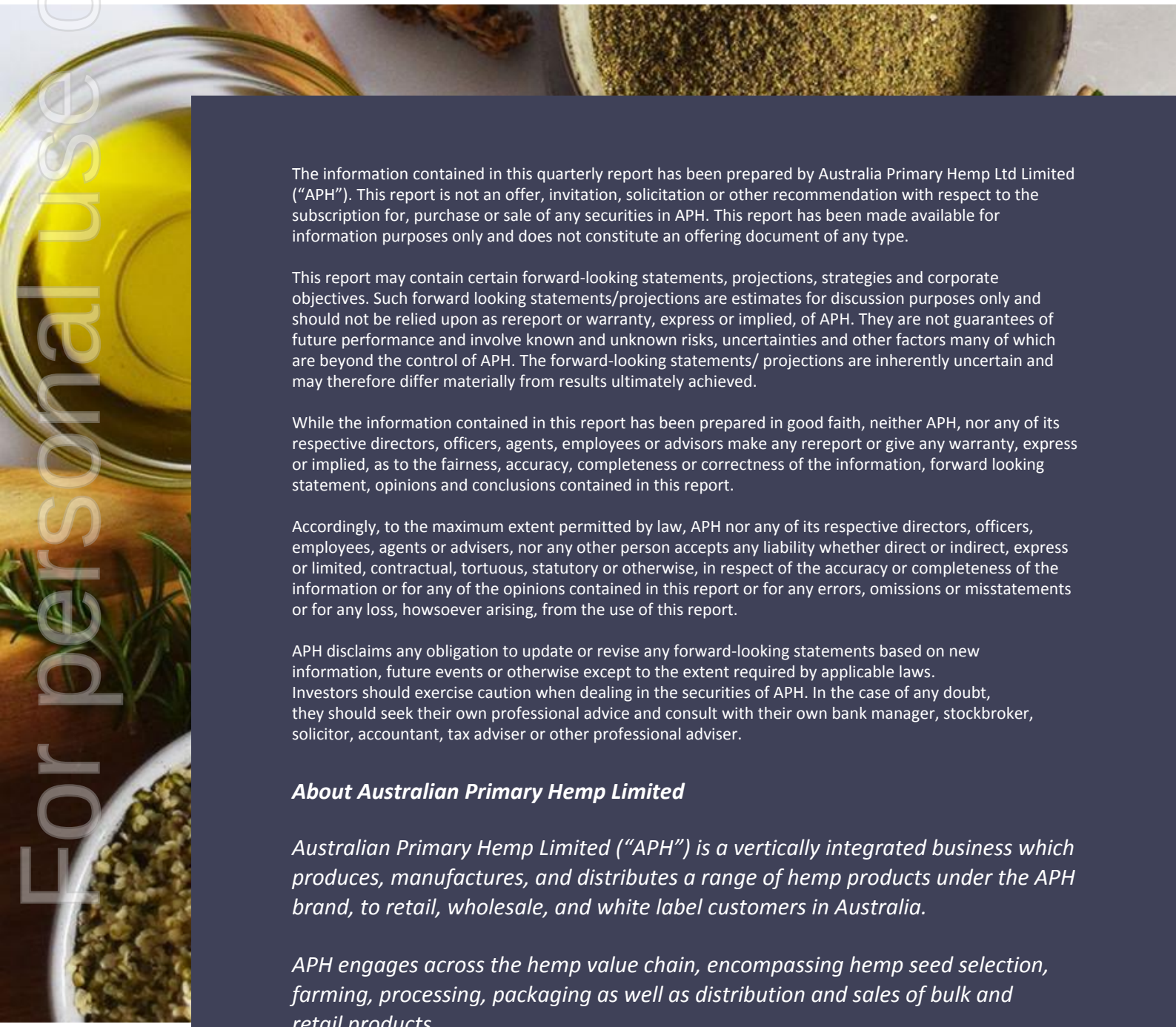
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This report may contain certain forward-looking statements, projections, strategies and corporate objectives. Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon as rereport or warranty, express or implied, of APH. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of APH. The forward-looking statements/ projections are inherently uncertain and may therefore differ materially from results ultimately achieved.

While the information contained in this report has been prepared in good faith, neither APH, nor any of its respective directors, officers, agents, employees or advisors make any rereport or give any warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, forward looking statement, opinions and conclusions contained in this report.

Accordingly, to the maximum extent permitted by law, APH nor any of its respective directors, officers, employees, agents or advisers, nor any other person accepts any liability whether direct or indirect, express or limited, contractual, tortuous, statutory or otherwise, in respect of the accuracy or completeness of the information or for any of the opinions contained in this report or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this report.

APH disclaims any obligation to update or revise any forward-looking statements based on new information, future events or otherwise except to the extent required by applicable laws.
Investors should exercise caution when dealing in the securities of APH. In the case of any doubt, they should seek their own professional advice and consult with their own bank manager, stockbroker, solicitor, accountant, tax adviser or other professional adviser.

About Australian Primary Hemp Limited

Australian Primary Hemp Limited ("APH") is a vertically integrated business which produces, manufactures, and distributes a range of hemp products under the APH brand, to retail, wholesale, and white label customers in Australia.

APH engages across the hemp value chain, encompassing hemp seed selection, farming, processing, packaging as well as distribution and sales of bulk and retail products.

Appendix 4C

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

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Name of entity

AUSTRALIAN PRIMARY HEMP LIMITED

ABN	**Quarter ended ("current quarter")**
43 071 666 334	30 September 2020

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	339	339
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(960)	(960)
	(c) advertising and marketing	(63)	(63)
	(d) leased assets	-	-
	(e) staff costs	(265)	(265)
	(f) administration and corporate costs	(101)	(101)
	(g) travel and conferences	-	-
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(25)	(25)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	134	134
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(941)**	**(941)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(26)	(26)
	(b) businesses	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	10	10
	(b) businesses	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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**	**(16)**	**(16)**

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	(64)	(64)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Principal elements of lease payments	(8)	(8)
3.10	**Net cash from / (used in) financing activities**	**(72)**	**(72)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,345	2,345
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(941)	(941)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(16)	(16)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(72)	(72)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**1,316**	**1,316**

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	1,316	2,345
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)**	**1,316**	**2,345**

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	(76)
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

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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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	1,427	1,427
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	1,427	1,427

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.

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(941)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,316
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,316
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	1.40

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: No. The business made annual payments for seed stock (2020-2021 growing season) and harvested grain purchases (2019-2020 growing season) during this quarter. Those annual payments totalled 783K. For further information, refer to the explanatory note included in the report that accompanies the Appendix 4C.

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: No

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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Answer: Yes, the Company continues to earn increased revenue and resulting increase in receipts from customers under its growth strategy. This increase in receipts together with reduction in expenditure ensures the Company has sufficient cash reserves to continue operations and meet business objectives,

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: 27 October 2020

Authorised by: The Board of Directors

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.

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