ASM Presentation – Managing Director's review

[SLIDE 14: 2022 Overview & Highlights]

2022 was a major step forward from the challenges of 2021 but we still fell short of where we wanted and expected to be.

There were some significant achievements ticked off, albeit much later in the year than anticipated.

Nuttall Drive – the 2mt freeze dryer that was held up in China for 12 months post manufacture due to COVID shipping challenges was finally commissioned.

The dryer is being used exclusively for pet food with the site split to accommodate the pet processing as well as housing our new Liquid Nitrogen milling system.

Port Hills Road - The second new 2mt dryer was also commissioned in December along with the Energy hub.

AiOra™ Consumer range was rebranded and relaunched. Originally designed and built for the Chinese cross border (Daigou) market, unfortunately, it was launched on the first day of COVID lock down and with the borders closed it didn't perform without discounting and that's not where we wanted to be. We will cover this under consumer brands later.

The negotiation for the **sale and lease back of Tawhiri 1** was pursued to free up cash for capital plant. The decision was a relatively simple one to make as even post sale we are holding in excess of $20m in land and buildings (Book Value).

We may look at undertaking similar sale and lease backs in the future as required – and when the market returns to more favourable metrics – in respect to interest rates and yield.

Photos

[SLIDE 15-25: Photos]

- Twin Dryers Port Hills – two 2mt dryers now operational in Port Hills site. Original building houses another 1mt and smaller 500kg and 600kg dryers.
- Nuttall Dryer – this is our fourth dryer design iteration and operating extremely well.
- Pet Processing – shows current Nuttall Drive Dryer processing pet food.
- Energy Hub external – running dryers in both Nuttall Drive and Port Hills Road.
- Energy Hub internal – sitting between two 2mt dryers.
- Tawhiri Dryers – iteration 5th generation.
- Marine Collagen – primarily designed for fish skin raw material.
- Cone Dryers – vacuum dryers for handling post extraction materials.
- Extraction – new solvent extraction facility Tawhiri.
- Bottling Line – Desi Place finished product lines.
- Gummy Line – working on pet and human gummy options.

2023 Outlook

[SLIDE 26-27: 2023 Outlook]

Unfortunately, the year has started off poorly – carrying on from a December that struggled with staffing issues - we had major challenges with staff effectively not returning from holidays compounding already low numbers.

Drying capacity and demand were significantly up but the lack of staff was incredibly frustrating.

This was further compounded with krill supply for extraction, material was held up offshore.

It should also be noted our krill partner's new boat was not complete in time for the summer Antarctic fishing season meaning we have been a lot more hand to mouth on supply.

While the labour market is undeniably challenging, we performed poorly in adapting to conditions which resulted in several operational changes in terms of people and process.

Some innovative incentives around recruitment and retention were put in place and by the end of May, we had employed 15 new staff in operations – of which only one is no longer with us, taking operational staff to 40. This has put immense pressure on our supervisors and training staff, but the team is performing admirably.

The second quarter is much improved on Q1, however it will still result in a poor first half of the year.

Demand remains strong, with the only excess capacity currently in extraction due to raw material constraints.

Focus is on maximising output and bringing additional capacity online.

[SLIDE 28: Use of Funds]

The following graphs provide a good overview of capex revenue and where we are at with the capital program.

2022 saw an increase in commissioned assets and capital expenditure with forecast 2023 representing the biggest single year close out of projects.

2024 largely relates to the completion of Tawhiri 2.

[SLIDE 29: Use of Funds cont.]

The next chart overlays sales and sales capacity over the capex spend.

Note: this needs the caveat that the capacity is as at year end – so while the additional freeze-drying capacity was commissioned in 2022, it did not contribute to sales in the period.

What it shows is that at the end of 2024 our installed capacity, based on current product mix would potentially generate revenue of circa $60m.

[SLIDE 30: FD Capacity – Tonnes pa]

This calls out the Freeze-Drying capacity at Year End – again with the qualification installed as at year end.

For our forecast 2024 capacity, given we already have two of the three dryers on site, we would anticipate the additional capacity being available early 2024.

Notes to slides

The revenue calculation is always a challenging one as it is very dependent on product mix.

Freeze drying is our major bottleneck, with 90% of product going through it at some stage in some form.

As such, the utilisation of the dryers is the initial focus, but as utilisation increases then we look at product mix to optimise revenue.

The same freeze dryer has the potential to generate between multiples of up to seven times a toll (base load) might generate.

Our obvious focus is to move utilisation to the higher revenue generating products, but as this is often the longer timeline, we look to initially fill with high volume lower $ value processing.

Consumer Brands

[SLIDE 31: Beyond 2023]

The next phase is the conversion of ingredients to finished product.

Ingredients we sell internationally typically end up representing 10%-15% of the retail price of the finished product.

At a wholesale level, the conversion of ingredients to consumer product is typically a multiple of 4-fold.

This means converting 10% of our forecast capacity of $60m would result in circa $24m additional sales – making it an attractive opportunity.

We have the production capabilities across both pet and human consumer ready products, and we now have our Chinese license in place for pet consumer and ingredient products.

The Chinese licence is stimulating considerable interest, largely for OEM work where we make under customer brands. This is still a significant value add and we will leverage this revenue stream as a way to fund our own brand development. [SLIDE 32-35].

These slides contain images of products made with our own in-house capabilities – gummies, softgel, hardshell, sausages and diced treats. We have very good capacity and capabilities in place and the focus will now start to shift to accelerating growth in this area.

Questions from the floor:

Q. Do you only have dog products, nothing for cats yet?

A. We are able to provide limited Cat treats at present. A number of products are common to both cats and dogs and it is an issue of the size of the treat. However, cats are notoriously fickle and have a more challenging palate.

Q. With regards to the licence for meat based pet foods to China, when will you have sales to reflect this and how quickly will the value-add appear?

A. We applied for this in February 2021, however the licence wasn't obtained until this year and was a pleasant surprise. Inquiries caught us a bit on the hop and capacity issues have largely pushed our ability to fill this demand to the later part of the year. That said we are already quoting on some quality inquiries (in terms of type, customer and volume). As is the way we operate the freeze drying capacity, we are likely to focus on OEM business at the start but will be looking to use this to support our brand developments in this market in the future.

China is interesting from a branding point of view, traditionally we have always struggled to sell ingredients into China, they want traceability, original packaging, and authenticity. In comparison in the US, we supply bulk products, they have a much more developed supply chain infrastructure and quality control.

Q. As 31st June 23 approaches, how do sales compare to June 22?

A. We will have lower sales in the first half of 2023 versus the first half of 2022. As mentioned, the first half will be poor as a result of the first quarter staffing and operations issues. The ramp-up in output in second quarter is extremely encouraging and that momentum will continue into the second half where we will benefit from the changes, increased staffing and a better supply of krill.

Q. What are the Company's funding requirements and how do you plan to fund further expansion?

A. Even after the Tawhiri 1 sale and lease back we still have a book value in excess of $20m in land and buildings. Until interest rates reduce, it's not a great time for selling property, so we are not considering a sale of any further land and building to fund expansion at this stage. However, we maintain dialogue with Cibus regarding getting any additional funding from them. They have their share options, however price performance isn't where they would want to exercise those options. We also regularly talk with strategic partners that might be worthwhile bringing in however we have as much debt as we would like to carry, so the future direction is more likely to be from equity introduction or sale and lease back rather than debt.

Q. Has Rolleston settled?

A. No. The only thing we are waiting on is the Code of Compliance. There have been some delays - the most recent one being the development contribution that the Selwyn Council originally requested of $400k, we pushed back and renegotiated to $160k. That took a bit of time and have now settled and paid and expect this to come through shortly. No outstanding matters we are aware of.

Good Health Healthy Future

Q. You showed us the capacity gains that we are going to have and alluded to the problems with labour. Can you comment on how you are going to increase productivity given these issues?

A. There are a couple of areas that we hoped to have operational and running last year. The first is running now and has been particularly effective. We are looking to move to a slightly overstaffed position as we go into winter as we expect the usual rounds of sickness.

We believe if the projects identified last year for automation had been implemented, we would be currently overstaffed, however we will obviously need the additional staff to operate at Rolleston.

That is to say, if we get the automation sorted we should have enough trained and skilled staff to migrate to Rolleston to ensure we don't have a repeat of Q1.

No further questions, an invitation is extended to everyone to visit 149 Hoskyns Road, Rolleston for a site tour, with refreshments provided.