



Pure Foods Tasmania Ltd
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16 October 2024

Mr Dale Wang
ASX Adviser, Listing Compliance (Melbourne)
Australian Securities Exchange
Level 50, South Tower, Rialto
525 Collins Street
MELBOURNE VIC 3000

By email: ListingsComplianceMelbourne@asx.com.au

Dear Mr Wang

PURE FOODS TASMANIA LIMITED - ASX QUERY LETTER

I refer to your letter dated 8 October 2024 containing a number of questions for Pure Foods Tasmania Limited ("**PFT**" or the "**Company**").

PFT responds to ASX's questions as follows:

Financial Condition

1. Commenting specifically on PFT's cash and cash equivalents of \$1.1m and total current liabilities of \$4.7m, on what basis do the directors of PFT consider that PFT is a going concern

As announced to ASX on 8 July 2024, the Company engaged an independent adviser to undertake a strategic review of the Company, with a specific focus on current cost structure, potential cost savings and business alignment.

Following this strategic review, the Company has implemented many of the findings of the strategic review - which was outlined to the ASX in the statement released on 30 September 2024. This ASX announcement confirmed a range of initiatives that have been introduced and are being implemented to improve the underlying cost base and trading performance of the Company.

Significantly, it was announced that two senior management positions have not been replaced and the net saving from this initiative alone is around \$500,000 in a full year. Annualised cost savings in calendar 2024 are expected to exceed \$1m and the Company anticipates a substantially improved trading performance in FY25.

This material saving and other strategic initiatives of cost cutting, capital raising and support from our bank gives the Board confidence of being able to meet its obligations and for the Company is a going concern and can pay its debts as they fall due.

The Company has, as has been previously announced, been active investigating potential acquisitions and also potential joint ventures that could be created by demerging one or two of PFT businesses and provide new management, business strategy and fresh capital to grow the business. It is too early to announce these commercially sensitive confidential discussions.

The Company also made a placement of shares on 11 October 2024 of \$400,000. In addition, PFT has support from its shareholder and broker base. Confidential discussions are regularly taking place with the Company's brokers around the various options of a capital raising and the brokers are confident further capital can be raised to retire debt.

In the Directors opinion, the Company is a going concern.

- 2. Commenting specifically on PFT's finance facilities maturing from September 2024 onwards, and that PFT has not been able to provide the Auditor with appropriate corroborating documents to support that it has secured sufficient replacement refinancing for the next 12 months, on what basis does PFT's board consider there are reasonable grounds to believe that PFT will be able to pay its debts as and when they become due and payable**

The Company's Full-Year Report 'Borrowings' (note 16) states:

The Group has entered into finance facilities with the Commonwealth Bank of Australia (CBA) and National Australia Bank these include:

- *\$1.5m market rate loan secured against a \$1.5m deposit facility with CBA with both maturing in November 2024;*
- *\$0.5m short-term secured loan with Amal Security Services and maturing in September 2024;*
- *\$1.4m asset finance liabilities with CBA which are secured over specific assets ranging with maturity dates from December 2024 to November 2028; and*
- *\$0.002m asset finance facility with NAB and maturing in September 2024.*

Since the Auditor's opinion was signed, the following has occurred:

- (a) The Amal Security Services facility for \$500,000 due on 30 September 2024 has been extended to 31 December 2024. The Company expects to mutually review the maturity date with Amal Security Services at that time.
- (b) Discussions with the CBA in relation to the \$1.5m market rate loan are ongoing and the Board is confident the CBA will extend this facility as it is secured against a \$1.5m deposit. The CBA is also providing further support by way of a new line of credit overdraft facility.

- (c) The Company continues to meet its obligations to pay the \$1.4m asset finance liabilities with CBA in the course of normal trading. As noted in the Full Year Report, the equipment finance facilities have a range maturity dates from December 2024 to November 2028.
- (d) The \$0.002m asset finance facility with NAB has been paid out.

The Auditor noted in its Auditor's Report that the Group was not able to provide appropriate corroborating documents to support that it has secured sufficient replacement refinancing. At the time of signing the Audit Report the Company was not able to provide the Auditors with written evidence of the loan facilities being extended beyond their then maturity dates which the Company now has obtained.

Based on the extensions to the finance facilities described above and the answer in question 1 above, PFT's Board consider there are reasonable grounds to believe that PFT will be able to pay its debts as and when they become due and payable.

3. Does PFT consider that the financial condition of PFT is sufficient to warrant the continued quotation of its securities and its continued listing on ASX as required under Listing Rule 12.2?

Yes.

4. If the answer to question 3 is 'yes', please explain the basis for this conclusion

See the answers in 1 and 2 above in relation to the measures put in place to turn around the Company's financial performance for the financial year ending 30 June 2025 and the Company's ability to pay its debts as and when they fall due.

The cash loss of \$2.2m for the financial year ending 30 June 2024 was investigated by the Board and found to be related to three material areas:

- the loss incurred by new product development of potato and gravy; and
- a promotional Christmas product line; and
- the faulty sealing machine which incurred larger expenditure and waste.

Each of these items have been redressed in the 2024 calendar year.

PFT has released its strategic vision and plan to achieve its strategy in various announcements, including its announcement on 30 September 2024. This announcement included the following initiatives:

- a comprehensive restructuring of its senior management and leadership team, aimed at improving operational efficiency, cost reduction and management focus;
- a thorough end-to-end review of the Company's operations was conducted to identify and implement cost-saving measures across production, delivery and customer supply chain processes. This review has already led to the identification of operational efficiencies, cost savings and process improvements
- on-going assessment of customer and product profitability with low or negative margin products exited;

- focus on increasing gross margins through negotiated, targeted price increases where possible with customers and continued identification of cost savings in raw material inputs, distribution channels and logistics;
- investigation into the ability of infrastructure to deliver increased volumes to provide greater scale in the covering of fixed input costs.

The Company's internal forecast for the year ending 30 June 2025 based on the above initiatives shows a substantially improved trading performance in FY25.

The Company's strategy is still relevant and achievable to create shareholder value in the future. Accordingly, the Board is of the view that the Company's financial condition (including operating results) are adequate to warrant continued quotation of its securities and its continued listing.

5. **If the answer to question 3 is 'no', please explain what steps PFT has taken, or proposes to take, to warrant the continued quotation of its securities and its continued listing on ASX under the requirements of Listing Rule 12.2.**

N/A.

Full-Year Report

6. **Is PFT able to confirm that in the directors' opinion the Full-Year Report:**

(a) complies with the relevant Accounting Standards; and

Yes.

(b) gives a true and fair view of PFT's financial performance and position?

Yes.

7. **Please explain why PFT has not been able to provide the Auditor with appropriate corroborating documents to support that it has secured sufficient replacement refinancing for the next 12 months to support the going concern assumption**

At the time of signing the Audit Report the Company was not able to provide the Auditors with written evidence of loan facilities being rolled over or extended beyond the current periods.

As set out in the answer to question 2 above, certain loan facilities have been extended or repaid and discussions are underway in respect of the \$1.5m CBA market rate facility since the Audit Report was completed.

8. **Please explain how the directors of PFT satisfied themselves that the financial records of PFT have been properly maintained and that the Full-Year Report adheres to Australian Accounting Standards and gives a true and fair view of the financial position and performance of PFT. In providing this explanation, please comment on:**

8.1 the underlying assumptions used by the directors of PFT in coming to this conclusion;

The Board is aware of the accounting treatment and detail in preparation of the company's financial statements. The Company uses the 'Xero' accounting software and 'Unleashed' accounting software on which the financial records are based.

The Board met many times with the Auditors to ensure all accounting transactions complied with the appropriate Accounting Standards and represented the correct financial position.

Based on the answers in 1 and 2 above, the Board is satisfied the Full-Year Report adheres to Australian Accounting Standards and gives a true and fair view of the financial position and performance of the Company.

8.2 the matters included by PFT's Auditor in the 'Basis for Qualified Opinion' section of the Auditor's Report; and

See answer 2 above.

8.3 the enquiries made by PFT's board of management

The Board worked closely with the CFO and Managing Director on all verification of the Company's financial statements and the Company's operations.

The Board also reviewed the Management Letter of recommendations concerning the internal controls of the Company. No material items were raised in the audit concerning insufficient internal accounting controls.

9. PFT of the view that it has an appropriate system of risk management and internal control that is operating effectively? If so, please provide the basis for that view in light of the fact that PFT received a qualified opinion.

The Board is satisfied that the system is operating effectively in all material respects in relation to risk management and internal control. These controls were reviewed by the Auditors and no material issues were raised.

The effective operation of the system of risk management and internal controls allowed the Board to identify the relevant issues and to put in place the initiatives described in its ASX releases and this letter to improve the Company's trading performance.

10. Please confirm that PFT is complying with the Listing Rules and, in particular, Listing Rule 3.1.

The Company complies with the Listing Rules and in particular Listing Rule 3.1.

11. Please confirm that PFT's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its



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board or an officer of PFT with delegated authority from the board to respond to ASX on disclosure matters.

Confirmed. The above response has been authorised and approved by the Board.

Please do not hesitate to contact me if you would like to discuss any of the above matters.

Yours faithfully

A handwritten signature in dark ink, appearing to read "M J McAully", written in a cursive style.

M J McAully
Executive Chairman



8 October 2024

Reference: 100931

Mr Justin Hill
Company Secretary
Pure Foods Tasmania Limited
Level 2, 179 Murray Street
HOBART TAS 7000

By email: justinhill@pageseager.com.au

Dear Mr Hill

Pure Foods Tasmania Limited ('PFT'): Full-year report (audited financial report) - Query

ASX refers to the following:

- A. PFT's full-year report for the year ended 30 June 2024 lodged with ASX Market Announcements Platform and released on 30 September 2024 ('Full-Year Report').
- B. ASX notes that the Independent Auditor's Report attached to the Full-Year Report ('Auditor's Report') contains a Qualified Opinion together with the Basis for Qualified Opinion:

"In our opinion, except for the material uncertainty regarding going concern, the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- i giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the year then ended on that date; and*
- ii complying with Australian Accounting Standards and the Corporations Regulations 2001.*

Basis for Qualified Opinion

We draw attention to Note 1 in the financial report, which indicates that the Group have incurred a net loss of \$3.9m and a net cash outflow from operations of \$2.2m during the year ended 30 June 2024, and, as of that date, the Group's current liabilities exceeded its current assets by \$1.5m. The Group has not been able to provide appropriate corroborating documents to support that it has secured sufficient replacement refinancing for the next 12 months to support the going concern assumption. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern."

- C. Note 1(b) of the Full-Year Report 'Going Concern' which states the following:

"Consequently, the Directors are confident that the Group will be able to continue as a going concern for the foreseeable future. Accordingly, the directors have prepared the consolidated annual report on a going concern basis."

- D. Note 16 of the Full-Year Report 'Borrowings' which states the following:

"Secured liabilities and assets pledged as security

The Group has entered into finance facilities with the Commonwealth Bank of Australia (CBA) and National Australia Bank these include:

- *\$1.5m market rate loan secured against a \$1.5m deposit facility with CBA with both maturing in November 2024;*
- *\$0.5m short-term secured loan with Amal Security Services and maturing in September 2024;*
- *\$1.4m asset finance liabilities with CBA which are secured over specific assets ranging with maturity dates from December 2024 to November 2028; and*
- *\$0.002m asset finance facility with NAB and maturing in September 2024.*

The Group also entered into a \$1.0m capital investment loan from sophisticated investors that is unsecured and maturing in December 2026."

(Emphasis added)

- E. The following declaration was signed by Malcolm McAully, Non-Executive Chairman of PFT at page 57 of the Full-Year Report:

"In accordance with a resolution of the Directors of Pure Foods Tasmania Limited, the Directors of the Group declare that:

- 1) *The financial statements and notes, as set out on pages 15 to 56 are in accordance with the Corporations Act 2001 and:*
 - a. *Comply with Australian Accounting Standards applicable to the Consolidated Group, which, as stated in the accounting policies to the financial statements, constitutes compliance with International Financial Reporting Standards; and*
 - b. *Give a true and fair view of the financial position as at 30 June 2024 and of the performance for the year ended on that date of the Consolidated Group;*
- 2) *In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable..."*

- F. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.

- G. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.

- (a) *If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) *The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*
- (c) *If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*

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- (d) *If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) *If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) *If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

Request for information

Having regard to the above, ASX asks PFT to respond separately to each of the following questions:

Financial Condition

1. Commenting specifically on PFT's cash and cash equivalents of \$1.1m and total current liabilities of \$4.7m, on what basis do the directors of PFT consider that PFT is a going concern.
2. Commenting specifically on PFT's finance facilities maturing from September 2024 onwards, and that PFT has not been able to provide the Auditor with appropriate corroborating documents to support that it has secured sufficient replacement refinancing for the next 12 months, on what basis does PFT's board consider there are reasonable grounds to believe that PFT will be able to pay its debts as and when they become due and payable?
3. Does PFT consider that the financial condition of PFT is sufficient to warrant the continued quotation of its securities and its continued listing on ASX as required under Listing Rule 12.2?
4. If the answer to question 3 is 'yes', please explain the basis for this conclusion.
5. If the answer to question 3 is 'no', please explain what steps PFT has taken, or proposes to take, to warrant the continued quotation of its securities and its continued listing on ASX under the requirements of Listing Rule 12.2.

Full-Year Report

6. Is PFT able to confirm that in the directors' opinion the Full-Year Report:
 - (a) complies with the relevant Accounting Standards; and
 - (b) gives a true and fair view of PFT's financial performance and position?
7. Please explain why PFT has not been able to provide the Auditor with appropriate corroborating documents to support that it has secured sufficient replacement refinancing for the next 12 months to support the going concern assumption.
8. Please explain how the directors of PFT satisfied themselves that the financial records of PFT have been properly maintained and that the Full-Year Report adheres to Australian Accounting Standards and gives a true and fair view of the financial position and performance of PFT. In providing this explanation, please comment on:
 - 8.1 the underlying assumptions used by the directors of PFT in coming to this conclusion;
 - 8.2 the matters included by PFT's Auditor in the 'Basis for Qualified Opinion' section of the Auditor's Report; and

8.3 the enquiries made by PFT's board of management.

9. Is PFT of the view that it has an appropriate system of risk management and internal control that is operating effectively? If so, please provide the basis for that view in light of the fact that PFT received a qualified opinion.
10. Please confirm that PFT is complying with the Listing Rules and, in particular, Listing Rule 3.1.
18. Please confirm that PFT's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of PFT with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Wednesday, 16 October 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PFT's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require PFT to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in PFT's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in PFT's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to PFT's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that PFT's obligation

to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Yours sincerely

ASX Compliance