

Q2 FY21 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

- Q2 FY21 Group Revenue of \$1.04m, up 13.2% from Q1 FY21 despite COVID-led restrictions.
- Ranging acceptance with 700 Pharmacy Alliance partners for the Company's new FUNCH Baby Food Range. Leading health care wholesaler and distributor, Sigma Healthcare Ltd (ASX: SIG), engaged to handle distribution and promotion.
- National distribution deal with leading specialty retailer Baby Bunting Group Ltd (ASX: BBN) for the Company's FUNCH Baby Fruit Puree range & Infant Wholegrain Cereal range.
- Ranging deal covering FoodWorks / Australian United Retailers' 500-store national network for the Company's full range of FUNCH Baby Foods, FUNCH Health Snack Mixes, Sensory Mill Plant-Based Flours and Sensory Mill Organic Apple Cider Vinegar.
- Inventory is fully stocked to provide orders to the three newly announced customers.
- Robust cash balance at the end of quarter of \$3.1m.
- Company well-capitalised to take advantage of multiple growth opportunities across new products, eCommerce, export channels and potential M&A, with IPO funds applied toward accelerating sales, marketing and brand development.

Melbourne, 28 January 2021: Forbidden Foods Limited (ASX: FFF, "Forbidden Foods" or "the Company") is pleased to provide an update on its activities during the quarter ended 31 December 2020.

Forbidden Foods Co-founder and Chief Executive Officer, Marcus Brown said:

"We're pleased with the strong start in our first full quarter following the Company's ASX listing. We continued to deploy our IPO funds during the quarter to grow our existing channels, launch our FUNCH baby foods range, increase our stock holdings for anticipated growth, while also investing in other strategic and scalable channels, including growing our e-commerce presence globally.

"Although we continue to monitor the impacts of COVID-19, our diverse distribution and growth strategy has provided protection and opportunity, in particular in the retail and e-commerce side of the business.

"In Q2, we announced three new national customers including Foodworks/AUR, Baby Bunting and Pharmacy Alliance and look forward to wide-scale launches across these store networks in January and February of 2021. This national presence, in particular for our FUNCH Australian baby foods range, underpins our credibility for our global export market strategy that is very much underway."



Image: FUNCH Australian Baby Foods range

Financial Overview

- Group revenue of \$1.04 million for Q2 FY21, up 13.2% from Q1 FY21.
- Cash receipts from customers of \$0.950 million in Q2 FY21, down 2.3% from Q1 FY21.
- Inventory holdings increased to \$2.0 million at the end of Q2 FY21 in anticipation of increased sales in H2 FY21.
- The Company terminated its debtor factoring arrangements during the quarter to reduce finance costs, this has caused slightly delayed cash receipts over the quarter as it unwinds, and the receivables process is brought 100% in-house.
- Other government subsidies received were \$37,500.
- \$3.10 million in cash reserves as of 31 December 2020.

Operations

In Q2 FY21, Forbidden Foods approached its operations with the continued goal of launching new product lines, increasing its existing market penetration and broadening its international focus. This predominantly came through a focus on the Company's FUNCH Australian baby food product lines which are rolling out to participating partners in Q3 FY21.

Partnership with Pharmacy Alliance

In December 2020, Forbidden Foods advised of its new partnership with Pharmacy Alliance, gaining acceptance to range its seven FUNCH Australian baby food lines in partner stores nationally from February 2021.

Pharmacy Alliance is Australia's largest independent pharmacy network with more than 700 partner stores across the nation, including 164 Alliance Pharmacy branded stores. All Pharmacy Alliance members, who achieve collective annual turnover of over \$1.3 billion, will gain access to the Company's full Australian Baby Foods range, including four Fruit Purees and three Infant Wholegrain Cereals.

Forbidden Foods also engaged leading health care wholesaler and distributor, Sigma Healthcare Ltd (ASX: SIG), to handle distribution and promotion of the FUNCH lines throughout the Pharmacy Alliance network. Sigma's network extends to more than 1,200 branded and independent pharmacy stores.

Forbidden Foods has developed a proactive promotional program to ensure consumer awareness builds rapidly through this new channel. The Company has also engaged an external national field merchandising team to educate Pharmacy Alliance members about the products, provide sales support and increase promotional effectiveness.

Partnership with Baby Bunting

Forbidden Foods will start ranging its seven FUNCH Australian baby food lines with Baby Bunting Group Ltd (ASX: BBN, “Baby Bunting”) nationally from January 2021.

Baby Bunting is Australia’s largest specialty baby goods retailer, with 58 stores nationally and a strong online presence. It has annual sales of more than \$400m and a store network growth plan to reach 100 stores. The Baby Bunting stores will carry the Company’s full Australian Baby Foods range, including four Fruit Purees and three Infant Wholegrain Cereal products, with scope to grow the range in future. A sampling program has been agreed to build consumer awareness and is anticipated to drive sales growth.

Partnership with FoodWorks / Australian United Retailers (AUR)

Forbidden Foods will start ranging its FUNCH Baby Foods, FUNCH Healthy Snacks, Sensory Mill Plant-Based Flours and Sensory Mill Organic Apple Cider Vinegar in FoodWorks / AUR’s store network nationally from January 2021. FoodWorks / AUR is one of Australia’s largest independent retail supermarket groups with approximately \$2B in annual sales.



End of Aisle displays of FUNCH Australian baby foods at Foodworks Ivanhoe East (VIC) & Paradise Point (QLD)

Corporate

Annual General Meeting

Forbidden Foods' Annual General Meeting (AGM) of shareholders was held on 26 November 2020. Due to the continued impacts of COVID-19, the AGM was held as a virtual meeting, with all resolutions put to the meeting passed via a poll. These were:

1. Non-binding advisory vote on the Remuneration Report
2. Re-election of Jarrod Milani as a director of the Company
3. Approval of issue of incentive options to Mr Jarrod Milani
4. Approval of issue of incentive options to Mr Marcus Brown
5. Approval of 10% placement capacity.

Change of Address

In accordance with ASX Listing Rule 3.14, the Company advised its principal place of business changed to:

13/277-289 Middleborough Road
Box Hill South
Victoria 3128

Release of restricted securities

On 19 January 2021, Forbidden Foods advised 987,859 securities are to be released from restricted securities as of the commencement of trading on 29 January 2021.

This reflects the balance of the "Convertible Noteholders (other than Non-Executive Directors) – principal owing" restricted securities as disclosed in the Prospectus dated 21 July 2020. The remaining securities in this category were released from restricted securities on 13 December 2020.

ASX Additional Information

Pursuant to ASX Listing Rule 4.7C.2, Forbidden Foods provides the following comparison of its actual expenditure since admission to the ASX against the "use of funds" statement in its Prospectus dated 21 July 2020.

	Prospectus \$,000	Actual Expenditure \$,000
Sales, marketing and brand development	3,000	2,364
Administration costs	994	344
Working capital	949	458
Costs of the offer	1,057	1,137
Total	6,000	4,003

In accordance with ASX Listing Rule 4.7C.3, Forbidden Foods advises that an amount of \$178,459 was paid to executive and non-executive directors in payment of their directors' fees, salaries and post-employment benefits.

This ASX announcement has been approved for release by the Board of Directors of Forbidden Foods Ltd.

For further information, please contact:

Marcus Brown

Chief Executive Officer

info@forbiddenfoods.com.au

1300 778 061

Tim Dohrmann

Investor & Media Enquiries

tim@nwrcommunications.com.au

About Forbidden Foods Ltd

Forbidden Foods Ltd (ASX: FFF) is a multi-brand premium food, beverage and ingredients company focusing on the baby food, wellness and organic markets, with diverse national and international sales channels. The Company was established in 2010 with a vision to provide Australia with the very best health foods and to meet growing consumer demand for differentiated, plant-based and health-oriented products. The business offers more than 50 SKUs across its three brands – Forbidden, Sensory Mill and Funch – direct to consumer, retailers and food service companies, through distribution partners and via e-commerce.

Appendix 4C

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

Name of entity

FORBIDDEN FOODS LIMITED (ASX: FFF)

ABN

82 616 507 334

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	950	1,922
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,956)	(2,941)
(c) advertising and marketing	(241)	(332)
(d) leased assets	-	-
(e) staff costs	(422)	(619)
(f) administration and corporate costs	(42)	(55)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(25)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	115
1.8 Other (provide details if material)	46	59
1.9 Net cash from / (used in) operating activities	(1,666)	(1,876)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(30)	(39)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(54)	(55)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	-	-
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	(84)	(94)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,000
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	(124)	(993)
3.5	Proceeds from borrowings	-	-
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)	(45)	(73)
3.10	Net cash from / (used in) financing activities	(169)	4,934

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,019	136
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,666)	(1,876)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(84)	(94)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(169)	4,934
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,100	3,100

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	3,100	5,019
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)	3,100	5,019

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	185
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>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000		
<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>				
7.1 Loan facilities	732	-		
7.2 Credit standby arrangements	-	-		
7.3 Other (please specify)	10	7		
7.4 Total financing facilities	742	7		
7.5 Unused financing facilities available at quarter end		735		
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.				
Facility	Facility limit \$A'000	Amount drawn \$A'000	Interest rate	Secured
ANZ – Bank overdraft ¹	9	-	14.55% p.a.	No
NAB – Bank overdraft	100	-	6.47% p.a.	Yes
NAB – Credit cards	10	7	15.50% p.a.	Yes
NAB – Revolving facility	300	-	3.95% p.a.	Yes
ScotPac – Trade finance ²	323	-	Management charge 3.00% Term charge 1.50% per 30 days Provision for settlement discount 7.50%	Yes
Totals	742	7		
¹ The ANZ bank overdraft limit is NZD \$10,000 and has been converted to AUD in the above table.				
² The ScotPac trade finance facility limit is USD \$250,000 and has been converted the AUD in the above table.				
The items included as other facilities are the NAB credit cards.				

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,666)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,100
8.3 Unused finance facilities available at quarter end (item 7.5)	735
8.4 Total available funding (item 8.2 + item 8.3)	3,835
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.3
<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: 28 January 2021

Authorised by: Board of Directors – Forbidden Foods Limited
(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.