

Shareholder Update

September 17, 2024

Funding the Business

The business is now funded to the point of completion of the first factory, including OPEX for 6 months.

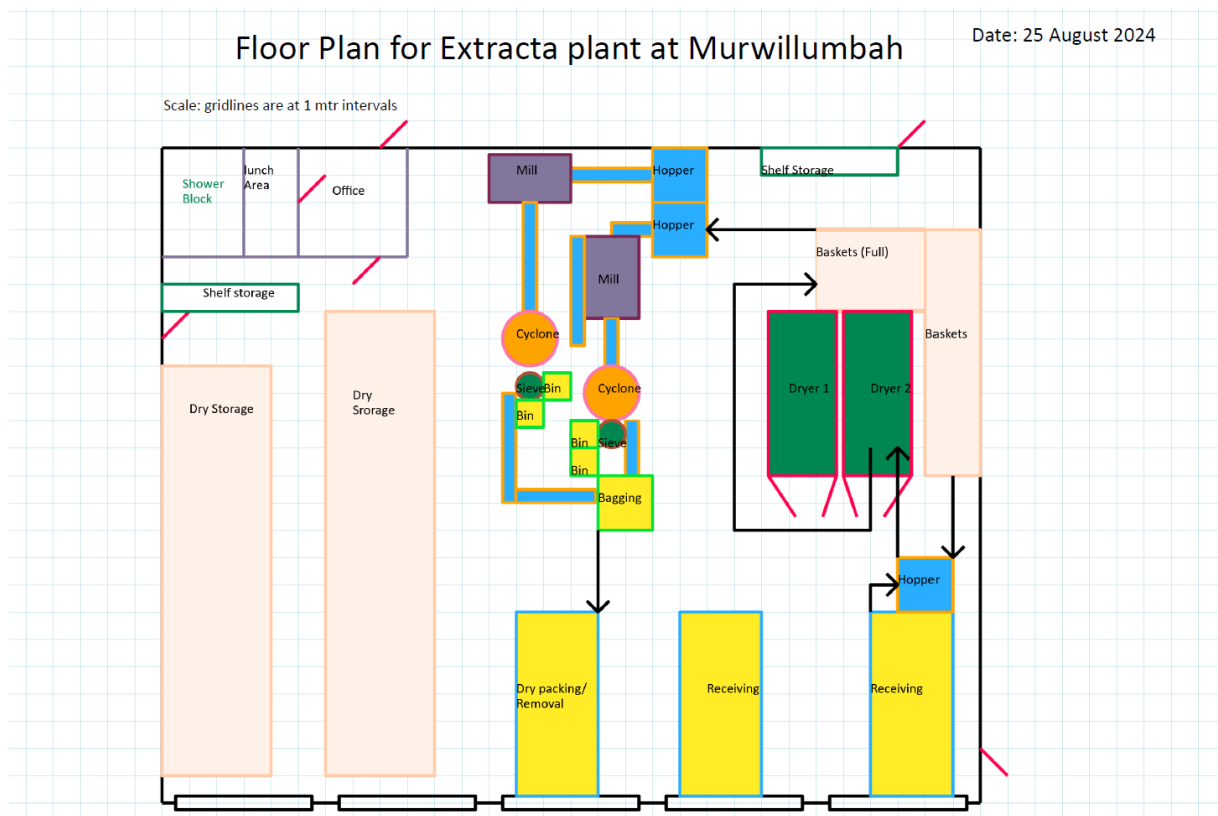
In this environment, this is an outstanding achievement and noteworthy under any circumstances. The factory is located in the Tweed Valley, Northern NSW close to several of Extracta’s raw material suppliers.

Additional funds due in September are \$320,000 from government grants and tax incentives. A further \$400,000 (from \$150,000 to \$500,000 range) is expected from investors in October to end December. These funds will be used to seed products into the Australian and US markets, plus some for overheads.

Factory

Located in a new free-standing shed of dimensions 30 m x 24 m, in Murwillumbah, Tweed Valley, NSW. It has semi-trailer and B-double access and is fully serviced. Extracta has the right to place solar cells on the roof to minimise energy costs. It has crew facilities including showers, a lunchroom and parking.

Plant layout



The full specification document includes all Start and Operating power demands.

Current limiting factors

In total 23 customers have been contacted. No rejections of product have been received, and 3 are purchasing product now. A further three have committed to purchase when the plant is operating in October.

Most large customers including distributors have made it clear that they require HACCP accreditation and some also requesting Kosher and Halal. The Extracta team has had similar plants accredited in the past, including Schweppes plants and SCF plants. This will be approved – the process with HACCP has commenced – estimated approval prior to Christmas but we are planning for February.

Manufacturing Strategy

The current plan is to process all products through the Murwillumbah plant. However as Extracta raw materials are seasonal and grown remotely, a small modular 'first stage processing facility' has been designed so fruit can be dried and compressed to reduce long-haul transport costs. The most sensitive part of the Extracta process is milling to different grades and controlling quality (producing a consistent product in varying grades). This last operation will occur at Murwillumbah.

Demand

Australian demand is modest at this stage until Extracta demonstrates an ongoing reliable supply of key ingredients. However, the larger customers involved including three (3) who committed to buy product subject only to a final demonstration of a quality supply in larger volumes, will take Extracta well beyond the cash break-even point. This is the only reason Extracta has been able to raise equity and debt funding in the current investor environment (which has stalled globally for pre-profit companies).

Demand is currently being generated in the US for citrus, grape and SCF products.

There is growing demand for organic products. At this stage Extracta can supply organic grape products but not citrus nor apple. We have sourced organic SCF in the past and this connection is being updated although not a priority as assessed from immediate customer requests.

The "Fine Food Australia" Exhibition in Melbourne (2 – 5 September), has emphasised very significantly the strongly growing demand for the Extracta range (except SCF at this stage which is a specialty product albeit one that is virtually unique to Extracta). The show also showcases many organic products – which can (not always) carry a premium price.

Citrus Demand

The level of interest in citrus fibre was not forecast when Extracta did Due Diligence on the market size and available paths to market. Citrus featured but it was not the most requested product within the Extracta range, which it is currently. Fortunately, there are multiple sources of citrus including oranges, mandarins and lemons. Customers have requested information on lime fibre but to date not ordered. This demand is also expressed from the US agent noted below.

Orders

Extracta has received an order for 5 tonne of ingredients and an LOI for a further 15 tonne for delivery prior to 30 June 2025 from one agent. This is to initially service an Extracta customer that exclusively uses Extracta ingredients because of our "Made in Australia" and "100% sustainable" credentials.

This US agent has existing distribution lines into:

- The US military (to improve the fibre content of active service men and women's rations)
- A College sports training organisation
- Weight Watchers America (this will be a slow burn if achieved)
- Clinical and hospital applications from a surgeon in Illinois (Dr Bill Watson):
 - This clinician has extensively tested the product before Covid, which delayed implementation
 - Channels will be both pre-clinical (he is a gastrointestinal surgeon) and post discharge

The agent has already requested a licence to distribute Australian Made Extracta ingredients to US customers.

Developing the markets

Extracta has a good international network and has received requests for product from other perspective customers in the US, Canada, Vietnam and the UK.

As margins are high (retail prices for these 'health products' are higher than budgeted in the USA), we can ship to the US and still deliver a 50%+ gross margin).

Pectin sales

Pectin is now not a part of the F'25 strategy, for several reasons:

1. Extracta is now very close to cash positive and sustainable profits. As such we are focused on that objective and not taking on an additional construction and marketing risk or tasks.
2. Pectin is complex to produce for a range of technical reasons, so we intend to have the full resources needed when this is delivered. These resources are currently engaged in producing and selling the first 5 products.

It is clear that the pectin opportunity will be assessed by others BUT Extracta has several advantages in engineering, manufacturing, marketing and sales so, the launch is not urgent, but it's critical to get it right when we do it.

In addition, the US agent has advised that after successfully supplying Australian pectin users with a 'Made in Australia' credential, the USA is another (huge) opportunity. Most pectin used in the USA is imported, and a 'Made in America' claim is significant – in the immediate term a 'Made in Australia' claim has more consumer appeal in the USA than the other sources (China etc).

Extracta has been advised that Australia's "Clean & Green" reputation will underpin US sales for a long period. We now plan to use the Australian model and product to seed the US sales program and ultimately a US plant so "Made in America from sustainable sources" will be used - after becoming cash-positive in Australia.

This is the future and yet to be demonstrated, but the team is very optimistic.