

ASX Announcement

Forbidden Foods Limited ASX: FFF

30 April 2024

## Q3 FY2024 Quarterly Activities Report: Strong momentum in operating cashflows underpinned by strategic manufacturing agreement to drive margin growth

### Key Highlights

- Acceleration in trend growth towards cashflow break-even with another material reduction in net operating cash outflows to (\$201,000), an improvement of \$360,000 on the previous quarter and \$580,000 on the prior comparative period
- Ongoing focus on cost management, evidenced during the period by a \$354,000 quarterly reduction in product manufacturing and operating costs
- FFF further consolidated the positive trend in net operating cashflows during the period via strategic manufacturing agreement with Edenvale Foods, an SQF certified facility which specialises in upcycling farm seconds for nutrient dense snack bars
- Agreement with Edenvale is expected to unlock significant cost efficiencies and margin growth across the group's flagship Blue Dinosaur product range, along with increased flexibility to scale production
- The group's expanded manufacturing base is also expected to underpin a near-term turnaround in sales momentum after Q2 CY2024 sales were capped by constraints on supply of high-margin SKU's
- Appointment of Mr Michael Ryan, a Chartered Accountant with 30 years' industry experience, as new Chief Financial Officer
- Post quarter-end, Company completed successful capital raise with firm commitments to raise \$0.6m via a Share Placement priced at \$0.018 per share – a 27.4% premium to the 15-day Volume Weighted Average Price (VWAP) of FFF shares prices to the date of the announcement

Forbidden Foods Ltd (ASX: FFF) ("Forbidden Foods" or "the Company") is pleased to provide the following overview of activities undertaken during the three-month period ended 31 March 2024 (the "quarter").

### Management commentary:

**Forbidden Foods' Chief Executive Officer, Alex Aleksic said:** "The March quarter marked an important period of consolidation in our stated turnaround strategy for Forbidden Foods, led by the ongoing growth of the group's flagship Blue Dinosaur product range. Since new management joined the business in mid-2023, we have implemented an aggressive strategy to reduce costs while simultaneously building out sales & distribution for select high-margin product categories.

"The execution of the strategy was clearly evident in the March quarter, with another material reduction in operating cash outflows. Most importantly, the result further consolidated what is now a clearly established trend towards cash-flow break-even. While there has been plenty of hard work to-date, what's really exciting is the framework we have now established for further uptrends in sales and margin growth following the successful completion of our strategic manufacturing agreement with Edenvale Foods. Along with a lower cost base, the agreement provides Forbidden Foods with added flexibility to scale production to meet demand – a key step on our path to both revenue growth and

*profitability. We look forward to seeing the improvements in our manufacturing base flow through to a step-change in the Company's performance over the months and quarters ahead."*

## Operational Review

### Strategic manufacturing partnership with Edenvale Foods

Quarterly operations were highlighted by a strategic manufacturing agreement (the 'Agreement') with leading NSW-based product development and contract manufacturer, Edenvale Foods ('Edenvale'). The Agreement sets out the terms for Edenvale to 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.

Edenvale Foods was chosen by the Company due to its specialisation 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 Agreement has significant strategic importance for the business, given the capacity for Edenvale's unique manufacturing advantages to optimise Forbidden Foods' supply chain unlock significant margin growth and provide greater flexibility around new product development. Importantly, the partnership is expected to negate recent out-of-stock issues with key retailers and reduce lost sales, in turn driving increased revenue from a lower per-unit cost base.

### Ongoing implementation of material cost reductions

During the quarter, Forbidden Foods maintained its stringent focus on cost management, which flowed through to another material reduction in net operating cash outflows. Quarterly net outflows of (\$201,000) marked best quarterly operating cash result since new management was appointed in mid-2023, reflecting an improvement of \$360,000 from the previous quarter and \$580,000 from the prior corresponding period, respectively.

The result also marks the continuation of a consistent uptrend, with further improvements anticipated as the Company's expanded manufacturing capacity at Edenvale allows it to hit sales targets for high-demand products across its core retail channels, without the cost impacts of previous overheads that have been permanently removed from the business.

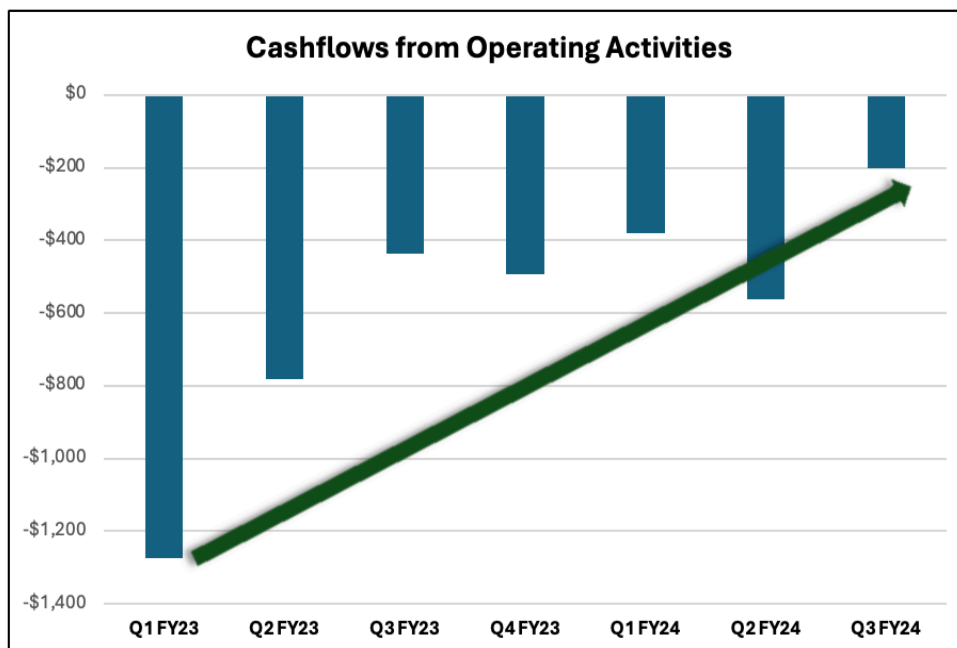


Chart: Cashflow from operating activities FY23 to current (\$K)

## Financial and corporate overview:

### Executive changes:

During the quarter, Forbidden Foods further strengthened its executive team with the appointment of Mr Michael Ryan as Chief Financial Officer. Mr Ryan holds a Bachelor of Commerce and an LLB with Honours from the University of Queensland and has been a Chartered Accountant for 29 years. He is an experienced investor, director and executive of businesses across a range of industries including infrastructure, trade & investment, resources and construction.

More recently, Mr Ryan co-founded strategic consulting firm Ingredior, which specialises in assisting early-stage growth companies achieve scale including network access for funding, partnership opportunities and general business development. His appointment marked the culmination of a successful period in a consulting role at Forbidden Foods, where he has been assisting the Company execute its turnaround strategy since mid-2023.

### Strategic share placement

Post quarter-end, Forbidden Foods announced it had received firm commitments to raise \$0.6m through the issuance of up to approximately 33.3 million new fully paid ordinary shares in the Company at \$0.018 per share via a share placement.

The placement price represented a 27.4% premium to the 15-day Volume Weighted Average Price (VWAP) of Forbidden Foods' shares to 9 April 2024. Funds raised will provide the Company with additional balance sheet strength to accelerate sales with key retailers, increase ecommerce revenue and drive brand awareness, alongside the strategic build-up of inventory to meet future demand following its strategic manufacturing agreement with Edenvale Foods.

### Cash receipts and operational costs strategy:

Forbidden Foods reported a quarterly (q/q) increase in cash receipts from sales to \$542,000, representing a 15.8% decrease. The quarterly decline was due to constraints on supply for high-selling SKUs and once-off out-of-stocks for key inventory, highlighting the increased importance of the manufacturing agreement with Edenvale which is expected to alleviate some pre-existing pain points in inventory management.

The reduced cash receipts were accompanied by a stringent focus on cost management, which flowed through to a commensurate reduction in product manufacturing and operating costs which in turn supported the positive uptrend in net operating cash flows.

The Company is now focused on several key KPI's with respect to sales growth and inventory management, as it prioritises the optimisation of its supply chains through Edenvale to lower per-unit costs and flexibly scale up production to meet future demand.

#### ASX additional information:

In accordance with ASX Listing Rule 4.7C.3, Forbidden Foods advises that an amount of \$49,167 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.

ENDS

#### For further information, please contact:

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**Henry Jordan**

Six Degrees Investor Relations

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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.

## 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 March 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	542	1,779
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(334)	(1,464)
(c) advertising and marketing	(136)	(396)
(d) leased assets	-	-
(e) staff costs	(252)	(1,014)
(f) administration and corporate costs	(27)	(162)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	32
1.7 Government grants and tax incentives	6	79
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(201)</b>	<b>(1,143)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(14)	(21)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	-	20
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(14)</b>	<b>(1)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,058
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	(24)	(108)
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)	(22)	(50)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(46)</b>	<b>900</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	369	352
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(201)	(1,143)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(1)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(46)	900
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>108</b>	<b>108</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	108	369
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>108</b>	<b>369</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	54
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>		

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>																									
7.1	Loan facilities	1,250	179																									
7.2	Credit standby arrangements	-	-																									
7.3	Other (please specify)																											
7.4	<b>Total financing facilities</b>	1,250	179																									
7.5	<b>Unused financing facilities available at quarter end</b>		1,071																									
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.																											
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 30%;">Facility</th> <th style="width: 15%;">Facility limit \$A'000</th> <th style="width: 15%;">Amount drawn \$A'000</th> <th style="width: 15%;">Interest rate</th> <th style="width: 25%;">Secured</th> </tr> </thead> <tbody> <tr> <td>Moneytech:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Debtor finance</td> <td style="text-align: right;">1,000</td> <td style="text-align: right;">5</td> <td style="text-align: center;">10.41% p.a.</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td>Trade finance</td> <td style="text-align: right;">250</td> <td style="text-align: right;">174</td> <td style="text-align: center;">11.61% p.a.</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td><b>Totals</b></td> <td style="text-align: right;"><b>1,250</b></td> <td style="text-align: right;"><b>179</b></td> <td></td> <td></td> </tr> </tbody> </table>	Facility	Facility limit \$A'000	Amount drawn \$A'000	Interest rate	Secured	Moneytech:					Debtor finance	1,000	5	10.41% p.a.	Yes	Trade finance	250	174	11.61% p.a.	Yes	<b>Totals</b>	<b>1,250</b>	<b>179</b>				
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	<sup>1</sup> The ANZ bank overdraft limit is NZD \$10,000 and has been converted to AUD in the above table.																											
	The items included as other facilities are the American Express and NAB credit cards.																											

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(201)
8.2	Cash and cash equivalents at quarter end (item 4.6)	108
8.3	Unused finance facilities available at quarter end (item 7.5)	1,071
8.4	Total available funding (item 8.2 + item 8.3)	1,179
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	5.86
	<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 April 2024.....

Authorised by: .....Managing Director.....

### 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.