

31 January 2023

ASX Announcements Office

Farm Pride Foods Limited (ASX:FRM)

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

Farm Pride Foods Limited (“**Farm Pride**”, “**Company**”) is pleased to provide the following update to shareholders for the quarter ended 31 December 22 (“**Quarter**”). During the Quarter:

- (i) **Capital Raise** – Farm Pride announced a:
non-renounceable entitlement offer of 7 new shares for every 12 shares held with \$1.34m (before costs) raised in January '23 (“**NREO**”); and
 - (ii) proposed placement to sophisticated and professional investors at \$0.055 (5.5 cents) per share to raise proceeds of \$3.5m (before costs) (“**Placement**”).
- **Appointment of Managing Director:** the proposed appointment of Mr. Darren Lurie as Managing Director of the Company subject to shareholder approval of the Placement, his appointment and other resolutions included in the Notice of Meeting dated 23 February '23.
 - **Price increases** – The benefit of price increases negotiated with key shell egg and egg product customers to reflect rising input and overhead costs which were negotiated in the 6 month period ending 31 Dec '22 have started to materialise with the full benefit to be obtained in January '23 and beyond.
 - **Board experience enhanced** - the proposed appointment of Mr. George Palatianos as a Non-Executive Director of the Company subject to shareholder approval of the Placement and his appointment.

Capital Raise

NREO: The Company launched a 7:12 pro rata non-renounceable entitlement offer of new shares to eligible shareholders with \$1.34m (before costs) raised through the NREO in January '23.

Placement: The Company has received commitments from investors under the Placement that will raise \$3.5m before costs. Shareholder approval of the proposed Placement is the subject of the Extraordinary General Meeting (“EGM”) of Shareholders to be held 23 February 2023.

Board Appointments

During the Quarter, the Company announced the proposed appointment of Mr. Darren Lurie as Managing Director and Mr. George Palatianos as a Non-Executive Director. Their appointments are subject to shareholder approval of the Placement, their appointment and other resolutions at the EGM to be held 23 February 2023.

Mr. Lurie has previously worked with Farm Pride as a consultant, Non-Executive Director, and Non-Executive Chair of the company therefore he returns to Farm Pride with substantial knowledge of the business as well as prior experience as a CEO of an ASX listed company.

Mr. Palatianos is a highly experienced investment director and group CFO and has held prominent roles at major organizations within the agribusiness, construction, property investment and finance sectors.

During the Quarter, Mr. Daryl Bird stepped down as CEO and Mr. Robin Donohue stepped down as CFO and Company Secretary. Mr. Harris Baig, the Company's Finance Manager, has agreed to act as Interim Chief Financial Officer while a suitable replacement is identified. Mr. Bruce De Lacy, Non-Executive Director and Interim Managing Director will act as Company Secretary until a replacement has been appointed.

Sales and commercial update

Revenue for the Quarter was 21% higher than the previous quarter and 10% higher than the prior corresponding period. Increased revenue was driven by price increases negotiated and implemented across both shell and product sales in the first and second quarter of the year. This was augmented by increased production volumes across various farms in the Quarter. Cash inflows were approximately \$2.3m higher than the previous quarter with the full cash flow benefit of the price increases expected to be received in the March quarter.

Farm update

During the Quarter, the company replaced a higher than average number of flocks and as these birds matured, egg production increased on the previous Quarter.

Quarterly cashflow analysis

During the Quarter, the Company had net operating cash outflows of \$4.182m, including net receipts from customers of \$19.363m. Notwithstanding the higher receipts for the Quarter, significant payments were required to be made relating to prior periods as well as a number of one-off costs relating to operating, corporate and administration costs. This is expected to continue into the third quarter as the Company seeks to normalize its financial position with the support of the NREO and Placement.

Net cash received from financing activities for the Quarter was \$2.620m as described further in the Appendix 4C.

Cash on hand at the end of the quarter of \$1.688m includes a cash backed rental guarantee of \$1.017m.

Contact Details

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About Farm Pride (FRM)

Farm Pride is a leading ASX listed vertically integrated egg company that farms, processes and markets a range of egg and egg related products. FRM continues to develop its farming business to meet the markets evolving requirement for cage free eggs. FRM maintains strong relationships in the supermarket channel and with industrial food manufacturers. FRM is also committed to maintaining the highest level of environmental, social and corporate governance responsibility and is the only egg company in Australia to manufacture its own egg cartons using recycled newsprint and cardboard. For more information, visit FRM's website.

[View our catalogue](#) www.farmpride.com.au



Appendix 4C

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

Name of entity

Farm Pride Foods Limited

ABN

42 080 590 030

Quarter ended ("current quarter")

31 December 2022

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	19,363	36,403
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(15,207)	(27,639)
(c) advertising and marketing	-	-
(d) leased assets	(1,587)	(3,312)
(e) staff costs	(5,268)	(9,183)
(f) administration and corporate costs	(2,566)	(3,934)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(564)	(791)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refund)	1,647	3,183
1.9 Net cash from / (used in) operating activities	(4,182)	(5,273)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(20)	(84)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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	(20)	(84)

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	3,840	6,850
3.6	Repayment of borrowings	(1,220)	(1,955)
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	2,620	4,895

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,270	2,150
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,182)	(5,273)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(84)

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)	2,620	4,895
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,688	1,688

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	671	2,253
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	1,017	1,017
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,688	3,270
<p>Other – this is a cash backed rental guarantee for the Keysborough production facility. These funds are not available for operating purposes.</p>			

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	23
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><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></p>		

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 \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	17,842	17,486
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	1,462	1,462
7.4	Total financing facilities	19,304	18,948
7.5	Unused financing facilities available at quarter end		356
7.6	<p>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.</p> <p>The Company has facilities with six different parties.</p> <p>The first is held with with MC FP Pty Ltd (Merricks Capital). The interest rate is currently 11.59% with a maturity date of 31 August 2024. The facility limit is \$14.342m and is secured by a fixed charge over company assets.</p> <p>The second facility is held with AMAL Trustees Pty Ltd (TP24). The interest rate is currently 9.60% with a maturity date of 31 August 2023. The facility limit is \$2m and is secured over receivables.</p> <p>The third facility is with Morago Holdings Pty Ltd. It was obtained on 30th November 22. The interest rate is 9% with a maturity date of 28 February 2023. The facility limit is \$750K and is unsecured.</p> <p>The fourth facility is with AAA Egg Company Pty Ltd. It was obtained on 30th November 22. The interest rate is 9% with a maturity date of 28th February 2023. The facility limit is \$500K and is unsecured.</p> <p>The fifth facility is with Oakmeadow Pty Ltd. It was obtained on 30th November 22. The interest rate is 9% with a maturity date of 28th February 2023. The facility limit is \$250K and is unsecured.</p> <p>The facilities included under "other" includes:</p> <ul style="list-style-type: none"> • An interest free unsecured cash advance received from AAA Egg Company Pty Ltd. It was obtained on 31st October 2022. • Loan obtained from Elantis Premium Funding to Finance the \$1.26m Annual Insurance Premium for FY23. It was obtained in July 2022. The interest rate is 3.5% p.a with a maturity date of 30th January 2023. 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,182)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,688
8.3	Unused finance facilities available at quarter end (item 7.5)	356
8.4	Total available funding (item 8.2 + item 8.3)	2,044
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.49
	<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?	
	<p>Answer: No, the entity expects to improve on the current level of net operating cash flow. Improvements will result from the increase in sales prices negotiated with customers in the quarters ending 30th September 22 and 31st December 22 which will have their full impact in the quarter ending 31st March 23. During the current quarter there were higher than average flock replacements, with egg production volumes expected to increase in subsequent quarters.</p>	
	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?	
	<p>Answer: The company has raised additional capital through a non-renounceable entitlement offer ("NREO") and expects to raise further capital via the Placement.</p> <p>NREO: The Company completed in January 2023 a NREO and has raised \$1.34m (before costs) to date. NREO shares were listed on ASX on 27th January 2023.</p> <p>Placement: The Company has received commitments under the Placement to raise \$3.5m (before costs). The Placement is subject to shareholders approval at the EGM to be held 23 February 2023.</p>	
	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?	
	<p>Answer: Yes, on the basis of successfully negotiating sale price increases the quarters ending September 2022 and December 2022, continuing to improve egg production volumes and by raising \$4.88m (before costs) of new capital through the NREO and Placement.</p>	
	<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:31 JANUARY 2023.....

Authorised 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.