

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

RARE FOODS AUSTRALIA LIMITED
(Formerly Ocean Crown Abalone Limited)



RARE FOODS
AUSTRALIA


www.rarefoodsaustralia.com.au

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HALF-YEAR HIGHLIGHTS


FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

30% 
INCREASE

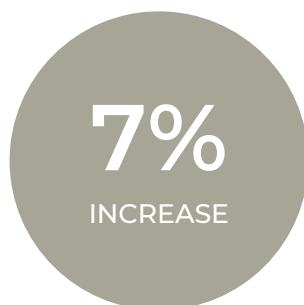
Abalone Sales Revenue
\$ 1,974,342
Compared to HY21 \$ 1,514,603

123% 
INCREASE

EBIT
\$ 651,014
Compared to HY21 \$ 292,202

30% 
UPLIFT

Biological Asset Fair Value
\$ 1,788,152
Compared to HY21 \$ 1,370,611



Abalone Sales Volume

37.9 Tonnes
Compared to HY21 35.4 Tonnes



Average Sales Price per KG

Compared to FY21



EBITDA

\$ 985,215
Compared to HY21 \$ 633,567



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 2021 (HY2022).

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, the principal activities of the consolidated Rare Foods Australia Group included the harvesting of Greenlip abalone, maintenance of our artificial reef, deployment of juvenile abalone and the optimisation of processing, marketing and distribution practices of our Flinders Bay operations in Augusta Western Australia.

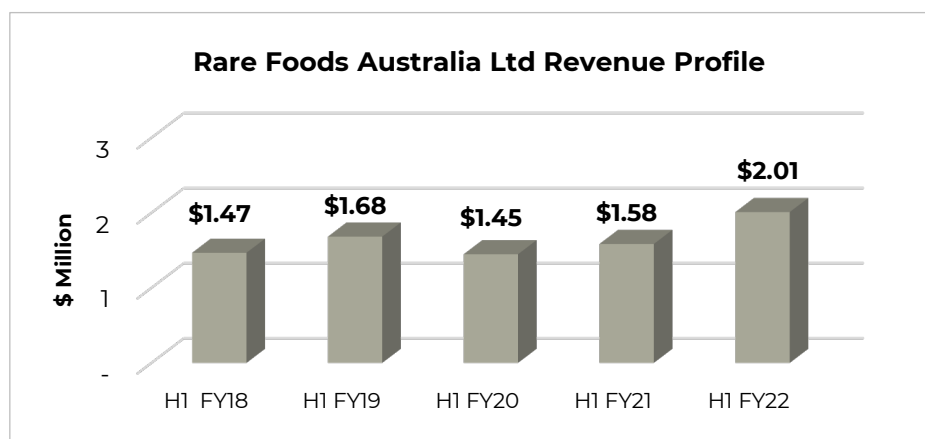
CORE BUSINESS AND FINANCIAL RESULTS

The Consolidated Group achieved an operating profit before tax for HY22 of \$643,515, representing an improvement of 119% on HY21 (\$293,955).

The strong performance was underpinned by the effective implementation of the Company's sales and marketing strategy, a firm focus on improving core ranching, processing systems, and R&D.

Highlights for HY22 include:

- ✓ Revenue from the sale of abalone up 30% to \$1,974,342 (HY21 \$1,514,603).
- ✓ Sales volume of abalone up 7% to 37.9 tonnes (whole in shell equivalent) (HY21 35.4 tonnes).
- ✓ Average sale prices per KG increased 23% on HY21
- ✓ EBITDA improvement of 56% to \$985,215 (HY21 \$633,567)
- ✓ EBIT up 123% to \$651,014 (HY21 \$292,202)
- ✓ Biological asset fair value uplift of 30% to \$1,788,152 (HY21 (\$1,370,611))



FINANCIAL REPORT – FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

RARE FOODS AUSTRALIA LIMITED | ABN: 52148 155 042 | ASX: RFA
T: +61 8 6181 8888 | P: PO Box 86, Fremantle WA 6959 | A: Unit 302, 3 Cantonment St, Fremantle WA 6160 | info@rarefoods.com.au

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A total of 42.5 tonnes (whole in shell equivalent) was harvested in HY22, representing 56% of the full FY21 harvest volume and consistent with targeted harvest volumes to maintain long term Biomass growth objectives.

Approximately 603,200 juvenile abalone were seeded in HY22 (HY21: 347,260). This increase is in line with our revised Ranch strategy returning to pre COVID deployment plans. HY21 seeding was deferred to reduce operating costs pending a return to improved market conditions. Total scheduled juvenile deployments for calendar year 2022 are in line with 2019 levels of deployment at 1.2 million juveniles. The total Flinders Bay Biomass decreased by 14.4 tonnes after adjusting for harvest volumes during HY22, which resulted in a closing balance of 196 tonnes (FY21: 210 tonnes).

The fair value adjustment of biological assets of \$1,788,152 (HY21: \$1,370,611) is attributed to the organic growth experienced in winter months, the successful implementation of our effective sales and marketing strategy and the opening of additional global markets.

The Company has continued to diversify our customer base and build demand tension for our pristine abalone, through a systematic approach to forecasting and planning, implemented with our network of Strategic Sales Partners. Our core business functions of ranching and processing have invested significant effort reviewing and refining internal processes enabling us to maintain a steady cost base in a challenging labour and economic climate.

GROWTH

Organic Growth

The Company's MSC Accreditation process, seeking to achieve the world's most recognisable third-party sustainability certification, progressed through HY22. All on-site fishery audits were successfully completed, and the Company is now in an administrative review, which we expect to conclude with a certification decision in Q4 of FY22.

Achieving MSC certification for the wild and sustainability credentials not only validates our sustainability ethos, but it also positions the business to be the first enhanced wild greenlip abalone fishery in the world. This will present a unique marketing opportunity for our pristine product, to a global high end customer base that values sustainability and the health of marine ecosystems.

Additionally, the Company has submitted planning approvals for the retail and tourism offering at the Augusta Boat Harbour, termed the "Ocean Pantry". This showroom will provide a basis for our retail and tourism offering and allow us to embark upon high end regional collaborations, food education experiences for both domestic and international visitors.

Rebranding

Following shareholder support at the AGM, the Company has implemented the next phase of our sales and marketing strategy, successfully completing the rebranding of its parent entity from Ocean Grown Abalone Ltd to Rare Foods Australia Ltd. The transition of the Masterbrand supports the Company's future growth objectives to diversify our product range and explore both land and ocean premium food opportunities.

The Company's new website was launched in December consolidating two websites into one high end media platform. Work continues on the design of our eCommerce platform, which will target retail and wholesale customers providing additional routes to both domestic and international customers.

Esperance Project

Work on the Feasibility Study advanced through HY22, with a critical review and analysis of costs. This review has specifically assessed the impact of the COVID environment, supply chain disruptions and cost pressures associated with the strong demand for materials and resources in Western Australia. Both Yumbah and Rare Foods remained focused on extracting value from the unique opportunity this project presents, with the outcomes of this review on track for delivery end of Q3 FY22.

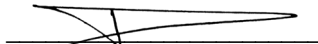
Other Opportunities

The Company has developed a framework to assess other opportunities for growth. This work is being led by our Executive of Corporate Development Brad Adams. We are considering potential product partners along with other prospects that leverage our ocean leases, processing facility and sales and marketing channels. These potential opportunities are at various stages of development including additional product supply chains, product trials, customer trials and shipments.

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 8 of this report.

Signed in accordance with a resolution of the Directors.



Peter Harold
Non-Executive Chairman
28th February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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 2021, 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 2021 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.

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.

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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 Company's financial position as at 31 December 2021 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 BDO logo.

Dean Just
Director

Perth, 28 February 2022

AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor for the review of Rare Foods Australia Ltd for the half-year ended 31 December 2021, 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 Ltd and the entities it controlled during the period.

Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 28 February 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	Consolidated Group	
		31 Dec 21	31 Dec 20
		\$	\$
Revenue		2,009,674	1,584,430
Other income		14,269	486,135
Net interest received (excluding interest expense on lease liability)		4,586	16,154
Research and development tax incentive		754,920	448,274
Total income		2,783,449	2,534,993
Changes in inventory		(1,146,655)	(1,319,358)
Fair value adjustment of biological assets	4	1,788,152	1,370,611
Selling & distribution		(111,028)	(100,198)
Processing expenses		(114,603)	(59,143)
Employee benefits expense		(1,334,830)	(1,108,890)
Share-based payments	10	(48,561)	(29,263)
Diving, vessels & operations expense		(147,813)	(90,030)
Corporate & administration		(618,151)	(303,319)
Depreciation & amortisation expense		(334,201)	(341,365)
Interest expense on lease liability		(12,085)	(14,401)
Other expenses		(60,159)	(227,243)
		(2,139,934)	(2,241,038)
Profit before income tax		643,515	293,955
Income tax expense	2(a)	(705,960)	(144,933)
(Loss)/profit after tax from continuing operations		(62,445)	149,022
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		(62,445)	149,022
(Loss)/profit attributable to:			
- Owners of the Company		(62,158)	149,793
- Non-controlling interests		(287)	(771)
		(62,445)	149,022
Total comprehensive (loss)/profit attributable to:			
- Owners of the Company		(62,158)	149,793
- Non-controlling interests		(287)	(771)
		(62,445)	149,022
Basic and diluted (loss)/profit per share attributable to the Owners of the Company			
Basic and diluted (loss)/profit per share (cents)		(0.03)	0.07

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	Consolidated Group	
		31 Dec 21	30 Jun 21
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	2,106,294	2,712,681
Trade and other receivables		1,023,037	1,324,219
Biological assets	4	3,522,007	2,700,000
Inventory		717,987	410,824
Other assets		224,575	168,890
TOTAL CURRENT ASSETS		7,593,900	7,316,614
NON-CURRENT ASSETS			
Property, plant and equipment		3,964,486	4,127,231
Biological assets	4	4,055,933	3,573,395
Right-of-use assets		406,546	448,507
Intangible assets		94,876	99,116
Other assets		158,941	96,306
TOTAL NON-CURRENT ASSETS		8,680,782	8,344,555
TOTAL ASSETS		16,274,682	15,661,169
CURRENT LIABILITIES			
Trade and other payables		707,116	774,315
Interest bearing liabilities		24,767	8,196
Lease liabilities		49,910	91,112
Provisions		168,101	167,147
Current tax liability		34,888	1,078
TOTAL CURRENT LIABILITIES		984,782	1,041,848
NON-CURRENT LIABILITIES			
Interest bearing liabilities		41,936	17,184
Lease liabilities		467,534	479,973
Deferred tax liabilities	5	1,058,983	386,833
TOTAL NON-CURRENT LIABILITIES		1,568,453	883,990
TOTAL LIABILITIES		2,553,235	1,925,838
NET ASSETS		13,721,447	13,735,331
EQUITY			
Contributed equity	6	27,012,442	27,012,442
Share-based payment reserve	7	1,129,836	1,081,275
Accumulated losses		(14,410,521)	(14,348,363)
Equity attributable to owners of the Company		13,731,757	13,745,354
Non-controlling interests		(10,310)	(10,023)
TOTAL EQUITY		13,721,447	13,735,331

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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
Profit/(loss) after income tax expense for the period	-	-	149,793	149,793	(771)	149,022
Other comprehensive profit for the period	-	-	-	-	-	-
Total comprehensive profit/(loss) for the period	-	-	149,793	149,793	(771)	149,022
Transactions with owners recorded directly in equity						
Director options issued	-	29,263	-	29,263	-	29,263
Total transactions with owners recorded directly in equity	-	29,263	-	29,263	-	29,263
Balance as at 31 December 2020	27,012,442	1,081,162	(12,515,563)	15,578,041	(9,853)	15,568,188
Balance as at 1 July 2021	27,012,442	1,081,275	(14,348,363)	13,745,354	(10,023)	13,735,331
Profit/(loss) after income tax expense for the period	-	-	(62,158)	(62,158)	(287)	(62,445)
Other comprehensive profit for the period	-	-	-	-	-	-
Total comprehensive profit/(loss) for the period	-	-	(62,158)	(62,158)	(287)	(62,445)
Transactions with owners recorded directly in equity						
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	-	48,561	-	48,561	-	48,561
Balance as at 31 December 2021	27,012,442	1,129,836	(14,410,521)	13,731,757	(10,310)	13,721,447

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Notes	Consolidated Group	
		31 Dec 21 \$	31 Dec 20 \$
Cash flows from operating activities			
Receipts from customers		2,036,345	1,449,976
Other income		151,937	444,502
Payments to suppliers and employees		(3,568,787)	(2,358,963)
R&D tax incentive		981,264	1,424,096
		<u>(399,241)</u>	<u>959,611</u>
Net cash (used in) / provided by operating activities			
Cash flows from investing activities			
Purchases of plant, equipment		(126,755)	(15,793)
Proceeds from disposals of plant, equipment and intangible assets		1,000	-
Esperance JV development		(798)	-
Intangibles		(60,949)	-
Patents and trademarks		-	(15,731)
Interest received		5,398	17,195
		<u>(182,104)</u>	<u>(14,329)</u>
Net cash (used in) investing activities			
Cash flows from financing activities			
Proceeds from borrowings		49,572	500
Repayment of borrowings		(7,049)	(29,781)
Repayment of lease liability		(53,641)	(49,957)
Interest paid		(12,924)	(15,314)
Borrowing costs		(1,000)	-
		<u>(25,042)</u>	<u>(94,552)</u>
Net cash (used in) financing activities			
Net (decrease) / increase in cash and cash equivalents		(606,387)	850,730
Cash and cash equivalents at the beginning of the period		2,712,681	2,778,877
Cash and cash equivalents at the end of the period	3	2,106,294	3,629,607

The accompanying notes form part of these financial statements.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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 2021.

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 2021 were approved and authorised for issue by the Board of Directors on 28th February 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.

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.

FINANCIAL REPORT – FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

RARE FOODS AUSTRALIA LIMITED | ABN: 52148 155 042 | ASX: RFA
T: +61 8 6181 8888 | P: PO Box 86, Fremantle WA 6959 | A: Unit 302, 3 Cantonment St, Fremantle WA 6160 | info@rarefoods.com.au

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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 2021 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 \$62,445 (HY2021: net profit after tax \$149,022) and had net cash outflows from operating activities of \$399,241 (HY2020: net cash inflows \$959,611). At balance date the Group had cash and cash equivalents totalling \$2,106,294 and working capital of \$6,609,188.

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 21	31 Dec 20
	\$	\$
<i>Current income tax</i>		
Current income tax expense	33,810	8,976
Adjustments in respect of current income tax of previous years	-	190
<i>Deferred income tax</i>		
Relating to the origination and reversal of temporary differences	750,127	138,768
Adjustments for prior period & movements in deferred taxes not recognised	(77,977)	(3,001)
Total income tax expense from continuing operations	705,960	144,933

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

Decrease/(increase) in deferred tax assets/(liabilities)	672,151	134,508
	672,151	134,508

(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	643,515	293,955
Prima facie tax payable on profit from ordinary activities before income tax at 25% (2021: 26%)	160,879	76,428
Add:		
Tax effect of:		
- Research & Development Expenditure: Non-deductible	603,415	152,585
- Other non-deductible permanent adjustments	343	654
- Adjustments for prior period & movements in deferred taxes not recognised	205,635	119,515
- Change in corporate tax rate	-	(54,144)
	970,272	295,038
Less:		
Tax effect of:		
- Adjustments for current tax of prior period	75,582	(2,811)
- Income not assessable for income tax purposes	188,730	(147,294)
Income tax expense	705,960	144,933

The applicable weighted average effective tax rates are as follows:	110%	49%
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NOTE 3. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	31 Dec 21	30 Jun 21
	\$	\$
Cash at bank and in hand	2,106,294	2,712,681
	2,106,294	2,712,681

NOTE 4. BIOLOGICAL ASSETS

	Consolidated Group	
	31 Dec 21	30 Jun 21
	\$	\$
CURRENT		
Abalone on Abitats	3,522,007	2,700,000
	3,522,007	2,700,000
NON CURRENT		
Abalone on Abitats	4,055,933	3,573,395
	4,055,933	3,573,395
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	790,906	852,626
Decreases due to harvest for processing to inventory	(1,274,513)	(2,275,776)
Fair value adjustment at period end recognised in profit and loss	1,788,152	711,143
Closing balance	7,577,940	6,273,395

The significant increase in the fair value of the biological assets during the period is due to the recovery from COVID-19 on the fair value, valuation selling price and demand of the product post-year end, the fair value, valuation price had increased by 23% for HY2022 compared to FY2021. During the period, the Group sold 37,845 kg (WWE) of abalone (HY2021: 35,406 kg (WWE)).

The fair value adjustment that occurred in the financial period, was predominantly due to increase in abalone market prices, which had an impact of \$1,788,152 on the profit and loss. Had the prices and costs to complete remained constant from the prior financial year, and with the decrease in total biomass this would have translated into a negative impact to the profit and loss of \$45,980.

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 2021	30 June 2021	Comments
Selling price	Based on estimated market price at period end	Based on estimated market price at year end	Obtained by analysing sales prices and market research
Percentage increase from previous period selling price	23%	0%	Obtained by analysing sales prices and market research
Weight of live abalone	Adjusted weight of live abalone for fair value measurement: 152,844 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 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 2021	30 June 2021
< 90mm	686,339	662,134
> 90mm	959,248	989,398
Total	1,645,587	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	(\$794,790)	\$794,790
Weight of live abalone	(\$641,946)	\$641,946

Consolidated Group
31 Dec 21 **30 Jun 21**
\$ **\$**

NOTE 5. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets

Accruals	12,562	27,792
Provisions	57,090	54,377
Losses	681,379	1,055,277
Other	172,514	211,083
Deferred tax assets to offset deferred tax liability	(923,545)	(1,348,529)
	<u>-</u>	<u>-</u>

Recognised deferred tax liabilities

Biological & Inventory Asset	1,813,652	1,581,013
Prepayments	56,136	42,221
Other	112,740	112,128
Deferred tax assets to offset deferred tax liability	(923,545)	(1,348,529)
	<u>1,058,983</u>	<u>386,833</u>

NOTE 6. CONTRIBUTED EQUITY

(a) Issued and paid up capital

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

(b) Movement in ordinary shares

Balance at the beginning of period	<u>200,742,780</u>	<u>200,742,780</u>
Balance at end of the period	<u>200,742,780</u>	<u>200,742,780</u>

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.

(d) Share options

10,039,450 Class B options, each exercisable at \$0.39 on or before 30 September 2021, expired during the reporting period.

2,500,000 Class C options, each exercisable at \$0.44 on or before 30 September 2021, expired during the reporting period.

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).

All other options remained outstanding at balance date.

NOTE 7. RESERVES

	Consolidated Group	
	31 Dec 21	30 Jun 21
	\$	\$
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 10 for details of share-based payments during the period.

Movement in reserves:

Share-based payments reserve

Balance at beginning of the period/year	1,081,275	1,051,899
Options issued to directors	41,466	29,376
Performance rights issued to directors	<u>7,095</u>	<u>-</u>
Balance at the end of the period/year	<u>1,129,836</u>	<u>1,081,275</u>

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 21 **30 Jun 21**
\$ **\$**

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Consolidated Group had the following supplier purchase commitments as at 31 December 2021

Within one year	1,344,000	1,218,274
After one year but not more than five years	1,783,040	1,344,000
More than five years	-	-
	3,127,040	2,562,274

The Consolidated Group had the following capital purchase commitments as at 31 December 2021

Within one year	256,500	34,643
After one year but not more than five years	-	-
More than five years	-	-
	256,500	34,643

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.

	HY2021		FY2021	
	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	\$0.36	13,539,450	\$0.36	21,346,902
Granted during the period	\$0.12	2,000,000	\$0.14	1,000,000
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 a director, 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 21
Exercise Price	11.7 cents
Term of the option	3 years
Share price at grant date	7.5 cents
Expected share price volatility	60%
Risk free interest rate	0.96%

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

NOTE 10. SHARE-BASED PAYMENTS (CONTINUED)

Series	Grant Date	Expiry Date	Exercise Price	Number of options
D	27 Nov 2020	27 Nov 2023	\$0.14	1,000,000
E ¹	26 Nov 2021	26 Nov 2024	\$0.12	2,000,000
Total				3,000,000

¹HY2022 share based payment expense of \$41,466 is attributable to the Class E options granted during the reporting period.

Fair value of performance rights during the period

The following performance rights were issued during the reporting period:

					HY2022	FY2021
Class	Grant Date	Number of Performance Rights	Value per Share	Fair Value	Total Expense	Total Expense
E	26 Nov 2021	785,177	\$0.075	\$58,888	\$3,548	-
F	26 Nov 2021	785,177	\$0.075	\$58,888	\$3,548	-
Total		1,570,354		\$117,776	\$7,096	-

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%

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.

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 greater 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

On 26 November 2021, 2,000,000 options, each exercisable at \$0.117 on or before 26 November 2024 were issued as part remuneration to Peter Harold (Non-Executive Chairman) and to Danielle Lee (Non-Executive Director) for services (refer Note 10). Shareholder approval for the issue was received on 26 November 2021.

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 (refer Note 10). Shareholder approval for the issue was received on 26 November 2021.

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

NOTE 13. CONTROLLED ENTITIES

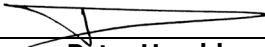
The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(d).

Name	Country of Incorporation	Percentage Owned	
		31 Dec 2021	30 Jun 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%

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 22 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 2021 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
28th February 2022

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

Unit 302, 3 Cantonment Street
Fremantle WA 6160
Telephone: +61 8 6181 8888
Facsimile: +61 8 6181 8899
Email: investors@rarefoods.com.au
Website Address: www.rarefoodsaustralia.com.au

PRINCIPAL PLACE OF BUSINESS

Augusta Boat Harbour
Leeuwin Road
Augusta WA 6290

AUDITORS

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

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

AUSTRALIAN SECURITIES EXCHANGE

ASX Code Ordinary Shares: RFA





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AUSTRALIA

www.rarefoodsaustralia.com.au

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ACN 52 148 155 042 | +61 8 6181 8888 | Unit 302 3 Cantonment St. Fremantle WA 6160 | info@rarefoods.com.au