

# Wide Open Agriculture Quarterly Report Q1 2019

29 April 2019

## Highlights

- **Granted Industrial Hemp Licence for Smart Shade House cultivation**
- **First crop of industrial hemp to be grown under protected cropping in WA**
- **Commercialisation of first shelf-stable food products underway**
- **Farming Framework and Protocols developed to guide WOA farms and farmer partners towards highest impact regenerative farming practices**
- **Company lodged Entitlement Prospectus closing 29 April 2019**

## Business Development: Horticulture

### Smart Shade House – Hemp R&D trials

Following completion of a rigorous horticultural assessment of WOA's Pilot Smart Shade House at Arthur River in South Western Australia, it was established that the site is best suited for research and development of crops that do not require cold chain storage and logistics.

Industrial hemp, which contains less than 1% THC, was identified as a crop with expanding market opportunities that matches Shade House growing conditions and does not require cold storage.

On 11 February 2019 WOA lodged an Application with Western Australia's Department of Primary Industries and Regional Development for an Industrial Hemp Licence.

On 27 February WOA was granted an Industrial Hemp Licence to cultivate and harvest industrial hemp at its pilot shade house site.

In March work began on sourcing suitable varieties for the R&D Program, which will support identification of commercially attractive industrial hemp varieties for the southern Wheatbelt.

The R&D Program will measure seed yield, growth rates and root penetration outputs at WOA's automated shade house and in adjacent open field conditions.

This information will allow WOA to pinpoint the industrial hemp varieties that respond best to various growing conditions and will be vital to developing a business case for large-scale production.

Industrial hemp yields a high-protein seed containing omega-3 which can be used in food, non-dairy milk and oil production. Fibre may also be extracted for textiles and building products.



**Wide Open Agriculture's winter R&D hemp trial**

### **Events Subsequent to the Reporting Period**

On 2 April 2019 the first crop of industrial hemp was planted at WOA's Smart Shade House in WA's Wheatbelt - the first to be grown under protected cropping conditions in Western Australia.

WOA's Growing Program is trialling three industrial hemp varieties at its fully-automated shade house to determine growth rates in winter conditions in the Wheatbelt climate.

The program allows WOA to grow industrial hemp in a highly controlled environment, eliminating key climate risks and allowing testing to continue throughout the year.

Normally, open field industrial hemp production would plant in September and October, but this program will provide new data about the potential for winter cropping and year round production.

WOA is trialling both regenerative and organic inputs for the production of industrial hemp at the shade house.

The program will measure soil moisture and fertiliser regimes and assess two innovative approaches to increase seed yields. The key indicators will be plant growth rates and seed yield.

### **Commercial Shade House Site**

Work has continued on identifying a potential site for a Commercial Shade House in the Wheatbelt. The pre-feasibility study has identified five decision-points that must be satisfied prior to Board review.

The key points are:

- A. Confirmed market demand for produce
- B. Enabling environment in the Shire
- C. Water/climate/soil & technology assessment
- D. Co-founding partner
- E. Business case and funding

As part of stage B of the selection process, a social and economic assessment of the Moora and Merredin shires has been completed, as well as a mapping project outlining high value agricultural land and water resources.

Stage C has commenced with three potential sites identified that have access to a consistent, horticulture-grade water supply, access to grid-based power and access to housing and education opportunities in order to attract/retain a production team.

In February 2019, protected cropping consultants visited three sites in the northern Wheatbelt. The climate, water, soil and technical assessments are currently being developed by the consultants.

Stage D is ongoing with WOA continuing discussions with commercial vegetable growers to identify a suitable partner to invest in and manage a potential Commercial Shade House.

Going forward, Stage E will include a detailed business case and funding recommendations based on the production of two healthy snacking vegetable categories. This will be presented to the Board for review in June 2019.

## **Food for Reasons**

### **Brand Development**

In March 2019, WOA completed a brand strategy and territory review for its food brand, in conjunction with the broader business program.

WOA's work with a leading strategy and brand agency has resulted in a compelling and engaging brand story with updated graphics and imagery. The new brand strategy and visual identity will be rolled out to support product launches in both fresh and shelf-stable categories during the coming quarter.

### **Shelf-Stable Category - Product Development**

A detailed market analysis of multiple lines of "healthy snacking" prototypes has continued, all of which include key ingredients from crops and livestock grown by regenerative farmers in the Wheatbelt.

In addition to developing prototypes of an oat-based breakfast cereal and drink, and a high-protein falafel mix, development of a range of high-protein, meat-based products using regeneratively produced lamb and organic beef is progressing.

Product development in both fresh and shelf-stable categories is strongly aligned to growing consumer demand in the health and wellness food category.

Feasibility has been completed on specific meat-based healthy snacking products, with a transparent path from 'paddock to plate'.

Market testing of a high protein, lupin-based falafel mix for retail and food service channels has been completed and yielded positive results.

The commercialisation process is underway with local manufacturing partners chosen and key ingredients to be supplied by regenerative Wheatbelt farmers.

Research and feasibility is continuing on additional high protein, plant-based products utilising oats and hemp.

WOA aims to ensure that all food brand products, processes and packaging support its aspiration to be an earth-friendly, regenerative business.

### **Fresh Category - Product Development**

Initial design and testing of a business case for distribution of organic, grass-fed beef and lamb has commenced.

Early stage development has identified supply partnerships for a range of grass-fed beef and lamb products with livestock producers who are committed to the regenerative agriculture journey.

Multiple sales channels across retail, food service and online channels have also been identified.

# Land for Reasons

## Wide Open Agriculture Farming Framework

WOA has commenced detailed financial modelling for investment, ownership and management of a diversified farmland portfolio in the Wheatbelt.

A Wide Open Agriculture Farming Framework (WOAFF) has been developed to steer WOA's farms and farmer partners towards attaining the highest impact through regenerative farming practices.

A key aspect of WOA's Farming Framework is the adoption of the Soil Carbon Initiative (SCI), an outcomes based verification standard for farms dedicated to regenerative agriculture practices.

The SCI is an international initiative that is a flexible, points-based system where farmers choose their own farming practices which aim to:

- Keep carbon in the soil
- Steward water resources
- Promote biodiversity
- Engage in a learning journey

SCI participant farmers are measured against key performance areas including soil organic carbon, soil water dynamics, aggregate soil stability and microbial mass.

These areas were selected by leading farmers and soil scientists as the key indicators of soil health and the soil's ability to sequester carbon.

It is intended that in the future, WOA's Farming Framework will allow the company to monetise soil carbon and biodiversity offsetting as these marketplaces continue to emerge.

WOA's overall farmland portfolio modelling seeks to provide a replicable and scalable framework that can be applied at other farmland across the Wheatbelt.

A land acquisition strategy is in the final stages of development and it is anticipated that a search for farmland assets will commence in the next quarter.

## Wide Open Agriculture Production Protocols

The WOA Farming Framework provides the foundation for WOA's Quality Assurance Program for existing and future suppliers.

The WOA Production Protocols provide clear guidance to suppliers of the requirements that must be met in order to supply produce into WOA's premium product lines.

Beef and lamb production protocols focus on animal welfare, diet requirements, holistic grazing standards, food safety and other consumer driven requirements. Examples include Meat Standard

Australia (MSA) scores, protein percentages, ethical treatment of animals, grass-feeding and no use of hormones or antibiotics.

## **Beef Production**

Following the Agreement with Blackwood Valley Beef in late 2018, WOA continues to investigate the feasibility of expanding regenerative beef production at the East Kulinbah property in the Perenjori Shire in WA's Wheatbelt.

The partners are looking at how larger scale rotational cattle grazing on fodder shrubs and perennial grasses could not only provide access to regeneratively produced Wheatbelt beef, but also dramatically improve soil health.

Business case development is continuing in partnership with Blackwood Valley Beef around a number of options for grass-fed beef and lamb production.

## **Corporate**

During the quarter, WOA made the following key staff appointments:

### **Lachy Ritchie Farmland Portfolio Manager**

Lachy grew up farming, is a serial social entrepreneur (having cofounded four start-ups) and has worked on regenerative agriculture projects alongside some of Australia's leading impact investors. Lachy is passionate about soil capital and is helping to drive WOA forward in this exciting area of regenerative agriculture.

### **Jay Albany Business Development Manager**

Jay has spent his career building better networks to access quality food, and is keen to build a new channel that connects consumers to regenerative farmers in WA. Jay has a wealth of experience leading growth initiatives and strategic partnerships in the consumer and financial services industries, most recently running corporate strategy at MyFreshGrocer, a New York-based online grocery specializing in ecofriendly delivery of local, gourmet and grocery products.

Current cash at bank is \$3,844,306 as at 31 March 2019.

## **Non-Renounceable Rights Offer**

The Company on 1 April 2019, lodged a Prospectus with ASIC and ASX, seeking to raise up to approximately \$176,448 by a non-renounceable rights offer ("Offer") of up to approximately 17,644,812 entitlement

options on the basis of 1 entitlement option for every 4 shares held at an issue price of 1 cent per entitlement option. The options have an exercise price of 30 cents and an expiry date of 30 June 2021.

The Company reminds shareholders that the Offer closes today (29 April 2019) and encourages shareholders who wish to participate to ensure they BPAY by 5:00pm this afternoon.

## Outlook

WOA has set the following key future milestones across its business streams:

- Winter R&D Hemp Trial completed and analysed
- Summer R&D Hemp Trial designed for production in automated shade house and open field conditions
- Release of co-branded shelf-stable (lupin-based falafel mix) and fresh products (beef and lamb) to retail, food service and online sales channels
- Due diligence undertaken on additional farmland assets and detailed business cases developed for Board review
- Commercial Shade House pre-feasibility completed and submitted for Board review
- Business case for regenerative beef & lamb production in northern Wheatbelt completed and submitted for Board review

### About Wide Open Agriculture Ltd

Wide Open Agriculture (WOA) is a regenerative food and agriculture group based in the Wheatbelt region of Western Australia. The Company is building a new food and farming system to make a healthier world. The Company's vertically integrated business comprises farmland assets, protected cropping and a food brand, Food for Reasons™.

WOA operates under a '4 Returns' framework and seeks to deliver measurable outcomes on financial, natural, social and inspirational returns. The Company manages its farmland under the principle of identifying 3 zones (economic, combined and natural zones) and investing over a 20-year framework.

WOA is listed on the Australian Securities Exchange (code: WOA) and the Frankfurt Stock Exchange (code: 2WO) and is the world's first '4 Returns' publicly listed company.