

28 April 2022

ASX RELEASE

ASX: RFA

## QUARTERLY UPDATE & APPENDIX 4C

Period Ending 31 March 2022

### KEY POINTS

#### Core Business

- YTD Harvest volume of **62.7** tonnes of abalone to 31 March 2022, up **5%** on comparative FY21 period
- YTD abalone revenue to 31 March 2022, up **24%** on comparative FY21 period
- Sales price per kg improvement of **20%** on prior year comparative period maintained
- Ranch staffing depth and capabilities enhanced with second successful in-house commercial diver training program executed
- R&D priorities progressed, with focus on deployment practice improvements and redeployment of underperforming ABITATs on track for Q4 commencement

#### Growth

- eCommerce platform development advanced, on track for launch in Q4
- Ocean Pantry retail/tourism facility construction progressed and on track for Q4 opening
- BFS and investment decision for Esperance On-Land abalone farm deferred due to significant labour and materials supply constraints and associated upward cost pressures in WA
- Improved scale, diversification, and utilisation of our existing assets is a key focus of any new opportunities

### DETAILS

**Rare Foods Australia Ltd (ASX Code: RFA, the Company)**, Western Australia's largest oceanic harvested Greenlip abalone producer, is pleased to provide the following operations update and Appendix 4C Cashflow Report for the quarter ended 31 March 2021.



#### CORE BUSINESS – OCEAN RANCHING

##### Operations

The aggregate harvest for FY22 is 62.7 tonnes, representing a 5% improvement on harvest volume for the same FY21 period, and is consistent with the Company's targeted harvest tonnage to maintain Biomass growth objectives.

During the quarter, the Company has successfully completed its second on-site commercial diver recruitment and training, supporting Ranch labour depth.



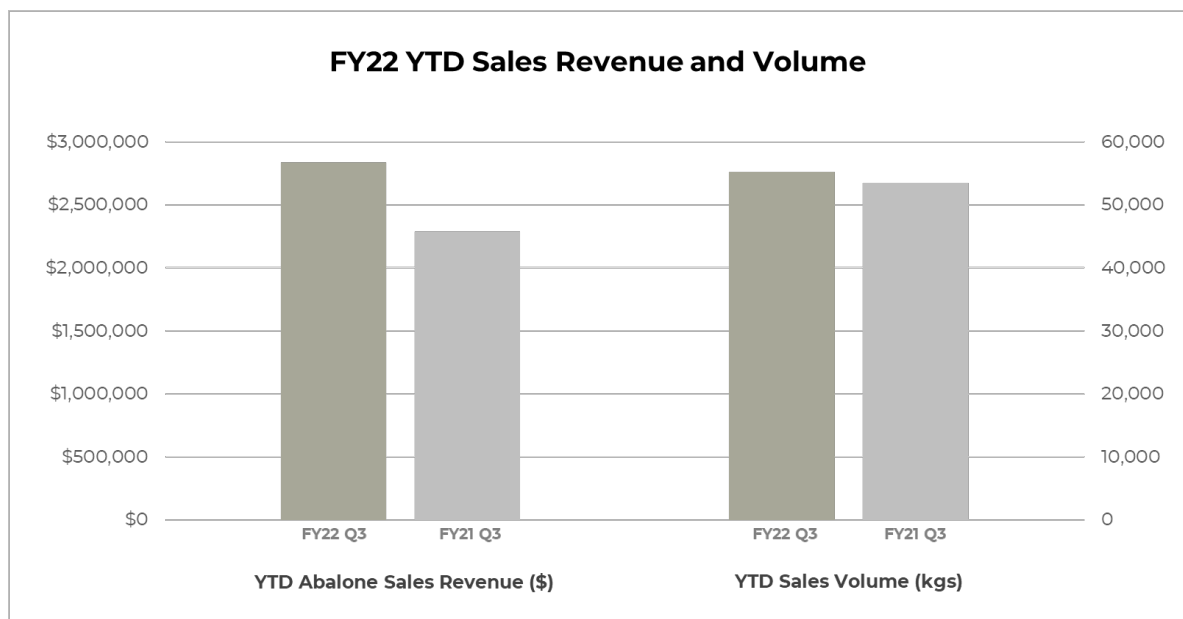
The Company partnered with registered training organisation, Evaluation Pty Ltd, to design a certified program for the skills required to support aquaculture diving. Due to external market demand, the Company is evaluating plans to facilitate WA's first commercial diver training school for its own diver staffing security, that could also generate a wider local pool of industry divers and provide the business an additional source of revenue.

The Company has continued to progress immediate R&D priorities through Q3 including the reduction of mortality rates, lifting product growth rates and collating data to support the redeployment of underperforming ABITATs. The ABITAT relocation plan has received Board endorsement and will commence in Q4.

## Sales & Marketing

Sales and marketing highlights for the quarter include:

- ✓ FY22 abalone sales revenue of \$2.84M to 31 March 2022, up **24%** on the comparative FY21 period
- ✓ H1 sales of 55.2 tonnes up **3%** on H1 FY21
- ✓ FY22 average sales price/kg **20%** higher than the FY21 comparative period average sales price/kg
- ✓ Other income derived from external participation in the commercial diver training program, with encouraging market demand



## CASHFLOWS

RFA incurred a net operating cash deficit for Q3 of \$579k, after commencing the Quarter with cash reserves of \$2.1M and concluding the third quarter of operations with \$1.51M.

Operating cashflows for the quarter included \$896K in customer receipts, \$20k in grant income, operating cash outflows of \$1.44M and net Esperance Project study costs of \$57k.

Payments to related parties for the quarter totalled \$135k, including Directors, employees, and cold storage fees.

**GROWTH****Rebranding**

During the quarter, the Company continued the implementation of its sales and marketing strategy, progressing the development of the new website to allow the introduction of our eCommerce platform. This new platform will provide the opportunity to market and pursue a greater level of domestic sales, developing a diversified restaurant and wholesale customer base.

The eCommerce platform remains on track for launch in Q4 of FY22.

**Organic Growth**

The Company's MSC Accreditation process progressed during the quarter with a formal certification decision expected in Q4.

The Company continued to progress the Ocean Pantry initiative (retail offering), with the planning applications, design, and procurement of the building completed and the tourism offering. Installation and launch is on track for Q4.

**Esperance On Land Abalone Project**

As announced to the ASX on the 12 April 2022, completion of the feasibility study for the Esperance On-Land abalone Project has been postponed until June 2023. The prime reason for the deferral is the current COVID environment and resulting supply chain disruptions, cost pressures and a limitation of materials and resources in regional Western Australia. Both RFA along with our partner, Yumbah, remain focused on progressing stakeholder engagement and extracting value from the unique opportunity the Esperance Project presents.

**Other Opportunities**

With the rebranding to Rare Foods Australia, the Company has developed a disciplined framework to assess other growth opportunities. The Company is focused on improving scale, diversifying its products and customer base, and continuing to improve the utilisation of our unique assets.

The executive team are constantly evaluating additional product and supply chain opportunities which are progressing through various stages of development including product trials and evaluation.

**END**

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

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

**For investor and media enquiries, please contact:**

Rob Jorden – Chief Executive Officer  
Email: [rjorden@rarefoods.com.au](mailto:rjorden@rarefoods.com.au)  
Mobile: +61 412 286 170

Bradley Adams – Executive Director Corporate Development  
Email: [badams@rarefoods.com.au](mailto:badams@rarefoods.com.au)  
Mobile: +61 417 910 023

Brent Stockden – Chief Financial Officer, Company Secretary & Commercial Services Manager  
Email: [bstockden@rarefoods.com.au](mailto:bstockden@rarefoods.com.au)  
Mobile: +61 407 884 783



## 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")**

31 March 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	896	3,074
1.2 Payments for		
(a) research and development <sup>1</sup>	-	-
(b) product manufacturing and operating costs <sup>1</sup>	(623)	(2,097)
(c) advertising and marketing	(34)	(122)
(d) leased assets	-	-
(e) staff costs <sup>1</sup>	(597)	(1,950)
(f) administration and corporate costs	(179)	(558)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	(6)	(19)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives <sup>2</sup>	20	1,011
1.8 Other (provide details if material) <sup>3</sup>	(57)	(332)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(579)</b>	<b>(987)</b>

1. A portion of cash outflows included in 1.2 (b) and (e) are also eligible for FY2022 R&D tax incentive.

2. Cash inflows are associated with \$981k FY2021 Research and Development Tax Incentive and other grant funding of \$30k, of which \$20k was receipted in Q3.

3. Other cash inflows of \$52k and cash outflows of \$109k costs associated with Esperance Project development.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(c) property, plant and equipment	(384)	(511)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(43)	(104)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	1
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(427)</b>	<b>(614)</b>

<b>3.</b>	<b>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	441	488
3.6	Repayment of borrowings	(9)	(13)
3.7	Transaction costs related to loans and borrowings	(2)	(3)
3.8	Dividends paid	-	-
3.9	Other (leased assets)	(18)	(72)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>412</b>	<b>400</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<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	2,106	2,713
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(579)	(987)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(427)	(614)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	412	400
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>1,512</b>	<b>1,512</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,512	2,106
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Term deposits	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,512</b>	<b>2,106</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

Current quarter \$A'000
135
-

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 \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities <sup>4</sup>	2,750	499
7.2 Credit standby arrangements	-	-
7.3 Other (Credit Card) <sup>5</sup>	45	10
7.4 <b>Total financing facilities</b>	<b>2,795</b>	<b>509</b>

7.5 **Unused financing facilities available at quarter end** **2,286**

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 \$249,107, with applicable annual interest rates of (i) 3.99% for \$18,719; (ii) 3.89% for \$28,497; (iii) 3.71% for \$13,352; (iv) 4.37% for \$28,886; and 4.97% for \$159,653.

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 was completely drawn down at quarter-end.

National Australia Bank Limited has also provided a business overdraft facility of \$1,000,000 with an annual rate of 4.5%. The facility expires on 30 November 2022. The overdraft facility was undrawn at quarter-end.

5. Credit card facility limit at quarter-end totalled \$45,000 with an applicable annual interest rate of 15.5% The balance drawn at quarter-end was \$10,242.

<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)	(579)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,512
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,286
8.4 Total available funding (Item 8.2 + Item 8.3)	3,798
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>6.56</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: 28 April 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.