

ASX Announcement

Forbidden Foods Limited ASX: FFF

14 March 2024

Strategic manufacturing agreement secured with Edenvale Foods to optimise supply chain and significantly drive cost efficiencies

Key Highlights

- Agreement with NSW-based product development and contract manufacturer, Edenvale Foods to manufacture FFF's leading Blue Dinosaur product range at cost price on a non-exclusive basis
- Edenvale Foods is focused on upcycling farm seconds for nutrient dense snack bars - with an SQF certified facility, the group utilises innovative technology to ensure low-cost manufacturing of best-in-class products
- Agreement allows Forbidden Foods to access the front end of the supply chain, unlocking vertical margin and therefore greater flexibility on pricing and promotional activity to drive greater sales volume
- Agreement is a major milestone in the Company's stated net profit growth strategy
- Forbidden Foods to issue Edenvale Foods with fully paid ordinary shares for the difference between cost price manufacturing and a general arms-length contract – Shares to be issued at the end of each quarter and based on a 12-day VWAP prior to the end of the period
- Both parties will also collaborate on business and partnership opportunities to identify potential growth synergies
- Agreement expected to unlock revenue growth opportunities – FFF to receive priority on contract manufacturing, negating any inventory issues which have previously led to lost sales with key retailers
- Optimisation of supply chain and lower per unit cost also expected to deliver increased product margins
- FFF to leverage counterparties expertise to drive new product development, which can now be undertaken without high upfront R&D costs
- New product development initiatives will include short production runs (limited release lines) for trial and awareness purposes, ahead of potential adoption of new products as part of core range
- Non-exclusive agreement allows FFF to continue to test the contract manufacturing market to ensure best pricing is accessed without compromising end product quality

Forbidden Foods Ltd (ASX: FFF) ("Forbidden Foods" or "the Company") is pleased to advise that it has entered into a non-exclusive manufacturing alliance agreement (the "Agreement") with leading product development and manufacturing company, Edenvale Foods Pty Ltd ("Edenvale Foods"), which is anticipated to unlock considerable cost efficiencies and margin growth across the group's flagship Blue Dinosaur product range over the next 9 months.

The Agreement marks a major milestone for the Company and underpins Forbidden Foods stated strategy to drive net profit growth.

Edenvale Foods is a NSW-based contract manufacturer specialising in up-cycling farm seconds into nutrient dense ingredients for use in functional snack bars. The group's facility is SQF certified and its production lines utilise the latest technology to ensure low-cost manufacturing of best-in-class products for local and international markets. The

group is led by Stuart Picken, a pastry chef and ex-lawyer, who is focused on advancing the latest research in plant science and its incorporation into healthy snacks.

Under the terms of the Agreement, Edenvale will manufacture the Company's range of Blue Dinosaur products at cost pricing, with the difference in value to a general arms-length contract to be made up via the issuance of fully paid ordinary shares in Forbidden Foods.

Shares will be issued at the end of each quarter and calculated based on a 12-day volume weighted average price (VWAP). The Agreement will last for a period of nine months, allowing Forbidden Foods to test Edenvale Food's contract manufacturing capabilities and concurrently, explore additional business or partnership opportunities. These shares will be issued using the Company's available ASX Listing Rule 7.1 capacity.

The Agreement is expected to unlock significant growth opportunities for the Company. Presently, Forbidden Foods has been faced with inconsistent supply from existing contract manufacturers, leading to product unavailability with key retailers and lost sales. Further, the Company's existing relationships have led to higher per unit costs, negating margin growth.

The Company is confident that the Agreement with Edenvale will considerably optimise its supply chain, unlock significant margin growth, and also provide greater flexibility and promotional activity to drive volume and enter new channels.

Forbidden Foods will also leverage Edenvale's expertise to drive new product development initiatives, without high upfront R&D costs. Management have earmarked a number of potential initiatives, including shorter and limited production runs of potential new products, which can be launched on a trial and awareness basis. The Company is confident that the Agreement will negate any deterring scale up costs to launch new products ahead of potential acceptance as part of the Company's core range.

Management commentary:

Forbidden Foods' Chief Executive Officer, Alex Aleksic said: *"The Agreement with Edenvale has the potential to considerably optimise the Company's product manufacturing and provide access to the front of the supply chain. We expect the relationship with Edenvale to lead to a sustainable, consistent and low-cost manufacturing opportunity which will negate ongoing out of stock issues with key retailers and reduce lost sales. Further, the Agreement will unlock significant gross margin savings for the Company, which have not been recognised through previous contract manufacturing relationships. This is a major step forward in the Company's stated strategy to drive net profit.*

"Importantly, the issuance of fully paid ordinary shares to Edenvale for the sum of an arms-length manufacturing contract will provide motivation for both parties to explore additional partnership agreements and business opportunities, while ensuring Forbidden Foods remains a top priority for the group.

"We look forward to providing further updates on potential synergies between both parties as developments materialise."

Additional terms:

The termination provisions under the Agreement are standard supply and manufacturing termination provisions including termination for failure to manufacture, package, supply, store or deliver the product in accordance with the Specifications or Quality Standards, or for a material breach. Each party may terminate this agreement at any time during the Term, by giving six months' written notice to the other party.

There are no minimum volumes associated with the Agreement.

There are no material conditions that need to be satisfied before the parties become legally bound to proceed with the terms of the Agreement and there is no other material information relevant to assessing the impact of the Agreement on the price or value of the Company's securities.

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

ENDS

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About Forbidden Foods Ltd

Forbidden Foods Ltd (ASX: FFF) is a health & wellness food company. The Company was established with a vision to provide engaging brands that provide the very best foods to meet consumer demand for clean, sustainable and healthy products. The core brand in the portfolio is Blue Dinosaur[®] which is sold in Australia & USA.