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ASX Announcement **28 October 2020**

Q1 FY21 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

Key Highlights

- **Successful ASX listing on 31 August 2020 after raising $6 million via IPO with strong support from Australian and international investors**
- **Cash receipts for the three-month period ended 30 September 2020 (Q1 FY21) were $1.10 million, including $115k R&D grant**
- **Forbidden Foods secures ranging with FoodWorks / AUR stores nationally, rolling out the Company's FUNCH and Sensory Mill products to stores within FoodWorks / AUR's network of over 500 independent supermarkets across Australia from January 2021**
- **Strong balance sheet with $5.0 million in cash reserves**
- **Sam Fraser appointed as Chief Financial Officer**

Forbidden Foods Limited (**ASX: FFF, "Forbidden Foods" or the "Company"**), producer of healthy food products under the three primary brands – Forbidden, Sensory Mill and FUNCH – presents its Quarterly Activities Report and Appendix 4C for the quarter ended 30 September 2020 (the "**Quarter**").

Commenting on the Quarterly Activities Report, Forbidden Foods co-founder and Chief Executive Officer, Marcus Brown said:

"We are extremely pleased with the completion of the IPO which was heavily supported by a combination of institutional, sophisticated and retail investors, allowing us to close the offer earlier than anticipated. With the cash raised from the offer and the automatic conversion of the convertible notes, our balance sheet is strong to now confidently progress with our exciting growth initiatives over the coming months.

"We are now looking forward to deploying the funds which will enable us to grow existing channels whilst also expanding other strategic channels, including growing our e-commerce presence globally"

"We continue to monitor the impacts of COVID-19, in particular on the food service industry in Victoria. Victoria is showing positive signs with restrictions easing and we are working closely with key customers to plan for the coming season. Our supply chain continues to be unaffected by the impacts of COVID-19.

"Overall, we are very happy with the position of the business and the strategy and direction we are pursuing. We are confident with our product range and our ability to seize opportunities available to us."

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Business Activities

- Forbidden Foods successfully completed an Initial Public Offering ("IPO") which raised $6 million (before costs) and commenced trading as a listed company on the ASX on 31 August 2020. The offer was comprised exclusively of primary capital with the issue of 30 million shares at $0.20, valuing the Company at a market capitalisation of $15 million at the issue price. BW Equities acted as Lead Manager, Cadmon Advisory acted as Corporate Adviser and Clarendon Lawyers acted as legal adviser to Forbidden Foods for the IPO. With the IPO completed two months into the Quarter, the impact of having the funds available was minimal by the end of the Quarter.
- The Company is using proceeds of the IPO to accelerate its sales, marketing and brand development activities in Australia and internationally. Forbidden Foods' sales team is focused on growing the business through new partnerships and building on existing customer relationships, with several negotiations progressing positively throughout the quarter.
- Forbidden Foods has continued to build out its executive team with the appointment of Sam Fraser as Chief Financial Officer during the Quarter. Sam commenced in that role on 1 October 2020, and over the past five years, Sam has acted as an advisor to the Company, most recently assisting with the Company's successful ASX listing.
- Forbidden Foods is currently in the process of launching its new FUNCH range of 100% Australian sourced and manufactured baby food products, suitable for distribution both domestically and into Asia, UK and the US.
- After the end of the quarter, the Company secured ranging with FoodWorks / Australian United Retailers stores nationally for its FUNCH Baby Foods, FUNCH Health Snack Mixes, Sensory Mill Plant-Based Flours and Sensory Mill Organic Apple Cider Vinegar. FoodWorks / AUR is one of Australia's largest independent retail groups with over 500 supermarkets across Australia and approximately $2B in annual sales. The parties plan to launch the rollout in January 2021 and estimate initial revenue of $1.8 million per annum across the ranged products.
- Forbidden Foods' Annual General Meeting (AGM) of shareholders will be held on 26 November 2020 at 10am AEDT. Further information on how shareholders may participate in the AGM are included in the Notice of Meeting.

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Financial Overview

- Cash receipts from customers for the three-month period ended 30 September 2020 (Q1 FY21) were $0.972 million
- Research and development grant received in Q1 FY21 of $0.115 million in relation to one-off activities conducted by Forbidden Foods in FY19 and FY20
- Other government subsidies received were $13,000
- Net operating cash outflows in Q1 FY21 of $0.21 million
- $5.02 million in cash reserves as of 30 September 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 ASX (being 31 August 2020) 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	504
Administration costs	994	87
Working capital	948	0
Costs of the offer	1,057	869
	6,000	1,460

In accordance with ASX Listing Rule 4.7C.3, Forbidden Foods advises that an amount of $92,500 was paid to executive and non-executive directors in payment of their directors' fees, salaries and post-employment benefits. An amount of $4,381 was paid to a related party for photography services.

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

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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

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Name of entity

FORBIDDEN FOODS LIMITED (ASX: FFF)

ABN	**Quarter ended ("current quarter")**
82 616 507 334	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	972	972
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(985)	(985)
	(c) advertising and marketing	(91)	(91)
	(d) leased assets	-	-
	(e) staff costs	(197)	(197)
	(f) administration and corporate costs	(13)	(13)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(24)	(24)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	115	115
1.8	Other (provide details if material)	13	13
1.9	**Net cash from / (used in) operating activities**	**(210)**	**(210)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(9)	(9)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(1)	(1)

+ See chapter 19 of the ASX Listing Rules for defined terms.

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 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**	**(10)**	**(10)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,000	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	(869)	(869)
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)	(28)	(28)
3.10	**Net cash from / (used in) financing activities**	**5,103**	**5,103**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	136	136
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(210)	(210)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10)	(10)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,103	5,103
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**5,019**	**5,019**

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	5,019	136
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)**	**5,019**	**136**

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	97
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	1,259	455
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	10	6
7.4	**Total financing facilities**	1,269	461

7.5	**Unused financing facilities available at quarter end**	808

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	6	15.50% p.a.	Yes
NAB – Revolving facility	300	-	3.95% p.a.	Yes
ScotPac – Debtor factoring	500	336	Service Fee 1.00% Margin Fee BBSY + 6.50%	Yes
ScotPac – Trade finance [2]	350	119	Management charge 3.00% Term charge 1.50% per 30 days Provision for settlement discount 7.50%	Yes
Totals	**1,269**	**461**		

[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)	(210)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,019
8.3	Unused finance facilities available at quarter end (item 7.5)	808
8.4	Total available funding (item 8.2 + item 8.3)	5,827
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	27

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.

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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: N/A

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: N/A

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: N/A

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 October 2020

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.

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