

Forbidden Foods Limited ASX: FFF

ASX Announcement

14 August 2024

Forbidden Foods to acquire Oat Milk Goodness in all-scrip deal

Highlights

- *Share Purchase Agreement (SPA) executed to acquire leading plant-based non-dairy business Oat Milk Goodness (OMG)*
- *Co-founded by Australian cricketer Steve Smith, OMG competes in the fast-growing oat milk sector with a unique product offering defined by its seed oil-free formula*
- *OMG has established distribution in Australia with major retailers and targeted international expansion opportunities into large markets including India*
- *OMG is currently delivering annualised revenue of \$1.2m – Near term revenue growth anticipated following completion of transaction*
- *In accordance with the SPA, Forbidden Foods will acquire 100% of the shares in OMG for a consideration of \$3.42m via the issue of 285m ordinary shares priced at 1.2c per share, subject to conditions precedent and shareholder approval*
- *Acquisition unlocks a strategic opportunity to expand FFF's product offering by integrating OMG's leading range of plant-based milk products to complement the Company's Blue Dinosaur healthy snack range*
- *Combined entity will leverage the respective strengths of both companies in sales & marketing, logistics and supply chain management to drive growth for a streamlined, multi-channel product offering*
- *Acquisition will allow Forbidden Foods to considerably increase its revenue profile, Australian distribution network and international expansion opportunities, as well as streamline operating costs associated with both companies*
- *Proposed transaction marks the first step in FFF's transition to a leading brand manager in the 'Better for You' FMCG segment – additional acquisitions actively being explored*
- *As part of the transaction, FFF has secured firm commitments from professional and sophisticated investors to raise \$650,000 through the issue of ~54.17m new fully paid ordinary shares at \$0.012 (1.2c) per share with one free attaching 3-year option with an exercise price of 1.5c for every two shares subscribed*
- *Capital raise includes commitments of \$200,944.50 from OMG personnel and \$40,000 from existing FFF management, of which the amount raised from existing FFF management will be subject to shareholder approval*

Forbidden Foods Ltd (ASX: FFF) ("Forbidden Foods" or "the Company") is pleased to advise that it has executed a Share Purchase Agreement (SPA) to acquire 100% of the issued capital of Good Oats Pty Ltd, which is trading as Oat Milk Goodness (OMG), a leading Australian plant-based non-dairy milk company (OMG Acquisition). The signed SPA follows the completion of due diligence carried out by both parties on an exclusive basis.

Under the terms of the SPA, Forbidden Foods will acquire all of the issued capital in OMG for a consideration of \$3.42m, which will be settled via the issue of 285m new fully paid ordinary shares in Forbidden Foods at a deemed issue price of 1.2c per share (Consideration Shares). The issue of the Consideration Shares will be subject to the Company obtaining shareholder approval for the purposes of ASX Listing Rule 7.1.

Management Commentary:

Forbidden Foods' Chief Executive Officer, Alex Aleksic said: *"We are pleased to confirm this strategic acquisition with a company of OMG's calibre. The proposed transaction represents a unique opportunity to leverage the respective strengths of both companies and create an integrated multi-channel, health-focused products business serving domestic and international markets. Strategically, the Forbidden Foods Board and management team holds the view that OMG's product suite specifically complements Forbidden Foods' core range of Blue Dinosaur healthy snack foods, by adding a leading health-drink range in a fast-growing market."*

"Both parties have also identified numerous synergy opportunities in sales & marketing and the streamlining of overheads and internal administration costs, which will drive growth and cost efficiencies. With the completion of the SPA, we look forward to working with OMG and our shareholders to finalise the transaction and executing on our shared growth strategy."

"More broadly, this transaction marks the Company's maiden step in transitioning to a brand manager in the 'better for you' segment of the FMCG sector to further capitalise on the consumer shift towards healthy choices. The Company is currently assessing a number of other value accretive opportunities and will provide further updates over the coming months."

Oat Milk Goodness co-founder, Steve Smith, commented: *"We are excited to have entered into this SPA with Forbidden Foods and are confident that it will provide a springboard for OMG's future growth. While there are a number of synergies between the businesses, OMG has the potential to benefit from the agreement through access to capital markets and international expansion opportunities. I would like to take this opportunity to thank all shareholders, as well as key management for their support as we progress the business' next phase of growth."*

About Oat Milk Goodness:

OMG was established to develop a home-grown oat milk product that takes advantage of Australia's abundant supply of natural oats, and is also free of industrial seed oils such as canola, rapeseed or sunflower oil which can cause inflammation.

Since launching, OMG's core oat milk product has established strong traction among merchant customers in the café and barista industry. OMG has since broadened its product range to include flavoured milks and 'prOATein' options, and has expanded distribution through ranging in Woolworths and Ampol Foodary outlets. Through its distribution channels, OMG is also ranged in leading independent and health food stores.

OMG is actively pursuing international expansion opportunities with an initial focus on India, where it has a unique opportunity to leverage Steve Smith's profile in the Indian market and take advantage of increased demand for health products among Indian consumers. OMG's near-term priorities are to fast-track the expansion of its existing product range, including more prOATein options, overseas expansion, while also building out its sales team and allocating resources to targeted marketing campaigns.

Strategic rationale:

Forbidden Foods believes that the OMG Acquisition provides considerable upside from an operational and corporate standpoint. The Company plans to leverage its established Australian distribution footprint and relationships with major retail groups to drive uptake of OMG's plant-based range, which will complement the group's existing sales. Further, Forbidden Foods can leverage the profile of OMG's existing ambassadors across the Blue Dinosaur range to broaden awareness.

The OMG Acquisition also unlocks a number of operating synergies, including reduced overheads and internal administrative costs. Forbidden Foods has existing internal infrastructure and capacity to manage OMG's accounting functions, sales and distribution, which is expected to lead to considerable cost efficiencies. Both parties will also have the

potential to leverage their existing expertise to drive product development across the OMG and Forbidden Foods product ranges.

This OMG Acquisition also marks a first step in Forbidden Food's transition to a capital light brand manager within the FMCG sector.

Transaction Details and Placement:

As noted above, the agreed consideration of \$3.42m will be payable at completion under the SPA via the issue of the Consideration Shares. The terms of the SPA require that 54.24% of the Consideration Shares issued be held in escrow for a period of 6 months following completion under the SPA and as at the date of this announcement, the relevant OMG shareholders have executed voluntary escrow deeds in this regard. Daniel Rootes, who is the presently the sole director of OMG, will be appointed as a director of the Company following completion of the OMG Acquisition.

In addition to the Company obtaining shareholder approval for the issue of the Consideration Shares, completion of the OMG Acquisition under the SPA will be subject to other customary conditions precedent including:

- no government agency taking any action, or omitting to take any action, which would, or would be reasonably likely to, prevent, hinder, jeopardise, place any restrictions or impose any conditions on the completion of the OMG Acquisition;
- the absence of any material adverse changes in the financial conduct, results of operations and assets of OMG; and
- the successful completion by Forbidden Foods of a capital raising to raise at least \$500,000 via a share placement.

Forbidden Foods will convene an Extraordinary General Meeting of its shareholders (**EGM**) to approve, among other things, the issue of the Consideration Shares as well as the issue of securities under the Placement.

In connection with the OMG Acquisition, the Company has successfully completed a placement to professional and sophisticated investors to raise \$650,000 (before costs) through the issue of 54,166,667 shares at an issue price of \$0.012 (1.2 cents) per share (**Placement**). The Placement will be undertaken in two tranches, comprising an initial, unconditional tranche for the issue of 22,965,136 shares at \$0.012 per share totalling \$275,581.16 (before costs) (**Tranche 1**), and a subsequent, conditional tranche for the issue of 31,201,531 shares at \$0.012 per share (**Tranche 2**), which will be subject to shareholder approval. Tranche 1 of the Placement will be undertaken pursuant to the Company's remaining placement capacity under ASX Listing Rule 7.1.

For every two new shares subscribed for under the Placement, participants will be issued one free attaching option with an exercise price of \$0.015 and an expiry term three years from the allotment date (**Placement Options**). The issue of the Placement Options will also be subject to shareholder approval, which will be sought at the EGM.

JP Equity Holding Pty Ltd has been appointed as lead manager of the Placement (**Lead Manager**). Pursuant to the terms of the mandate for the appointment of the Lead Manager, the Lead Manager is entitled to receive fees in the amount of 6% of the amount raised under the Placement (excluding GST) as well as 26 million options, each being on the same terms of the Placement Options, that is, an exercise price of \$0.015 and an expiry term three years from the allotment date (**Lead Manager Options**). The issue of the Lead Manager Options is subject to the Company obtaining shareholder approval which will be sought at the EGM. If shareholder approval is not obtained at the EGM, the Company will be required to pay the Lead Manager the cash equivalent value of the Lead Manager Options calculated using the Black-Scholes options valuation model.

The Placement also includes commitments from existing management and OMG personnel valued at \$240,944.50, of which the amount raised from existing FFF management and a portion of the amount raised from OMG personnel will be subject to shareholder approval.

Forbidden Foods has obtained in-principle advice from the ASX that ASX Listing Rules 11.1.2 and 11.1.3 will not apply to the proposed transactions as set out in this announcement, being the OMG Acquisition and Placement (including the associated issue of Placement Options and Lead Manager Options).

Indicative timetable:

The following is an indicative timetable for the proposed acquisition of OMG and the Placement.

Event	Date
Trading halt	Monday, 12 August 2024
ASX announcement of Placement and OMG acquisition	Wednesday, 14 August 2024
Settlement of Tranche 1 Placement Shares	Tuesday, 20 August 2024
Issue Notice of EGM	Wednesday, 21 August 2024
Allotment of Tranche 1 Placement Shares	Thursday, 22 August 2024
Convene EGM	Thursday, 19 September 2024
Settlement of Tranche 2 Placement Shares	Friday, 20 September 2024
Allotment of Tranche 2 Placement Shares and Placement Options	Tuesday, 24 September 2024
Completion of OMG acquisition	Thursday, 26 September 2024
Allotment and quotation of Consideration Shares	Thursday, 26 September 2024

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

ENDS

For further information, please contact:

Alex Aleksic

Chief Executive Officer

alex.aleksic@forbiddenfoods.com.au

Henry Jordan

Six Degrees Investor Relations

henry.jordan@sdir.com.au

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.