

Happy Valley Nutrition Quarterly Activities Report and Appendix 4C

28 January 2022: Happy Valley Nutrition Limited (**ASX: HVM; ‘Happy Valley’ or ‘the Company’**) is pleased to provide its quarterly activities report and Appendix 4C for the quarter ending 31 December 2021. The Company plans to supply a range of high-quality, specialty nutritional powders to customers in the food & beverage sector.

Quarterly Highlights

Bulk Earthworks:

- The earthworks, which commenced earlier in the year, is now physically complete. The Company is targeting completion of paperwork associated with the earthworks (Practical Completion) in February 2022. This is a major milestone and means the site is ready to commence construction as soon as funding has been secured.

Financial:

- Expenditure for the December quarter 2021 from operating and investing activities was NZD 1.1 million, with cash on hand at 31 December 2021 of NZD 4 million.
- The Company is continuing positive discussions with strategic partners to secure funding for the construction of its world class manufacturing facility in Otorohanga, New Zealand.

Operational:

Gareth Jones resigned as CFO and left the Company at the end of November 2021. The Company has hired Richard Chew on an acting basis until a permanent CFO is appointed. Richard is a member of the Chartered Accountants of Australia and New Zealand (CAANZ) and holds a Bachelor of Commerce from Auckland University. He has more than two decades of senior management experience in sectors ranging from media, entertainment, advertising, marketing, manufacturing, retail, property and fintech.

As announced on the 20 December 2021 Greg Wood gave notice of his resignation as CEO and director for the Company. Greg continues to assist the Company in its focus to raise capital, whilst transitioning his responsibilities to the management team during his notice period.

Payments to related parties:

- The Company made payments to related parties of NZD 0.25m during the quarter. These include settlement of directors’ fees and non-director services, payment to VCFO Group for tax services and rent, and payment to AOP Services for advisory services for capital raising.

Approved for release by the Board.

Greg Wood

For all shareholder enquiries please contact:

IR@hvn.co.nz

Appendix 4C

Quarterly cash flow report for entities subject to listing rule 4.7B

Name of entity		
Happy Valley Nutrition Limited		
ABN		Quarter ended ("current quarter")
ACN 636 597 101		31 December 2021

Consolidated statement of cash flows		Current quarter \$NZ'000	Year to date (6 months) \$NZ'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(626)	(1,160)
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs	(334)	(642)
	(f) administration and corporate costs		
1.3	Dividends received (see note 3)		
1.4	Interest received	0	1
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)	57	115
1.9	Net cash from / (used in) operating activities	(904)	(1,686)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		

	(b) businesses		
	(c) property, plant, and equipment	(153)	(1,475)
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant, and equipment		
	(j) investments		
	(k) intellectual property		
	(l) 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	(153)	(1,475)
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	1,100	1,100
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	1,100	1,100
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	3,978	6,138

4.2	Net cash from / (used in) operating activities (item 1.9 above)	(904)	(1,686)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(153)	(1,475)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,100	1,100
4.5	Effect of movement in exchange rates on cash held	26	(29)
4.6	Cash and cash equivalents at end of period	4,047	4,047

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 \$NZ'000	Previous quarter \$NZ'000
5.1	Bank balances	4,047	3,978
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)	4,047	3,978

6.	Payments to related parties of the entity and their associates	Current quarter \$NZ'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	255
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.

Payments to related parties include settlement of directors' fees (NZ\$70,825), non-director services payment to VCFO Group for tax services and rent (NZ\$98,171), and payment to AOP Services (NZ\$85,834) for advisory and capital raising services.

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 \$NZ'000	Amount drawn at quarter end \$NZ'000
7.1	Loan facilities	10,300	9,063
7.2	Credit standby arrangements		
7.3	Others (Convertible Notes \$NZ 7.6m and Vendor Finance \$NZ 1.5m)	9,213	9,213
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		179
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.		
7.6	<p>7.1</p> <p>- \$NZ 10,300,000 senior secured loan facility. 9.75% serviceable interest. Maturity date 15th December 2022. With serviceable interest being capitalised once earthworks achieve Practical Completion (targeted for the end of January 2022).</p> <p>7.3</p> <p>- \$NZ 7,614,698 (\$AU 7,390,064) Convertible Notes, or 35,000,000 Notes at \$AU 0.21 per Note. Second ranking security over non-property assets of HVM and it's subsidiaries. Capitalised interest rate of 11%, capitalised each six months in arrears. Conversion or redemption by election of each Note holder. At the election of Note holder, will convert into ordinary shares at the lower of \$AU 0.20 or a 20% discount to the pricing for the Main Capital Raising per share.</p> <p>- \$NZ 1,500,000 Vendor Financing on purchase of Waipa Meadows farm.</p>		

8.	Estimated cash available for future operating activities	\$NZ'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(904)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,047
8.3*	Unused finance facilities available at quarter end (item 7.5)	179
8.4	Total available funding (item 8.2 + item 8.3)	4,226
8.5**	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5
	* 8.3: Gross unused financing available at quarter end of \$NZ 1.2 million includes provision for interest capitalisation.	
	<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 January 2022

Authorised by: The Board

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.