



ASX Announcement - 26 October 2020

Pure Foods Tasmania Limited Quarterly Activities Report for the quarter ended 30 September 2020

Pure Foods Tasmania Limited (**ASX:PFT**) ("**Pure Foods Tasmania**", the "**Company**") is pleased to provide shareholders and investors its Activities Report and Appendix 4C for the period ending 30 September 2020 ("**Quarter**", "**Reporting Period**"). Unless otherwise stated all financial results are unaudited.

HIGHLIGHTS:

PFT's strong financials for the September Quarter continued, with an increase in organic sales, momentum in product development, and acquisitions further diversifying the Company's product offering:

- Group sales achieves 47% increase in Q1 FY21 compared to Q1 FY20 with \$1,367,257 recorded.
- Positive EBITDA at end of Q1 FY21 with the group's trading EBITDA of \$168,876 compared to (\$16,730) in Q1 FY20, therefore improving by 1009%.
- As at 30 September 2020 the Company held a cash balance of \$3.929M.
- E-commerce sales have increased 266% in Q1 FY21 compared to Q1FY20.
- Strategic Partnership strengthened with Monde Nissan Australia with distribution into Woodbridge Smokehouse products secured into the South Australian independent market.
- PFT launched a new range of premium pate into 850 Woolworths stores nationally.
- Acquisition of the Daly Potato Company assets and business announced and completed in after balance date events.
- Incubation Fund to be established to accelerate start-ups operating in the Tasmanian premium food and beverage industry.
- Product launches - Tasmanian Plant Based Dairy brand, New Pastures, with 5 products available through nationals, independents, direct to consumer and export retail channels.

Commenting on the Quarter PFT Managing Director, Michael Cooper, said: "The September Quarter has seen the PFT business continue on a strong growth trajectory, which is a testament to our Board and our team. We have announced new acquisitions, expanded on our product range and cemented new relationships with retailers, further



executing on the Company's growth strategy. This is an exciting time for PFT and we look forward to continuing this momentum and delivering value to shareholders."

E-COMMERCE SALES

Following the successful launch of PFT's new online store, sales have increased 266% in Q1 FY21 compared to Q1 FY20. This is a credit to our Marketing team who have created something unique and special.

Our online store not only supports PFT owned brands, but we have also reached out to offer other local Tasmanian producers the opportunity to share their produce nationally via our store. This has been extremely successful in a small space of time although E-Commerce sales currently make up less than 5% of group sales.

We are continuing to work on the next level of our E-Commerce strategy which will hope to deliver in the coming weeks.

MONDE NISSAN AUSTRALIA PARTNERSHIP STRENGTHEN

During the quarter, the Company strengthened its partnership with Monde Nissin Australia by adding four Woodbridge Smokehouse products to their portfolio to service the Independent retail market in South Australia.

PFT has had a long-established relationship with MNA servicing the independent retail market in VIC, NSW, SA, WA & QLD with the Tasmanian Pate range.

The additional Woodbridge Smokehouse products which are being distributed are the Tasmanian Cold Smoked Ocean Trout in 100g and 200g as well as the Tasmanian Cold Smoked Atlantic Salmon in the 100g and 200g.





NEW PRODUCT LAUNCH INTO 850 WOOLWORTHS STORES

During the Quarter, the Company announced that an integral part of the Company's momentum in product development, is continuing to innovate and expand the PFT product range. On 6 August 2020, PFT announced that it will launch 3 premium 150g "Homestead by Tasmanian Pate" products into Woolworths nationally, all of which are produced in Tasmania with a focus on using 100% Tasmanian ingredients where possible.

The new range is now available in over 850 Woolworths stores. The Company has been working closely with its major customers to identify key trends in growth categories, as the Company continues to meet these trends through innovation and product diversification.

DALY POTATO ACQUISITION

On 9 September 2020, Pure Foods Tasmania announced that the Company had signed a Heads of Agreement to purchase the business and assets of Tasmanian based Daly Potato Company Pty Ltd ("**Acquisition**"). The Acquisition supports and underpins the Company's focus on 'meal solutions' and provides PFT with greater product depth, product diversity and a critical beachhead into the rapidly growing plant-based market.

Key terms for the Acquisition include \$1.4M of the purchase price paid by way of the issue of new shares, which have been escrowed in three equal tranches – one third to be available for release in intervals of 12 months; 24 months; and 36 months - each escrow period commencing from 1 October 2020.

In after balance date events, the Company announced that the Acquisition was completed on the 1st October 2020.

INCUBATION FUND

The Company has announced that it is establishing an incubation fund to assist start-up partner companies operating in the Tasmanian premium food and beverage industry ("**Partner Companies**"), by providing both financial support and investment, coupled with strategic advice and guidance ("**Incubation Fund**").

The fund aims to identify and nurture businesses that PFT believes have significant potential to become high growth businesses, similar to Woodbridge Smokehouse, Tasmanian Pate or Daly Potato Company.

Following a detailed due diligence period, Partner Companies that meet PFT's stringent assessment criteria, will receive financial support through equity investments, coupled with strategic advice from PFT's Board and management team. The Incubation Fund aims to



commercialise products from Partner Companies that have the ability to be produced on a scale to serve customers nationally and/or internationally. Growth can be accelerated by leveraging PFT's established customer and distribution network and thereby providing significant opportunities and benefits to PFT and the Partner Companies.

NEW PRODUCT LAUNCHES

During the Reporting Period, PFT updated the market on the launch of the new plant based dairy range, "New Pastures". A key feature of the Company's momentum is to continue to innovate and expand PFT's product range - taking its lead from market and consumer trends.

The 5 product varieties in the plant based dairy range are all produced in Tasmania using Tasmanian ingredients where possible, with products including Original Oat Melt, Smoked Oat Cheese, Aged Cashew Cheese, Almond Greek Feta and Cultured Oat Butter.



New Pastures aims to develop Tasmania's presence into this global plant-based market, with potential for product expansion.

During the Quarter the Company also initiated its entrance into the beverage market - with opportunities within this market in Tasmania currently being investigated for both non-alcoholic and alcoholic beverages.

PFT Managing Director, Michael Cooper has 28 years' experience in building one of the most successful non-alcoholic beverages business in Australia and his comprehensive understanding and experience in the industry will drive this new product category for PFT.



USE OF FUNDS

The September 2020 quarter is a period covered by the “Use of Funds Statement” as outlined in PFT’s prospectus dated 31 January 2020 (**Prospectus**). As announced on 28 April 2020, PFT provided an updated statement of commitments based on the additional \$500,000 of oversubscriptions accepted under the Prospectus. The table below sets out the use of funds commitments based on the actual amount raised under the Prospectus and expenditure on these items to 30 September 2020.

Use of funds	Amount raised under the Offer	Expenditure to 30 Sept 2020	Variance
Plant and Equipment	\$1,100,000	\$273,468	\$826,532
Business development and marketing	\$700,000	\$81,574	\$618,426
New product development	\$350,000	Nil	\$350,000
Working capital	\$1,242,489	Nil	\$1,242,489
Costs of the Public Offer	\$607,511	917,990	(\$310,480)
Total	4,000,000	\$917,990	

Explanation of material differences in the table above

PFT has only been readmitted since 30 April 2020 and the use of funds statement in the Prospectus covers a period of substantially longer than one quarter. Therefore, the expenditure on specific items has not yet been applied. In relation to the specific items outlined in the table:

1. **P&E:** PFT has started to invest in a new automation line for Tasmanian Pate Funds have been drawn down to support this.
2. **Business development and marketing:** PFT has only recently employed a new Marketing and Brand Manager and has started to deploy funds to support PFT marketing.
3. **New Product Development:** NPD is also well under way but in initial design process – so no funds used.
4. **Working capital:** PFT has not needed to use any as existing business units are cash flow positive and funding cash flow needs
5. **Cost of public offer:** the total costs of the public offer exceeded budget by \$310,480 due to the complexity of the readmission and some delays.



As with any budget, the allocation of funds may change depending on a number of factors including the risk factors outlined in Section 4 of the Prospectus, and the outcome of operational and growth activities, regulatory developments and market and general economic conditions.

[Ends]

This announcement has been authorised and approved by the Managing Director.

For investor, media or other enquiries please contact:

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FORWARD LOOKING STATEMENTS

This announcement contains certain forward-looking statements that are based upon information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Pure Foods Tasmania Limited. These factors may cause actual results to differ materially from those expressed in this announcement.

FOR PERSONAL USE ONLY

Appendix 4C

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

Name of entity

Pure Foods Tasmania Limited

ABN

13112682158

Quarter ended ("current quarter")

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	989	989
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(576)	(576)
(c) advertising and marketing	(54)	(54)
(d) leased assets	(1)	(1)
(e) staff costs	(404)	(404)
(f) administration and corporate costs	(157)	(157)
1.3 Dividends received (see note 3)		
1.4 Interest received	13	13
1.5 Interest and other costs of finance paid	(10)	(10)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	218	218
1.8 Other (GST Refunded/(Paid))	25	25
1.9 Net cash from / (used in) operating activities	43	43
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(209)	(209)
(d) investments		
(e) intellectual property	(3)	(3)
(f) other non-current assets		

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

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	(212)	(212)

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		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (principal component of lease payments)	(37)	(37)
3.10	Net cash from / (used in) financing activities	(37)	(37)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,134	4,134
4.2	Net cash from / (used in) operating activities (item 1.9 above)	43	43
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(212)	(212)

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

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)	(37)	(37)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	3,928	3,928

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	1,578	534
5.2	Call deposits	2,350	3,600
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)	3,928	4,134

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	39
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>		

The amount displayed above is entirely related to;

- \$8 - payments to the Fleming Family Trust as a retainer for director Ken Fleming's services.
- \$31 - Director's fees

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	739	590																									
7.2	Credit standby arrangements																											
7.3	Other (please specify)	25	10																									
7.4	Total financing facilities	764	600																									
7.5	Unused financing facilities available at quarter end		164																									
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%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Lender</th> <th style="width: 25%;">Interest Rate</th> <th style="width: 25%;">Maturity Date</th> <th style="width: 25%;">Secured or Unsecured</th> </tr> </thead> <tbody> <tr> <td>NAB</td> <td>4.55%</td> <td>November 2023</td> <td>Secured</td> </tr> <tr> <td>NAB</td> <td>4.95%</td> <td>March 2021</td> <td>Secured</td> </tr> <tr> <td>NAB</td> <td>5.61%</td> <td>June 2022</td> <td>Secured</td> </tr> <tr> <td>NAB</td> <td>6.06%</td> <td>January 2023</td> <td>Secured</td> </tr> <tr> <td>NAB</td> <td>5.81%</td> <td>January 2023</td> <td>Secured</td> </tr> </tbody> </table>				Lender	Interest Rate	Maturity Date	Secured or Unsecured	NAB	4.55%	November 2023	Secured	NAB	4.95%	March 2021	Secured	NAB	5.61%	June 2022	Secured	NAB	6.06%	January 2023	Secured	NAB	5.81%	January 2023	Secured
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	The items included as other facilities are NAB Business Visa accounts.																											

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	43
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,928
8.3	Unused finance facilities available at quarter end (item 7.5)	164
8.4	Total available funding (item 8.2 + item 8.3)	4,092
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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:	

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

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:

23-10-20

Authorised by:


 Michael Cooper

(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.