

31 January 2022

ASX RELEASE

ASX: RFA

## QUARTERLY UPDATE & APPENDIX 4C

Period Ending 31 December 2021

### KEY POINTS

#### Core Business

- YTD Harvest volume of **42.5** tonnes of abalone to 31 Dec 2021.
- YTD sales to 31 Dec 2021 and FY22 forward orders received, accounting for **80%** of total FY21 sales volume.
- H1 sales volume of **37.9** tonnes up **9%** on H1 FY21 and price per kg improvements on last year of **23%** maintained.
- R&D activities progressing with priority to develop plans for predictable biomass growth.

#### Growth

- Rebranding objectives executed in Q2 supporting pursuit of diversification and margin growth opportunities.
- MSC certification progressed in Q2 with all on-site audits successfully completed.
- Feasibility Study for the Esperance On-Land Project progressed, with preliminary outcomes under review.

### DETAILS

**Rare Foods Australia Ltd (ASX Code: RFA, the Company)**, Western Australia's largest oceanic harvested greenlip abalone producer, is pleased to provide the following operations update and Appendix 4C Cashflow Report for the quarter ended 31 December 2021.

#### CORE BUSINESS – OCEAN RANCHING

##### Operations

Harvest volumes for H1 of FY22 of 42.5 tonnes, representing 56% of the FY21 total harvest volume, and consistent with the Company's targeted harvest volumes to maintain Biomass growth objectives.

During the quarter, the Company maintained focus on de-risking the core business by improving our ranching and processing systems to reduce costs and promote the growth of the current biomass.

The Company has continued to work with DPIRD's fisheries research team and has employed an R&D Technician (PhD qualified) to support our internal scientific capabilities. Our immediate R&D priorities are the reduction of mortality rates, lifting product growth rates and collating data to support the redeployment of underperforming ABITAT's, planned for Q4.

Segregation plans have been developed for our Augusta operations to minimise disruption in the event of a COVID-19 outbreak.

## Sales & Marketing

During the quarter, the Company continued the implementation of its sales and marketing strategy, executing the rebranding to Rare Foods Australia and launching our new website.

Sales and marketing highlights for the quarter include:

- ✓ H1 FY22 sales and forward orders received now up to 80% of FY21 sales volumes
- ✓ H1 sales volume of 37.9 tonnes up 9% on H1 FY21
- ✓ H1 FY22 average sales price/kg was 23% higher than H1 FY21
- ✓ Market diversification continued with maiden shipment to the USA

## CASHFLOWS

Rare Foods had a net operating cash deficit for Q2 of \$76k, after commencing the FY22 year with cash reserves of \$2.71M and concluding the second quarter of operations with \$2.11M.

Operating cashflows for the quarter included \$1.1M in customer receipts, \$981k in research and development reimbursements for the permitted portion of FY21 funds invested in R&D activities, operating cash outflows of \$1.75M and net Esperance Project study costs of \$273k.

Payments to related parties for the quarter totalled \$151k, including Directors, employees and cold storage fees.

## GROWTH

### Rebranding

Following shareholder support at the AGM, the Company has successfully completed the rebranding of its parent entity from Ocean Grown Abalone Ltd to Rare Foods Australia Ltd. The transition of the masterbrand supports the Company's future growth objectives to diversify our product range and explore both land and ocean rare food opportunities.

The Company's new website was launched during the quarter, consolidating two websites into one. Work has advanced on the design of the eCommerce platform, progressing on our plan to go live in Q4.

### Organic Growth

The Company's MSC Accreditation process progressed during the quarter, with all on-site fishery audits successfully completed. The administrative review, reporting and approval process remains on track for a Q4 certification decision.

During the quarter, the Company also achieved additional revenue and improved utilisation of its world class processing facility, through the provision of third-party processing and sales and marketing services.

The Company also progressed with the design, planning applications and procurement of our "Ocean Pantry" retail and tourism offering, with an expected launch in Q4.

### Esperance Project

Work on the Feasibility Study advanced during the quarter with a critical review and analysis of costs in the current COVID environment, supply chain disruptions and cost pressures due to the strong demand for materials and resources in Western Australia. Yumbah and Rare Foods remained focused on extracting value from the unique opportunity the Esperance Project presents. The outcomes of this review remain on track for a Q3 delivery.

### Other Opportunities

With the rebranding to Rare Foods Australia, the Company has developed a framework to assess other opportunities for growth. The Company also has commenced preliminary discussions with potential product partners and is evaluating other prospects. These potential opportunities are at various stages of development including preliminary discussions, product trials and evaluation for strategic fit.

**END**

Quarterly Update & Appendix 4C

RARE FOODS AUSTRALIA LIMITED

ABN: 52 148 155 042 | ASX: RFA

This announcement was authorised to be given to the ASX by:

**The Board of Rare Foods Australia Limited.**

**For investor and media enquiries, please contact:**

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**About the Company**

Rare Foods Australia Limited (ASX: RFA) has developed the world's first commercial greenlip abalone sea ranching business in the pristine waters of Flinders Bay, Western Australia. With the construction of proprietary, purpose-built artificial abalone reefs (called "ABITATS™") now complete, OGA is supplying commercial quantities of its premium, 'wild-harvested', greenlip abalone to local and overseas customers.

For more information visit [www.rarefoodsaustralia.com.au](http://www.rarefoodsaustralia.com.au)

**Forward Looking Statements**

This announcement may contain certain "forward-looking statements" which may not have been based solely on historical facts, but rather may be based on the Company's current expectations about future events and results. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, currency fluctuations, increased production costs and variances in recovery rates from those assumed, as well as political and operational risks in the Countries and States in which we operate or sell the product to, and governmental regulation and judicial outcomes. The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Rare Foods Australia Limited

**ABN**

52 148 155 042

**Quarter ended ("current quarter")**

31 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,097	2,178
1.2 Payments for		
(a) research and development <sup>1</sup>	-	-
(b) product manufacturing and operating costs <sup>1</sup>	(948)	(1,474)
(c) advertising and marketing	(58)	(88)
(d) leased assets	-	-
(e) staff costs <sup>1</sup>	(602)	(1,353)
(f) administration and corporate costs	(145)	(379)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	(7)	(13)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives <sup>2</sup>	981	991
1.8 Other (provide details if material) <sup>3</sup>	(273)	(275)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>46</b>	<b>(408)</b>

1. A portion of cash outflows included in 1.2 (b) and (e) are also eligible for FY2022 R&D tax incentive.

2. Cash inflows are associated with \$981k FY2021 Research and Development Tax Incentive.

3. Other cash inflows of \$200k and cash outflows of \$473k costs associated with Esperance Project development.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(74)	(127)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(31)	(61)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	1
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(105)</b>	<b>(187)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	13	47
3.6	Repayment of borrowings	(2)	(4)
3.7	Transaction costs related to loans and borrowings	(1)	(1)
3.8	Dividends paid	-	-
3.9	Other (leased assets)	(27)	(54)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(17)</b>	<b>(12)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,182	2,713
4.2	Net cash from / (used in) operating activities (item 1.9 above)	46	(408)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(105)	(187)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(17)	(12)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,106</b>	<b>2,106</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,106	2,182
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Term deposits	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,106</b>	<b>2,182</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

151

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities <sup>4</sup>	2,500	67
7.2 Credit standby arrangements	-	-
7.3 Other (Credit Card) <sup>5</sup>	45	8
<b>7.4 Total financing facilities</b>	<b>2,545</b>	<b>75</b>

7.5 **Unused financing facilities available at quarter end** 2,470

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

4. The equipment loan has been provided by National Australia Bank Limited, pursuant to a master asset finance agreement with a facility limit of \$1,500,000. The loan is secured over the financed asset via an equitable mortgage. Additional loan security is provided in the form of a charge over the assets of RFA. The Company has also provided a guarantee and indemnity to the loan provider for the full facility limit. The equipment loans balance at quarter end totalled \$66,703, with applicable annual interest rates of (i) 3.99% for \$20,961; (ii) 3.89% for \$31,197; and (iii) 3.71% for \$14,545.

National Australia Bank Limited has also provided a business overdraft facility of \$1,000,000 with an annual rate of 4.5%. The facility expires on 30 November 2022. The overdraft facility was undrawn at quarter-end.

5. Credit card facility limit at quarter-end totalled \$45,000 with an applicable annual interest rate of 15.5% The balance drawn at quarter-end was \$8,226.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	46
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,106
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,470
8.4 Total available funding (Item 8.2 + Item 8.3)	4,576
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>99.48</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.