

## QUARTERLY UPDATE AND APPENDIX 4C

Period Ending 30 September 2022

### KEY POINTS

#### CORE BUSINESS

##### Operations

- Record sales revenues for Q1 of \$1.26 million achieved, up 24% on the comparative Q1 FY22, supported by a record 22.7 tonnes of Greenlip sold at an average price of \$55.70 per kg (WIS equivalent)
- Winner of the Western Australian Exports Awards for Sustainability and now a finalist for the 60th Annual National Award
- Revised deployment routine implemented with 662,960 juveniles deployed to date and on track to complete our annual 1.2 million deployments by end Q2

#### GROWTH

##### Organic Growth

- On schedule to begin new sales of Wild Roei into export markets during Q2
- The completion of the Ocean Pantry retail building now scheduled for late November in time for the Christmas period.

### DETAILS



#### CORE BUSINESS – OCEAN RANCHING

##### Operations

The Company focused on implementing improved deployment routines and associated systems through Q1. The revised routines are designed to improve efficiencies by increasing the number of juveniles deployed during one event, lowering the number of deployment events and shortening the deployment season. A total of 662,690 juveniles have been deployed for the calendar year to date and the Company is on target to complete the 1.2 million annual deployment during Q2.

Deployment systems implemented are tracking water quality and temperature, transportation cycle times and post deployment counts of juvenile survival. Early juvenile survival rates will define research to achieve further improvement.

Ranch maintenance in support of the deployment improvement routines were prioritised. The Company achieved a harvest of 17 tonnes, down 16% from the 20 tonnes harvested for the same period last year which is acceptable as there is ample stock on hand for forecasted sales demand.

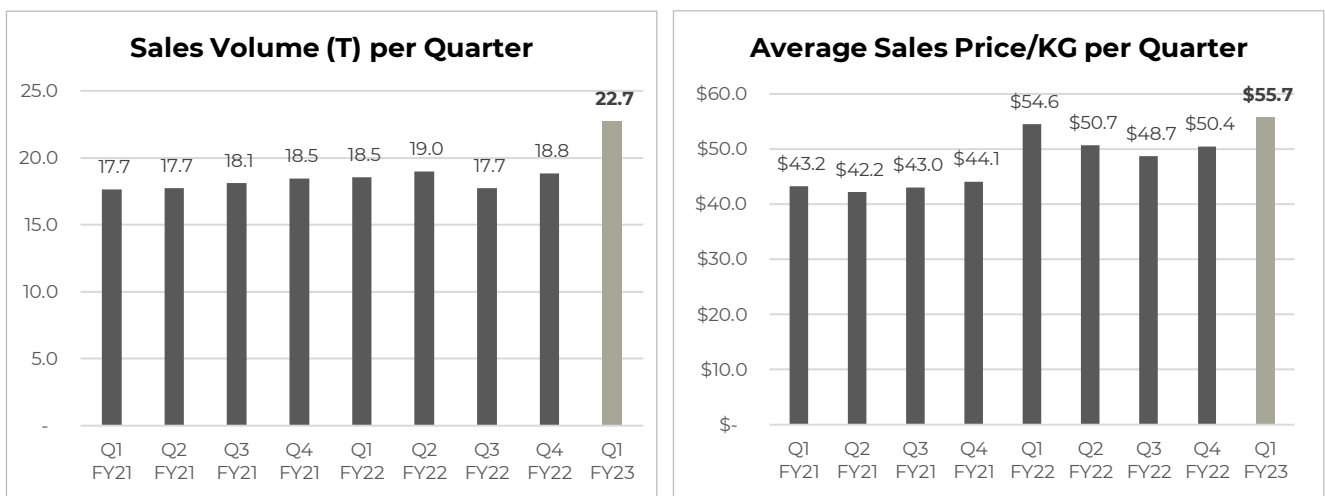
**Sales & Marketing**

During Q1 the Company was named winner of the Western Australian Exports Awards for Sustainability, which is further recognition for our innovative MSC accredited approach to producing wild Greenlip abalone. The Company is now a finalist for the 60<sup>th</sup> Annual National Award.



*The Honourable Chris Dawson APM presenting the Sustainability Award to our CEO, Rob Jorden.*

Record sales revenues from the sale of wild Greenlip abalone product was achieved during the Quarter. The Company sold a record 22.7 tonnes, at an average price of \$55.70 per kg Whole in Shell (WIS), up 8% on the average price achieved during FY22.



The revised sales strategy targets bulk sales through Master Distributors into several marketplaces. At this stage the Company has buyers taking tonnage from Hong Kong, USA and the UK. We are in advanced negotiations with Master Distributors in Singapore, Vietnam and Japan. At the conclusion of Q1, the Company has FY23 sales and non-binding forward orders equating to 96% of FY22 Greenlip sales.

## Research & Development

The Company's Research and Development (R&D) effort is targeting improved juvenile survival and the evaluation of the best environmental characteristics to deliver consistent growth profiles.

Underperforming parts of the reef (ABITATS) are being relocated in line with our overall deployment schedule. The Company's overall plan is to have moved and seeded the underperforming reef by the end of 2023 calendar year.



## GROWTH

### Organic Growth

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

### Integrating Wild Roei

During Q1, the Company engaged with approximately 40% of Western Australia's Wild Roei quota holders, to secure supply for processing and sales via the Company's new and existing sales channels to export markets. The level of preliminary support from quota holders has been good and the Company will continue work on qualifying markets to achieve sales through Q2.

### Ocean Pantry

The Company's planned opening of their retail space, the Ocean Pantry, delayed due to construction constraints and the Ocean Pantry will now open in November in time for the Christmas holiday period. The Company has completed its initial retail model design and is in negotiations with suppliers to support the Ocean Pantry retail experience.

### Ocean Cellared Product

The Company has progressed trials of Ocean Cellared product evaluating the outcomes and developing a formal Business Plan for presentation to the Board to consider the pursuit of this initiative during Q2.

### Value Accretive Growth

Value accretive growth is the pursuit of other rare products, or product supply chains from our premium Southwest region that will expedite the Company's growth.

During the quarter, the Company with support from partner Yumbah Aquaculture Ltd. (Yumbah), progressed discussions with relevant parties, to consider investment in a broader Esperance Aquaculture Precinct. A pitch document was prepared to present to government during Q2.





## CASHFLOWS

Rare Foods incurred a net operating cash deficit for Q1 of \$538k, after commencing the Quarter with cash reserves of \$795k and concluding the quarter with \$67k.

Operating cashflows for the quarter included \$1.264M in customer receipts, \$40k of other income and operating cash outflows of \$1.842M.

Payments to related parties for the quarter totalled \$160K, including directors, employees, and cold storage fees.

The net operating deficit of \$538k is largely attributable to our deployment activities (\$413k) which continue to attract a 43.5% R&D tax incentive and the end financial year compliance and listing expenses (\$108k).

The Company has now completed and lodged its FY22 R&D and tax return documentation and expects to receive the FY22 R&D refund (\$1.83M) imminently, subject to ATO processing times.

The Company's forward order book for Q2, combined with the existing \$1M overdraft facility with NAB adequately supports the Company's working capital requirements, through until the R&D refund is received.

**END**

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

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

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### About the Company

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

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

### Forward Looking Statements

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

## Appendix 4C

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

**Name of entity**

Rare Foods Australia Limited

**ABN**

52 148 155 042

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

30 September 2022

| <b>Consolidated statement of cash flows</b>                | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|--|------------------------------------|---|
| <b>1. Cash flows from operating activities</b>             |                                    |   |
| 1.1 Receipts from customers                                | 1,264                              | 1,264   |
| 1.2 Payments for   |                                    |   |
| (a) research and development <sup>1</sup>                  | -                                  | -   |
| (b) product manufacturing and operating costs <sup>1</sup> | (970)                              | (970)   |
| (c) advertising and marketing                              | (34)                               | (34)  |
| (d) leased assets  | -                                  | -   |
| (e) staff costs <sup>1</sup>                               | (666)                              | (666)   |
| (f) administration and corporate costs                     | (149)                              | (149)   |
| 1.3 Dividends received (see note 3)                        | -                                  | -   |
| 1.4 Interest received                                      | -                                  | -   |
| 1.5 Interest and other costs of finance paid               | (16)                               | (16)  |
| 1.6 Income taxes paid                                      | -                                  | -   |
| 1.7 Government grants and tax incentives <sup>2</sup>      | 40                                 | 40  |
| 1.8 Other (provide details if material)                    | (7)                                | (7)   |
| <b>1.9 Net cash from / (used in) operating activities</b>  | <b>(538)</b>                       | <b>(538)</b>                                    |

1. A portion of cash outflows included in 1.2 (b) and (e) are also eligible for FY2022 R&D tax incentive.
2. Other cash outflows comprises: \$6K related to Esperance Project development.

|  |       |       |
|--|-------|-------|
| <b>2. Cash flows from investing activities</b> |       |       |
| 2.1 Payments to acquire:                       |       |       |
| (a) entities                                   | -     | -     |
| (b) businesses                                 | -     | -     |
| (c) property, plant and equipment              | (174) | (174) |
| (d) investments                                | -     | -     |



| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|------------------------------------|---|
| (e) intellectual property                                 | -                                  | -   |
| (f) other non-current assets                              | (36)                               | (36)  |
| <b>2.2 Proceeds from disposal of:</b>                     |                                    |   |
| (a) entities  | -                                  | -   |
| (b) businesses  | -                                  | -   |
| (c) property, plant and equipment                         | (6)                                | (6)   |
| (d) investments   | -                                  | -   |
| (e) intellectual property                                 | -                                  | -   |
| (f) other non-current assets                              | -                                  | -   |
| <b>2.3 Cash flows from loans to other entities</b>        | -                                  | -   |
| <b>2.4 Dividends received (see note 3)</b>                | -                                  | -   |
| <b>2.5 Other (provide details if material)</b>            | -                                  | -   |
| <b>2.6 Net cash from / (used in) investing activities</b> | <b>(216)</b>                       | <b>(216)</b>                                    |

|   |           |           |
|---|-----------|-----------|
| <b>3. Cash flows from financing activities</b>  |           |           |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities)       | -         | -         |
| 3.2 Proceeds from issue of convertible debt securities                                      | -         | -         |
| 3.3 Proceeds from exercise of options   | -         | -         |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | -         | -         |
| 3.5 Proceeds from borrowings  | 138       | 138       |
| 3.6 Repayment of borrowings   | (105)     | (105)     |
| 3.7 Transaction costs related to loans and borrowings                                       | (1)       | (1)       |
| 3.8 Dividends paid  | -         | -         |
| 3.9 Other (leased assets)   | (6)       | (6)       |
| <b>3.10 Net cash from / (used in) financing activities</b>                                  | <b>26</b> | <b>26</b> |

| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|--|------------------------------------|---|
| <b>4.</b>                                   | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |                                    |   |
| 4.1   | Cash and cash equivalents at beginning of period                             | 795                                | 795   |
| 4.2   | Net cash from / (used in) operating activities (item 1.9 above)              | (538)                              | (538)   |
| 4.3   | Net cash from / (used in) investing activities (item 2.6 above)              | (216)                              | (216)   |
| 4.4   | Net cash from / (used in) financing activities (item 3.10 above)             | 26                                 | 26  |
| 4.5   | Effect of movement in exchange rates on cash held                            | -                                  | -   |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of period</b>                            | <b>67</b>                          | <b>67</b>                                       |

| <b>5. Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|--|------------------------------------|-------------------------------------|
| 5.1 Bank balances  | 67                                 | 67                                  |
| 5.2 Call deposits  | -                                  | -                                   |
| 5.3 Bank overdrafts  | -                                  | -                                   |
| 5.4 Term deposits  | -                                  | -                                   |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>67</b>                          | <b>67</b>                           |

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

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

| <b>Current quarter<br/>\$A'000</b> |
|------------------------------------|
| 160                                |
| -                                  |

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

**7. Financing facilities**

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

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

|                                       | <b>Total facility amount at quarter end<br/>\$A'000</b> | <b>Amount drawn at quarter end<br/>\$A'000</b> |
|---------------------------------------|---|--|
| 7.1 Loan facilities <sup>4</sup>      | 2,750   | 616  |
| 7.2 Credit standby arrangements       | -   | -  |
| 7.3 Other (Credit Card) <sup>5</sup>  | 25  | 4  |
| <b>7.4 Total financing facilities</b> | <b>2775</b>   | <b>620</b>                                     |

**7.5 Unused financing facilities available at quarter end** **2,155**

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

4. The equipment loan has been provided by National Australia Bank Limited, pursuant to a master asset finance agreement with a facility limit of \$1,500,000. The loan is secured over the financed asset via an equitable mortgage. Additional loan security is provided in the form of a charge over the assets of RFA. The Company has also provided a guarantee and indemnity to the loan provider for the full facility limit.

The equipment loans balance at quarter end totalled \$390,951, with applicable annual interest rates of (i) 3.99% for \$14,166; (ii) 3.89% for \$23,017; (iii) 3.71% for \$11,025; (iv) 4.37% for \$24,331; (v) 4.97% for \$145,410; (vi) 4.80% for \$21,043; (vii) 5.66% for \$16,346; and (viii) 6.59% for \$135,613.

National Australia Bank Limited has also provided a business overdraft facility of \$250,000 with an annual rate of 3.14%. The facility expires on 15 March 2027. The facility balance at quarter-end totalled \$250,000.

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

5. Credit card facility limit at quarter-end totalled \$25,000 with an applicable annual interest rate of 15.5% The balance drawn at quarter-end was \$4,493

| <b>8. Estimated cash available for future operating activities</b>                | <b>\$A'000</b> |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9)                     | (538)          |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6)                           | 67             |
| 8.3 Unused finance facilities available at quarter end (Item 7.5)                 | 2,155          |
| 8.4 Total available funding (Item 8.2 + Item 8.3)                                 | 2,222          |
| <b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b> | <b>4.13</b>    |

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

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

Answer: N/A

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

Answer: N/A



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

Answer: N/A

### Compliance statement

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

Date: 31 October 2022

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

### Notes

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