Forbidden Foods Limited ASX: FFF

ASX Announcement

8 December 2022

Forbidden Foods finalises placement to raise $1.08m to unlock US growth opportunities

Forbidden Foods Ltd (ASX: FFF) ("Forbidden Foods" or "the Company") is pleased to advise that it has secured firm commitments from institutional, sophisticated and professional investors to raise $1.08m (before costs) through the issue of 30.42m new fully paid ordinary shares at an issue price of $0.0355 per share ("Placement").

The Company advises it will also undertake a 1:3 rights issue to eligible shareholders to issue up to 34.47m new fully paid ordinary shares at $0.0355 to raise approximately $1.22m (before costs) subject to a prospectus ("Rights Issue").

Both the Placement and Rights Issue will include a free quoted option on the basis of one option for every two shares subscribed under the Placement or the Rights Issue.

Highlights

- *Commitments secured to raise $1.08m through the issue of 30.42m shares at $0.0355 per share via a Placement*
- *Additional 1:3 Rights Issue to raise approximately $1.22m through the issue of up to 34.47m shares at $0.0355*
- *Funds raised will be deployed to further accelerate sales and growth opportunities for Blue Dinosaur® in the US market, and provide additional working capital*
- *Capital to be deployed towards expanded inventory management and manufacturing operations in order to meet demand from major US retail groups*
- *FFF has secured ranging with three US retailers including ShopRite, Associated Food Stores and Fresh Thyme Market, which service over 875 stores and expects first major purchase orders in the coming weeks*
- *Additional funds to be used to drive Blue Dinosaur® brand awareness through in-store and online activation activities*
- *New funding provides considerable financial flexibility to undertake business development initiatives through established distribution partner, KeHE*
- *KeHE is one of the largest and most respected pure play grocery and natural product distributors in the US, servicing 30,000+ store locations*
- *New funding injection follows stringent cost management initiatives, providing Forbidden Foods with significant runway*
- *BW Equities and Viriathus Capital acted as joint lead managers to the capital raise*

Forbidden Foods' Chief Executive Officer, Marcus Brown said: *"We are very pleased with the support for this placement from new and existing shareholders. Over recent months, the Company has worked diligently to establish its US manufacturing base and build a solid distribution footprint. This new funding will allow Forbidden Foods to expedite growth in the US market and leverage these operations with a view to unlocking increased value for shareholders."*

"The new funding also follows a stringent review of the Company's cost base and inventory management practices, as revenues for the Blue Dinosaur product range continue to grow. This review is expected to lead to a reduction in per-unit operating expenses, in line with the group's strategic priority to drive higher margin growth from the broader demand opportunity in US markets. We look forward to providing further updates as additional ranging agreements are secured and purchase orders materialise."

Placement and Rights Issue terms:

The Company has secured firm commitments to raise $1.08m (before costs) through the issue of approximately 30.42m new fully paid ordinary shares at an issue price of $0.0355 per share comprising:

- Tranche 1 – approximately $918k (25.85m shares) under existing Listing Rule 7.1 (15.51m shares) and 7.1A (10.34m shares) placement capacity; and
- Tranche 2 – approximately $162k (4.57m shares) subject to shareholder approval at an EGM to be held in January 2023 ("EGM").

The Placement will result in the issue of approximately 30.42m new fully paid ordinary shares.

The Company will also undertake a 1:3 rights issue to eligible shareholders to issue up to 34.47m new fully paid ordinary shares at $0.0355 to raise approximately $1.22m (before costs) subject to a prospectus and timing.

The Rights Issue is available to all shareholders registered on the record date of 13 December 2022 whose registered address is in Australia or New Zealand ("Eligible Shareholders").

Any entitlements not taken up under the Rights Issue will form a shortfall offer and Eligible Shareholders will be entitled to subscribe for additional shares when applying for shares under the Rights Issue. To the extent there is any shortfall shares remaining the Board reserves the right to place those remaining shortfall shares within three months of the closing date, subject to compliance with the ASX Listing Rules. All allocations of shortfall shares remain at the discretion of the Board. All shares under the Placement and Rights Issue will be issued at a fixed issue price of $0.0355, representing a discount of approximately:

- 17.4% to the last traded price on Monday, 5 December 2022 of $0.043
- 24.5% to the 15-day VWAP prior to Tuesday, 6 December 2022 of $0.047

Settlement of Tranche 1 is expected to occur on Wednesday, 14 December 2022 with the trading of the new shares associated with Tranche 1 expected to commence on Friday, 16 December 2022. New shares under Tranche 2 will be issued following, and subject to, shareholder approval at the EGM.

The Rights Issue is not underwritten but the Company reserves the right to arrange underwriting in due course if it is considered appropriate.

Free attaching options:

Pending shareholder approval at the EGM, eligible participants who participated under the Placement and Eligible Shareholders who subscribed under the Rights Issue will receive one free attaching option for every two shares issued under the Placement or Rights Issue. The options are intended to be listed following completion of the Rights Issue and will have a strike price of $0.08 with an expiry date of 31 January 2025.

Prospectus:

Further details of the Rights Issue, the options to be issued subject to shareholder approval, the effect of the Rights Issue on the capital structure and financial position of the Company is set out in the Prospectus lodged with ASIC and ASX today. The Prospectus, together with an application form will be made available to Eligible Shareholders on 16 December 2022, at which time the Rights Issue will open. Eligible Shareholders are recommended to read the Prospectus carefully before subscribing for any securities, and seek advice from their professional adviser if they have any queries on what action to take.

Joint Lead Managers:

BW Equities and Viriathus Capital acted as joint lead managers to the Placement and pending shareholder approval, will be entitled to a capital raising fee of 4% and a management fee of 2% of the gross proceeds raised, together with 10.00m options on the same terms as the free attaching options.

Indicative timeline (subject to change):	
Trading halt	Tuesday, 6 December 2022
Announcement of results of Placement, announcement of Rights Issue, lodge Appendix 3B and lodgement of Prospectus with ASIC and ASX	Thursday, 8 December 2022
Ex-date for Rights Issue	Monday, 12 December 2022
Record Date	7:00pm, Tuesday, 13 December 2022
Settlement of tranche 1 of Placement	Wednesday, 14 December 2022
Issue of tranche 1 placement shares, lodge Appendix 2A	Thursday, 15 December 2022
Tranche 1 Placement shares commence trading on ASX Dispatch of Prospectus, dispatch of EGM Notice, Rights issue opens (Opening Date)	Friday, 16 December 2022
EGM to approve issue of tranche 2 Placement shares, Placement Options, Rights Issue options and Broker options	10:00am, Wednesday, 18 January 2023
Rights Issue closes (Closing Date)	5:00pm Friday, 27 January 2023

Indicative timeline (subject to change):	
Announcement of results and shortfall (if any) under the Rights Issue, Rights Issue shares start trading on a deferred settlement basis	Monday, 30 January 2023
Issue and allotment of tranche 2 Placement Shares, Placement Options, Rights Issue shares, Rights Issue options and Broker options, lodge Appendix 2A	Before noon on Tuesday, 31 January 2023
Dispatch of holding statements	Wednesday, 1 February 2023
Commencement of trading tranche 2 Placement shares and Rights Issue shares on a normal settlement basis	Wednesday, 1 February 2023

All dates are indicative only and subject to compliance with the Corporations act and the ASX Listing Rules may be changed at the discretion of the Company without prior written notice. Any extension of the Closing Date will have a consequential effect on the date of issue of shares and options. All times are to Australian Eastern Daylight Saving Time (AEDT).

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

For further information, please contact:

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About Forbidden Foods Ltd

Forbidden Foods Ltd (ASX: FFF) is a multi-brand premium food company focusing on the infant & toddler and health & wellness plant-based markets. The Company was established with a vision to provide the very best foods to meet consumer demand for clean, sustainable, plant-based and healthy products. The business sells products via its three brands – Blue Dinosaur®, FUNCH® and Sensory Mill®