



ASX Announcement: 30 July 2020

Pure Foods Tasmania Limited (ASX:PFT)

Company and Activities Update: Quarter ended 30 June 2020

Sales, New Product Development and Partnerships

Pure Foods Tasmania Limited (ASX:**PFT**) is pleased to release its Appendix 4C – Quarterly Cashflow report and Update for the Quarter ended 30 June 2020. Unless otherwise stated all financial results are unaudited.

HIGHLIGHTS:

Strong financial position, organic sales momentum and new product developments position the company favourably for robust future growth.

- With strong sales in the quarter ending 30 June, the PFT Group is on track to deliver annual growth in revenue of 22% in FY20 compared to FY19 - an increase of \$850,000 on FY19;
- Cash flows remain strong and the cash balance at 30 June 2020 approximately \$4.1 million.
 - Woodbridge Smokehouse: Ready-to-Eat “Tasmanian Salmon/Trout and Salad” - being developed for existing ‘blue-chip’ customers
 - “Better for you” (**BFY**) “free-range” Tasmanian Pate - which has enjoyed sales growth of our baseline Pate revenue of 40% since the product was launched nationally;
 - Tasmanian Pate “gluten free” is planned to launch in 2Q21 and will include duck and salmon varieties; and
 - Plant-based food initiatives aimed at addressing the growing trend towards non-animal sourced products.
- New online partnership with Bruny Island Cheese Co (“**Bruny**”) is accelerating PFT’s e-commerce business strategy and delivering new JV opportunities. Bruny’s online monthly membership base consists of 3,000 paying customers;
- 100% Tasmanian produce ‘meal solutions’ offer launching 2Q21.

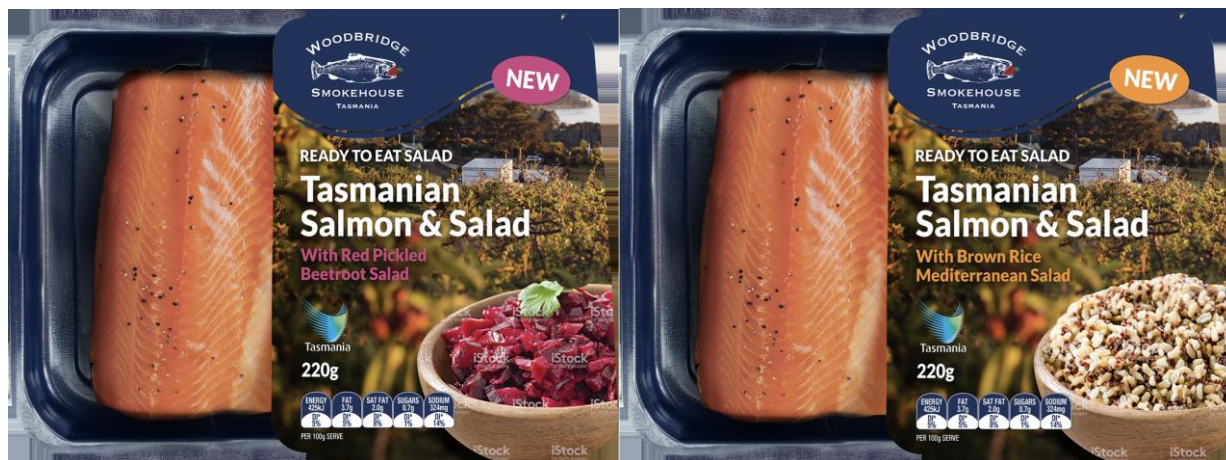
SALES, MARKETS, AND PRODUCT INITIATIVES

PFT is experiencing strong demand for its premium brands. NPD has been a key feature of this momentum and PFT is continuing to innovate and expand its product range. Current NPD includes:

- “Better for you” (BFY) “Free-range” Tasmanian Pate - which has enjoyed sales growth of 40% since the product was launched nationally; and
- The forthcoming launch of our new Tasmanian meal solutions. This launch is expected to be well received and will add diversification and innovation to our existing product range and further sales opportunities.

We have been working closely with our major customers to identify key trends in ready-to-eat meal categories. We continue to accommodate those trends through innovation and product diversification - sometimes with just modest changes to our existing and expanding product range.

New product launches currently in development include Red Pickled Beetroot Salad and Brown Rice Mediterranean Salad:



New Ready-to-Eat Tasmanian meal solutions

In the BFY category, it is planned that three varieties will be ranged for national and export customers. Currently in development are duck and salmon varieties.

All BFY Pates are:

- Gluten free;
- Free of all artificial colours and flavours; and
- 100% Tasmanian Atlantic salmon.



“Better for you” (BFY) “Free-range” Tasmanian Pate

Plant-based foods are also an increasing category that provides opportunities and we are currently identifying partners and products that we would hope to launch by no later than 3Q21.

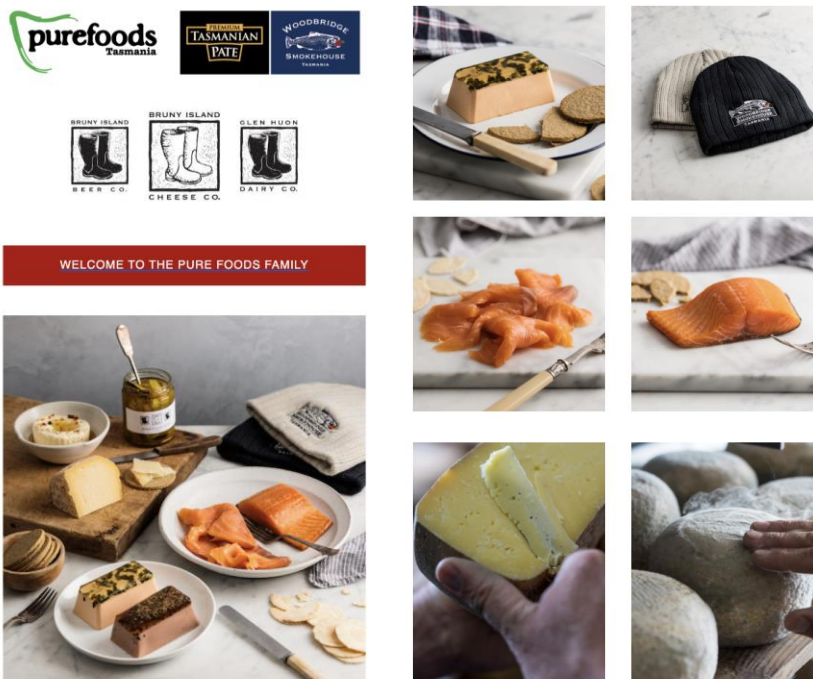
In addition, Woodbridge Smokehouse has witnessed a 100% increase in demand for hot smoked ocean trout. Sales have doubled over 3Q20 and been underpinned by:

- An increase in the distribution network;
- Unique Woodbridge smoking process recipe; and
- The high quality of Tasmanian ocean trout sourced from the West Coast of Tasmania, an area recognised as providing the best growing conditions in the Southern Hemisphere.

PARTNERSHIPS, NATIONAL DISTRIBUTION AND JVS

Discussions continue with National Distributors with the aim to have Woodbridge Smokehouse products available to more consumers, as well as partnering with other premium Tasmanian producers, PFT has significantly expanded its online reach and captured new consumers for Woodbridge Smokehouse and, more recently, Tasmanian Pate products. We have been excited by the success of this initiative and it has reinforced our strategy to maintain high online visibility and provide a fast and effective route direct to the retail market.

Our new partnership with Bruny has introduced new consumers to PFT. Since launching five weeks ago, we have seen an uplift of 33% in our customer base. The success of this partnership has proven the power of Tasmanian produce when combined in an “offer” (such as a gourmet hamper). It supports PFT’s strategy of establishing JVs with complimentary food and beverage players in Tasmania and thus facilitating greater distribution capacity and reach into mainland Australia and the rest of the world.



Online Offer: Hamper including Woodbridge Smokehouse, Tas Pate and Bruny Island Cheese Co.

EXPORT SALES

Export sales have remained firm in spite of the disruption imposed on the global economy in the wake of COVID19 and ongoing China Trade frictions. Application for an export license for Tasmanian Pate is well advanced. This license will provide an opportunity to grow our export business and will include the new addition of the BFY premium Pate range, which will be distributed through our existing export partners.

PLANT INVESTMENT/AUTOMATION

We continue to invest in production capacity with PFT recently signing a new lease for additional factory space. This will allow for integration of production/logistics and supply chain at our Mornington facility. The investment will deliver increased efficiencies, productivity and logistical benefits.

INVESTING IN PEOPLE

It has been a busy period since PFT listed on the ASX and we continue to build and strengthen our team with recent senior appointments including:

1. **Marketing & Brand Manager** – joins PFT from Huon Aquaculture where she was Assistant Brand Manager within the marketing team. She will head our Marketing and brand development, with a focus on e-commerce, social media, NPD and customer insights initially;



2. **Sales Account Manager** – joins PFT from Tassal with a strong sales and merchandising background. Her focus will be on new business development and strong customer relation building;
3. **Seafood Production Manager** – a qualified Chef and will be leading the advancement of efficiency and operations at our Woodbridge facility.

We will continue to invest in our people and, as the company expands, provide greater career development and job diversification opportunities for all our employees.

APPENDIX 4C - QUARTERLY CASH FLOW REPORT

PFT's cash position at 30 June 2020 was \$4.1m. The company is adequately funded to continue its current operations.

Payments to related parties and their associates during the quarter were \$83,685 which consists of salaries for managing director and fees for non-executive directors.

COVID UPDATE

The operating and financial performance of PFT has, to date, not been adversely impacted by COVID-19. Various factors including the closure of dining venues in Australia has resulted in increased home consumption and stocking of food products, which has in turn led to an increase in Australian demand for food products.

The supply chain for PFT's products has not been impacted. As noted in the Prospectus, PFT sources ingredients for its products from a number of suppliers. There has been no interruption to this, and in any event, as detailed in the Prospectus, there are a number of available suppliers for PFT's raw products and as such PFT considers supply risk to be low.

USE OF FUNDS

The June 2020 quarter is a period covered by the Use of Funds Statement as outlined in PFT's prospectus dated 31 January 2020 (**Prospectus**). As announced on 28 April 2020, PFT provided an updated statement of commitments based on the additional \$500,000 of oversubscriptions accepted under the Prospectus. The table below sets out the use commitments based on the actual amount raised under the Prospectus and expenditure on these items to 30 June 2020.

Use of funds	Amount raised under the Offer	Expenditure to 30 June 2020	Variance
Plant and Equipment	\$1,100,000	Nil	\$1,100,000
Business development and marketing	\$700,000	Nil	\$700,000
New product development	\$350,000	Nil	\$350,000
Working capital	\$1,242,489	Nil	\$1,242,489
Costs of the Public Offer	\$607,511	917,990	(\$310,480)
Total	4,000,000	\$917,990	

Explanation of material differences in the table above

PFT has only been readmitted since 30 April 2020 and the use of funds statement in the Prospectus covers a period of substantially longer than one quarter. Therefore, the expenditure on specific items has not yet been applied. In relation to the specific items outlined in the table:

1. **P&E:** PFT is still in design process for new automation line for Tas Pate so no funds have been drawn down as yet. It is anticipated use of funds will be in 1Q21;
2. **Business development and marketing:** PFT has only last week employed a new Marketing and Brand Manager
3. **New Product Development:** NPD is also well under way but in final design process – so no funds used.
4. **Working capital:** PFT has not needed to use any as existing business units are cash flow positive and funding cash flow needs
5. **Cost of public offer:** the total costs of the public offer exceeded budget by \$310,480 due to the complexity of the readmission and some delays.

As with any budget, the allocation of funds may change depending on a number of factors including the risk factors outlined in Section 4 of the Prospectus, and the outcome of operational and growth activities, regulatory developments and market and general economic conditions.

This announcement has been authorised and approved by the Board .

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FORWARD LOOKING STATEMENTS

The Appendix 4C contains certain forward-looking statements that are based upon information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Pure Foods Tasmania. These factors may cause actual results to differ materially from those expressed in the Appendix 4C contained in this announcement.

Appendix 4C

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

Name of entity

Pure Foods Tasmania Limited

ABN

13112682158

Quarter ended ("current quarter")

30 June 2020

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	1,074	4,211
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(680)	(2,535)
(c) advertising and marketing	(10)	(38)
(d) leased assets		(1)
(e) staff costs	(367)	(1,533)
(f) administration and corporate costs	(189)	(585)
1.3 Dividends received (see note 3)		
1.4 Interest received	6	18
1.5 Interest and other costs of finance paid	(7)	(21)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	139	150
1.9 Net cash from / (used in) operating activities	(34)	(334)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(65)	(785)
(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		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		40
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		(20)
2.6	Net cash from / (used in) investing activities	(65)	(765)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(84)	3,503
3.2	Proceeds from issue of convertible debt securities		500
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(451)	(635)
3.5	Proceeds from borrowings		470
3.6	Repayment of borrowings		(89)
3.7	Transaction costs related to loans and borrowings		(1)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(535)	3,748

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,768	1,485
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(34)	(334)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(65)	(765)

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)	(535)	3,748
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	4,134	4,134

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	534	4,768
5.2	Call deposits	3,600	
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)	4,134	4,768

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	(4)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

The amount displayed above is entirely related to payments to the Fleming Family Trust as a retainer for director Ken Fleming's services.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	739	584
7.2	Credit standby arrangements		
7.3	Other (please specify)	25	2
7.4	Total financing facilities	764	586
7.5	Unused financing facilities available at quarter end		178
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.		

Lender	Interest Rate	Maturity Date	Secured or Unsecured
NAB	4.55%	November 2023	Secured
NAB	4.95%	March 2021	Secured
NAB	5.61%	June 2022	Secured
NAB	6.06%	January 2023	Secured
NAB	5.81%	January 2023	Secured

The items included as other facilities are NAB Business Visa accounts.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(34)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,134
8.3	Unused finance facilities available at quarter end (item 7.5)	178
8.4	Total available funding (item 8.2 + item 8.3)	4,312
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	127
<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:

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.

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: 30 July 2020

Authorised by: By the Board

(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.