



2022

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

RARE FOODS

AUSTRALIA

www.rarefoodsaustralia.com.au

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RARE FOODS

AUSTRALIA

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We are rare and reassuringly sustainable.



PROUD PARTNER

2022 HIGHLIGHTS

DEVELOPING THE FOUNDATION FOR GROWTH

HARVEST

81.7

TONNES

8%

INCREASE

FROM PRIOR YEAR

SALES

75

TONNES

5%

INCREASE

FROM PRIOR YEAR

SALES REVENUE

\$3.9

MILLION

21%

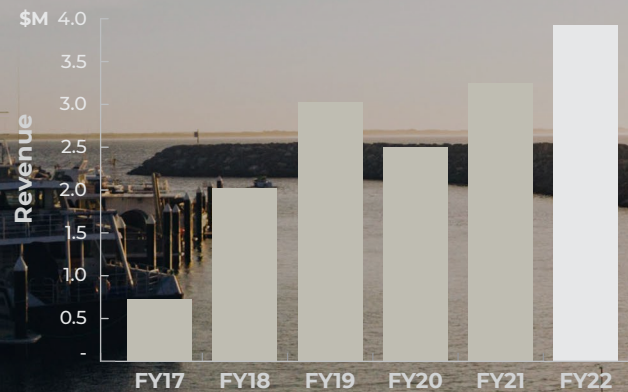
INCREASE

FROM PRIOR YEAR

Total Harvest Volume Trend Profile



Revenue Trend Profile



Rare Foods Australia (The Company) achieved another record harvest of Greenlip abalone for FY22 of 81.7 tonnes, representing an 8% improvement on the FY21 harvest volume. This is consistent with the Company's goal to increase the productive capacity of the business whilst ensuring the growth of its overall stock (our biomass).

The Company's world class Augusta Seafood Operations facility also achieved a record 94 tonnes of abalone processed for FY22, up 12% on the FY21 comparative period. The addition of processing wild caught and farmed abalone product demonstrates the Company's strategic pursuit to better utilise our assets and diversify our income streams.

PRIMARY GEOGRAPHICAL MARKETS



RARE FOODS AUSTRALIA AWARDED WORLD-FIRST CERTIFICATION FOR SUSTAINABILITY



Rare Foods Australia (**ASX:RFA**) have been awarded the internationally recognised MSC certification for its wild enhanced Greenlip Abalone operations in Augusta, Western Australia. This milestone achievement was celebrated on Wednesday 8th June, World Ocean Day, with officials including Hon. Don Punch, MLA Minister of Fisheries, and representatives from the Western Australian Fishing Industry Council, the Marine Stewardship Council, and Centre for Seafood Certification, bio-inspecta.

As a business, we are focused on collaborating for the greater good, and this achievement reinforces our motto of being Rare and Reassuringly Sustainable in all that we do.

The MSC certification is a major accolade for RFA. We now hold the first enhanced greenlip abalone certification worldwide. We've also become the 12th Western Australian fishery to gain MSC certification and the second enhanced fishery in Western Australia, alongside the silver-lipped pearl oyster fishery.



The RFA Team accepting the MSC Certificate

A MESSAGE FROM OUR CHAIRMAN & CEO

A TRANSFORMATIONAL YEAR

The challenges we faced last year have helped galvanise the board and management at Rare Foods Australia ("Rare Foods"). Today the business has a well-defined pathway to ensure our core business, the cultivation and harvesting of wild Greenlip abalone is profitable. While abalone remains our primary focus – this year we changed the company name to allow us to broaden and scale up our rare foods product range. In a relatively short period of time, we have implemented the systems to allow us to evaluate additional rare food opportunities, and if deemed value accreditive integrate those additional products.

The impediments to our business brought by the COVID-19 pandemic of last year were indeed a test of how far we have progressed as an organisation. From January to May, up to 30% of our team were out due to COVID-19 restrictions, or with COVID-19. In addition, all customer orders for Chinese New Year festivities, planned and harvested well in advance of January, could not be delivered on time. Although these orders eventually got to customers, it impacted forecast future orders. Creating new bulk orders takes time and as a result, at least 10 tonne of sales we had forecast last financial year did not eventuate. Notwithstanding the issues with COVID-19, our team was able to manage these challenges and still achieve record harvest, processing, sales tonnages and revenues.

ACCREDITING OUR INNOVATION

In June this year we achieved the Marine Stewardship Council (MSC) certification for our product, which accredited our core business as a sustainable wild enhanced fishery. Our abalone production now represents over 20% of the world's supply of wild-caught Greenlip abalone.

Wild-caught Greenlip abalone is a rare product, a gem of the ocean, highly sought after by leading chefs worldwide. It represents less than 1% of the world's total supply of abalone. Using a wine analogy, this product is akin to the "Grange Hermitage" of abalone. Only 400 tonnes of this elite wild caught product will be fished globally next financial year. Of that 400 tonnes, 320 tonnes of the product will come from wild quotas (down 7% from 12 months ago), the rest will be supplied by us.

DEVELOPING A STABLE ORGANISATION FOR THE FUTURE

This business began with externally sourced commercial divers qualified for the construction industry, largely from the east coast of Australia. These divers were overqualified for what we needed and once in Western Australia, many have been drawn to the higher salaries offered by the offshore oil and gas sector.

Today we train and accredit our divers in-house to national commercial diving competency standards. Over the past 16

months, we have successfully held two Diver Intern training courses and one Commercial Diving Supervisor course. We are continuing our work to develop diving courses to not only supply accredited divers for our business but also for the broader Western Australian scientific diver and seafood industry.

Our initial goal is to create a school to accredit our diver requirements, subsidising our training costs with external participation and promoting our industry through the dive school.

We are evolving the same approach for our expanding processing facility and proposed retail outlet. We will offer a pathway for interested people within our region to join, learn and develop with us in this exciting industry.

INVESTING WISELY WITH AN EYE ON THE FUTURE

We had a net cash draw down over the past 12 months of \$1.9 million. The majority of this was spent on staff and operating costs invested in the pursuit of Research & Development (R&D) initiatives focused on increasing the productive capacity of our core business. This investment attracts a 43.5% tax incentive credit, which will be received in cash in FY23.

We invested \$364k in the feasibility study on the potential 600 tonne abalone farm and hatchery in Esperance. The remainder of the funds were spent on a heightened deployment of juveniles to get us back to an annual rate of 1.2 million.

Our team have developed a comprehensive improvement plan for the next financial year, focused on ensuring the longer-term viability of our supply of wild Greenlip abalone and developing earnings from other aligned rare products.

A PREMIUM PRICE FOR AN OCEAN GEM

As of the end of July 2022 we have secured demand for our wild caught Greenlip over the next 12 months that equates to 73% of last year's sales. With our MSC accreditation we have begun to attract a different level of customer in search of our product. What differentiates us to them is our ability to confirm sales orders annually and deliver them, without quota impediments, all year round.

We have bolstered our sales and marketing capability with the addition of our new General Manager – Sales and Marketing, Alex Wilson. Alex brings to us over 10 years in the investment community along with 12 years, selling rare products from the premium southwest region of Western Australia.

Alex is focused on increasing the demand for our premium wild caught Greenlip and improving our margins over the next 12 months. Our initial focus is on developing a group of worldwide master distributors. These are bulk customers who order their annual supply of tonnage and on sell through distributors and wholesalers in their regions. We have master distributors in place in Australia, Honk Kong, USA and are in later stage negotiations with ones in UK / Europe and Singapore.

INTEGRATING OTHER RARE PRODUCTS INTO OUR GROWING RANGE

We are building a distributor and wholesale presence in our local Margaret River region to drive higher margins. We are pursuing this whilst developing our retail outlet in Augusta, named our Ocean Pantry. The Ocean Pantry will be operating in the September quarter of this year, and it will underpin our eCommerce platform to allow us to market and sell our retail product range nationally.

To de-risk our current business and bolster earnings, we have been developing marketing assets and sales channels to sell wild Roei and wild quota Greenlip. There is upward of 90 tonnes of these product available annually in Western Australia. With the support of the wild abalone quota holders, we are utilising our processing capabilities and our sales and marketing capabilities to support them to develop long term customers, which will benefit all parties involved.

In terms of product differentiation, we have completed trials of an ocean cellared wine product and have inventory which we will be pushing out through our Ocean Pantry. We are developing a Business Plan to broaden and scale this product range and will be evaluating the options at the end of Q1.

CREATING VALUE FROM EVERY BIT AVAILABLE

We are continuing to investigate ways to ensure we maximise value from our entire abalone product. This last year we sold all our "B" grade shells, some 20 tonnes. We have polished 11,000 "A" grade shells for FY23 that we will sell through several retail channels in the Southwest. On top of this we are researching the use of the abalone gut in fertiliser, food, and pet products.

INVESTING FURTHER IN OUR INNOVATION

The team at Rare Foods continues to search for ways to ensure business profitability. A significant component of our work over the next few years will be focused on systematically undertaking research to lift our growth rates and lower the mortality of our wild caught Greenlip abalone.

We have already invested in moving underperforming parts of our reef, along with deployment and processing improvements all of which are aimed at growing our supply of product. All this work will lead to an increased R&D claim in FY23.


Peter Harold
NON-EXECUTIVE CHAIRMAN


Rob Jorden
CHIEF EXECUTIVE OFFICER

LOOKING AT GROWING AND EXPANDING

This business was founded on innovation. With shareholder support and in partnership with Yumbah Aquaculture (Yumbah) we have progressed the only "shovel ready" land for aquaculture in Western Australia.

Today our potential Esperance project offers us several value accretive options. We have solicited interest from other aquaculture businesses to participate in a broader aquaculture precinct. As a result of the interest shown, we are currently developing a "pitch" to government to provide direct support for project infrastructure costs, that would underpin significant regional employment opportunities.

With the support of Yumbah we are also investigating alternative supplies of juvenile Greenlip abalone to further de-risk the potential on-land farm that could be built in Esperance and our core business in Augusta.

Finally, we have been building a knowledge base of private businesses operating in the southwest of Western Australia that produce rare products. This systematic process will allow us to prioritise our finite resources effectively in the pursuit of further value accretive growth opportunities.

A THANKS FOR ALL YOUR SUPPORT THROUGH A PARTICULARLY DIFFICULT PERIOD

Communicating effectively with all our stakeholders is one of our key goals. We have begun a quarterly forum with MST Access, whom we engage to write research on us for the wider investment community.

We urge all our shareholders to register their email details with their brokers and follow us online using LinkedIn and Facebook, so we can keep you informed and up to date on our progress.

We thank you for your continued support and look forward to delivering on our stated goals as we build Rare Foods into a profitable and sustainable provider of premium products.



DIRECTOR'S REPORT

The Directors present the financial report for Rare Foods Australia Limited (formerly Ocean Grown Abalone Ltd.) (the **Company** or **RFA**) and its subsidiaries (the Consolidated Group) for the year ended 30 June 2022.

DIRECTORS

The following persons were Directors of the Company during and up to the date of this report:

| | |
|-------------------------|--|
| Peter Harold | Non-Executive Chairman |
| Bradley (Brad) Adams | Executive Director Corporate Development |
| Ignazio (Ian) Ricciardi | Non-Executive Director |
| Danielle Lee | Non-Executive Director |

The qualifications and experience of the Directors and Company Secretary are as follows:

Mr. Peter Harold

Non-Executive Chairman - BAppSc(Chemistry) (Melb Uni), FAICD

Peter is the Managing Director of Poseidon Nickel Limited (ASX:POS) and is a process engineer with over 30 years of corporate experience in the minerals industry, specialising in financing, marketing, project development and operating, business development and general corporate activities. Before joining Poseidon, Peter was the Managing Director of Panoramic Resources Limited (ASX:PAN) for 18.5 years. Prior to founding Panoramic Resources in March 2001, Peter held various senior management positions with Shell Australia, Australian Consolidated Minerals Limited, Normandy Mining Limited, MPI Mines Limited and the Gutnick network of companies. Peter resigned as Non-Executive Chairman of Horizon Gold Limited (ASX:HRN) in November 2019 and resigned as Non-Executive Director of Pacifico Minerals Limited (ASX:PMY) in April 2020. Peter is a past Chairman of Youth Focus, having served on the board for 9.5 years. Youth Focus is a not-for-profit charity working to prevent youth suicide and depression.

Special responsibilities:

- Chairman of the Board
- Member of the Remuneration and Nomination Committee
- Member of the Audit and Risk Committee

Other Public Company Directorships held in the past 3 years:

| Company Name and Code | Position/s Held | Dates (month/year) |
|---|------------------------|---|
| Poseidon Nickel Limited (ASX:POS) | Managing Director | Appointed: March 2020 Ceased: N/A |
| Panoramic Resources Limited (ASX:PAN) | Managing Director | Appointed: April 2001 Ceased: November 2019 |
| Pacifico Minerals Limited (ASX:PMY) now Boab Metals Ltd (ASX:BML) | Non-Executive Director | Appointed: August 2013 Ceased: April 2020 |
| Horizon Gold Limited (ASX:HRN) | Non-Executive Chairman | Appointed: August 2016 Ceased: November 2019 |

Mr. Brad Adams

Executive Director Corporate Development - BSc(Biology), G.Dip(Aqua) MBA

Brad is a third-generation fisherman and has worked as a commercial abalone diver along Western Australia's south coast for 12 years. In the 1990's, Brad was involved in setting up one of Tasmania's first abalone farms – Tasmanian Tiger Abalone, which later became Cold Gold Abalone.

Brad has been actively involved in Abalone Aquaculture research and development in Western Australia since 2000. Brad was a director of the Western Australian Fishing Industry Council from 2009 to 2011 and Chairman from 2011 to 2013. He holds an MBA and Bachelor of Applied Science, Biology from Curtin University of Technology and a Graduate Diploma, Aquaculture from the University of Tasmania. Brad has been a Director of and served in an executive capacity for Rare Foods Australia Limited since July 2013.

Special responsibilities:

- Member of the Remuneration and Nomination Committee

Other Public Company Directorships held in the past 3 years:

| Company Name and Code | Position/s Held | Dates (month/year) |
|-----------------------|-----------------|--------------------|
| N/A | N/A | N/A |

Mr. Ian Ricciardi

Non-Executive Director

Ian has been involved in the Western Australian Fishing Industry since 1975. Ian has worked on and operated prawn trawlers in Shark Bay, Gulf of Carpentaria, and Kimberly Prawn Fisheries. Ian also has interests in the South West Trawl Fishery, through One Sea Pty Ltd – Rottneest Island Scallop. The Ricciardi family built and operated an export food processing facility in North Coogee and holds 50% interest in Fremantle City Coldstores. Ian has significant experience in WA Commercial Fishery related processes and was a founding investor and director of Great Southern Marine Hatcheries (GSMH), Two Oceans Abalone (TOA) and Rare Foods Australia Ltd (RFA). Ian is also an active member of WAFIC Resource Access Advisory Committee (RAAC) since 2019.

Special responsibilities:

- Member of the Audit and Risk Committee

Other Public Company Directorships held in the past 3 years:

| Company Name and Code | Position/s Held | Dates (month/year) |
|-----------------------|-----------------|--------------------|
| N/A | N/A | N/A |

Ms. Danielle Lee

Non-Executive Director – B.Ec, LLB, GDipFinInv

Danielle is an experienced corporate lawyer with more than 25 years of experience. She has a broad range of skills and legal experience in the areas of corporate advisory, governance and equity capital markets. She has advised Australian public and private companies in a range of industries on corporate transactions including capital raisings, ASX listings, business and share acquisitions, shareholder agreements and joint venture agreements.

Special responsibilities:

- Chair of the Remuneration and Nomination Committee
- Chair of the Audit and Risk Committee

Other Public Company Directorships held in the past 3 years:

| Company Name and Code | Position/s Held | Dates (month/year) |
|-------------------------------------|------------------------|--|
| Hazer Group Limited (ASX:HZR) | Non-Executive Director | Appointed: September 2015 Ceased: N/A |
| Openn Negotiation Limited (ASX:OPN) | Non-Executive Director | Appointed: March 2021 |

DIRECTOR'S INTERESTS

The relevant interests of each director in the securities of the Company as at 30 June 2022 are as follows:

| Director | Shares | Options | Performance Rights |
|---------------|------------|------------------------|------------------------|
| Peter Harold | 135,000 | 1,000,000 ¹ | - |
| Danielle Lee | - | 1,000,000 ¹ | - |
| Brad Adams | 4,777,667 | - | 5,570,354 ² |
| Ian Ricciardi | 19,618,123 | 1,000,000 ³ | - |

NOTE:

¹ These Options are Series E Options and have an exercise price of 11.7 cents and an expiry date of 26 November 2024.

² Refer to KMP Performance Rights for B Adams in the Remuneration Report (Audited) for further detail.

³ These Options are Series D Options and have an exercise price of 14.2 cents and an expiry date of 27 November 2023.

CHIEF EXECUTIVE OFFICER

Rob Jorden

Rob is an experienced change management professional having spent the last 30 years as a management consultant specialising in start-up and turnaround situations. He began his career in primary production and more recently has been involved with various resource companies globally including consulting to several ASX listed mining companies. Rob's previous role was with GPR Dehler Pty Ltd (GPR) where, as an Executive he ran Business Development and Operations for Australasia, with a particular focus on developing and implementing effective sales and marketing functions. He has significant expertise in organisational development and implementing new systems and organisational structures to assist businesses maximise their margins and realise their growth potential.

COMPANY SECRETARY

Brent Stockden – BCom & CPA

Brent is a collaborative finance professional with more than 15 years' experience in a broad range of leadership, commercial services and corporate management roles. A former auditor of ASX listed entities, Brent has over a decade of experience in managing high growth environments, in both ASX listed and private companies, over a broad range of industries. Brent is a member of CPA Australia and has worked with the Company as Chief Financial Officer since April 2021 and Company Secretary from May 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Group during the financial year, included the harvesting of Greenlip abalone, maintenance of the artificial reef, deployment of juvenile abalone optimisation of processing and distribution practices. from our sea ranching aquaculture operation in Flinders Bay, Augusta Western Australia. The Company has focused its attention on optimising its core operating activities to promote biomass growth, pursue continual improvements within our purpose-built processing facility, develop new bulk sales channels and lifting internal sales and marketing capabilities to pursue growth objectives.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Group's major activities for the year were:

- harvesting of abalone from the Flinders Bay ranch;
- maintenance of existing reefs, including deployment of juvenile abalone to sustain future harvest production;
- optimisation of the processing facility, processing systems and packaging;
- optimisation of existing operations to increase future yields;
- ranching technology development, for use in future developments and application at existing operating locations;
- development and diversification of international export and domestic distributors
- design and construction of the Augusta retail sales channel; and
- pursuit of value adding options following the Esperance Feasibility Study

The sales revenue generated from ranched Greenlip abalone was \$3,976,069 for the year ended 30 June 2022 (2021: \$3,287,058).

Operating profit before tax for the year ended 30 June 2022 was \$34,974 (2021: Operating loss before tax of \$1,775,605). The net loss of the Group for the year, after provision for income tax, was \$854,972 (2021: Net loss after provision for income tax was \$1,683,948).

Operations

A record total 81.7 tonnes whole in shell equivalent (WWE) (2021: 75.9 tonnes) of abalone was harvested for the period, representing an 8% increase on prior year. This was in line with harvest targets set to protect and grow a predictable biomass level in order to furnish the Company's growing forward order book. The biomass at June 2022 was measured as 203.4 tonnes, (2021: 210.4 tonnes).

Deployment of juvenile abalone deployment rates returned to pre-COVID-19 levels, with an annual total of 1,268,460 abalones restocked on the Flinders Bay reefs (2021: 662,820). Deployment was deferred in FY21 to allow for the anticipated growth in existing reef stocks, pending improved market conditions.

The global abalone market has demonstrated a recovery in FY22 from the impact of the COVID-19 pandemic, with customer demand and price per kilogram improving 19% on the FY21 comparative period. RFA has achieved a record high sales level of 74.4 tonnes of WWE abalone product. This was achieved despite the COVID-19 supply chain and logistical constraints which adversely impacted customer re-order points. Annual product sales comprised individual quick frozen (IQF) meat product, live, retort pouch gift packs and whole frozen product.

Corporate

FY22 saw the newly formed RFA executive and management team implement the strategic choices, which were aimed at improving safety, lifting internal capabilities to drive new sales and marketing initiatives and pursue the process and procedural improvements.

Alignment of the business behind our R&D objectives, redirecting resources to better support operations sales, along with rebranding the business to broaden and better use the Company's strengths, has enable the effective pursuit of growth opportunities.

DIVIDEND PAID OR RECOMMENDED

During the financial year, the Company did not declare or pay any dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The COVID-19 pandemic has seen a change in market conditions for products globally over the past two financial years. Whilst customer demand and prices on the Company's core product Greenlip abalone have shown significant improvement in FY22, the logistical challenges continue to require careful navigation. These severely delayed customer reorder points through H2 of FY22.

The pursuit of a superior sales and marketing strategy has enabled the Company to navigate a way to record sales and a significant rise the WWE sales price. The Company together with its potential JV partner Yumbah Aquaculture, made the decision to defer an investment decision until June 2023 on the Esperance project due to unprecedented constraints on the Western Australian economy.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

Significant matters that have arisen since the end of the financial year are as follows:

The full impact of the COVID-19 outbreak continues to evolve as at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY23.

Management actively monitors the lingering global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of global uncertainties the COVID-19 had, the Group is not able to estimate the effects of the outbreak on its results of operations, financial condition, or liquidity for the FY 23.

Although the Group cannot fully estimate the length or gravity of the COVID-19 impact, demand and price seem to be improving and the business is expecting to be able to continue as a going concern.

Other than disclosed, there are no other significant matters sufficiently advanced or at a level of certainty since the end of the financial year, which affects the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group will continue to carry on its business plan by:

- pursuing research and development objectives on the artificial reef to achieve a profitable core business;
- developing and further diversifying International and National bulk clients to a new tier of clientele supported by the recent MSC accreditation;
- marketing and building upon our newly developed eCommerce platform to deliver our rare product range domestically;
- Launching our "Ocean Pantry" retail and tourism presence concept in Augusta
- further expanding the current use of the Augusta operations and exploring strategic partnerships, to add aligned rare products to increase earnings
- pursuing activities to determine the various options available to deliver value from the "shovel ready" aquaculture land available because of the Feasibility Study conducted in Esperance; and
- Implementing systems and disciplines to interrogate and integrate other rare, premium product supply chains that can rapidly add value

OPTIONS

At the date of this report, the unissued ordinary shares of Rare Foods Australia Limited under option are as follows:

| Grant date | Class | Expiry date | Exercise price | Number of options |
|--------------|-------|-------------|----------------|-------------------|
| 27 Nov 2020 | D | 27 Nov 2023 | \$0.142 | 1,000,000 |
| 26 Nov 2021 | E | 26 Nov 2024 | \$0.117 | 1,000,000 |
| 26 Nov 2021 | E | 26 Nov 2024 | \$0.117 | 1,000,000 |
| TOTAL | | | | 3,000,000 |

All of these options remained outstanding at balance date.

PERFORMANCE RIGHTS

At the date of this report, the unissued ordinary shares of Rare Foods Australia Limited under performance rights are as follows:

| Class | Grant date | Value per share | Number of performance rights |
|--------------|--------------------------|-----------------|------------------------------|
| C | 1 Aug 2017 | \$0.20 | 4,000,000 |
| E | 10 Dec 2021- 26 Nov 2021 | \$0.075-\$0.080 | 3,327,880 |
| F | 26 Nov 2021 | \$0.075-\$0.080 | 3,327,880 |
| TOTAL | | | 10,655,760 |

All of these performance rights remained outstanding at balance date.

DIRECTORS' MEETINGS

The number of Directors' Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

| Director's Name | Board Meetings | | Audit and Risk Committee | | Nomination and Remuneration Committee | |
|-----------------|----------------|----|--------------------------|----|---------------------------------------|---|
| | A | B | A | B | A | B |
| Peter Harold | 11 | 11 | 4 | 4 | - | - |
| Danielle Lee | 11 | 10 | 4 | 4 | - | - |
| Brad Adams | 11 | 11 | - | 4* | - | - |
| Ian Ricciardi | 11 | 10 | 4 | 4 | - | - |

Where:

- column A is the number of meetings the Director was entitled to attend; and
- column B is the number of meetings the Director attended.
- * Attended meetings by invitation.

The Rare Foods Australia Board have met and performed the function of the Nomination and Remuneration Committee during the FY22 period.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Rare Foods Australia Limited's key management personnel for the financial year ended 30 June 2022. The term 'key management personnel' ('KMP') refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Group, directly or indirectly, including any director (whether executive or otherwise) of the Consolidated Group.

KEY MANAGEMENT PERSONNEL

The directors and other key management personnel of the Consolidated Group during or since the end of the financial year were:

| Non-Executive Directors | Position |
|-------------------------|----------------------------------|
| Peter Harold | Chairman, Non-Executive Director |
| Ian Ricciardi | Non-Executive Director |
| Danielle Lee | Non-Executive Director |

| Executive Officers | Position |
|--------------------|--|
| Rob Jordan | Chief Executive Officer |
| Brad Adams | Executive Director - Corporate Development |
| Brent Stockden | Chief Financial Officer, Company Secretary and Commercial Services Manager |

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

REMUNERATION POLICY AND PRINCIPLES

Executive Director Remuneration

Executive pay and reward consist of a base fee and short-term performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

The remuneration policy is designed to encourage superior performance and long-term commitment to RFA. At this stage of the Company's development there is no contractual performance-based remuneration.

Non-Executive Director Remuneration

The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to Non-Executive Directors, subject to obtaining the relevant approvals. This Policy is subject to annual review. All of the Directors' option holdings are fully disclosed. From time to time the Company may grant options to non-executive Directors. The grant of options is designed to recognise and reward efforts as well as to provide Non-Executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Non-Executive Directors are remunerated for their services from the maximum aggregate amount (currently \$300,000 per annum) approved by shareholders for this purpose. They receive a base fee which is currently set at \$50,000 including superannuation per annum per non-executive Director and \$60,000 including superannuation per annum for the non-executive Chairman. There are no termination payments to non-executive Directors on their retirement from office.

From 9 April 2020, all Directors and Executive Management at the time, agreed to reduce their base employment benefits and directors' fees by 10% to assist in mitigating the costs of the COVID-19 pandemic. To date that variation has not been reversed.

Executive Officer Remuneration, excluding Executive Directors

The remuneration structure for Executive Officers, excluding Executive Directors, is based on several factors, including length of service, the particular experience of the individual concerned, and the overall performance of the Company. The contracts for service between the Company and specified Directors and Executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement Executive Directors and Executives are paid employee benefit entitlements accrued to the date of retirement.

As an incentive, the Company has adopted an employee share option plan. The purpose of the plan is to give employees, excluding directors of the Company an opportunity, in the form of options, to subscribe for shares. The Directors consider the plan will enable the Company to retain and attract skilled and experienced employees and officers, and provide them with the motivation to make the Company more successful.

To ensure the executive reward framework is competitive and appropriate for the results delivered, the Board has appointed a Remuneration and Nomination Committee to assist the Board by making recommendations on remuneration packages for the Groups KMP's.

The Remuneration and Nomination Committee is responsible for ensuring the KMP's reward framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board seeks to ensure that KMP's reward is consistent with the following:

- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and Company with those of the shareholders.
- The remuneration committee reviews KMP packages annually by reference to the Consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of KMPs is measured against criteria agreed with each executive and is focused on increasing shareholder value. All bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, options or performance rights and can recommend changes to the committee's recommendations. The policy is designed to reward executives for performance leading to long-term growth in shareholder wealth.

Performance-based Remuneration

KPIs are set annually, with measures specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold the greatest potential to increase shareholder value, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes.

Relationship between remuneration policy and Company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

Rare Foods Australia Limited is in the early development phase of its operations, and due consideration is made of developing long term shareholder value. The Board has regard to the following indices in respect of the current financial year to facilitate the long-term growth of the Consolidated Group:

| Item | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-----------|-------------|-------------|-----------|-------------|
| Sales Revenue (\$) | 3,976,069 | 3,287,058 | 2,529,832 | 3,059,756 | 2,053,748 |
| Biomass (Tonnes) | 203.4 | 210.4 | 247.1 | 234.6 | 161.8 |
| Harvest (Tonnes) | 81.7 | 75.9 | 54.7 | 55.0 | 38.1 |
| Profit/(Loss) Before Tax (\$) | 34,974 | (1,775,605) | (5,805,552) | 2,370,024 | (3,046,512) |
| Basic earnings per share (Cents) | (0.43) | (0.84) | (2.40) | 0.59 | (2.10) |
| Increase/(decrease) in share price (%) | (10%) | (17.9%) | (35.9%) | (14.3%) | (30.8%) |

Performance Conditions Linked to Remuneration

The Consolidated Group seeks to emphasise reward incentives for results and continued commitment to the Consolidated Group through the provision of various reward schemes.

The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to reinforce the short and long-term goals of the Consolidated Group and provide a common interest between management and shareholders.

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the Consolidated Group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

| 2022 | Short-term employee benefits | | | | Post-employment benefits | Long-term employee benefits | Share Based payments | Performance Related | |
|--------------------------------|------------------------------|------------------|--------------------|-------------|--------------------------|-----------------------------|----------------------|---------------------|----------|
| | Salary & fees \$ | Cash Bonus \$ | Non-monetary \$ | Other \$ | Super-annuation \$ | Long Service Leave \$ | Options & Rights | Total | % |
| Non-executive directors | | | | | | | | | |
| P Harold ⁴ | 49,315 | - | - | - | 4,932 | - | 20,733 ¹ | 74,980 | 28 |
| D Lee ⁴ | 41,096 | - | - | - | 4,110 | - | 20,733 ¹ | 65,939 | 31 |
| I Ricciardi ⁴ | 98,488 ² | - | - | - | 4,110 | - | - | 102,598 | - |
| Executive directors | | | | | | | | | |
| B Adams ⁴ | 235,982 | - | 2,288 | - | 23,827 | - | 9,854 ³ | 271,951 | 4 |
| Executive officers | | | | | | | | | |
| R Jorden | 234,486 | - | 19,937 | - | 25,442 | - | 10,073 ³ | 289,938 | 3 |
| B Stockden | 205,760 | - | 6,548 | - | 21,231 | - | 8,953 ³ | 242,492 | 4 |
| Total | 865,127 | - | 28,773 | - | 83,652 | - | 70,346 | 1,047,898 | 7 |

¹ Options were granted as part of remuneration/achievement of short-term incentives at an exercise price of \$0.117.

² Ian Ricciardi is a NED and from time to time also provided consulting services totalling \$57,392 during the financial year.

³ Brad Adams, Rob Jorden & Brent Stockden were granted Class E & F performance rights. Refer performance rights details below.

⁴ From 9 April 2020, all Directors and Executive Management at the time, agreed to reduce their base employment benefits and directors' fees by 10% to assist in mitigating the costs of the COVID-19 pandemic.

| 2021 | Short-term employee benefits | | | | Post-employment benefits | Long-term employee benefits | Share Based payments | Performance Related | |
|--------------------------------|------------------------------|---------------------|--------------------|-------------|--------------------------|-----------------------------|----------------------|---------------------|----------|
| | Salary & fees \$ | Cash Bonus \$ | Non-monetary \$ | Other \$ | Super-annuation \$ | Long Service Leave \$ | Options & Rights | Total | % |
| Non-executive directors | | | | | | | | | |
| P Harold ¹ | 49,315 | - | - | - | 4,685 | - | - | 54,000 | - |
| D Lee ¹ | 44,604 ⁴ | - | - | - | 3,904 | - | - | 48,508 | - |
| I Ricciardi ¹ | 98,099 ⁵ | - | - | - | 3,904 | - | 29,376 ³ | 131,379 | 22 |
| Executive directors | | | | | | | | | |
| B Adams ¹ | 225,000 | 10,959 ² | - | - | 22,416 | - | - | 258,375 | 4 |
| Executive officers | | | | | | | | | |
| R Jordan | 63,404 | - | 3,692 | - | 6,023 | - | - | 73,119 | - |
| B Stockden | 28,462 | - | - | - | 2,704 | - | - | 31,166 | - |
| R Santoro ¹ | 155,749 | 7,156 ² | - | - | 12,804 | - | - | 175,709 | 4 |
| Total | 664,633 | 18,115 | 3,692 | - | 56,440 | - | 29,376 | 772,256 | 6 |

¹ From 9 April 2020, all Directors and Executive Management at the time, agreed to reduce their base employment benefits and directors' fees by 10% to assist in mitigating the costs of the COVID-19 pandemic.

² On 3 November 2020, cash bonuses were paid for the achievement of short-term incentives for the financial year ended 30 June 2021.

³ Options were granted as part of remuneration/achievement of short-term incentives at an exercise price of \$0.142.

⁴ Danielle Lee is a NED and also provided a once off consulting service to RFA during the financial year.

⁵ Ian Ricciardi is a NED and from time to time also provided consulting services during the financial year.

The following table provides employment details of persons who were, during the financial year, members of KMP of the Consolidated Group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

| 2022 | Position Held as at 30 June 2022 | Contract Details (Duration and Notice Period) | Annual Salary including Superannuation | Proportions of Elements of Remuneration Related to Performance (Other than Performance Rights & Options Issued) | | |
|--------------------------------|---|--|--|---|-----------------------|----------------------------|
| | | | | Non-salary Cash-based Incentives % | Shares /Units % | Fixed Salary /Fees % |
| Non-executive directors | | | | | | |
| P Harold ¹ | Chairman | No fixed term. No notice period. | \$54,000 | - | - | 100 |
| D Lee ¹ | Non-Executive Director | No fixed term. No notice period. | \$45,000 | - | - | 100 |
| I Ricciardi ¹ | Non-Executive Director | No fixed term. No notice period. | \$45,000 | - | - | 100 |
| Executive officers | | | | | | |
| R Jordan | Chief Executive Officer | No fixed term. 6 months' notice. | \$269,500 | - | - | 100 |
| B Adams ¹ | Executive Director Corporate Development | No fixed term. 12 months' notice. | \$269,500 | - | - | 100 |
| B Stockden | Chief Financial Officer & Co. Sec | No fixed term. 6 months' notice. | \$242,000 | - | - | 100 |

The employment terms and conditions of all KMP are formalised in contracts of employment.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The following table summarises the performance-related payments for 2022:

| | Remuneration Type | No. | Grant Date | Fair Value \$ | Percentage Vested/Paid during Year % | Percentage Forfeited during Year % | Percentage Remaining as Unvested % | Expiry Date for Vesting or Payment |
|-------------|---------------------------------|-----------|------------|---------------|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| P Harold | Options ¹ | 1,000,000 | 26/11/21 | 20,733 | 100 | - | - | 26/11/24 |
| D Lee | Options ¹ | 1,000,000 | 26/11/21 | 20,733 | 100 | - | - | 26/11/24 |
| B Adams | Performance Rights ² | 1,570,354 | 26/11/21 | 117,776 | - | - | 100 | 30/6/25 |
| I Ricciardi | Options | - | - | - | - | - | - | - |
| R Jorden | Performance Rights ² | 1,570,354 | 10/12/21 | 125,628 | - | - | 100 | 30/6/25 |
| B Stockden | Performance Rights ² | 1,395,870 | 10/12/21 | 111,670 | - | - | 100 | 30/6/25 |

¹Options were granted as part of remuneration/achievement of short-term incentives at an exercise price of \$0.117. Refer KMP options details below.

²Brad Adams, Rob Jorden & Brent Stockden were granted Class E & F performance rights. Refer KMP performance rights details below.

The following table summarises the performance-related payments for 2021:

| | Remuneration Type | No. | Grant Date | Fair Value \$ | Percentage Vested/Paid during Year % | Percentage Forfeited during Year % | Percentage Remaining as Unvested % | Expiry Date for Vesting or Payment |
|-------------|---------------------------------|-----------|------------|---------------|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| P Harold | Options ¹ | 1,500,000 | 1/08/17 | 130,943 | - | - | - | 30/09/21 |
| D Lee | Options ¹ | 1,000,000 | 1/08/17 | 87,296 | - | - | - | 30/09/21 |
| B Adams | Performance Rights ² | 4,000,000 | 1/08/17 | 800,000 | - | - | 100 | 14/11/22 |
| I Ricciardi | Options ³ | 1,000,000 | 27/11/21 | \$29,263 | - | - | - | 27/11/23 |
| B Adams | Cash Bonus ⁴ | - | 3/11/20 | \$10,959 | - | - | - | - |
| R Santoro | Cash Bonus ⁴ | - | 3/11/20 | \$7,156 | - | - | - | - |

¹Options were granted as part of the engagement of non-executive directors at an exercise price of \$0.44.

²Performance rights were granted to Brad Adams. Class B Performance rights lapsed on 15 November 2019. Refer to KMP Performance Rights below.

³Options were granted as part of remuneration/achievement of short-term incentives at an exercise price of \$0.142.

⁴Cash bonuses were paid for the achievement of short-term incentives for the financial year ended 30 June 2021.

KMP Options

Peter Harold & Danielle Lee

1,000,000 unlisted options were issued during the period to both Peter Harold and Danielle Lee, pursuant to the Company's Employee Incentive Plan, each exercisable at 11.7 cents on or before 26 November 2024. The fair value at grant date of the options of \$41,466, was estimated using the Black and Scholes option valuation method with the following inputs:

| Input | |
|---------------------------------|-------------|
| Grant date | 26 Nov 2021 |
| Exercise price | 11.7 cents |
| Term of option | 3 years |
| Share price at grant date | 7.5 cents |
| Expected share price volatility | 60% |
| Risk free interest rate | 0.96% |

Ian Ricciardi

1,000,000 unlisted options were issued in FY2021 to both Ian Ricciardi, pursuant to the Company's Employee Incentive Plan, each exercisable at 14.27 cents on or before 27 November 2023. The fair value at grant date of the options of \$29,376, was estimated using the Black and Scholes option valuation method with the following inputs:

| Input | |
|---------------------------------|-------------|
| Grant date | 27 Nov 2020 |
| Exercise price | 14.2 cents |
| Term of option | 3 years |
| Share price at grant date | 9.6 cents |
| Expected share price volatility | 63% |
| Risk free interest rate | 0.10% |

KMP Performance Rights

Brad Adams

The Company previously issued 4,000,000 Performance Rights to Brad Adams, the Managing Director at the time, during the 2018 financial year. The Performance Rights were issued in 3 classes and the remaining active service and performance conditions are as follows:

| Number of Performance Rights | Service Condition | Performance Condition |
|------------------------------|---|---|
| Class C 4,000,000 | Brad Adams to remain engaged as an employee for a continuous period until the performance condition is satisfied. | <ol style="list-style-type: none"> Within 5 years from the date the Company is admitted to the Official List of the ASX, and subject to the Board determining the success of a material part of the Port Lincoln Development Project, the Company (either on its own or together with an affiliate or joint venture partner) deploys and seeds a cumulative total of 5,000 ABITATS across one or more commercial project sites within South Australia. or Within 5 years from the date the Company is admitted to the Official List of ASX a Takeover Event¹ occurs. |

¹ Pursuant to Chapter 6 of the Corporations Act where at least 50% of the holders of ordinary shares accept the bid and such bid is free of conditions or a court grants an order approving a compromise or scheme where the ordinary shares are either cancelled or transferred to a third party.

For the purposes of the financial statements, where the assessed probability of the relevant performance conditions is 50% or greater, the Group recognised the resulting share-based payment expense over the relevant performance period. Support for a greater or less than 50% probability assessment of the respective performance conditions are set out below:

- i. Class C – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be less than 50%. As per AASB 2 Share-based Payment, no amount is recognised because of failure to satisfy vesting condition.

During the reporting period, the Company issued 1,570,354 Performance Rights to Brad Adams, in the role of Executive Director Corporate Development. The Performance Rights have been issued in 2 classes with 785,177 shares in each class and subject to separate service and performance conditions as detailed below:

| Number of Performance Rights | Service Condition | Performance Condition |
|----------------------------------|---|--|
| Class E 785,177 | Brad Adams to remain engaged as an employee for a continuous period, for the 2-year period from 1 July 2021 to 30 June 2023; and; | <ul style="list-style-type: none"> a. The achievement of harvest targets on the Flinders Bay operation. The proportion of performance rights available to vest following a determination of the harvest over the 2-year performance period from 1 July 2021 to 30 June 2023 is summarised as follows: <ul style="list-style-type: none"> i. Less than 160,000 kgs = 0% ii. Greater than 160,000 kgs up to 170,000 kgs = Pro-rata from 50% to 99% iii. Greater than 170,000 kgs = 100% b. An alternative performance hurdle to the harvest target, is a Takeover Event occurring on or before 30 June 2023. |

| Number of Performance Rights | Service Condition | Performance Condition |
|----------------------------------|---|---|
| Class F 785,177 | Brad Adams to remain engaged as an employee for a continuous period, for the 2-year period from 1 July 2021 to 30 June 2023; and; | <ul style="list-style-type: none"> a. The achievement of EBIT targets from the Company's operations for the 2-year performance period. The proportion of performance rights available to vest following a determination of the EBIT, over the 2-year performance period from 1 July 2021 to 30 June 2023 is summarised as follows: <ul style="list-style-type: none"> i. Less than or equal to \$400,000 = 0% ii. Greater than \$400,000 up to \$1,300,000 = Pro-rata from 50% to 99% iii. Greater than \$1,300,000 = 100% b. An alternative performance hurdle to the harvest target, is a Takeover Event occurring on or before 30 June 2023. |

For the purposes of the financial statements, the Group has recognised a share-based payment expense for the relevant performance period, based on the assessed probability of the relevant performance conditions being met. The probability assessment of the respective performance conditions, are set out below:

(iii) Class E – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be 43% as at 30 June 2022.

(iii) Class F – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be less than 9% as at 30 June 2022.

Rob Jorden

During the reporting period, the Company issued 1,570,354 Performance Rights to Rob Jorden, in the role of Chief Executive Officer. The Performance Rights have been issued in 2 classes with 785,177 shares in each class and subject to separate service and performance conditions as detailed below:

| Number of Performance Rights | Service Condition | Performance Condition |
|----------------------------------|---|--|
| Class E 785,177 | Rob Jorden to remain engaged as an employee for a continuous period, for the 2-year period from 1 July 2021 to 30 June 2023; and; | <p>a. The achievement of harvest targets on the Flinders Bay operation. The proportion of performance rights available to vest following a determination of the harvest over the 2-year performance period from 1 July 2021 to 30 June 2023 is summarised as follows:</p> <ul style="list-style-type: none"> i. Less than 160,000 kgs = 0% ii. Greater than 160,000 kgs up to 170,000 kgs = Pro-rata from 50% to 99% iii. Greater than 170,000 kgs = 100% <p>b. An alternative performance hurdle to the harvest target, is a Takeover Event occurring on or before 30 June 2023.</p> |

| Number of Performance Rights | Service Condition | Performance Condition |
|----------------------------------|---|---|
| Class F 785,177 | Rob Jorden to remain engaged as an employee for a continuous period, for the 2-year period from 1 July 2021 to 30 June 2023; and; | <p>a. The achievement of EBIT targets from the Company's operations for the 2-year performance period. The proportion of performance rights available to vest following a determination of the EBIT, over the 2-year performance period from 1 July 2021 to 30 June 2023 is summarised as follows:</p> <ul style="list-style-type: none"> i. Less than or equal to \$400,000 = 0% ii. Greater than \$400,000 up to \$1,300,000 = Pro-rata from 50% to 99% iii. Greater than \$1,300,000 = 100% <p>b. An alternative performance hurdle to the harvest target, is a Takeover Event occurring on or before 30 June 2023.</p> |

For the purposes of the financial statements, the Group has recognised a share-based payment expense for the relevant performance period, based on the assessed probability of the relevant performance conditions being met. The probability assessment of the respective performance conditions, are set out below:

(iii) Class E – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be 43% as at 30 June 2022.

(iii) Class F – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be less than 9% as at 30 June 2022.

Brent Stockden

During the reporting period, the Company issued 1,395,870 Performance Rights to Brent Stockden, in the role of Chief Financial Officer, Company Secretary & Commercial Manager. The Performance Rights have been issued in 2 classes with 697,935 shares in each class and subject to separate service and performance conditions as detailed below:

| Number of Performance Rights | Service Condition | Performance Condition |
|------------------------------|---|--|
| Class E 697,935 | Brent Stockden to remain engaged as an employee for a continuous period, for the 2-year period from 1 July 2021 to 30 June 2023; and; | <p>a. The achievement of harvest targets on the Flinders Bay operation. The proportion of performance rights available to vest following a determination of the harvest over the 2-year performance period from 1 July 2021 to 30 June 2023 is summarised as follows:</p> <ul style="list-style-type: none"> i. Less than 160,000 kgs = 0% ii. Greater than 160,000 kgs up to 170,000 kgs = Pro-rata from 50% to 99% iii. Greater than 170,000 kgs = 100% <p>b. An alternative performance hurdle to the harvest target, is a Takeover Event occurring on or before 30 June 2023.</p> |

| Number of Performance Rights | Service Condition | Performance Condition |
|------------------------------|---|---|
| Class F 697,935 | Brent Stockden to remain engaged as an employee for a continuous period, for the 2-year period from 1 July 2021 to 30 June 2023; and; | <p>a. The achievement of EBIT targets from the Company's operations for the 2-year performance period. The proportion of performance rights available to vest following a determination of the EBIT, over the 2-year performance period from 1 July 2021 to 30 June 2023 is summarised as follows:</p> <ul style="list-style-type: none"> i. Less than or equal to \$400,000 = 0% ii. Greater than \$400,000 up to \$1,300,000 = Pro-rata from 50% to 99% iii. Greater than \$1,300,000 = 100% <p>b. An alternative performance hurdle to the harvest target, is a Takeover Event occurring on or before 30 June 2023.</p> |

For the purposes of the financial statements, the Group has recognised a share-based payment expense for the relevant performance period, based on the assessed probability of the relevant performance conditions being met. The probability assessment of the respective performance conditions, are set out below:

(iii) Class E – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be 43% as at 30 June 2022.

(iii) Class F – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be less than 9% as at 30 June 2022.

During the reporting period, no other KMP were issued Performance Rights.

KMP Shareholdings

KMP ordinary shares held

The number of ordinary shares held by each of the KMP's in Rare Foods Australia Limited at 30 June 2022 is as follows:

| 2022 | Balance At Beginning of Year | Granted As Remuneration During the Year | Other Changes During the Year | Balance At End of Year |
|-------------|------------------------------|---|-------------------------------|------------------------|
| P Harold | 135,000 | - | - | 135,000 |
| D Lee | - | - | - | - |
| I Ricciardi | 16,521,127 | - | 3,065,245 ¹ | 19,586,372 |
| B Adams | 6,277,667 | - | (1,500,000) ² | 4,777,667 |
| R Jordan | - | - | - | - |
| B Stockden | - | - | - | - |
| | 22,933,794 | - | 1,565,245 | 24,499,039 |

¹ Acquisition of 1,000,000 shares on 15 September 2021 and 500,000 on 30 November 2021 purchased off-market from Executive Director Brad Adams. Remaining balance of 1,565,245 purchased on market over the period.

² Disposal of 1,000,000 shares on 15 September 2021 and 500,000 on 30 November 2021 sold off-market to Non-Executive Director Ian Ricciardi to fund personal tax obligations arising from conversion of performance rights.

KMP performance rights held

The number of performance rights held by each of the KMP's in Rare Foods Australia Limited at 30 June 2022 is as follows:

| 2022 | Balance At Beginning of Year | Granted As Remuneration During the Year | Other Changes During the Year | Balance At End of Year |
|-------------|------------------------------|---|-------------------------------|------------------------|
| P Harold | - | - | - | - |
| D Lee | - | - | - | - |
| I Ricciardi | - | - | - | - |
| B Adams | 4,000,000 | 1,570,354 ¹ | - | 5,570,354 |
| R Jordan | - | 1,570,354 ¹ | - | 1,570,354 |
| B Stockden | - | 1,395,870 ¹ | - | 1,395,870 |
| | 4,000,000 | 4,536,578 | - | 8,536,578 |

¹ Class E & Class F incentive performance rights were granted to members of the Executive Management team pursuant to the Company's Employee Incentive Plan and in accordance with shareholder approval received on 26 November 2021.

KMP Options Held

The number of options held by each of the KMP's in Rare Foods Australia Limited at 30 June 2022 is as follows:

| 2022 | Balance At Beginning of Year | Granted As Remuneration During the Year | Other Changes During the Year | Balance At End of Year |
|-------------|------------------------------|---|-------------------------------|------------------------|
| P Harold | 1,500,000 | 1,000,000 ¹ | (1,500,000) ² | 1,000,000 |
| D Lee | 1,000,000 | 1,000,000 ¹ | (1,000,000) ² | 1,000,000 |
| B Adams | - | - | - | - |
| I Ricciardi | 1,000,000 | - | - | 1,000,000 |
| R Jordan | - | - | - | - |
| B Stockden | - | - | - | - |
| | 3,500,000 | 2,000,000 | (2,500,000) | 3,000,000 |

¹ Class E options were granted as part of remuneration/achievement of short-term incentives at an exercise price of \$0.117, expiring on 26 November 2024 in accordance with shareholder approval received on 26 November 2021.

² Class C options lapsed on 30 September 2021.

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Other Transactions with KMP and/or their Related Parties

There have been no other transactions with KMP and/or their Related parties that are not covered in other sections of this report for the year 30 June 2022.

Voting Rights

At the 2021 Annual General Meeting held on 26 November 2021 there were 1.28% of the votes against the adoption of the remuneration report.

External Remuneration Consultants

No external remuneration consultants were utilised during the year.

End of the audited remuneration report

ENVIRONMENTAL REGULATIONS

The Company's operations are subject to environmental regulations under Western Australian law. The Consolidated Group has procedures in place to ensure regulations are adhered to. The Consolidated Group is not aware of any breaches in relation to environmental matters.

PROCEEDINGS ON BEHALF OF COMPANY

No legal proceedings have been brought against the Company to the date of this report.

CORPORATE GOVERNANCE

The Company's 2020 Corporate Governance Statement is contained in the 'Corporate Governance' section of the Company's website at <https://www.oceangrown.com.au/investors/corporate-governance/>.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Company has made agreements indemnifying all the Directors and Officers of the Consolidated Group against all losses or liabilities incurred by each Director or Officer in their capacity as Directors or Officers of the Consolidated Group to the extent permitted by the *Corporations Act 2001*. The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Consolidated Group. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

AUDIT AND NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied the provision of audit and non-audit services during the year is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*. There were no non-audit services provided by the auditors during the year. All services provided by the external auditor or associates are reviewed and approved by the Audit and Risk Committee and/or the Board to ensure they do not adversely affect the integrity and objectivity of the auditor.

During the period BDO Corporate Tax (WA) Pty Ltd was paid \$61,912 for the provision of taxation & R&D services (2021: \$25,647). BDO Corporate Finance (WA) Pty Ltd was paid \$10,500 for option valuation and financial modelling support (2021: \$2,500). BDO Corporate Tax (WA) Pty Ltd and BDO Corporate Finance (WA) Pty Ltd are affiliate members of BDO Audit (WA) Pty Ltd. Refer to Note 21 for further details.

The board of directors has considered the position and is satisfied the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied the provision of non-audit services by the auditor, as set out in Note 21, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*

INDEMNIFYING OF AUDITORS

No indemnities have been given, or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an Auditor of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25 of this report.

Signed in accordance with a resolution of the Directors.


Peter Harold
NON-EXECUTIVE CHAIRMAN
30 August 2022

AUDITOR'S INDEPENDENCE DECLARATION



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Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF RARE FOODS AUSTRALIA LIMITED

As lead auditor of Rare Foods Australia Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Rare Foods Australia Limited and the entities it controlled during the period.

Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth
30 August 2022

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

| | Notes | Consolidated Group | |
|---|-------|--------------------|--------------------|
| | | 2022 | 2021 |
| | | \$ | \$ |
| Revenue | 3 | 3,976,069 | 3,287,058 |
| Other income | 4(a) | 173,382 | 488,095 |
| Net interest paid/received (excluding interest expense on lease liability) | | (2,907) | 32,840 |
| Research and development tax incentive | 4(b) | 1,829,733 | 1,200,364 |
| Total income | | 5,976,277 | 5,008,357 |
| Changes in inventory | | (2,442,041) | (2,621,485) |
| Fair value adjustment of biological assets | 8 | 2,011,870 | 711,143 |
| Selling & distribution | | (220,824) | (206,597) |
| Processing expenses | | (151,387) | (137,669) |
| Employee benefits expense | | (2,712,797) | (2,197,706) |
| Share-based payments | 25 | (83,939) | (29,376) |
| Diving, vessels & operations expense | | (669,652) | (277,630) |
| Corporate & administration | | (928,291) | (1,015,154) |
| Depreciation & amortisation expense | | (619,713) | (671,091) |
| Interest expense on lease liability | 11(c) | (23,769) | (28,452) |
| Other expenses | | (100,760) | (309,945) |
| | | (5,941,303) | (6,783,962) |
| Profit / (Loss) before income tax | | 34,974 | (1,775,605) |
| Income tax (expense)/benefit | 5(a) | (889,946) | 91,657 |
| (Loss) after tax from continuing operations | | (854,972) | (1,683,948) |
| Other comprehensive loss for the year, net of tax: | | | |
| - Items that may be reclassified to profit or loss | | - | - |
| - Items that will not be reclassified to profit or loss | | - | - |
| Total comprehensive (loss)/profit for the year | | (854,972) | (1,683,948) |
| (Loss) attributable to: | | | |
| - Owners of the Company | | (853,430) | (1,683,007) |
| - Non-controlling interests | | (1,542) | (941) |
| | | (854,972) | (1,683,948) |
| Total comprehensive (loss) attributable to: | | | |
| - Owners of the Company | | (853,430) | (1,683,007) |
| - Non-controlling interests | | (1,542) | (941) |
| | | (854,972) | (1,683,948) |
| Basic and diluted (loss) per share attributable to the Owners of the Company | | | |
| Basic and diluted (loss) per share (cents) | 22 | (0.43) | (0.84) |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

| | Notes | Consolidated Group | |
|---|-------|--------------------|-------------------|
| | | 2022 | 2021 |
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 795,183 | 2,712,681 |
| Trade and other receivables | 7 | 2,095,802 | 1,324,219 |
| Biological assets | 8 | 3,701,700 | 2,700,000 |
| Inventory | 9 | 836,899 | 410,824 |
| Other assets | | 239,348 | 168,890 |
| TOTAL CURRENT ASSETS | | 6,667,232 | 7,316,614 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 4,189,108 | 4,127,231 |
| Biological assets | 8 | 3,864,984 | 3,573,395 |
| Right-of-use assets | 11(a) | 375,774 | 448,507 |
| Intangible assets | | 97,682 | 99,116 |
| Other assets | | 208,038 | 96,306 |
| Deferred tax assets | 15 | 69,857 | - |
| TOTAL NON-CURRENT ASSETS | | 9,807,143 | 8,344,555 |
| TOTAL ASSETS | | 16,474,375 | 15,661,169 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 758,385 | 774,315 |
| Interest bearing liabilities | 13 | 309,472 | 8,196 |
| Lease liabilities | 11(b) | 21,857 | 91,112 |
| Provisions | 14 | 219,329 | 167,147 |
| Current tax liability | 5 | 18,971 | 1,078 |
| TOTAL CURRENT LIABILITIES | | 1,328,014 | 1,041,848 |
| NON-CURRENT LIABILITIES | | | |
| Interest bearing liabilities | 13 | 395,204 | 17,184 |
| Lease liabilities | 11(b) | 458,116 | 479,973 |
| Deferred tax liabilities | 15 | 1,328,743 | 386,833 |
| TOTAL NON-CURRENT LIABILITIES | | 2,182,063 | 883,990 |
| TOTAL LIABILITIES | | 3,510,077 | 1,925,838 |
| NET ASSETS | | 12,964,298 | 13,735,331 |
| EQUITY | | | |
| Contributed equity | 16 | 27,012,442 | 27,012,442 |
| Share-based payment reserve | 17 | 1,165,214 | 1,081,275 |
| Accumulated losses | 18 | (15,201,793) | (14,348,363) |
| Equity attributable to owners of the Company | | 12,975,863 | 13,745,354 |
| Non-controlling interests | | (11,565) | (10,023) |
| TOTAL EQUITY | | 12,964,298 | 13,735,331 |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

| Consolidated Group | Issued Capital | Share-based Payments Reserve | Accumulated Losses | Total | Non-controlling interest | Total Equity |
|---|-------------------|------------------------------|---------------------|--------------------|--------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2020 | 27,012,442 | 1,051,899 | (12,665,356) | 15,398,985 | (9,082) | 15,389,903 |
| Loss after income tax benefit for the year | - | - | (1,683,007) | (1,683,007) | (941) | (1,683,948) |
| Other comprehensive loss for the year | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | (1,683,007) | (1,683,007) | (941) | (1,683,948) |
| Transactions with owners recorded directly in equity | | | | | | |
| Shares issued | - | 29,376 | - | 29,376 | - | 29,376 |
| Transfer from share-based payments reserve | - | - | - | - | - | - |
| Total transactions with owners recorded directly in equity | - | 29,376 | - | 29,376 | - | 29,376 |
| Balance as at 30 June 2021 | 27,012,442 | 1,081,275 | (14,348,363) | 13,745,354 | (10,023) | 13,735,331 |
| Balance as at 1 July 2021 | 27,012,442 | 1,081,275 | (14,348,363) | 13,745,354 | (10,023) | 13,735,331 |
| Loss after income tax benefit for the year | - | - | (853,430) | (853,430) | (1,542) | (854,972) |
| Other comprehensive loss for the year | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | - | (853,430) | (853,430) | (1,542) | (854,972) |
| Transactions with owners recorded directly in equity | | | | | | |
| Director options issued | - | 41,466 | - | 41,466 | - | 41,466 |
| Performance Rights Issued | - | 42,473 | - | 42,473 | - | 42,473 |
| Total transactions with owners recorded directly in equity | - | 83,939 | - | 83,939 | - | 83,939 |
| Balance as at 30 June 2022 | 27,012,442 | 1,165,214 | (15,201,793) | 12,975,863 | (11,565) | 12,964,298 |

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022**

| | Notes | Consolidated Group | |
|---|-------|--------------------|------------------|
| | | 2022 \$ | 2021 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 3,878,310 | 3,084,698 |
| Other income | | 317,551 | 658,180 |
| Payments to suppliers and employees | | (6,933,844) | (5,017,217) |
| R&D tax incentive | | 981,264 | 1,424,096 |
| Net cash (used in) / provided by operating activities | 27 | (1,756,719) | 149,757 |
| Cash flows from investing activities | | | |
| Purchases of plant, equipment and intangible assets | | (744,574) | (96,672) |
| Proceeds from disposals of plant, equipment and intangible assets | | 26,000 | 10,000 |
| Receipt of lease deposits | | 190 | 42,010 |
| Interest received | | 6,640 | 34,376 |
| Esperance JV development | | (798) | (40,000) |
| Net cash (used in) investing activities | | (712,542) | (50,286) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 734,325 | 500 |
| Repayment of borrowings | | (58,084) | (34,112) |
| Repayment of lease liability | | (91,112) | (102,118) |
| Interest paid | | (33,366) | (29,937) |
| Net cash provided by / (used in) financing activities | | 551,763 | (165,667) |
| Net (decrease) in cash and cash equivalents | | (1,917,498) | (66,196) |
| Cash and cash equivalents at the beginning of the year | | 2,712,681 | 2,778,877 |
| Cash and cash equivalents at the end of the year | 6 | 795,183 | 2,712,681 |

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1. NATURE OF OPERATIONS OF RARE FOODS AUSTRALIA LIMITED

Rare Foods Australia Limited (the Company) and its wholly owned subsidiaries' (the Group) principal activities during the year included the harvesting of abalone, maintenance of our artificial reef, deployment of juvenile abalone to promote future harvest production and optimisation of our processing and distribution practices from our sea ranching operation in Flinders Bay, Augusta Western Australia.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. These consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

B. Basis of measurement

The financial report is prepared on the accruals basis and the historical cost basis, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. The financial statements are presented in Australian dollars, and all values are rounded to the nearest dollar unless otherwise stated.

C. Basis of preparation

i. General purpose financial report

The consolidated general purpose financial report of the Group has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Rare Foods Australia Limited is the Group's ultimate parent company and is a for-profit entity for the purpose of preparing the financial statements. The Company is a public company limited by shares, incorporated and domiciled in Australia.

The consolidated financial statements for the financial year ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 30th August 2022.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

D. Basis of Consolidation

The Group financial statements consolidate those of the parent company and its subsidiaries. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A list of subsidiaries is provided in Note 31. All subsidiaries have a reporting date of 30 June.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interest are attributed their share of profit or loss and each component of comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

E. Foreign currency translation

Foreign currency transactions during the period are converted to Australian currency using the exchange rates prevailing at the dates of the transactions. Amounts receivable and payable in foreign currency at balance date are also converted at the spot rate at each reporting date.

Realised exchange gains and losses during the period are included in the operating profit before income tax as they arise. Unrealised exchange gains and losses at balance date are included in the operating profit before income tax to the extent that their realisation is certain.

F. Revenue

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

1. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
2. the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligations that are not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

i. Sale of Abalone products

Revenue from sales of Abalone products is recognised at the point in time when control of the asset is transferred to the customer, i.e. point of delivery of goods to the customer.

ii. Sales of service (processing)

Revenue from rendering processing service is recognised upon the delivery of service to the customers.

iii. Research and development tax incentives

Refund amounts received or receivable under the Federal Government's Research and Development Tax Incentives are recognised on an accrual basis.

iv. Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

G. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

H. Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

I. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The Group is not consolidated for tax purposes.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

J. Good and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

K. Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash on hand, deposits held at call with banks and other highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents are as described above.

L. Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the expected credit loss allowance are provided in note 2(g).

M. Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. This includes Job Keeper income received due to COVID-19 during the comparative FY21 period as detailed in Note 4 Other Income.

N. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs include all expenses directly attributable to the manufacturing process. Costs are assigned on the basis of weighted average costs. In the case of abalone stock, upon harvest the stock is transferred from Biological Assets to Inventory at a revised cost value, being the carrying value previously determined for that stock in accordance with the AASB 141 (refer Note 2(p) below). Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expense.

O. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option; and

- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate (being the interest rate implicit in the lease for the remainder of the lease term or, if that cannot be readily determined, the Group's incremental borrowing rate at the re-assessment date). An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The carrying value of lease liabilities is also revised when the variable element of future lease payments dependent on a rate or index is revised or there is a revision to the estimate of amounts payable under a residual value guarantee. In both cases an unchanged discount rate is used. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items such as IT-equipment and small items of office furniture.

P. Biological Assets

Biological assets comprise abalone stock located on Abitats.

Pursuant to AASB 141 Agriculture standard, abalone stock are valued at the end of each half and full-year reporting periods at their fair value less costs to sell. Where fair value cannot be reliably measured, biological assets are measured at cost less impairment losses.

For abalone stock below 90mm (~120g whole weight), these biological assets are measured at cost as the Company considers that the fair value for this stock cannot be reliably measured on the basis that its commercial sales are only for product above this size threshold.

Abalone stock above 90mm (~120g whole weight) are measured at fair value less cost to sell. The valuation takes into consideration estimated growth rates and mortality (refer Note 2(u) for a description of the methodology used for the estimation of growth rates and mortality rates). The market prices are derived from observable market prices (when available) and realised prices. The prices are reduced for estimated harvesting costs, processing costs, freight costs and other selling costs, to determine the net fair value.

The net increase / (decrease) in the fair value of abalone stock at period end is recognised as income / (expense) in the profit and loss.

Q. Property, plant and equipment

Property, plant and equipment is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in a manner intended by the Group's management. These assets are subsequently measured at cost less and depreciation and impairment losses.

Repairs and maintenance expenditure is charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which it is incurred.

Depreciation

The depreciable amount of fixed assets are depreciated on either a diminishing value (DV) method or on a straight-line (SL) basis over their useful lives to the Group commencing from the time the asset is held ready for use. The following depreciation rates were applied during the financial period:

- Plant and equipment 20% SL
- Leasehold improvements 20% SL
- Office equipment 10%-50% DV
- Buildings 4.5% SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Derecognition

Additions of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Impairment

Carrying values of plant and equipment are reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may be impaired.

R. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

S. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

T. Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

U. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Biological Assets

Biological assets are measured at fair value less cost to sell in accordance with AASB 141. Abalone stock below 90mm (~120g) are measured at the same rate per mm as the rate charged to the Company by the supplier. Management estimates this is a more accurate reflection of fair value as it takes into consideration growth rates from approximately 40mm to 90mm.

Abalone stock above 90mm (120g) is measured at fair value in accordance with AASB 141. Management estimates the fair value of biological assets, taking into account the most reliable evidence available at each reporting date in relation to the underlying assumptions, including mortality rates, growth rates, calculation of biomass, harvest costs, processing costs, selling costs and market prices.

Biomass is calculated using a size/weight algorithm derived from industry reports. In relation to the assumptions underlying mortality rates and growth rates, from which the stock estimates are extrapolated, including biomass, these are updated following each six-monthly survival count and size class measurements. The bi-annual stock counts and measurements are taken over approximately 6% of the entire ranch, which has been determined to be a statistically relevant sample size.

The future realisation of these biological assets may be affected by any variance between actual results and the assumptions relied upon.

Net realisable value of inventories

The net realisable value of inventories assessment required a degree of estimation and judgement by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence. The quality of inventory is also taken into account in the assessment of net realisable value. The impact of COVID-19 has been considered in the ability to sell the inventory.

Share based payments

The fair value of equity instruments provided to Directors, employees and services providers are calculated from the date they are granted utilising the Black and Scholes option pricing model. The fair value of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on management's estimate of the probability that shares that will eventually vest. For the purposes of the financial statements, the Group has recognised a share-based payment expense for the relevant performance period, based on the assessed probability of the relevant performance conditions being met.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them (where applicable). Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (if applicable).

Useful life of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected useful life of the assets. Uncertainties in these estimates include assessing the impact of the Company's operating environment and technical and other forms of obsolescence.

Impact of Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain and staffing. As addressed in our specific notes, COVID-19 has had an impact on the Company's operations, namely the demand, timeliness of delivery and prices for seafood products. The Consolidated Group cannot accurately estimate the impact of COVID-19 on its operation, financial condition or liquidity for the 2022 year and beyond. However, based on its operational performance in FY2022 and measures taken to mitigate the effects of COVID-19, the Group remains focused on remaining agile to promptly address the impacts of the pandemic.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

V. Going concern

The financial statements for the year ended 30 June 2022 have been prepared on the basis that the group is a going concern and therefore, contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

During the year the group recorded a net loss after tax of \$854,972 (2021: net loss after tax \$1,683,948) and had net cash outflows from operating activities of \$1,756,719 (2021: \$149,757 net cash inflows). At balance date the group has working capital of \$5,338,580 (2021: \$6,274,766).

The Group's ability to continue as a going concern is dependent upon meeting future revenue and harvesting targets, its ability to generate cash flow through its business operations and the ability to raise additional finance from debt or equity if and when required, to contribute to the Group's working capital position. The Directors continue to be focused on meeting the Group's business objectives and are mindful of the funding requirements to meet these objectives.

The COVID-19 pandemic, announced by the World Health Organisation on 31 January 2020, is continuing to have a negative impact on world stock markets, currencies, supply chains and general business activity. There are still many uncertainties and at report date, the impact of the pandemic is still ongoing, making it impractical to reliably measure any future impact on the Group's financial performance.

These conditions indicate a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors at the date of preparing these annual accounts, have reasonable grounds to believe that the Group will continue as a going concern, dependent on the following:

- The International market for abalone maintaining existing demand levels resulting in the achievement of future sales targets;
- Scaling back certain activities that are non-essential so as to conserve cash; and
- The ability to raise additional finance from debt or equity if and when required, to contribute to the Group's working capital position.

Should the entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022.

There are no other significant Australian Accounting Standards and Interpretations that were recently issued or amended but are not yet effective and have not been early adopted by the Group for the year ended 30 June 2022.

W. Share-based payments

The Company provides benefits to senior executives of the Company in the form of share-based payments. The cost of these share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at grant date is measured by use of the Black and Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

X. New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. There are no significant Australian Accounting Standards and Interpretations that were recently issued or amended but are not yet effective and have not been early adopted by the Group for the year ended 30 June 2022.

NOTE 3. REVENUE

Revenue for the reporting period consisted of the following:

| | Consolidated Group | |
|--|---------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Sales | 3,864,241 | 3,181,910 |
| Juvenile Sales | 7,377 | 39,920 |
| Wild Origin Sales | 27,746 | - |
| Sale of abalone products | <u>3,899,364</u> | <u>3,221,830</u> |
| Processing revenue | <u>76,705</u> | <u>65,228</u> |
| | <u>3,976,069</u> | <u>3,287,058</u> |
| Primary geographical markets | | |
| Asia | 3,021,878 | 2,344,421 |
| Australia | 656,636 | 888,637 |
| Europe | 280,340 | 54,000 |
| North America | <u>17,215</u> | <u>-</u> |
| | <u>3,976,069</u> | <u>3,287,058</u> |
| Major goods/service lines | | |
| By-product | 76,751 | 76,865 |
| IQF meat | 2,951,642 | 2,341,835 |
| Juvenile abalone | 7,377 | 39,920 |
| Live abalone | 3,073 | 82,409 |
| Processing | 76,705 | 65,228 |
| Retail pack | 3,900 | 129,290 |
| Whole frozen abalone | <u>856,621</u> | <u>551,511</u> |
| | <u>3,976,069</u> | <u>3,287,058</u> |
| Timing of revenue recognition | | |
| Goods or services transferred at a point in time | 3,976,069 | 3,287,058 |
| Goods or services transferred over time | - | - |

Processing revenue relates to processing activities undertaken for third party customers.

Major customer information

61% of the Group's revenue was attributable to 1 major customer, contributing more than 10% of the Group's 2022 revenue (2021: 60% from 1 customer).

| | Consolidated Group | |
|---|---------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| NOTE 4. OTHER INCOME | | |
| (a) Other revenue for the reporting period consisted of the following: | | |
| Grant income- cash flow boost | - | 115,240 |
| Grant income- JobKeeper | - | 369,900 |
| Government grants | 30,000 | 10,000 |
| Miscellaneous | 143,382 | (7,045) |
| | <u>173,382</u> | <u>488,095</u> |
| (b) Research and Development Tax Incentive | | |
| Accrued during the year (refer also Note 7) | 1,829,733 | 1,200,364 |
| | <u>1,829,733</u> | <u>1,200,364</u> |
| NOTE 5. INCOME TAX | | |
| (a) The components of tax expense comprise: | | |
| <i>Current income tax</i> | | |
| Current income tax expense | 183 | 1,078 |
| Adjustments in respect of current income tax of previous years | (1,078) | 20,096 |
| <i>Deferred income tax</i> | | |
| Relating to the origination and reversal of temporary differences | 833,908 | (110,020) |
| Adjustments for prior period & movements in deferred taxes not recognised | 56,933 | (2,811) |
| Total income tax expense / (benefit) from continuing operations | <u>889,946</u> | <u>(91,657)</u> |
| Deferred income tax (income)/expense included in income tax expense comprises: | | |
| Decrease / (Increase) in deferred tax assets/(liabilities) | 890,842 | (112,831) |
| | <u>890,842</u> | <u>(112,831)</u> |
| (b) Amounts recognised directly in equity | | |
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or (credited) to equity. | | |
| Net deferred tax | - | (55,424) |
| | <u>-</u> | <u>(55,424)</u> |
| (c) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows: | | |
| (Loss)/Profit Before Income Tax | 34,974 | (1,775,605) |
| Prima facie tax payable on profit from ordinary activities before income tax at 25% (2021: 26%) | 8,744 | (461,629) |

| | Consolidated Group | |
|---|-------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| NOTE 5. INCOME TAX (CONTINUED) | | |
| Add: | | |
| Tax effect of: | | |
| - Research & Development Expenditure: Non-deductible | 1,259,324 | 508,048 |
| - Other non-deductible permanent adjustments | 23,458 | 2,057 |
| - Adjustments for prior period & movements in deferred taxes not recognised | 56,934 | 221,683 |
| - Tax loss recognised | - | (36,263) |
| | <u>1,348,459</u> | <u>233,896</u> |
| Less: | | |
| Tax effect of: | | |
| - Adjustments for current tax of prior period | (1,078) | 17,284 |
| - Income not assessable for income tax purposes | (457,433) | (342,837) |
| Income tax (benefit)/expense | <u>889,947</u> | <u>(91,657)</u> |
| The applicable weighted average effective tax rates are as follows: | 2,545% | 5% |
| NOTE 6. CASH AND CASH EQUIVALENTS | | |
| Cash at bank and in hand | 795,183 | 2,712,681 |
| | <u>795,183</u> | <u>2,712,681</u> |
| NOTE 7. TRADE AND OTHER RECEIVABLES | | |
| Trade debtors | 132,500 | 163,216 |
| Sundry & other debtors | 1,932,267 | 1,095,112 |
| GST receivable | 31,035 | 65,891 |
| | <u>2,095,802</u> | <u>1,324,219</u> |
| At the reporting date, none of the trade and other receivables were past due or impaired. | | |
| Sundry & other debtors for the 2022 financial year represents the research and development tax incentive for the year of \$1,829,722 and \$102,545 other debtors (2021: research and development tax incentive \$1,068,264 and \$26,848 other debtors). | | |
| NOTE 8. BIOLOGICAL ASSETS | | |
| CURRENT | | |
| Fair Value of Abalone on Abitats | 3,701,700 | 2,700,000 |
| | <u>3,701,700</u> | <u>2,700,000</u> |
| NON CURRENT | | |
| Fair Value of Abalone on Abitats | 3,864,984 | 3,573,395 |
| | <u>3,864,984</u> | <u>3,573,395</u> |

NOTE 8. BIOLOGICAL ASSETS (CONTINUED)

Consolidated Group
2022 **2021**
\$ **\$**

The carrying value of abalone on hand at year end was calculated as follows:

| | | |
|---|-------------------------|-------------------------|
| Opening balance | 6,273,395 | 6,985,402 |
| Increases due to purchases | 1,732,619 | 852,626 |
| Decreases due to harvest for processing to inventory | (2,451,200) | (2,275,776) |
| Fair value adjustment at year end recognised in profit and loss | <u>2,011,870</u> | <u>711,143</u> |
| Closing balance | <u>7,566,684</u> | <u>6,273,395</u> |

The fair value adjustment that occurred in the financial year of \$2,011,870 was predominantly due to the combination of abalone growth and market prices and costs to complete kept constant with FY21. Despite the net reduction in Biomass, these factors have translated into a positive contribution to the profit and loss of \$2,011,870.

The classification of the closing biological stock between current and non-current is based on the estimated harvest potential for the following 12-month period, which will be sourced from within the closing stock above 90mm.

Abalone stock below 90mm (~120g) are valued at a per mm rate. Management estimates this is a more accurate reflection of fair value as it takes into consideration growth rates from approximately 40mm to 90mm.

Stock above 90mm is measured at fair market value less costs to sell. The fair value assessment also assumes a further 10% mortality rate between balance date and harvest date. As these valuation variables are unobservable, they are deemed Level 3 inputs.

Level 3 analysis: The finance and operational departments undertake the valuation of the abalone. The calculations are considered to be level 3 fair values. The data is taken from internal management reporting and work completed by the executives within the operations to determine material inputs of the model. The key inputs are agreed by the Board of Directors every six months. The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

| Description | 30 June 2022 | 30 June 2021 | Comments |
|---|--|--|---|
| Selling price | Based on estimated market price at year end | Based on estimated market price at year end | Obtained by analysing sales prices and market research incorporating the impact of COVID-19 |
| Percentage increase/(decrease) from previous year selling price | 19% | (15%) | Obtained by analysing sales prices and market research incorporating the impact of COVID-19 |
| Weight of live abalone | Adjusted weight of live abalone for fair value measurement: 158,463 kg | Adjusted weight of live abalone for fair value measurement: 175,275 kg | Based on the results from the stocktake procedures |
| Costs to complete | \$10/Kg | \$10/Kg | Based on historical data over the last 12 months |
| Mortality | 10% of >90mm animals | 10% of >90mm animals | Based on historical research |

NOTE 8. BIOLOGICAL ASSETS (CONTINUED)

The valuation of the biological assets requires the estimate of the closing number of abalone and biomass and hence the resultant fair value estimate for closing stock. As detailed in Note 2(u), the number of abalone and biomass is estimated using a model that factors in projected growth and mortality rates, which in turn are based on the results of survival counts and size class measurements taken during the Company's trial phase and subsequent six-monthly stock counts (based upon a 6% sample). Actual growth and mortality rates will invariably differ to some extent across the ranch.

The following tables summarises the number of <90mm animals for current year and prior year and number of >90mm animals for current year and prior year:

| No of Abalone | 30 June 2022 | 30 June 2021 |
|---------------|------------------|------------------|
| < 90mm | 589,091 | 662,134 |
| > 90mm | 919,010 | 989,398 |
| Total | 1,508,101 | 1,651,532 |

Sensitivity analysis - Biological assets

The following tables summarise the potential impact of changes in the key variables on the biological asset valuation:

| | -10% | 10% |
|------------------------|-------------|-----------|
| Selling price | (\$810,221) | \$810,221 |
| Weight of live abalone | (\$651,758) | \$651,758 |

NOTE 9. INVENTORY

| | Consolidated Group | |
|------------------------|---------------------------|-----------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Harvested stock | 835,597 | 410,824 |
| Ocean Cellared Produce | 1,302 | - |
| | <u>836,899</u> | <u>410,824</u> |

Inventory is stated at the lower of cost (value at harvest time on valuation of biological assets) or net realisable value. The inventory balance includes an allocation of harvest and processing costs (deferred cost of production). These costs are capitalised and carried forward to harvested stock and subsequently cost of goods sold when the product is eventually sold.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated Group | |
|---------------------------------|---------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Plant & equipment, at cost | 3,574,746 | 3,351,990 |
| less: Accumulated depreciation | <u>(2,767,773)</u> | <u>(2,523,130)</u> |
| | <u>806,973</u> | <u>828,860</u> |
| Leasehold improvements, at cost | - | 48,816 |
| less: Accumulated depreciation | <u>-</u> | <u>(39,582)</u> |
| | <u>-</u> | <u>9,234</u> |
| Office equipment, at cost | 112,895 | 88,887 |
| less: Accumulated depreciation | <u>(76,662)</u> | <u>(60,628)</u> |
| | <u>36,233</u> | <u>28,259</u> |
| Land & Buildings, at cost | 3,794,021 | 3,558,748 |
| less: Accumulated depreciation | <u>(448,119)</u> | <u>(297,870)</u> |
| | <u>3,345,901</u> | <u>3,260,878</u> |
| Net carrying amount | <u>4,189,108</u> | <u>4,127,231</u> |

A reconciliation of the movement in the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial years:

Plant & equipment

| | | |
|--|-----------------|-----------------|
| Carrying amount at beginning of year | 828,860 | 1,250,426 |
| Additions | 352,506 | 15,462 |
| Depreciation charges | (353,161) | (421,855) |
| Disposals | <u>(21,232)</u> | <u>(15,173)</u> |
| Carrying amount at the end of the year | <u>806,973</u> | <u>828,860</u> |

Leasehold Improvements

| | | |
|--|----------------|--------------|
| Carrying amount at beginning of year | 9,234 | 18,997 |
| Additions | - | - |
| Depreciation charges | (7,677) | (9,763) |
| Disposals | <u>(1,557)</u> | <u>-</u> |
| Carrying amount at the end of the year | <u>-</u> | <u>9,234</u> |

Office Equipment

| | | |
|--|----------------|---------------|
| Carrying amount at beginning of year | 28,259 | 34,672 |
| Additions | 43,115 | 8,714 |
| Depreciation charges | (28,300) | (15,127) |
| Disposals | <u>(6,841)</u> | <u>-</u> |
| Carrying amount at the end of the year | <u>36,233</u> | <u>28,259</u> |

Land & Buildings

| | | |
|--|------------------|------------------|
| Carrying amount at beginning of year | 3,260,878 | 3,393,757 |
| Additions | 235,273 | - |
| Depreciation charges | (150,249) | (132,879) |
| Disposals | <u>-</u> | <u>-</u> |
| Carrying amount at the end of the year | <u>3,345,902</u> | <u>3,260,878</u> |

Net carrying amount

| | | |
|--|-------------------------|-------------------------|
| | <u>4,189,108</u> | <u>4,127,231</u> |
|--|-------------------------|-------------------------|

NOTE 11. RIGHT-OF-USE ASSETS

The right-of-use assets have arisen upon adoption of AASB 16 *Leases* on 1 July 2019. The Group's lease portfolio includes building and aquaculture leases. The building lease has an average term of 5 years and the aquaculture leases have an average term of 21 years.

(a) The carrying amount of right-of-use assets is detailed below:

| | Leased Property | Aquaculture | Total |
|---|------------------------|--------------------|----------------|
| | \$ | Lease | \$ |
| | \$ | \$ | \$ |
| Balance at 1 July 2020 | 380,220 | 153,027 | 533,247 |
| Depreciation expense for the year ended | (74,943) | (9,797) | (84,740) |
| As at 30 June 2021 | 305,277 | 143,230 | 448,507 |
| | Leased Property | Aquaculture | Total |
| | \$ | Lease | \$ |
| | \$ | \$ | \$ |
| Balance at 1 July 2021 | 305,277 | 143,230 | 448,507 |
| Depreciation expense for the year ended | (62,936) | (9,797) | (72,733) |
| As at 30 June 2022 | 242,341 | 133,433 | 375,774 |

(b) Lease liabilities

| | Consolidated Group | |
|--------------------------------|---------------------------|----------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Current lease liabilities | 21,857 | 91,112 |
| Non-Current lease liabilities | 458,116 | 479,973 |
| Total lease liabilities | 479,973 | 571,085 |

(c) AASB 16 related amounts recognised in statement of profit or loss

| | | |
|--|--------|--------|
| Depreciation charge related to right-of-use assets | 72,733 | 84,740 |
| Interest expense on lease liabilities | 23,769 | 28,452 |
| Low-value asset expense | 1,680 | 1,540 |
| Variable lease payment expense | 10,000 | 10,000 |

The group has some property leases which contain variable lease payments. These variable lease payments are recognised in the statement of profit or loss in the period which they occur.

(d) Total yearly cash outflows for leases 91,112 102,118

(e) Options to extend or terminate

The options to extend or terminate are contained in several leases of the Group. There were no extension options for the building lease. All of the extension or termination options are only exercisable by the Group. The extension options which management were reasonably certain to be exercised have been included in the calculation of the lease liability.

NOTE 12. TRADE AND OTHER PAYABLES

| | Consolidated Group | |
|------------------|---------------------------|-----------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Trade payables | 472,828 | 323,745 |
| Accrued expenses | <u>285,557</u> | <u>450,570</u> |
| | <u>758,385</u> | <u>774,315</u> |

Trade payables are not past due and are non-interest bearing. The carrying amount of trade and other payables are considered to be the same as their fair values due to their short-term nature.

NOTE 13. INTEREST BEARING LIABILITIES

CURRENT

| | | |
|---------------------------|-----------------------|---------------------|
| Insurance Premium Funding | 192,901 | - |
| Business Market Loan | 45,815 | - |
| Equipment Loans | <u>70,756</u> | <u>8,196</u> |
| | <u>309,472</u> | <u>8,196</u> |

NON-CURRENT

| | | |
|----------------------|-----------------------|----------------------|
| Business Market Loan | 191,690 | - |
| Equipment Loans | <u>203,514</u> | <u>17,184</u> |
| | <u>395,204</u> | <u>17,184</u> |

Equipment Loans

The equipment loan has been provided to Ocean Grown Abalone Operations Pty Ltd by National Australia Bank Limited, pursuant to a master asset finance agreement with a facility limit of \$1,500,000 (2021: \$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 Operations and the Company. The Company has also provided a guarantee and indemnity to the loan provider for the full facility limit.

The equipment loan at reporting date comprised:

- Balance of \$16,454. Original loan \$43,542, which commenced in May 2019, with 60 monthly repayments (final payment date of 24 June 2024) and an annual interest rate of 3.99%.
- Balance of \$25,380. Original loan \$33,872, which commenced in September 2021, with 36 monthly repayments (final payment date of 15 September 2024) and an annual interest rate of 3.89%.
- Balance of \$12,194. Original loan \$14,500, which commenced in December 2021, with 36 monthly repayments (final payment date of 1 December 2024) and an annual interest rate of 3.71%.
- Balance of \$26,621. Original loan \$28,886, which commenced in March 2022, with 36 monthly repayments (final payment date of 9 March 2025) and an annual interest rate of 4.38%.
- Balance of \$152,576. Original loan \$159,653, which commenced in March 2022, with 60 monthly repayments (final payment date of 30 March 2027) and an annual interest rate of 4.97%.
- Balance of \$22,945. Original loan \$24,200, which commenced in April 2022, with 36 monthly repayments (final payment date of 20 April 2025) and an annual interest rate of 4.80%.
- Balance of \$17,710. Original loan \$17,710, which commenced in June 2022, with 36 monthly repayments (final payment date of 14 June 2025) and an annual interest rate of 5.66%.

Business Market Loan

The equipment loan has been provided to Ocean Grown Abalone Operations Pty Ltd by National Australia Bank Limited. 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 Operations and the Company. The Company has also provided a guarantee and indemnity to the loan provider for the full facility limit.

The business market loan at reporting date comprised:

- Balance of \$237,505. Original loan \$250,000, which commenced in March 2022, with 60 monthly repayments (final payment date of 15 March 2027) and an annual interest rate of 5.195%.

Insurance Premium Funding

The insurance premium funding loan has been provided to Ocean Grown Abalone Operations Pty Ltd Elantis Premium Funding Limited.

The business market loan at reporting date comprised:

- Balance of \$192,901. Original loan \$288,024, which commenced in March 2022, with 12 monthly repayments (final payment date of 1 February 2023) and an annual interest rate of 4.97%.

NOTE 14. CURRENT

| | Consolidated Group | |
|--|---------------------------|-----------------------|
| | 2022 | 2021 |
| Employee entitlements – annual leave | 140,150 | 107,778 |
| Employee entitlements – long service leave | 79,179 | 59,369 |
| | <u>219,329</u> | <u>167,147</u> |

NOTE 15. DEFERRED TAX ASSETS AND LIABILITIES**Recognised deferred tax assets**

| | | |
|--|----------------------|-----------------|
| Accruals | 51,328 | 27,792 |
| Provisions | 54,833 | 54,377 |
| Losses | 624,491 | 1,055,277 |
| Expenses taken into equity | - | - |
| Other | 47,197 | 211,083 |
| Deferred tax assets to offset deferred tax liability | (707,992) | (1,348,529) |
| | <u>69,857</u> | <u>-</u> |

Recognised deferred tax liabilities

| | | |
|--|-------------------------|-----------------------|
| Biological & Inventory Asset | 1,891,671 | 1,581,013 |
| Prepayments | 59,823 | 42,221 |
| Other | 104,030 | 112,128 |
| Deferred tax assets to offset deferred tax liability | (726,781) | (1,348,529) |
| | <u>1,328,743</u> | <u>386,833</u> |

NOTE 16. CONTRIBUTED EQUITY

| | No. | No. |
|--|---------------------------|---------------------------|
| (a) Issued and paid up capital | | |
| No. fully paid ordinary shares | <u>200,742,780</u> | <u>200,742,780</u> |
| | \$ | \$ |
| Balance at beginning of year | 27,012,442 | 27,012,442 |
| Balance at end of the year | <u>27,012,442</u> | <u>27,012,442</u> |
| (b) Movement in ordinary shares | | |
| | No. | No. |
| Balance at end of the year | <u>200,742,780</u> | <u>200,742,780</u> |

(c) Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings, each ordinary share is entitled to one vote when a poll is called.

(d) Share options

On 1 August 2017, 10,039,450 options, each exercisable at \$0.39 on or before 30 September 2021, were issued as part consideration for corporate advisory services provided in relation to IPO. These options expired during the reporting period.

On 1 August 2017, 2,500,000 options, each exercisable at \$0.44 on or before 30 September 2021 were issued as part of the remuneration packages for Peter Harold (Non-Executive Chairman) and Danielle Lee (Non-Executive Director). These options expired during the reporting period.

On 27 November 2020, 1,000,000 options, each exercisable at \$0.142 on or before 27 November 2023 (Class D) were issued as part remuneration for Ignazio Ricciardi (Non-Executive Director) services.

On 26 November 2021, 2,000,000 options, each exercisable at \$0.117 on or before 26 November 2024 (Class E) were issued as part of the remuneration packages for Peter Harold (Non-Executive Chairman) and Danielle Lee (Non-Executive Director).

| | Consolidated Group | |
|-----------------------------|---------------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| NOTE 17. RESERVES | | |
| Share-based payment reserve | <u>1,129,836</u> | <u>1,081,275</u> |

The share-based payment reserve is used to record the value of equity benefits (options) provided to directors, executives and employees as part of their remuneration and consultants / advisers for their services. Refer to Note 25 for details of share-based payments during the financial year.

Movement in reserves:

Share-based payments reserve

| | | |
|--|-------------------------|-------------------------|
| Balance at beginning of the year | 1,081,275 | 1,051,899 |
| Options issued to Directors | 41,466 | 29,376 |
| Performance rights issued to Directors and employees | 42,473 | - |
| Balance at the end of the year | <u>1,165,214</u> | <u>1,081,275</u> |

Refer to Note 25 Share-based payments for further details on performance rights.

NOTE 18. ACCUMULATED LOSSES

| | | |
|---|----------------------------|----------------------------|
| Accumulated losses at beginning of year | (14,348,363) | (12,665,356) |
| Profit/(Loss) attributable to Owners of the Company | <u>(853,430)</u> | <u>(1,683,007)</u> |
| Accumulated losses at end of year | <u>(15,201,793)</u> | <u>(14,348,363)</u> |

NOTE 19. SUBSEQUENT EVENTS

The full impact of the COVID-19 outbreak continues to evolve as at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY2023.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2023 financial year.

Although the Group cannot fully estimate the length or gravity of the COVID-19 effect, from its initial assessment, demand and pricing is has returned and the business is expecting to be able to continue as a going concern.

Other than as disclosed above or in the financial statements, there are no other significant matters sufficiently advanced or at a level of certainty that would require disclosure, arisen since the end of the financial year, which significantly affects the operations of the Consolidated Group, the results of those operations or the state of affairs of the Consolidated Group in future financial years.

| | Consolidated Group | |
|---|-------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| NOTE 20. COMMITMENTS AND CONTINGENCIES | | |
| The Consolidated Group had the following supplier purchase commitments as at 30 June 2022 | | |
| Within one year | 1,554,374 | 1,218,274 |
| After one year but not more than five years | 1,414,224 | 1,344,000 |
| More than five years | - | - |
| | <u>2,968,598</u> | <u>2,562,274</u> |

The Consolidated Group had the following capital purchase commitments as at 30 June 2022

| | | |
|---|-----------------------|----------------------|
| Within one year | 117,500 | 34,643 |
| After one year but not more than five years | - | - |
| More than five years | - | - |
| | <u>117,500</u> | <u>34,643</u> |

Other than as disclosed in the financial statements, the Consolidated Group does not have any contingent liabilities at balance sheet date and none have arisen since balance sheet date to the date of signing the Directors' report.

NOTE 21. AUDITOR'S REMUNERATION

Auditors of the Group - BDO and related network firms

| | | |
|--|---------------|---------------|
| Audit and review of financial statements | | |
| Group | 69,889 | 60,097 |
| Total audit and review of financial statements | <u>69,889</u> | <u>60,097</u> |

Other statutory assurance services

| | | |
|--------------------------|---------------|---------------|
| Non-audit services | | |
| Group Tax | 72,412 | 28,147 |
| Total non-audit services | <u>72,412</u> | <u>28,147</u> |

Total services provided by BDO

| | | |
|--|-----------------------|----------------------|
| | <u>142,301</u> | <u>88,244</u> |
|--|-----------------------|----------------------|

Other auditors - Stantons International

| | | |
|--|----------|--------------|
| Non-audit services | | |
| Group | - | 1,200 |
| Total audit and review of financial statements | <u>-</u> | <u>1,200</u> |

Other statutory assurance services - RSM

| | | |
|--------------------------|--------------|---------------|
| Non-audit services | | |
| Consulting services | 5,872 | 51,978 |
| Total non-audit services | <u>5,872</u> | <u>51,978</u> |

Total services provided by other auditors (excluding BDO)

| | | |
|--|---------------------|----------------------|
| | <u>5,872</u> | <u>53,178</u> |
|--|---------------------|----------------------|

NOTE 22. PROFIT/(LOSS) PER SHARE

The calculation of basic and diluted profit/(loss) per share was based on the following:

| | Consolidated Group 2022 \$ | 2021 \$ |
|--|---|--------------------|
| Net (loss) for the year attributable to owners of the Company | <u>(853,430)</u> | <u>(1,683,007)</u> |
| | No. | No. |
| Weighted average number of ordinary shares used in calculating basic (loss) per share | 200,742,780 | 200,742,780 |
| Effect of dilution: | | |
| Share options | - | - |
| Convertible loans | <u>n/a</u> | <u>n/a</u> |
| Adjusted weighted average number of ordinary shares used in calculating diluted (loss) per share | <u>200,742,780</u> | <u>200,742,780</u> |
| Basic and diluted (loss) per share (cents) | <u>(0.43)</u> | <u>(0.84)</u> |

There is no impact from the 3,000,000 options outstanding at 30 June 2022 (2021: 13,539,450 options) on the profit per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future.

NOTE 23. KEY MANAGEMENT PERSONNEL DISCLOSURES

Names and positions held by Directors and other members of Key Management Personnel ("KMP") in office at any time during the financial year are set out below:

| Name | Position Held |
|-------------------|---|
| Peter Harold | Non-Executive Chairman |
| Bradley Adams | Executive Director Corporate Development |
| Ignazio Ricciardi | Non-Executive Director |
| Danielle Lee | Non-Executive Director |
| Rob Jordan | Chief Executive Officer |
| Brent Stockden | Chief Financial Officer & Company Secretary |

The aggregate compensation made to Directors and other KMP of the Group during the financial year is set out below:

| | | |
|------------------------------|-------------------------|-----------------------|
| Short-term employee benefits | 893,900 | 682,748 |
| Post-employment benefits | 83,652 | 56,440 |
| Share-based payments | <u>70,346</u> | <u>29,376</u> |
| | <u>1,047,898</u> | <u>768,564</u> |

NOTE 24. RELATED PARTY TRANSACTIONS

The ultimate parent entity is Rare Foods Australia Limited. Refer to Note 31 for a list of all controlled entities.

In each of the following related party transactions normal commercial terms and conditions applied. Terms and conditions were no more favourable than those available or which might reasonably be expected to be available for a similar transaction or service to unrelated parties on arms-length basis.

Ignazio Ricciardi & Silvana Ricciardi ATF IP & S Ricciardi Family Trust, a business entity controlled by Ian Ricciardi, was paid \$57,392 during the financial year (FY2021: \$57,003) for the provision of commercial consulting services by Ian Ricciardi.

Bigstreet Pty Ltd, of whom Ignazio Ricciardi is a director and in which he holds a beneficial ownership interest, was paid \$2,007 during the financial year (FY2021: \$2,570) for the provision of cold storage and handling services.

Vincenzo Ricciardi, son of Ignazio Ricciardi, is an employee of the Company. He received total remuneration inclusive of superannuation during the financial year of \$137,077 (FY2021: \$135,900) as the Group Financial Controller.

Jodee Adams, the wife of Brad Adams, did not receive any remuneration during the financial year (FY2021: \$750 for the provision of delivery services).

Max Adams, son of Brad Adams, was an employee of the Company. He did not receive any remuneration during the financial year (FY2021: \$197) for the provision of services of general labour.

NOTE 25. SHARE-BASED PAYMENTS

The Company makes share-based payments, in the form of options, to directors, executives and employees as part of their remuneration and to consultants / advisers for their services.

Set out below is a summary of unlisted option movements during the financial year.

| | 2022 | | 2021 | |
|---|--|-------------------|--|-------------------|
| | Weighted average exercise price per Option | Number of options | Weighted average exercise price per Option | Number of options |
| Balance at the start of the period | \$0.38 | 13,539,450 | \$0.36 | 21,346,902 |
| Cancelled during the period | - | - | - | - |
| Granted during the period | \$0.117 | 2,000,000 | \$0.142 | 1,000,000 |
| Exercised during the period | - | - | - | - |
| Lapsed during the period | \$0.40 | (12,539,450) | \$0.30 | (8,807,452) |
| Balance at the end of the period | \$0.125 | 3,000,000 | \$0.38 | 13,539,450 |

2,000,000 unlisted options were issued during the period to directors, pursuant to the Company's Employee Incentive Plan, each exercisable at 11.7 cents on or before 26 November 2024. The fair value at grant date of the options of \$41,466, was estimated using the Black and Scholes option valuation method with the following inputs:

| Input | |
|---------------------------------|-------------|
| Grant date | 26 Nov 2021 |
| Exercise price | 11.7 cents |
| Term of option | 3 years |
| Share price at grant date | 7.5 cents |
| Expected share price volatility | 60% |
| Risk free interest rate | 0.96% |

NOTE 25. SHARE-BASED PAYMENTS (CONTINUED)

Outstanding listed options at the end of the year, which were granted as share-based payments, are summarised as follows:

| Series | Grant Date | Expiry Date | Exercise Price | Number of options |
|----------------|-------------|-------------|----------------|-------------------|
| D | 27 Nov 2020 | 27 Nov 2023 | \$0.142 | 1,000,000 |
| E ¹ | 26 Nov 2021 | 26 Nov 2024 | \$0.117 | 2,000,000 |
| Total | | | | 3,000,000 |

¹ FY2022 share based payment expense of \$41,466 is attributable to the Class E options granted during the period

Performance Rights

The following performance rights were issued during the reporting period:

| Class | Grant Date | Number of Performance Rights | Value per Share | Fair Value | 2022 Total expense | 2021 Total expense |
|--------------|-------------|------------------------------|-----------------|------------------|--------------------|--------------------|
| E | 26 Nov 2021 | 785,177 | \$0.075 | \$58,888 | \$9,415 | - |
| F | 26 Nov 2021 | 785,177 | \$0.075 | \$58,888 | \$440 | - |
| E | 10 Dec 2021 | 2,542,703 | \$0.080 | \$203,416 | \$31,164 | - |
| F | 10 Dec 2021 | 2,542,703 | \$0.080 | \$203,416 | \$1,454 | - |
| Total | | 6,655,760 | | \$524,608 | \$42,473 | - |

During the reporting period, the Company issued 1,570,354 Performance Rights to Brad Adams, the Executive Corporate Development Director. The Performance Rights have been issued in 2 classes with 785,177 shares in each class and subject to separate service and performance conditions as detailed below:

- Class E – Service Condition: remain engaged as an employee for a continuous period, for the 2-year period from 1 July 2021 to 30 June 2023; and

Performance Condition: The achievement of harvest targets on the Flinders Bay operation. The proportion of performance rights available to vest following a determination of the harvest over the 2-year performance period from 1 July 2021 to 30 June 2023 is summarised as follows:

| Harvest over performance period | Proportion of Performance Rights available to vest % |
|--|--|
| Less than 160,000 kgs | 0% |
| Greater than 160,000 kgs up to 170,000 kgs | Pro-rata from 50% to 99% |
| Greater than 170,000 kgs | 100% |

NOTE 25. SHARE-BASED PAYMENTS (CONTINUED)

An alternative performance hurdle to the harvest target, is a Takeover Event occurring on or before 30 June 2023.

- Class F – Service Condition: remain engaged as an employee for a continuous period, for the 2 year period from 1 July 2021 to 30 June 2023; and

Performance Condition: The achievement of EBIT targets from the Company's operations for the 2 year performance period. The proportion of performance rights available to vest following a determination of the EBIT, over the 2 year performance period from 1 July 2021 to 30 June 2023 is summarised as follows:

| EBIT over performance period | Proportion of Performance Rights available to vest % |
|--|--|
| Less than or equal to \$400,000 | 0% |
| Greater than \$400,000 up to \$1,300,000 | Pro-rata from 50% to 99% |
| Greater than \$1,300,000 | 100% |

An alternative performance hurdle to the harvest target, is a Takeover Event occurring on or before 30 June 2023.

For the purposes of the financial statements, the Group has recognised a share-based payment expense for the relevant performance period, based on the assessed probability of the relevant performance conditions being met. The probability assessment of the respective performance conditions, are set out below:

(iii) Class E – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be 43% as at 30 June 2022.

(iii) Class F – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be less than 9% as at 30 June 2022.

The following performance rights were issued previously:

| Class | Grant Date | Number of Performance Rights | Value per Share | Fair Value | 2022 Total expense | 2021 Total expense |
|--------------|------------|------------------------------|-----------------|------------------|--------------------|--------------------|
| C | 1 Aug 2017 | 4,000,000 | \$0.20 | \$800,000 | - | - |
| Total | | 4,000,000 | | \$800,000 | - | - |

The Company previously issued 4,000,000 Performance Rights to Brad Adams, the Managing Director, at the time. The Performance Rights are subject to separate service and performance conditions. The service conditions for class C are detailed below:

- Class C – Service Condition: remain engaged as an employee for a continuous period until the performance condition is satisfied; and Performance Condition: Prior to 14 November 2022, subject to the Board determining the success material part of the Port Lincoln Development Project, the Company (either on its own or together with an affiliate or joint venture partner) deploys and seeds a cumulative total of 5,000 Abitats across one or more commercial project sites within South Australia.

For the purposes of the financial statements, where the assessed probability of the relevant performance conditions is 50% or greater, the Group recognised the resulting share-based payment expense over the relevant performance period. Support for a greater or less than 50% probability assessment of the respective performance conditions, are set out below:

(iii) Class C – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be less than 50%. As per AASB 2 Share-based Payment, no amount is recognised because of failure to satisfy vesting condition and therefore the share-based payment expense was reversed in the 2019 financial year.

NOTE 26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Board monitors and manages the financial risk relating to the operations of the Group. Exposure to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate and currency risk) arises in the normal course of the Consolidated Group's business. The risk management policies are designed to minimise potential adverse effects on the Consolidated Group's financial performance.

The Consolidated Group holds the following financial instruments as at the reporting date:

| | Consolidated Group | |
|------------------------------|---------------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 795,183 | 2,712,681 |
| Trade & other receivables | 2,095,802 | 1,324,219 |
| Deposits | 34,667 | 34,857 |
| | <u>2,925,652</u> | <u>4,071,757</u> |
| Financial liabilities | | |
| Trade and other payables | 472,828 | 323,745 |
| Lease liabilities | 479,973 | 571,085 |
| Loans and borrowings | 704,676 | 25,380 |
| | <u>1,657,477</u> | <u>920,210</u> |

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Consolidated Group's income or the value of its holding of financial instruments. The Consolidated Group's objective is to manage and control market risk exposures within acceptable parameters, whilst optimising returns.

Currency Risk

The Consolidated Group is exposed to currency risk on overseas sales of abalone product and associated selling costs that are denominated in US dollars. The Consolidated Group does not have any overseas borrowings or US dollar cash holdings as at balance date. In order to protect against exchange rate movements, the consolidated group from time to time has entered into forward foreign exchange contracts with its banking provider. The Consolidated Group had a USD debtor balance of USD\$44,070 (2021: nil) and a USD creditor balance at 30 June 2022 of USD\$3,402 (2021: nil).

The table below summarises the effect on the Consolidated Group's comprehensive loss (movement in average rate) and cash and cash equivalents (movement at balance date) if the AUD / USD exchange rates moved by +10%:

| Percentage shift in AUD / USD exchange rate | 10% | 10% |
|---|----------------|----------------|
| Total effect on cash and cash equivalents of +ve movement | (657) | - |
| Total effect on cash and cash equivalents of -ve movement | 803 | - |
| Total effect on debtors of +ve movement | 5,726 | - |
| Total effect on debtors of -ve movement | <u>(6,998)</u> | - |
| Total effect on creditors of +ve movement | (433) | - |
| Total effect on creditors of -ve movement | <u>529</u> | - |
| Total effect on comprehensive (loss) of +ve movement | (250,523) | (200,209) |
| Total effect on comprehensive profit of -ve movement | <u>306,195</u> | <u>244,700</u> |

NOTE 26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table sets out the interest rates applicable to financial instruments that are exposed to interest rate risk:

| | Interest bearing | Non-interest bearing | Total | Weighted average interest rate |
|------------------------------------|------------------|----------------------|------------------|--------------------------------|
| | 2022 | 2022 | 2022 | 2022 |
| | \$ | \$ | \$ | % |
| Consolidated | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 329,227 | 465,956 | 795,183 | 0.80 |
| Trade & other receivables | - | 2,095,802 | 2,095,802 | - |
| Deposits | 34,667 | - | 34,667 | 2.46 |
| Total financial assets | 363,894 | 2,561,758 | 2,925,652 | |
| Financial liabilities | | | | |
| Trade & other payables | 6,176 | 466,652 | 472,828 | 0.08 |
| Lease liabilities | 479,973 | - | 479,973 | 4.50 |
| Loans and borrowings | 704,676 | - | 704,676 | 4.95 |
| Total financial liabilities | 1,190,825 | 466,652 | 1,657,477 | |

| | Interest bearing | Non-interest bearing | Total | Weighted average interest rate |
|-------------------------------|------------------|----------------------|------------------|--------------------------------|
| | 2021 | 2021 | 2021 | 2021 |
| | \$ | \$ | \$ | % |
| Consolidated | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 2,704,638 | 8,043 | 2,712,681 | 1.11 |
| Trade & other receivables | - | 1,324,219 | 1,324,219 | - |
| Deposits | 34,857 | - | 34,857 | 0.29 |
| Total financial assets | 2,739,495 | 1,332,262 | 4,071,757 | |

| | | | | |
|------------------------------------|----------------|----------------|----------------|------|
| Consolidated | | | | |
| Financial liabilities | | | | |
| Trade & other payables | 7,010 | 316,735 | 323,745 | 0.18 |
| Lease liabilities | 571,085 | - | 571,085 | 4.50 |
| Loans and borrowings | 25,380 | - | 25,380 | 3.99 |
| Total financial liabilities | 603,475 | 316,735 | 920,210 | |

The Consolidated Group receives interest on its cash management deposits based on daily balances and at balance date was exposed to a weighted average variable interest rate of 0.80% (2021: 1.11%). The Consolidated Group's US dollar account does not attract interest.

The Consolidated Group receives interest on its Deposits and at balance date was exposed to a weighted average fixed interest rate of 2.46% (2021: 0.29%)

Interest payable on trade and other payables relates to the Consolidated Group credit card balances at balance date.

NOTE 26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit risk represents the risk of financial loss to the Consolidated Group if a customer or counterparty to the financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Group's receivables from customers. This in turn is influenced by the characteristics of each customer and the Consolidated Group regularly assesses the creditworthiness of its customers.

The Consolidated Group regularly reviews its trade and other receivables balances for impairment. At the reporting date, there were no trade and other receivables were past due or impaired (2021: \$nil).

The Consolidated Group's maximum exposure to credit risk at the reporting date was:

| | Consolidated Group | |
|-------------------------------|--------------------|------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 795,183 | 2,712,681 |
| Trade & other receivables | 2,095,802 | 1,324,219 |
| Deposits | 34,667 | 34,857 |
| Total financial assets | 2,925,652 | 4,071,757 |

The Consolidated Group's maximum exposure to credit risk at the reporting date was:

| Credit quality of financial assets | Equivalent S&P rating ¹ | Internally rated No default | Total |
|--|------------------------------------|-----------------------------|------------------|
| | \$ | \$ | \$ |
| At 30 June 2022 | | | |
| Financial assets | | | |
| Cash and cash equivalents | 795,183 | - | 795,183 |
| Trade debtors & other receivables ² | - | 2,095,802 | 2,095,802 |
| Deposits | 34,667 | - | 34,667 |
| Total financial assets | 829,850 | 2,095,802 | 2,925,652 |
| At 30 June 2021 | | | |
| Financial assets | | | |
| Cash and cash equivalents | 2,712,681 | - | 2,712,681 |
| Trade debtors & other receivables ² | - | 1,324,219 | 1,324,219 |
| Deposits | 34,857 | - | 34,857 |
| Total financial assets | 2,747,538 | 1,324,219 | 4,071,757 |

¹ The equivalent S&P rating of the financial assets and deposits represents the rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself. NAB has a rating of A-1+ (short-term) and AA- (long-term). CBA has a credit rating of A-1+ (short-term) and AA- (long-term). Bendigo Bank has a rating of A-2 (short-term) and BBB+ (long-term).

² Includes trade receivables of \$132,500 (FY2021: \$163,216). Other receivables include net amounts owing from Government institutions of \$1,829,733 (FY2021: \$1,068,264).

NOTE 26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity risk arises from the financial liabilities of the Consolidated Group and its ability to meet their obligations to repay their financial liabilities as and when they fall due. The Consolidated Group manages liquidity risk by maintaining adequate reserves and monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

Maturity of financial liabilities

The table below reflects an undiscounted contractual maturity analysis for financial liabilities:

| Contractual maturities of financial liabilities | Less than 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount |
|---|---------------------|-----------------------|-----------------------|----------------|------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| At 30 June 2022 | | | | | | |
| <i>Non Derivatives</i> | | | | | | |
| Trade and other payables | 472,828 | - | - | - | 472,828 | 472,828 |
| Lease liabilities | 47,036 | 47,036 | 141,106 | 444,249 | 679,427 | 479,973 |
| Loans and borrowings | 334,795 | 135,886 | 199,140 | 64,669 | 734,490 | 704,676 |
| Total expected outflows | 854,659 | 182,922 | 340,246 | 508,918 | 1,886,745 | 1,657,477 |

| Contractual maturities of financial liabilities | Less than 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount |
|---|---------------------|-----------------------|-----------------------|----------------|------------------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| At 30 June 2021 | | | | | | |
| <i>Non Derivatives</i> | | | | | | |
| Trade and other payables | 323,745 | - | - | - | 323,745 | 323,745 |
| Lease liabilities | 114,882 | 47,036 | 141,106 | 461,854 | 764,878 | 571,085 |
| Loans and borrowings | 9,777 | 9,777 | 7,281 | - | 26,835 | 25,380 |
| Total expected outflows | 448,404 | 56,813 | 148,387 | 461,854 | 1,115,458 | 920,210 |

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Fair Value Measurement of financial instruments

Note 2(G) summarises the Consolidated Group's approach to fair value assessment of its assets and liabilities. The carrying amount of the Consolidated Group's financial instruments are assumed to approximate their fair value due to either the short-term nature or their terms and conditions.

Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group has a net gearing ratio of 5.44% at 30 June 2022 (30 June 2021: 0.18%). The Group has no external requirements imposed upon it in relation to capital structure.

| | Consolidated Group | |
|---|---------------------------|-----------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| NOTE 27. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Reconciliation of net Cash provided by Operating Activities to Operating (Loss) after Income Tax | | |
| (Loss) after income tax for the year | (854,972) | (1,683,948) |
| Depreciation and amortisation | 619,713 | 671,091 |
| Fair value (FV) adjustment – biological assets | (2,011,870) | (711,143) |
| Net interest paid / (received) including interest expense on lease liability | 26,676 | (4,388) |
| Loss on sale of assets | 4,380 | 9,940 |
| Director options issued | 83,939 | 29,376 |
| Change in assets and liabilities | | |
| Decrease in biological assets and inventory (excluding FV adjustment) | 292,506 | 1,411,329 |
| Decrease / (Increase) in trade and other receivables | 76,887 | (98,975) |
| (Increase) / Decrease in R&D tax refund receivable | (848,469) | 223,732 |
| (Increase) in deferred tax assets | (13,414) | (7,920) |
| Increase / (Decrease) in deferred tax liabilities | 885,467 | (104,911) |
| (Decrease) / Increase in trade and other payables | (87,637) | 412,384 |
| Increase in income tax payable | 17,893 | 1,078 |
| Increase in provisions | 52,182 | 2,112 |
| Net cash (used in) / provided by operating activities | <u>(1,756,719)</u> | <u>149,757</u> |

NOTE 28. OPERATING SEGMENT

For management purposes, the Consolidated Group is organised into one main operating segment, which involves its abalone ranching operations, inclusive of its seeding, ranching and processing activities. All of the Consolidated Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Consolidated Group as one segment. The financial results from this segment are equivalent to the financial statements of the Consolidated Group as a whole. The Consolidated Group operates only in Australia.

NOTE 29. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2022 (2021: Nil). The balance of the franking account as at 30 June 2022 is Nil (2021: Nil).

NOTE 30. PARENT ENTITY INFORMATION

| | Consolidated Group | |
|--|---------------------------|---------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Total assets | 15,094,261 | 15,095,122 |
| Total liabilities | <u>(2,324,995)</u> | <u>(1,451,064)</u> |
| Net assets | <u>12,769,266</u> | <u>13,644,058</u> |
| Issued capital | 27,012,442 | 27,012,442 |
| Share based payment reserve | 1,165,214 | 1,081,275 |
| Accumulated losses | <u>(15,408,390)</u> | <u>(14,449,659)</u> |
| Total shareholders' equity | <u>12,769,266</u> | <u>13,644,058</u> |
| (Loss) of the parent entity | <u>(958,731)</u> | <u>(1,702,877)</u> |
| Total comprehensive (loss) of the parent entity | <u>(958,731)</u> | <u>(1,702,877)</u> |

(a) Guarantees entered into by the parent entity

Refer to Note 13 for information on the guarantee and other security provided by the Company in relation to the debts of its subsidiaries.

(b) Contingent liabilities of the parent entity

The Company did not have any other contingent liabilities not recognised as liabilities at balance date.

(c) Contractual commitments for capital expenditure

The Company did not have any other commitments in relation to capital expenditure contracted but not recognised as liabilities at balance date.

NOTE 31. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(d).

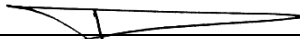
| Name | Country of Incorporation | Percentage Owned | |
|--|---------------------------------|-------------------------|-------------|
| | | 2022 | 2021 |
| Ocean Grown Abalone Operations Pty Ltd | Australia | 100% | 100% |
| Two Oceans Abalone Pty Ltd | Australia | 100% | 100% |
| Wylie Bay Abalone Pty Ltd | Australia | 66.67% | 66.67% |
| Ocean Grown Abalone Wylie Bay Pty Ltd | Australia | 100% | 100% |

DIRECTOR'S DECLARATION FOR THE YEAR ENDED 30 JUNE 2022

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 26 to 61 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Australian Accounting Standards as described in Note 2, the *Corporations Act 2001* and with International Financial Reporting Standards; and
 - b. giving a true and fair view of the consolidated Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



Peter Harold
NON-EXECUTIVE CHAIRMAN
30 August 2022

INDEPENDENT AUDITOR'S REPORT



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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Rare Foods Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Rare Foods Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



Material uncertainty related to going concern

We draw attention to Note 2v in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for Biological Assets

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>The Group's biological assets, as disclosed in Note 8 to the financial report, was a key audit matter as the calculation of the fair value of abalone requires significant estimates and judgements by management.</p> <p>The Australian Accounting Standards require biological assets to be measured at fair value less costs to sell or, in the absence of a fair value, at cost less impairment.</p> <p>The Group have valued the biological assets at fair value less costs to sell. The valuation requires management's judgement in relation to estimating the future selling prices, quantity of abalone, abalone size, mortality and costs to complete.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • considering the appropriateness of the valuation methodology against the relevant Australian Accounting Standards; • testing the mathematical accuracy of the fair value model used by management; • performing a reconciliation of the number of abalone by obtaining the opening balance and comparing the known movements (juveniles planted, harvests and mortalities for the year) to supporting documentation on a sample basis in order to assess the reasonableness of the number of abalone at year end; • counting a sample of abalone on hand at the year-end as part of our year end site visit and comparing this to the Group's count for reasonableness; • performing a sensitivity analysis of the key inputs including the future selling price, abalone quantity and abalone size as these are the key assumptions against which the model is most sensitive to; and • evaluating the adequacy of the related disclosure in Note 8 to the financial report. |



Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 23 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Rare Foods Australia Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO
A handwritten signature in black ink, appearing to read 'Dean Just', is written over the BDO logo.

Dean Just

Director

Perth

30 August 2022

ADDITIONAL SECURITIES EXCHANGE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 16 August 2022.

1 QUOTATION

Listed securities in Rare Foods Australia Limited are quoted on the Australian Securities Exchange under ASX code RFA (Fully Paid Ordinary Shares).

2 VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

- a. at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- b. on a show of hands, every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any Options or Performance Rights on issue.

3 DISTRIBUTION OF SHAREHOLDERS

i. Fully Paid Ordinary Shares

| Shares Range | Holders | Units | % |
|-------------------|--------------|--------------------|----------------|
| 1 – 1,000 | 18 | 5,850 | 0.00 |
| 1,001 – 5,000 | 117 | 410,699 | 0.21 |
| 5,001 – 10,000 | 279 | 2,266,163 | 1.13 |
| 10,001 – 100,000 | 498 | 18,969,965 | 9.45 |
| 100,001 and above | 175 | 179,090,103 | 89.21 |
| Total | 1,087 | 200,742,780 | 100.00% |

ii. Unlisted Class D Options exercisable at \$0.142 on or before 27 November 2023

| Shares Range | Holders | Units | % |
|-------------------|----------|------------------------|----------------|
| 1 – 1,000 | - | - | - |
| 1,001 – 5,000 | - | - | - |
| 5,001 – 10,000 | - | - | - |
| 10,001 – 100,000 | - | - | - |
| 100,001 and above | 1 | 1,000,000 ¹ | 100.00 |
| Total | 1 | 1,000,000 | 100.00% |

¹Holders who hold more than 20% of securities are:

- Ian Ricciardi – 1,000,000 options

iii. Unlisted Class E Options exercisable at \$0.117 on or before 26 November 2024

| Shares Range | Holders | Units | % |
|-------------------|----------|------------------------|----------------|
| 1 – 1,000 | - | - | - |
| 1,001 – 5,000 | - | - | - |
| 5,001 – 10,000 | - | - | - |
| 10,001 – 100,000 | - | - | - |
| 100,001 and above | 2 | 2,000,000 ¹ | 100.00 |
| Total | 2 | 2,000,000 | 100.00% |

¹Holders who hold more than 20% of securities are:

- Peter Harold – 1,000,000 options
- Danielle Lee – 1,000,000 options

iv. Class C Performance Rights

| Shares Range | Holders | Units | % |
|-------------------|----------|------------------------|----------------|
| 1 – 1,000 | - | - | - |
| 1,001 – 5,000 | - | - | - |
| 5,001 – 10,000 | - | - | - |
| 10,001 – 100,000 | - | - | - |
| 100,001 and above | 1 | 4,000,000 ¹ | 100.00 |
| Total | 1 | 4,000,000 | 100.00% |

¹Holders who hold more than 20% of securities are:

- Bradley Adams – 4,000,000 performance rights

v. Class E Performance Rights

| Shares Range | Holders | Units | % |
|-------------------|-----------|------------------|----------------|
| 1 – 1,000 | - | - | - |
| 1,001 – 5,000 | - | - | - |
| 5,001 – 10,000 | - | - | - |
| 10,001 – 100,000 | 11 | 745,520 | 22.4 |
| 100,001 and above | 5 | 2,582,360 | 77.6 |
| Total | 16 | 3,327,880 | 100.00% |

¹Holders who hold more than 20% of securities are:

- Bradley Adams – 785,177 performance rights
- Robert Jordan – 785,177 performance rights
- Brent Stockden – 697,935 performance rights

vi. Class F Performance Rights

| Shares Range | Holders | Units | % |
|-------------------|-----------|------------------|----------------|
| 1 – 1,000 | - | - | - |
| 1,001 – 5,000 | - | - | - |
| 5,001 – 10,000 | - | - | - |
| 10,001 – 100,000 | 11 | 745,520 | 22.4 |
| 100,001 and above | 5 | 2,582,360 | 77.6 |
| Total | 16 | 3,327,880 | 100.00% |

¹Holders who hold more than 20% of securities are:

- Bradley Adams – 785,177 performance rights
- Robert Jordan – 785,177 performance rights
- Brent Stockden – 697,935 performance rights

4 SUBSTANTIAL SHAREHOLDERS

As at 16 August 2022, the Company's register showed the following substantial shareholders:

| Name | No. of Shares | % |
|--|---------------|------|
| Mr Ignazio Peter Ricciardi & Mrs Silvana Ricciardi <IP & S Ricciardi Family A/C> | 19,762,732 | 9.84 |
| Calogero Paul Ricciardi <C P Ricciardi Family A/C> | 13,088,003 | 6.52 |
| UBS Nominees Pty Ltd | 12,050,741 | 6.00 |
| NE & HJ Soulos Pty Ltd <NE&HJ Soulos Super Fund A/C> | 10,313,422 | 5.14 |

5 RESTRICTED SECURITIES

There are currently no restricted securities.

6 ON MARKET BUY-BACK

There is currently no on market buy back in place.

7 APPLICATION OF FUNDS

The Company has applied its cash and assets readily convertible to cash in a way that is consistent with its business objectives detailed in its IPO prospectus.

8 TWENTY LARGEST SHAREHOLDERS

The twenty largest shareholders of the Company's quoted securities as at 16 August 2022 are as follows:

| | Name | No. of Shares | % |
|----|--|--------------------|--------------|
| 1 | Mr Ignazio Peter Ricciardi & Mrs Silvana Ricciardi <IP & S Ricciardi Family A/C> | 19,762,732 | 9.84 |
| 2 | Calogero Paul Ricciardi <C P Ricciardi Family A/C> | 13,088,003 | 6.52 |
| 3 | UBS Nominees Pty Ltd | 12,050,741 | 6.00 |
| 4 | NE & HJ Soulos Pty Ltd <NE&HJ Soulos Super Fund A/C> | 10,313,422 | 5.14 |
| 5 | Frewin Corporation Pty Ltd | 9,543,528 | 4.75 |
| 6 | Tomba Nominees Pty Ltd <V&N Tomba Family A/C> | 7,704,911 | 3.84 |
| 7 | Mrs Sylvia Ricciardi | 6,468,750 | 3.22 |
| 8 | Mr Michael Kelsey Cross | 6,300,000 | 3.14 |
| 9 | Whale Watch Holdings Limited | 6,111,684 | 3.04 |
| 10 | BNP Paribas Noms Pty Ltd | 5,861,280 | 2.92 |
| 11 | Pyxis Holdings Pty Ltd <The Mapletree A/C> | 4,600,000 | 2.29 |
| 12 | Mr Bradley Adams <Abracadabra Fishing Company/Adams Super Services> | 4,027,667 | 2.01 |
| 13 | Blair House Pty Ltd <Robert Stork SF A/C> | 3,800,000 | 1.89 |
| 14 | Montrose Investments (WA) Pty Ltd <Fraunschiel Family Account> | 3,000,000 | 1.49 |
| 15 | Teakdale Investments Pty Ltd | 3,000,000 | 1.49 |
| 16 | Makaba Pty Ltd <The Rickerby Spouse A/C> | 2,370,000 | 1.18 |
| 17 | Mr Timothy Malcolm Bowman | 2,191,958 | 1.09 |
| 18 | Reay Corporation Pty Ltd | 2,187,500 | 1.09 |
| 19 | Citicorp Nominees Pty Ltd | 2,171,472 | 1.08 |
| 20 | Tejiman Holdings Pty Ltd | 2,057,000 | 1.02 |
| | Total | 126,610,648 | 63.04 |

CORPORATE DIRECTORY

DIRECTORS

Peter Harold – Non-Executive Chairman
Bradley (Brad) Adams – Managing Director
Ignazio (Ian) Ricciardi – Non-Executive Director
Danielle Lee – Non-Executive Director

AUDITORS

BDO Audit (WA) Pty Ltd
Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

COMPANY SECRETARY

Brent Stockden

AUSTRALIAN SECURITIES EXCHANGE

ASX Code Ordinary Shares: RFA

REGISTERED OFFICE

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Facsimile: +61 8 6181 8899
Email: investors@rarefoods.com.au
Website Address: www.rarefoodsaustralia.com.au

SHARE REGISTRY

Automic Registry Services
Level 5, 191 St Georges Terrace
Perth WA 6000
Enquiries (within Australia): 1300 288 664
Enquiries (outside Australia): +61 2 9698 5414
Facsimile: +61 8 9321 2337
Website: www.automic.com.au

PRINCIPAL PLACE OF BUSINESS

Lot 331 Augusta Boat Harbour,
Leeuwin Road
Augusta WA 6290



GOING GREEN & PAPERLESS

JOIN OUR SUSTAINABILITY JOURNEY

WHY SWITCH TO PAPERLESS CORRESPONDENCE?

✓ Save time

Receive announcements and notifications as soon as they are released in the ASX in real-time, instead of waiting for the post.

✓ Save space

Reduce the clutter that enters your home, and receive correspondence via email or as digital, paper-free PDF. Compatible with any device.

✓ Save the environment

In Australia, each person uses an average 230kg of paper per year. Let's help reduce this waste by going paper-free.

At Rare Foods Australia, we strive to be sustainable and reduce our carbon footprint wherever possible. That means we prefer corresponding via emails vs. a multitude of printed paper.

We feel our shareholders echo our thoughts on this and to that end; here are some simple steps to help you move towards Email correspondence when hearing from us.

HOW DO I ELECT TO RECEIVE ALL CORRESPONDENCE BY EMAIL?

You can elect to receive all correspondence, such as annual reports, notice of meetings, newsletters and more, by email. You can make this election by:

1. Using Automic's Investor Portal – investor.automic.com.au :

- If you have already registered, simply enter your username and password and click **"log in"**.
- If you have not yet registered, simply click **"register"** and follow the prompts.

2. Once you have logged in, click on **"profile"**.

- You can then select **"edit"** in the Communication Preferences section.
- Once you have selected **"Electronic Only"** and added your email address, click **"save"**.

MANY THANKS FOR YOUR SUPPORT AS WE STRIVE
TOWARDS A MORE SUSTAINABLE FUTURE.

*Any issues? Feel free to contact Automic via
email (hello@automic.com.au) or by phone (1300 288 664).*





RARE FOODS
AUSTRALIA

www.rarefoodsaustralia.com.au

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