

An aerial photograph of a harbor at sunset. A large boat is in the foreground, moving away from the viewer. The water is dark blue with a shimmering wake. The harbor is enclosed by a long, dark stone wall. The sky is a mix of soft orange and grey clouds.

RARE FOODS

AUSTRALIA

# FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

[www.rarefoodsaustralia.com.au](http://www.rarefoodsaustralia.com.au)

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# HALF-YEAR HIGHLIGHTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022



TOTAL SALES VOLUME

**41%**

INCREASE

**53 Tonnes**

vs HY22 37.5 Tonnes



TOTAL SALES REVENUE

**47%**

INCREASE

**\$ 2.96 Million**

vs HY22 \$ 2.01 Million



BIOLOGICAL ASSET  
FAIR VALUE

**16%**

UPLIFT

**\$ 8.80 Million**

vs HY22 \$ 7.57 Million



POSITIVE OPERATING  
CASHFLOW

**\$792k**

+\$1.2 Million on HY22 (-\$399k)



PROFIT BEFORE  
INCOME TAX

**\$97k**

HY22 \$643k

## DIRECTOR'S REPORT

The Directors present the financial report for Rare Foods Australia Limited (the Company) (formerly Ocean Grown Abalone Limited) and its controlled entities (the Consolidated Group or Group) for the half-year ended 31 December 2022 (HY2023).

### DIRECTORS

The following persons were Directors of the Company during or since the end of the half-year:

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

All directors were appointed for the full half-year.

### PRINCIPAL ACTIVITIES

During the half year period the Company's primary operations were conducted from the Augusta marina in southwest Western Australia. Principal activities included:

- The deployment of Greenlip juvenile abalone, onto the artificial reef on the Company's Flinders Bay lease
- The maintenance of that reef and the harvest of the MSC accredited wild Greenlip abalone
- Processing, marketing, and distribution of the MSC accredited wild Greenlip abalone along with wild origin, Greenlip, Brownlip and Roei abalone
- Showcasing the Company's innovations through its recently opened retail outlet, the Ocean Pantry; and
- The deployment, harvesting and sales of its innovative Ocean Cellared wine products

### CORE BUSINESS

#### Operations

During the 2022 deployment season (April through December), the Company focused on the simplification of its deployment processes to seed its biomass with juvenile Greenlip abalone. This entailed the implementation of a revised routine and the collection of relevant data to target improvements for greater juvenile survival post deployments.

The 2022 deployment season of 1.2 million juveniles was completed one month ahead of schedule. A new 20 bin transportation process was implemented, reducing the number of deployment events by 30%. In addition, third party logistics were provided by DeCampos transport, to transport the juveniles from Bremer Bay to Augusta, removing non-core tasks from the business.

The Company recorded a biomass in January 2023 of 196 tonnes (consistent with FY22) valued at \$8.8 million, 16% above FY22. The increase in value is attributable to the revised sales strategy creating higher demand and prices.

With ample stock on hand, the Company focused on its reef maintenance and harvested to meet forward orders. Harvest during the period was 35 tonnes.

#### Sales & Marketing

During the HY23 period, the Company achieved record tonnages, prices and revenues:

- Total revenue of \$2.96 million up 47% on HY22
- Ranched Greenlip sales tonnage of 47 tonnes up 27% on HY22
- Ranched Greenlip price achieved of (WIS) \$55.86 up 9.25% on FY22; and
- Wild origin revenue contribution of \$291,000.

### FINANCIAL REPORT – FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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These results were based on the continued work to develop the Master Distributor strategy, aimed at selling a quality, tiered based abalone product, to select worldwide customers. The strategy is underpinned by channelling wholesale enquiries through to a select regional Master Distributor, to stimulate demand in the Company's forward order book. As at the end of December, the Company's sales and forward orders were for FY23 were 107% of FY22 sales.

To date the Company has in place Master Distributors in Hong Kong, Australia and the UK and is developing additional Master Distributors in USA, Vietnam, Japan, Thailand and Singapore.

## Research and Development

The Company's R&D efforts during the period focused on:

- Methods to improve juvenile survival,
- Optimal harvest routines to maximise ranch productivity; and
- Sustainability, which is underpinned by the MSC improvement plan to reintroduce wild brood stock.

Progress continued on relocating underperforming parts of the reef and this initiative remains on target to achieve the overall relocation of 20% of the reef, from low growth to high growth locations by the end of calendar year 2023.

## GROWTH

### Organic Growth

Organic growth is where the Company can harness its strengths to add value, utilising its ocean leases, processing facility and sales and marketing channels.

### ***Integrating Wild Origin Product***

Revenue contribution from wild origin abalone product during the period was \$291,000. With wild quota holder support, the Company continued its work to create sales channels for wild Roei abalone.

### ***Ocean Pantry, Augusta***

The Company completed the construction and commissioning of the retail centre, the Ocean Pantry, and began trading during the period. The Ocean Pantry is designed to showcase the Company's innovations through tours, selling abalone and other aligned rare products, and providing a café service.

### ***Ocean Cellared Product***

Ocean Cellaring is the Company's licenced process of cellaring wine on the ocean floor. The marine environment enhances the maturation process, providing wine of superior quality, when directly compared to the traditional land based cellaring processes. Bottles are harvested after approximately 12 months, marine growth on the bottles is rinsed, and the marine growth on the bottle is then allowed to desiccate for four weeks before packaging.

An initial trial of 200 bottles of Glenarty Road's 2018 Cuvee was undertaken in March 2020 and harvested in August 2021. It was deemed a success as the story and wine quality allowed product sales to achieve a premium price.

A formal Heads of Agreement (HOA) was signed between both parties for a subsequent trial in 2021, which was harvested in November 2022, yielding 540 bottles of product. Utilising Glenarty Road's liquor licence, the Company began selling its inaugural harvest of 220 bottles during the period.

A third deployment of the 2022 Glenarty Road Cuvee of 2,500 bottles was completed in January 2023. The Company is entitled to 1,500 bottles of this batch.

An additional HOA was entered into with Edwards Winery during the period. Under this agreement the Company prepared 800 bottles of Chardonnay and 800 bottles of Cabernet Sauvignon for ocean cellaring in January 2023. Half of these bottles will be available for the Company to sell and market after the planned harvest in November 2023.

The Company will be finalising its overall Business Plan for Ocean Cellared product during the next half year, which will include plans to upscale production.

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### Value Accretive Growth

Value accretive growth is the pursuit to acquire other aligned rare product supply chains or assets from the premium Southwest region that will expedite the Company's growth.

### Progress with Esperance

Work continued during the period with broader stakeholder support for the development of an aquaculture precinct in Esperance. A pitch document was prepared with partner Yumbah Aquaculture, supported by DPIRD and the local indigenous group ENTACT outlining the opportunity. The pitch document was presented to the State government.

### Further Research

The Company continues to seek and identify opportunities, including complementary businesses and assets for acquisition, along with other aligned merger and acquisition opportunities. The Company has several initiatives underway.

## FINANCIAL RESULTS

Our new operational team members recruited in a tight employment market, has enabled the Company to implement more consistent operational routines during the period. These routines cover our pre deployment preparation, deployment, maintenance, harvests, and processing activities. Our efforts to date have maintained our biomass volume of 196 tonne, consistent with HY22.

The fair value of the biomass has increased by 16% to \$8.80 million (HY22 \$7.56 million). The uplift in the valuation is underpinned by the increase in the average sales price achieved through our Master Distributor strategy, generating heightened demand for our product, as demonstrated by the 47% improvement in our total HY23 revenues of \$2.96 million (HY22 \$2.01 million).

The Company was cash flow positive, generating a net operating cashflow of \$791,519 for the period. This was achieved through our record sales tonnage (47 tonnes) and prices (\$55.86 WIS) along with an improved and aligned Research and Development (R&D) strategy, achieving a total refund of \$1.83 million during the period (FY22 \$0.98 million).

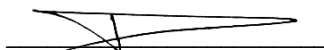
Our R&D strategy is focused on investing in the growth of our biomass. The implementation of the strategy requires a rigorous, systematic approach, that's well documented. During the period, we have invested on our juvenile survival and relocating underperforming parts of the artificial reef. If successful, a 10% improvement in our juvenile abalone survival would deliver an estimated additional \$1.1 million in revenues with no additional juvenile abalone purchase costs.

R&D is integral to the development of rare, sustainable, and scalable food products and we are incentivised to pursue these innovation activities. This R&D approach combined with the growth and diversification strategies implemented, supported the achievement of an operating profit before tax for HY23 of \$97,278.

## 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 9 of this report.

Signed in accordance with a resolution of the Directors.



**Peter Harold**  
Non-Executive Chairman  
28<sup>th</sup> February 2023

## INDEPENDENT AUDITOR'S REVIEW REPORT



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### INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Rare Foods Australia Limited

#### Report on the Half-Year Financial Report

##### Conclusion

We have reviewed the half-year financial report of Rare Foods Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

##### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

##### Material uncertainty relating to going concern

We draw attention to Note 1(e) 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 conclusion is not modified in respect of this matter.

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**Responsibility of the directors for the financial report**

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit (WA) Pty Ltd**

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

**Dean Just**

**Director**

Perth

28 February 2023



## AUDITOR'S INDEPENDENCE DECLARATION



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

As lead auditor for the review of Rare Foods Australia Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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  
28 February 2023

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

	Notes	Consolidated Group	
		31 Dec 22 \$	31 Dec 21 \$
Revenue		2,959,016	2,009,674
Other income		87,943	14,269
Net interest received (excluding interest expense on lease liability)		(21,908)	4,586
Research and development tax incentive		935,973	754,920
<b>Total income</b>		<b>3,961,024</b>	<b>2,783,449</b>
Changes in inventory		(2,610,574)	(1,146,655)
Fair value adjustment of biological assets	4	1,612,295	1,788,152
Selling & distribution		(187,776)	(111,028)
Processing expenses		(38,421)	(114,603)
Employee benefits expense		(1,543,249)	(1,334,830)
Share-based payments	10	(36,066)	(48,561)
Diving, vessels & operations expense		(216,999)	(147,813)
Corporate & administration		(525,870)	(618,151)
Depreciation & amortisation expense		(238,561)	(334,201)
Interest expense on lease liability		(10,442)	(12,085)
Other expenses		(68,083)	(60,159)
		<b>(3,863,746)</b>	<b>(2,139,934)</b>
<b>Profit before income tax</b>		<b>97,278</b>	<b>643,515</b>
Income tax expense	2(a)	(536,392)	(705,960)
<b>(Loss)/profit after tax from continuing operations</b>		<b>(439,114)</b>	<b>(62,445)</b>
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		-	-
<b>Total comprehensive (loss)/profit for the year</b>		<b>(439,114)</b>	<b>(62,445)</b>
<b>(Loss)/profit attributable to:</b>			
- Owners of the Company		(438,550)	(62,158)
- Non-controlling interests		(564)	(287)
		(439,114)	(62,445)
<b>Total comprehensive (loss)/profit attributable to:</b>			
- Owners of the Company		(438,550)	(62,158)
- Non-controlling interests		(564)	(287)
		<b>(439,114)</b>	<b>(62,445)</b>
<b>Basic and diluted (loss)/profit per share attributable to the Owners of the Company</b>			
Basic and diluted (loss)/profit per share (cents)		(2.17)	(0.03)

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	Consolidated Group	
		31 Dec 22	30 Jun 22
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	1,021,520	795,183
Trade and other receivables		1,390,488	2,095,802
Biological assets	4	4,600,369	3,701,700
Inventory		340,639	836,899
Other assets		142,022	239,348
<b>TOTAL CURRENT ASSETS</b>		<b>7,495,038</b>	<b>7,668,932</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		4,301,459	4,189,108
Biological assets	4	4,200,506	3,864,984
Right-of-use assets		362,629	375,774
Intangible assets		94,071	97,682
Other assets		310,934	208,038
Deferred tax assets		401,613	69,857
<b>TOTAL NON-CURRENT ASSETS</b>		<b>9,671,212</b>	<b>8,805,443</b>
<b>TOTAL ASSETS</b>		<b>17,166,250</b>	<b>16,474,375</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		989,686	758,385
Interest bearing liabilities		202,094	309,472
Lease liabilities		23,782	21,857
Provisions		223,991	219,329
Current tax liability		-	18,971
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,439,553</b>	<b>1,328,014</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities		425,236	395,204
Lease liabilities		443,757	458,116
Deferred tax liabilities	5	2,206,454	1,328,743
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,075,447</b>	<b>2,182,063</b>
<b>TOTAL LIABILITIES</b>		<b>4,515,000</b>	<b>3,510,077</b>
<b>NET ASSETS</b>		<b>12,651,250</b>	<b>12,964,298</b>
<b>EQUITY</b>			
Contributed equity	6	27,102,442	27,012,442
Share-based payment reserve	7	1,201,280	1,165,214
Accumulated losses		(15,640,343)	(15,201,793)
<b>Equity attributable to owners of the Company</b>		<b>12,663,379</b>	<b>12,975,863</b>
Non-controlling interests		(12,129)	(11,565)
<b>TOTAL EQUITY</b>		<b>12,651,250</b>	<b>12,964,298</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Consolidated Group	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2021</b>	<b>27,012,442</b>	<b>1,081,275</b>	<b>(14,348,363)</b>	<b>13,745,354</b>	<b>(10,023)</b>	<b>13,735,331</b>
Profit/(loss) after income tax expense for the period	-	-	(62,158)	(62,158)	(287)	(62,445)
Other comprehensive profit for the period	-	-	-	-	-	-
<b>Total comprehensive profit/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>(62,158)</b>	<b>(62,158)</b>	<b>(287)</b>	<b>(62,445)</b>
<b>Transactions with owners recorded directly in equity</b>						
Director options issued	-	41,466	-	41,466	-	41,466
Share based payments expense	-	7,095	-	7,095	-	7,095
Total transactions with owners recorded directly in equity	<b>-</b>	<b>48,561</b>	<b>-</b>	<b>48,561</b>	<b>-</b>	<b>48,561</b>
<b>Balance as at 31 December 2021</b>	<b>27,012,442</b>	<b>1,129,836</b>	<b>(14,410,521)</b>	<b>13,731,757</b>	<b>(10,310)</b>	<b>13,721,447</b>
<b>Balance as at 1 July 2022</b>	<b>27,012,442</b>	<b>1,165,214</b>	<b>(15,201,793)</b>	<b>12,975,863</b>	<b>(11,565)</b>	<b>12,964,298</b>
Profit/(loss) after income tax expense for the period	-	-	(438,550)	(438,550)	(564)	(439,114)
Other comprehensive profit for the period	-	-	-	-	-	-
<b>Total comprehensive profit/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>(438,550)</b>	<b>(438,550)</b>	<b>(564)</b>	<b>(439,114)</b>
<b>Transactions with owners recorded directly in equity</b>						
Director options issued	-	-	-	-	-	-
Share based payments expense	90,000	36,066	-	126,066	-	126,066
Total transactions with owners recorded directly in equity	<b>90,000</b>	<b>36,066</b>	<b>-</b>	<b>126,066</b>	<b>-</b>	<b>126,066</b>
<b>Balance as at 31 December 2022</b>	<b>27,102,442</b>	<b>1,201,280</b>	<b>(15,640,343)</b>	<b>12,663,379</b>	<b>(12,129)</b>	<b>12,651,250</b>

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	Consolidated Group	
		31 Dec 22 \$	31 Dec 21 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,816,143	2,036,345
Other income		109,477	151,937
Payments to suppliers and employees		(3,963,834)	(3,568,787)
R&D tax incentive		1,829,733	981,264
		<u>791,519</u>	<u>(399,241)</u>
<b>Net cash (used in) / provided by operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchases of plant, equipment		(329,981)	(126,755)
Proceeds from disposals of plant, equipment and intangible assets		(6,000)	1,000
Esperance JV development		-	(798)
Intangibles		(106,571)	(60,949)
Interest received		793	5,398
		<u>(441,759)</u>	<u>(182,104)</u>
<b>Net cash (used in) investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		137,555	49,572
Repayment of borrowings		(214,901)	(7,049)
Repayment of lease liability		(12,434)	(53,641)
Interest paid		(33,143)	(12,924)
Borrowing costs		(500)	(1,000)
		<u>(123,423)</u>	<u>(25,042)</u>
<b>Net cash (used in) financing activities</b>			
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>226,337</b>	<b>(606,387)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>795,183</b>	<b>2,712,681</b>
<b>Cash and cash equivalents at the end of the period</b>	3	<b>1,021,520</b>	<b>2,106,294</b>

The accompanying notes form part of these financial statements.

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Statement of compliance

The half-year financial report is a general purpose interim financial report prepared in accordance with *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual financial report for the financial year ended 30 June 2022.

#### 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 half-year ended 31 December 2022 were approved and authorised for issue by the Board of Directors on 28<sup>th</sup> February 2023.

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.

##### ii. New and amended standards adopted by the Company

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. As a result of the review, the Group have determined that there is no material impact of the Standards and Interpretations on issue not yet adopted on the Group, therefore, no change is necessary to Group accounting policies

#### D. 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 Agriculture*. 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 *Agriculture*. 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.

### **Deferred Tax Assets and Liabilities**

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the tax benefit can be utilised. Deferred tax assets are reviewed at each reporting date to assess the probability that the related tax benefit will be realised. Assumptions about the generation of future taxable profits depends on the Group's estimates of future cash flows, which in turn depend on estimates of future sales volumes and pricing, operational costs, capital expenditure and capital management transactions. The Board has decided to recognise a deferred tax asset to reflect the likelihood of the generation of future profits against which the deferred tax asset will be utilised.

The Group recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due, which requires judgement. Amounts are accrued based on management's interpretation of applicable tax law and the likelihood of settlement. Where the final tax position is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax balances in the period in which such determination is made, resulting in an adjustment to prior years.

### **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. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) 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.

**Revenue from contracts with customers involving sale of goods**

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

**E. Going concern**

The financial statements for the half-year ended 31 December 2022 have been prepared on the basis that the Consolidated 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 period the Consolidated Group recorded a net loss after tax of \$439,114 (HY2022: net loss after tax of \$62,445) and had net cash inflows from operating activities of \$791,519 (HY2022: net cash outflows of \$399,241). At balance date the Group had cash and cash equivalents totalling \$1,021,520 and working capital of \$6,055,485.

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 Directors at the date of preparing these interim 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 half year reporting period ended 31 December 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 31 December 2022.

The Group has considered its ability to continue as a going concern, using Group metrics and information for at least the next 12 months from the approval of these financial statements, taking into consideration an estimation of the continued business impacts of COVID-19. This assessment assumes the Group will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business beyond this period.

**F. 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.



## NOTE 2. INCOME TAX

### (a) The components of tax expense comprise:

	Consolidated Group	
	31 Dec 22	31 Dec 21
	\$	\$
<i>Current income tax</i>		
Current income tax expense	-	33,810
Adjustments in respect of current income tax of previous years	(9,563)	-
<i>Deferred income tax</i>		
Relating to the origination and reversal of temporary differences	565,195	750,127
Adjustments for prior period & movements in deferred taxes not recognised	(19,240)	(77,977)
<b>Total income tax expense from continuing operations</b>	<b>536,392</b>	<b>705,960</b>

### Deferred income tax expense/(revenue) included in income tax expense comprises:

Decrease/(increase) in deferred tax assets/(liabilities)	545,956	672,151
	<b>545,956</b>	<b>672,151</b>

### (b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Profit Before Income Tax	<b>97,278</b>	<b>643,515</b>
Prima facie tax payable on profit from ordinary activities before income tax at 25% (2021: 26%)	24,319	160,879
<b>Add:</b>		
<b>Tax effect of:</b>		
- Research & Development Expenditure: Non-deductible	758,845	603,415
- Other non-deductible permanent adjustments	16,024	343
- Adjustments for prior period & movements in deferred taxes not recognised	(19,239)	205,635
- Change in corporate tax rate	-	-
	<b>779,949</b>	<b>970,272</b>
<b>Less:</b>		
<b>Tax effect of:</b>		
- Adjustments for current tax of prior period	9,563	75,582
- Income not assessable for income tax purposes	233,994	188,730
<b>Income tax expense</b>	<b>536,392</b>	<b>705,960</b>

<b>The applicable weighted average effective tax rates are as follows:</b>	551%	110%
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## NOTE 3. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	31 Dec 22	30 Jun 22
	\$	\$
Cash at bank and in hand	1,021,520	795,183
	<b>1,021,520</b>	<b>795,183</b>

#### NOTE 4. BIOLOGICAL ASSETS

	<b>Consolidated Group</b>	
	<b>31 Dec 22</b>	<b>30 Jun 22</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Abalone on Abitats	4,600,369	3,701,700
<b>NON CURRENT</b>		
Abalone on Abitats	4,200,506	3,864,984
<b>Total Biological Assets</b>	<b>8,800,875</b>	<b>7,566,684</b>
The carrying value of abalone on hand at year end was calculated as follows:		
Opening balance	7,566,684	6,273,395
Increases due to purchases	1,286,400	790,906
Decreases due to harvest for processing to inventory	(1,664,504)	(1,274,513)
Fair value adjustment at period end recognised in profit and loss	1,612,295	1,788,152
<b>Closing balance</b>	<b>8,800,875</b>	<b>7,566,684</b>

The fair value adjustment that occurred in the financial period, was predominantly due to increase in abalone market prices, which had an impact of \$1,612,295 on the profit and loss.

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	31 December 2022	30 June 2022	Comments
<b>Selling price</b>	Based on estimated market price at period end	Based on estimated market price at year end	Obtained by analysing sales prices and market research
<b>Percentage increase from previous period selling price</b>	9%	19%	Obtained by analysing sales prices and market research
<b>Weight of live abalone</b>	Adjusted weight of live abalone for fair value measurement: 153,950 kg	Adjusted weight of live abalone for fair value measurement: 158,463 kg	Based on the results from the stocktake procedures
<b>Costs to complete</b>	\$7.74/kg	\$10/kg	Based on historical data over the last 12 months
<b>Mortality</b>	10% of >90mm animals	10% of >90mm animals	Based on historical research

#### NOTE 4. 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(d), 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 period and prior financial period and of >90mm animals for current period and prior year number:

No. of Abalone	31 December 2022	30 June 2022
< 90mm	780,495	589,091
> 90mm	907,559	919,010
<b>Total</b>	<b>1,688,054</b>	<b>1,508,101</b>

##### 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	(\$859,962)	\$859,962
Weight of live abalone	(\$740,805)	\$740,805

#### Consolidated Group

	31 Dec 22	30 Jun 22
	\$	\$

#### NOTE 5. DEFERRED TAX ASSETS AND LIABILITIES

##### Recognised deferred tax assets

Accruals	67,448	51,328
Provisions	55,998	54,833
Losses	356,854	624,491
Other	37,270	47,197
Deferred tax assets to offset deferred tax liability	<u>(115,957)</u>	<u>(707,992)</u>
	<b><u>401,613</u></b>	<b><u>69,857</u></b>

##### Recognised deferred tax liabilities

Biological & Inventory Asset	2,200,219	1,891,671
Prepayments	35,545	59,823
Other	86,647	104,030
Deferred tax assets to offset deferred tax liability	<u>(115,957)</u>	<u>(726,781)</u>
	<b><u>2,206,454</u></b>	<b><u>1,328,743</u></b>

#### NOTE 6. CONTRIBUTED EQUITY

##### (a) Issued and paid up capital

	No.	No.
No. fully paid ordinary shares	<b><u>201,956,805</u></b>	<b><u>200,742,780</u></b>
	\$	\$
Balance at beginning of period	<u>27,012,442</u>	<u>27,012,442</u>
Balance at end of the period	<b><u>27,102,442</u></b>	<b><u>27,012,442</u></b>

##### (b) Movement in ordinary shares

	No.	No.
Balance at the beginning of period	<u>200,742,780</u>	<u>200,742,780</u>
Balance at end of the period	<b><u>201,956,805</u></b>	<b><u>200,742,780</u></b>

## NOTE 6. CONTRIBUTED EQUITY (CONTINUED)

### (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.

On 21 December 2022, 1,214,025 fully paid ordinary shares were issued to contractors in exchange for \$90,000 worth of services rendered during the period. 380,692 fully paid ordinary shares were issued at a \$0.072 valuation and 833,333 at a \$0.0788 valuation, to protect the cash reserves of the Company.

### (d) Share options

2,000,000 options, each exercisable at \$0.117 on or before 26 November 2024 (Class E) forming part of the remuneration packages for Peter Harold (Non-Executive Chairman) and Danielle Lee (Non-Executive Director) remained outstanding at balance date.

	<b>Consolidated Group</b>	
	<b>31 Dec 22</b>	<b>30 Jun 22</b>
	<b>\$</b>	<b>\$</b>

## NOTE 7. RESERVES

Share-based payment reserve	1,201,280	1,165,214
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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 10 for details of share-based payments during the period.

### Movement in reserves:

#### Share-based payments reserve

Balance at beginning of the period/year	1,165,214	1,081,275
Options issued to directors	-	41,466
Performance rights issued to directors	36,066	42,473
<b>Balance at the end of the period/year</b>	<b>1,201,280</b>	<b>1,165,214</b>

Refer to Note 10 Share-based payments for further details on performance rights and options.

## NOTE 8. SUBSEQUENT EVENTS

No significant matters have 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**  
**31 Dec 22**                      **30 Jun 22**  
**\$**    **\$**

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

The Consolidated Group had the following supplier purchase commitments as at 31 December 2022

Within one year	1,684,001	1,554,374
After one year but not more than five years	1,059,650	1,414,224
More than five years	-	-
	<b>2,743,651</b>	<b>2,968,598</b>

The Consolidated Group had the following capital purchase commitments as at 31 December 2022

Within one year	12,126	117,500
After one year but not more than five years	-	-
More than five years	-	-
	<b>12,126</b>	<b>117,500</b>

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 10. 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 reporting period.

	HY2023		FY2022	
	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	\$0.125	3,000,000	\$0.38	13,539,450
Granted during the period	-	-	\$0.117	2,000,000
Lapsed during the period	-	-	\$0.40	(12,539,450)
Balance at the end of the period	\$0.125	3,000,000	\$0.125	3,000,000

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

Series	Grant Date	Expiry Date	Exercise Price	Number of options
<b>D</b>	27 Nov 2020	27 Nov 2023	\$0.140	1,000,000
<b>E</b>	26 Nov 2021	26 Nov 2024	\$0.117	2,000,000
			<b>Total</b>	<b>3,000,000</b>

**NOTE 10. SHARE-BASED PAYMENTS (CONTINUED)**

**Fair value of performance rights during the period**

The following performance rights were on issue during the reporting period:

Class	Grant Date	Number of Performance Rights	Value per Share	Fair Value	HY2023	FY2022
					Total Expense	Total Expense
E	26 Nov 2021	785,177	\$0.075	\$58,888	\$10,856	\$9,415
F	26 Nov 2021	785,177	\$0.075	\$58,888	(\$440)	\$440
E	10 Dec 2021	2,542,703	\$0.080	\$203,416	\$27,104	\$31,164
F	10 Dec 2021	2,542,703,	\$0.080	\$203,416	(\$1,454)	\$1,454
G	25 Nov 2022	890,148	\$0.084	\$74,772	-	-
H	25 Nov 2022	890,148	\$0.084	\$74,772	-	-
<b>Total</b>		<b>8,436,056</b>		<b>\$674,152</b>	<b>\$36,066</b>	<b>\$42,473</b>

During the reporting period, the Company approved 1,780,296 Performance Rights be issued to Brad Adams, the Executive Corporate Development Director. The Performance Rights are structured in 2 classes with 890,148 shares in each class and subject to separate service and performance conditions as detailed below:

- Class G – *Service Condition*: remain engaged as an employee for a continuous period, for the 2 year period from 1 July 2022 to 30 June 2024; 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 2022 to 30 June 2024 is summarised as follows:

Harvest over performance period	Proportion of Performance Rights available to vest %
Less than 175,000 kgs	0%
Greater than 175,000 kgs up to 187,000 kgs	Pro-rata from 50% to 99%
Greater than 187,000 kgs	100%

An alternative performance hurdle to the harvest target, is a Takeover Event occurring on or before 30 June 2024.

- Class F – *Service Condition*: remain engaged as an employee for a continuous period, for the 2 year period from 1 July 2022 to 30 June 2024; 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 2022 to 30 June 2024 is summarised as follows:

EBIT over performance period	Proportion of Performance Rights available to vest %
Less than or equal to \$500,000	0%
Greater than \$500,000 up to \$749,999	Pro-rata from 50% to 99%
Greater than \$750,000	100%

An alternative performance hurdle to the harvest target, is a Takeover Event occurring on or before 30 June 2024.

**NOTE 10. SHARE-BASED PAYMENTS (CONTINUED)**

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 E – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be greater than 50%

(iii) Class F – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be less than 50%

(iv) Class G – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be less than 50%

(v) Class H – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be less than 50%

**NOTE 11. 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 12. RELATED PARTY TRANSACTIONS**

During the reporting period, 4,000,000 performance rights issued in 2017 to Brad Adams, the Executive Corporate Development Director, lapsed due to performance conditions not being achieved. An additional 1,780,296 performance rights were approved to be issued to Brad Adams as detailed within note 10.

There were no other changes to related party arrangements during the period.

**NOTE 13. CONTROLLED ENTITIES**

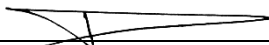
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(d).

Name	Country of Incorporation	Percentage Owned	
		31 Dec 2022	30 Jun 2022
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%

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 10 to 23 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*; and
  - b. giving a true and fair view of the Consolidated Group's financial position as at 31 December 2022 and of its performance for the half-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  
28<sup>th</sup> February 2023



# CORPORATE DIRECTORY

## DIRECTORS

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

## COMPANY SECRETARY

Brent Stockden

## REGISTERED OFFICE

Lot 331 Augusta Boat Harbour  
Leeuwin Road, Augusta WA 6290  
Telephone: +61 8 6181 8888  
Facsimile: +61 8 6181 8899  
Email: [investors@rarefoods.com.au](mailto:investors@rarefoods.com.au)  
Website Address: [www.rarefoodsaustralia.com.au](http://www.rarefoodsaustralia.com.au)

## SHARE REGISTRY

Automatic 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](http://www.automic.com.au)

## PRINCIPAL PLACE OF BUSINESS

Lot 331 Augusta Boat Harbour  
Leeuwin Road  
Augusta WA 6290

## AUSTRALIAN SECURITIES EXCHANGE

ASX Code Ordinary Shares: RFA

## AUDITORS

BDO Audit (WA) Pty Ltd  
Level 9, Mia Yellagonga Tower 2  
5 Spring Street  
Perth WA 6000



# RARE FOODS

AUSTRALIA

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