

LETTER TO SHAREHOLDERS

July 2022

Dear patient and valued shareholder,

As a valued supporter of the Rare Foods Australia (ASX Code: RFA) business, I want to use this communication to share with you the journey we are on. Since joining this business just 16 months ago, I was drawn to the possibilities to further develop, diversify and commercialise such a unique and fascinating business. It has, without doubt, been the most exciting and challenging 16 months I have ever had.

As you well know, our business has a bold appetite for being different. Since inception, we have invested, evolved, and developed our world-class Augusta facilities and working in the business has shown me the opportunities available to build new, innovative, and sustainable rare food products.

Globally Certified as Rare and Reassuringly Sustainable

Our company was founded on an innovative solution to replicate wild Greenlip abalone. The Marine Stewardship Council (MSC) certification of this product, achieved in June this year, accredited our innovation 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 this 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. Our comparative advantage is that we're growing our productive capacity of this product and are not curtailed by restrictive government quotas.



The Rare Foods Australia team accepting the MSC Certification



A Unique Global Partner of Rare Produce

Our vision is to create a rare and reassuringly sustainable business, supplying premium products that bring inspiration and differentiation from the local Western Australia region to menus globally. Our strategy is to supply abalone and going forward other rare foods with continuity and consistency globally, to become a strategic partner of choice. We will strengthen the business by adding revenues from other aligned rare products. We will thoroughly interrogate other rare product supply chains that would support us to grow more quickly and add them to our business if they are value accretive.

Safety at Our Core

We are uncompromised on safety. We have built an understanding of the potential risks in our business with all our staff and contractors. Our risk register was presented to the Board in February of this year by our executive and management team. The presentation outlined our highest risks, risk mitigation strategies and plans to improve. We have embedded this routine, which ensures the apex of this business has a clear line of sight on the potential risks our staff deal with daily, along with our plans to mitigate those risks.

This topic, as I'm sure you're all aware; "is a journey, not a sprint," and it leads every conversation we have at RFA. If we think through how to remove risks and work safely, we will invariably find the most effective and productive way to do our work.

A Collaborative Team and Structured Culture

The delivery of our strategy is prefaced on ensuring we have capable people in place. Since I began, we have created the organisational functions, along with the executive and management team to be able to implement our strategy.

We are relentless in ensuring each executive, manager and supervisor has a clear understanding of their accountabilities and we revisit this conversation formally every six months. This work has underpinned the development of our culture.

Agile Business Adapting and Responding at Pace

The most tangible illustration of the collective performance of our team was the way we have navigated through the Covid impediments of the last twelve months.

For most of March, April, May, and June, up to 30% of our personnel were away with Covid, or due to Covid. As a result of supply chain constraints resulting from Covid, none of our customers throughout the world received their ordered product for the traditional festivities of Chinese New Year, which greatly impacted recent demand.

Despite all of this, we have safely achieved record harvest and sales volumes, higher average sales prices, and gained valuable R&D incentives.

Building a Solid Reputation to Support the Business Proposition

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, were drawn to the higher salaries offered by the resources 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 with an Australian Registered Training Organisation to develop courses for our business and the broader Western Australian scientific diver and seafood industry.

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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 and Retail functions. We will offer a pathway for interested people within our region to join, learn and develop with us in this exciting industry.

Operational Excellence

Over the past 12 months, we have removed a total of 20% of our administrative costs. Our corporate administration now works remotely, to deliver efficiencies and productivity. We will build a corporate presence again in Fremantle once we develop our retail model in Augusta and can replicate this model and revenues to subsidise these expenses.

STRATEGIC CHOICES

Our collective strategic choices are developed to align with our vision and strategy stated above, they build on our comparative advantages and are pursued to add value, not cost to the business. We must be able to describe the steps we need to carry out to achieve our choices.

Risk



“The RFA Way” of working is our uncompromising approach to manage risks and ensure the safety of our workforce whilst pursuing our choices. Over the next 12 months we intend to:

- Develop a continuous improvement routine to update and effectively communicate our Risk Register
- And develop a practical pathway to measure our carbon footprint and plan our approach to net zero emissions

Core Business



Our core business is the production of the wild-caught Greenlip abalone from our Augusta ranch. Over the next 12 months we will enhance our stock and pursue another record harvest, greater than 85 tonnes (whole in shell equivalent). To achieve this, we'll undertake the following work streams:

- The deployment of 1.2 million juveniles, will be completed by end November 2022, equating to a 30% productivity improvement
- Systematic routines for all key processes will provide measures to prioritise value adding improvements to lower mortality and lift growth, preliminary FY 2022 / 2023 targets are:
 - Increase juvenile survival by 7%
 - Increase the average harvest size of abalone by 5% (212gram to 225grams)
- Relocate underperforming parts of our reef (the ABITATS) to proven, high productivity locations; FY 2022 / 2023 target is to move 800 ABITATS; 8% of our reef
- Implement an Asset Management routine to plan preventative maintenance, predict costs and improve utilisation for each key asset
- And develop further our safety drills and experiential training to induct our Diver Interns, to ensure the above targets are met

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The prices achieved for our wild-caught Greenlip abalone will be enhanced by our sales and marketing function. In the next 12 months we aim to raise the average whole in shell equivalent price from \$51 AUD and achieve another record sales year of our Greenlip above 75 tonnes. To achieve this, we'll undertake the following initiatives:

- Develop strategic partnerships with master distributors who book bulk tonnage orders 12 months in advance. We aim to have orders in place for at least 80% of our harvest by mid financial year
- Build a wholesale distribution network in our local Margaret River and Perth region
- Begin retail trading through our Ocean Pantry retail outlet in Augusta and adapting our eCommerce platform to support Australian wide retail sales; and
- Expand to develop a profitable Fremantle retail sales location to reopen our Fremantle Head Office

Raising the Bar to Drive Growth



Organic growth refers to us better utilising our strengths; our ocean leases, world-class processing facility and sales and marketing channels to add additional value. Over the next 12 months we aim to increase the total productive capacity of our processing facility from the 94 tonnes achieved during FY 2021 / 2022. To achieve this, we'll undertake the following choices:

- Increase our processing of farmed product, supplied from our strategic partner 888 Abalone
- Process and sell other aligned MSC accredited wild caught abalone products
- Develop a Business Plan to pursue Ocean Cellaring of select beverages
- Identify, justify, and install value-adding equipment, and
- Implement a stock management system to underpin our growing product range that effectively supports our sales and marketing channels.

Pushing the Boundaries and Never Standing Still



Value accretive growth is the pursuit of other rare products, or product supply chains from our premium region that will expedite the company's growth. The following choices will be undertaken over the next 12 months:

- We will generate a Value Accretive Target List of potential products and product supply chains with particular focus on the Southwest of Western Australia.
- We will implement our Stage Gate evaluation process to ensure a rigorous, disciplined approach to evaluate each growth project. We will ensure this is well communicated to all our stakeholders
- With our partner Yumbah Aquaculture Ltd, we will investigate value accretive options for our Esperance footprint. These options will include:
 - Potential avenues of support from government to develop a broader Aquaculture precinct
 - Participation and investment from other groups into that Aquaculture precinct, and
 - Additional options to supply Greenlip abalone juveniles to de-risk our core business

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OUR PATH AND COMMITMENT TO DELIVERING SUPERIOR RETURNS FOR YOU

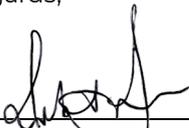
- We aim to be profitable going forward and grow our cash reserves to reinvest in our business and ultimately pay dividends
- We're going to pursue initiatives to grow our stock of wild caught Greenlip abalone that will command a premium return
- We're going to add to our earnings by integrating other aligned, rare products through our processing and sales channels, and develop a business plan for our Ocean Cellared product
- We will create a knowledge base of potential rare products and product supply chains that may add value to our business from the Southwest Western Australian region
- We will pursue stakeholder support for our Esperance project in terms of direct government funding and additional commercial partners in the pursuit of a positive investment decision, and
- Continue to look at all options for additional supplies of Greenlip abalone juveniles to de-risk the current business

Finally, we've begun an online forum for our Quarterly Updates with MST Access, who are engaged by us to write investment research. This forum provides an opportunity for me to share our quarterly results with MST Access and for them to pose investment related questions. We're opening this platform for all interested shareholders, who will be able to actively participate. You should have already received an invitation for the inaugural event being held on **Tuesday 2 August, 12:00pm WA** time. If not, please contact us so we can get you registered.

I invite you to reach out to me any time with questions you may have. My contact details are below, and I will always do my best to get back to you promptly.

Wishing you a safe and successful year ahead.

Best regards,



Rob Jorden
CHIEF EXECUTIVE OFFICER

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