



ASX Announcement

8 March 2019

Chairman Dr Norman Li provides funding ahead of shareholder approval and distribution agreement is signed with Careline

Highlights

- FOD Chairman, Dr Norman Li has agreed to provide bridge funding to FOD of \$1.89 million ahead of shareholder approval
- The funding will enable FOD to continue to upgrade its Mill Park facility, conduct R&D on its proposed export products and provide flexibility to increase production after the first run of Canola oil under the Sinopec agreement
- The three remaining investment tranches totalling \$16.74 million to be invested by Careline and / or its nominees require shareholder approval, with the meeting expected to be held in late April or early May
- These investment tranches are a firm commitment to invest (not an option) and are personally guaranteed by Dr Li, with the interim funding made by Dr Li to be netted off from the proceeds of the next tranche of \$5.4million which must be subscribed for once shareholder approval is obtained
- Dr Li's significant financial commitment shows his strong confidence on the financial outlook for FOD as it establishes strong distribution channels domestically and in China, continues to develop innovative products and scales up its state of the art facility in Mill Park
- In consultation with the ASX, the Company has updated the milestones relating to the proposed issue of performance shares to Careline and / or its nominees under the subscription agreement to provide further clarity to shareholders
- FOD is also pleased to announce that it has signed a distribution agreement with Careline to formalise the proposed distribution arrangements for exporting to China

The Food Revolution Group Limited (ASX: FOD) is pleased to announce that Chairman, Dr Norman Li has agreed to advance \$1.89 million to FOD by way of bridge funding as part of the remaining \$16.74million of his \$20.25 million subscription agreement commitment whilst the Company arranges the Notice of Meeting (NoM) to receive shareholder approval for the issue of the shares under that commitment.

The \$1.89 million bridge funding is being provided to FOD on an interest free basis, has no security and will be repayable by FOD from the proceeds of the issue of the next tranche of 100 million ordinary shares to raise \$5.4million upon and subject to receiving shareholder approval.

As previously announced to the market, Careline Australia Pty Ltd's and its nominees' (Careline) \$20.25million commitment to invest in ordinary shares (of which the last three tranches totalling \$16.74million is subject to shareholder approval) is a firm commitment (not options) and is

personally guaranteed by the Chairman, Dr Norman Li. The timing of these remaining three tranches of investment is as follows

- Tranche 3 - an Investment A\$5,400,000 being 100 million shares to be settled and issued one business day after the shareholder meeting approves the transaction.
- Tranche 4 – an investment of A\$5,400,000 being 100 million shares to be settled and issued on 5 September 2019 (or, if later, one business day after and subject to approval at the shareholder meeting).
- Tranche 5 – An investment of A\$5,940,000 being 110 million shares, to be settled and issued on 5 March 2020 (or, if later, one business day after and subject to approval at the shareholder meeting).

Dr Li's significant financial commitment shows his strong confidence on the financial outlook for FOD as it establishes strong distribution channels domestically and internationally, continues to develop innovative products and scale up its state of the art facility in Mill Park.

In addition, in consultation with the ASX the structure of the performance shares to be issued to Careline and/or its nominees have been updated to provide further clarity to shareholders. The Company maintains its key estimated revenue targets for the next 3 - 5 years of \$100 to \$500m, however the ASX requires the Company to issue all 190 million performance shares upfront following shareholder approval but link their conversion rights to ordinary shares to performance milestones solely based on the revenue introduced by Careline, its nominees or Dr Li and/ or distribution relationships or acquisitions they introduce (Introduced Revenue) as follows:

- In any 12 month period in the three financial years between 1 July 2019 and 30 June 2022 if Introduced Revenue is at least \$60 million, then 100 million performance shares will be entitled to convert to ordinary shares. By way of context FOD's total reported revenue for FY17/18 was approximately \$36million. This clarifies the previous \$100 million performance target which included FOD's existing revenue being \$35 million for FY18/19, deemed to be indexed up by 5% per annum each year thereafter.
- In any 12 month period in the three financial years between 1 July 2019 and 30 June 2022 if Introduced Revenue is at least \$160 million an additional 30 million performance shares will be entitled to convert to ordinary shares. This clarifies the previous \$200 million performance target which included a provision for FOD's existing revenue being \$35 million for FY18/19, deemed to be indexed up by 5% per annum each year thereafter.
- In any 12 month period in the four financial years between 1 July 2019 and 30 June 2023 if Introduced Revenue is at least \$315 million an additional 30 million performance shares will be entitled to convert to ordinary shares. This clarifies the previous \$350 million performance target which included a provision for FOD's existing revenue being \$35 million for FY18/19, deemed to be indexed up by 5% per annum each year thereafter.
- In any 12 month period between 1 July 2019 and the fifth anniversary of the date of the issue of the performance shares if Introduced Revenue is at least \$465 million an additional 30 million performance shares will be entitled to convert to ordinary shares. This clarifies the previous \$500 million performance target which included a provision for FOD's existing revenue being \$35 million for FY18/19, deemed to be indexed up by 5% per annum each year thereafter.

If any of the above targets are not achieved then the relevant performance shares attaching to those targets will not be eligible to be converted into ordinary shares and will be cancelled for nil consideration. By separating out the Introduced Revenue measure from a total revenue target, it provides increased clarity to shareholders and provides comfort that Careline and its Nominees will be focussed on significantly growing FOD's distribution channels over and above FOD's existing channels.

As part of this development FOD is also pleased to announce it has today entered into a distribution agreement with Careline setting out the terms of Careline's process for ordering and distributing the Company's products in China. This distribution deed is on similar terms to other supply agreements FOD has entered into with its customers in terms of ordering, payment and supply of products and as it is a related party contract shareholders will be asked to approve the agreement at the forthcoming general meeting, the notice of which will contain a detailed description of the distribution deed's terms.

FOD expects to issue its NoM in April and hold the shareholder meeting in May to vote on the various transactions referred to above and in the Company's previous announcements.

Since Careline and Dr Li's investment in FOD with their assistance the Company has signed a distribution deal with Shanghai-based JJ Global Fine Foods and commenced shipping orders of its Fruit Farm Orange Juice and Apple Juice to China.

It also signed a memorandum of understanding (MOU) with China Petroleum & Chemical Corporation (Sinopec), the world's largest oil, refining, gas and petrochemical conglomerate for Sinopec to sell FOD's Australian canola oil products across its network of more than 35,000 petrol and convenience outlets in China. FOD is working with Sinopec to formalise this MOU including the shipment of an initial order and will update the market when this is finalised.

The Company expects to continue growth in its sales in Australia through newly-signed domestic branded product distribution deals, with newly-won business with major supermarkets Woolworths, Coles, Aldi, Metcash and the relaunch of its Juice Lab products.

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About The Food Revolution Group

The Food Revolution Group Limited (ASX: FOD) is an Australian-based food processing company that uses a combination of conventional juice processing equipment and custom-developed equipment and processes to manufacture a range of high-quality juices, fibres, infused fruits and fruit waters that are sold as branded products or ingredients to customers domestically and overseas.

FOD uses a range of processing technologies, including Current Counter Extraction (CCE) technology

which was developed in conjunction with Australia's CSIRO to extract juice from fruit and vegetables. Its processing facilities are located in Mill Park, Victoria.

FOD is aiming to generate shareholder value through exploring opportunities for growth in the functional food, beverage and nutraceutical markets in Australian and key international markets, including China.