

18 October 2023

ASX RELEASE

ASX: RFA

QUARTERLY UPDATE AND APPENDIX 4C

Period Ending 30 September 2023

KEY POINTS

CORE BUSINESS

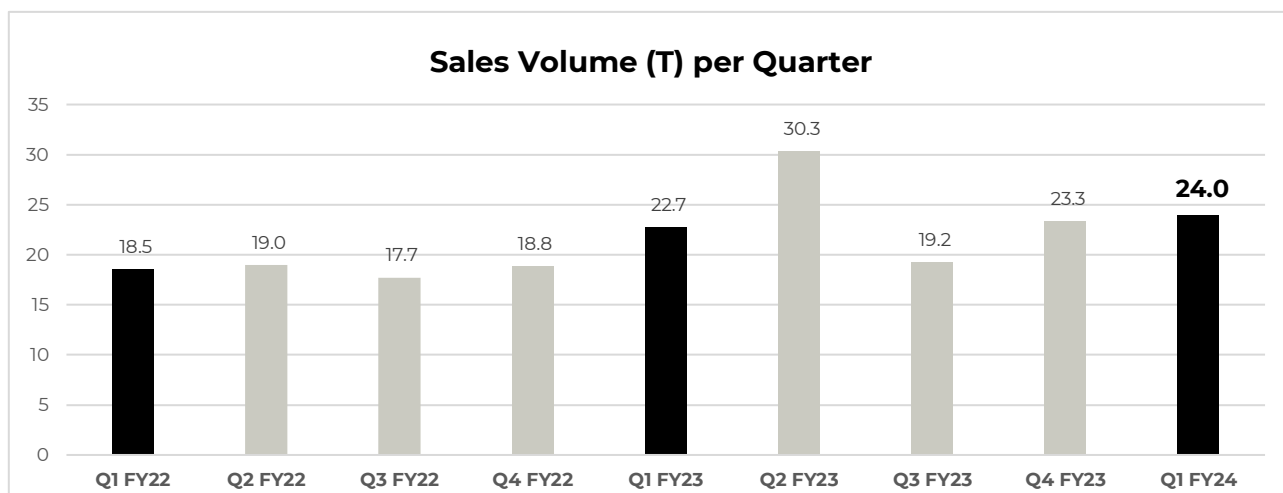
- **Quarterly sales of 24 tonnes of abalone product were 5% higher** than the corresponding period last year and another record.
- Price per kg of the Marine Stewardship Council certified ranched Greenlip abalone remains strong at \$58.74 per kg, underpinning record total Q1 FY24 abalone product revenues of **\$1.4M, which is 10% higher than Q1 FY23**.
- 30 June 2023 biomass valuation was \$8.4M, an **11% increase on the 30 June 2022 biomass**.
- A strong forward order book for abalone product has been established for FY24, with sales and forward order demand to date of 80 tonnes, representing 84% of the total tonnage sold in FY23.

GROWTH

- Retail revenues were steady over the traditional quieter winter quarter, tours and tastings represented 12% of revenue, double the previous period.
- Wild caught Roei product development continued, with promotions undertaken in Singapore and Vietnam.
- The partnership with Winereef International to significantly scale ocean cellared wine production as announced on 10th October 2023.
- Work on the Esperance aquaculture precinct opportunity continued.

CASHFLOW

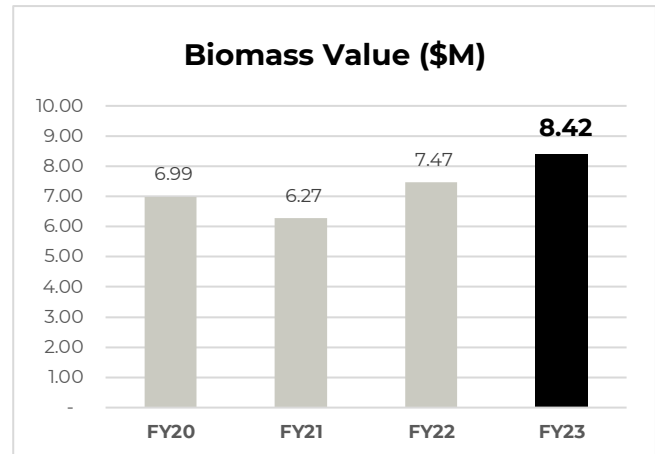
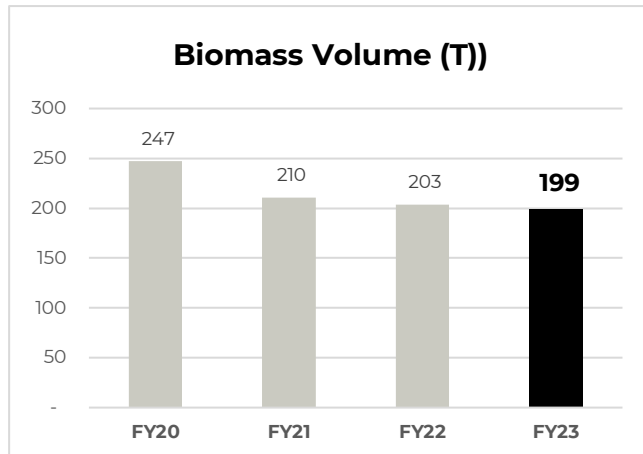
- Total cash inflow for the quarter from Operating Activities was \$1.6M and outflow of \$2.5M.
- During FY23 and FY24 a total of \$1.1M has been spent on growth activities, including significant due diligence on a prospective growth opportunity.
- AusIndustry R&D application of \$1.8M submitted with funds expected in mid-November.



DETAILS

**CORE BUSINESS – OCEAN RANCHING****Operations**

The Company recorded biomass tonnage of 199 tonnes as of 30 June 2023, in line with the 30 June 2022 biomass of 203 tonnes. The 30 June 2023 biomass was valued at \$8.4 million, an 11% increase on the 30 June 2022 biomass valuation. This was underpinned by the strong sales prices achieved throughout FY23 and continual improvements in operational efficiencies.



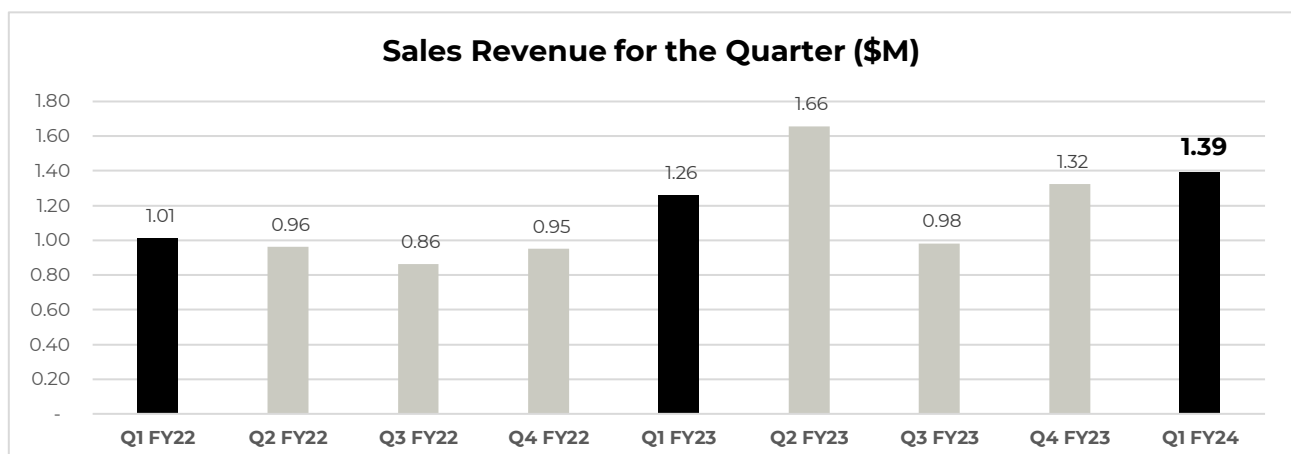
The Company's FY24 deployment remains on schedule, with 797k juveniles deployed by the end of the quarter. During this deployment season, the Company began to place juveniles on new reef areas created by moving poor performing ABITATs (artificial reefs) to more productive areas within the Flinders Bay lease.

To date the Company has moved 1,175 ABITATs, a target scheduled in for FY24's deployment season. Consequently, the additional space from the remaining reef movement of 997 ABITATs is not required until FY25's deployment season. Work on these remaining ABITATs has been rescheduled to be completed in the summer months, with resources redeployed in preparation for the ramp up of Ocean Cellaring, (see separate section).

To meet continued demand from its existing customer base, the Company harvested 22.8 tonnes of the Marine Stewardship Council (MSC) certified ranched Greenlip abalone during the quarter. Including third-party products, the Company processed and packed 27.4 tonnes of abalone, a record for the September quarter.

Sales & Marketing

The Company sold 23.2 tonnes of MSC-certified ranched Greenlip abalone during the quarter which underpinned the record total abalone product sales for the September quarter of 24 tonnes of abalone products.



The MSC recognises the Company's innovative ranching process as a wild enhanced and sustainable fishery. Notably, the Company remains the only fishery in the world using these practices to commercially produce Greenlip abalone, setting it apart in a market that increasingly values sustainability.

The record September quarter sales volumes were achieved in tandem with record September quarterly revenue of \$1.4 million for abalone products. The sustained quarterly sales records are a testament to the continual improvement efforts of the entire Rare Foods Australia team.

The average price received for abalone products for the quarter was \$58.06 per kg, with the MSC accredited ranched Greenlip achieving \$58.74 per kg, 6% higher than FY23.

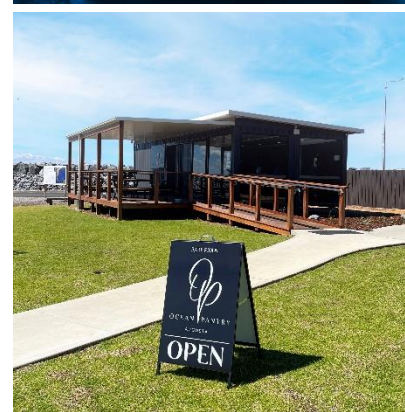
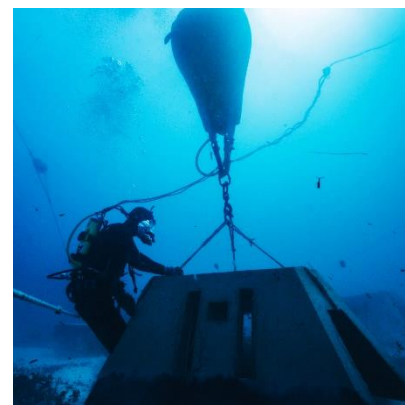
Led by Sales & Marketing General Manager, Alex Wilson, the Company showcased its premium tiered abalone offerings at the Singapore Seafood Show, and at agrifood events in Vietnam, generating strong interest and numerous enquiries for both the MSC ranched Greenlip and wild caught products.

During the quarter the Company secured FY24 sales revenue and non-binding forward orders with Master Distributors for 80 tonnes of abalone product, representing 84% of the FY23 total tonnage sold.

Research & Development

Work on the implementation of the Company's bespoke, detailed database system called the "Knowledge" continued during the quarter. The "Knowledge" captures information in the form of data and observations from daily dive routines. The data is used to prioritise ranch maintenance that is estimated to best improve the productive capacity of the biomass. During the quarter the Company began the design of a rolling 4 Year Master Schedule, utilising the information from the "Knowledge" to predict biomass growth and productivity.

The Company rescheduled the relocation of the remaining poor performing ABITAT's during the quarter to support other growth initiatives. The remaining 997 ABITATs are now scheduled to be moved through the summer period to align with the FY25 deployment schedule.



GROWTH

Organic Growth

Ocean Pantry

The Company's retail centre, the Ocean Pantry, ramped up the marketing of tour and tastings to promote the core business's innovation. Revenues during the quiet winter quarter achieved a record \$36k. Tours and tastings now represent 12% of current takings, double the previous quarter.

Wild Origin

Based on customer feedback, the Company created new Roei products, which were showcased during the quarter at the Singapore Seafood Show and with the support of Austrade throughout Vietnam to several high-end seafood buyers.

Strong support remains for the business to continue developing customer-led products that could yield valuable markets for the quota holders. During the quarter revenues of \$19.7k were achieved for Wild Origin sales.

Ocean Cellared Product

Ocean Cellaring is the process of maturing wine on the ocean floor. The marine environment enhances the maturation process to provide wines of unique provenance and depth of flavour.

Successful trials in 2020 with strategic partner Glenarty Road, and upscaling production of the original process, called Ocean Signature, with Glenarty Road and Edwards wineries, led to the harvests planned for November 2023. Those harvests of the Ocean Signature range are expected to provide the Company with 2,300 bottles for sale.

The Company completed its Ocean Cellared Business Plan during the quarter, outlining strategies to further scale production. An exciting development which could lead to significant increase in the scale of ocean cellaring is the partnership with Winereef International (Winereef).

Winereef has developed a proprietary technology for Ocean Cellaring complementing the Company's current Ocean Signature method. A binding Heads of Agreement (HoA), announced on 10 October 2023 between the Company and Winereef has been signed to facilitate a commercial trial of the Winereef technology and processes on the Company's Flinders Bay lease.

The trial is based on a 50/50 split of both cost and revenues. The trial is scheduled to begin in early 2024 and is estimated to yield up to 13,000 bottles of product by July 2024.



Value Accretive Growth

Due Diligence

During the quarter the Company continued the due diligence begun in FY23 on opportunities that could strengthen and scale the core business. Evaluation of these opportunities are being done on a confidential basis with expenditure to date of \$1.1M. The Company will update the market if and when binding arrangements are reached.

Esperance

The Company announced the deferral of the Esperance 600 tonne On Land Abalone Farm and Hatchery, evaluated with partner Yumbah Aquaculture (Yumbah) in April 2022, due to impact of the Covid pandemic and inflated costs associated with the infrastructure of the project.

With partner Yumbah and in consultation with local indigenous group Esperance Tjaltjraak Native Title Aboriginal Corporation (ETNTAC), the Company sought strategic options throughout FY23.

During the quarter Yumbah, ETNTAC and the Company continued discussions to pursue an aquaculture precinct at Wylie Bay, with the objective of seeking Government funding for infrastructure development to support the precinct. Currently the team is evaluating the requirements for such a precinct, along with the required stakeholder support and commercial structure.

Canopy Blue

Canopy Blue is a business pioneering hyperscale offshore seaweed cultivation to sequester CO2, restore the oceans and deliver a carbon neutral replacement for fossil fuels.

During the quarter the Company's subsidiary (Wylie Bay Abalone Pty Ltd) granted a non-exclusive sub-licence to Canopy Blue Pty Ltd, use part of its licensed area at Wylie Bay, Esperance for a seaweed pilot project.

Wylie Bay Abalone currently operates a Greenlip abalone ranch on the Wylie Bay lease.

Under the sub-licence, Canopy Blue are permitted to use a 100-hectare area within the licensed area of 1,000-hectares for the cultivation and harvesting of seaweed on infrastructure that will be deployed by Canopy Blue. The objective is to grow seaweed at large scale offshore. The term of the sub-licence is 12 months, and Canopy Blue will pay a fee of \$1k per month to Wylie Bay Abalone. Wylie Bay Abalone will continue to conduct its aquaculture activities within the Wylie Bay lease area during the term of the sub-licence.

The parties have agreed that if Canopy Blue seeks to further scale up its pilot project or commercialise its activities, then they will use reasonable endeavours to enter a Stage 2 agreement extending the sub-licence at a fee to be agreed. In this event Canopy Blue has agreed to issue options to Wylie Bay Abalone to acquire equity securities in Canopy Blue at a 15% discount, provided that the total dollar value of the discount does not exceed \$250k, but otherwise on terms and conditions to be agreed between the parties.

Quarterly Update and Appendix 4C

RARE FOODS AUSTRALIA LIMITED

ABN: 52 148 155 042 | ASX: RFA



CASHFLOW

Operating cashflows for the quarter included \$1.6M in customer receipts and operating activity outflows of \$2.5M. The business incurred a cash deficit for the quarter of \$1.06M, including a deficit of \$0.9M from operating activities and cash outflows of \$0.1M on investing and financing activities.

During the quarter the Company completed and submitted its AusIndustry R&D application of \$1.8M expected for receipt in mid-November. The Company is utilising its NAB credit facility (which was drawn down to \$1.4M as of 30 September 2023 and the support of a strong forward order book to ensure it can complete due diligence activities in pursuit of scale and growth.

Payments to related parties for the quarter totalled \$100k, including directors and cold storage fees.

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
Mobile: +61 412 286 170

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

Brent Stockden – Chief Financial Officer, Company Secretary & Commercial Services Manager
Email: 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 off Flinders Bay, Western Australia. With the construction of proprietary, purpose-built artificial abalone reefs (called "ABITATS™") now complete, RFA is supplying commercial quantities of its MSC certified ranched Greenlip Abalone to local and overseas customers.

For more information visit 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 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,534	1,534
1.2 Payments for		
(a) research and development ¹	-	-
(b) product manufacturing and operating costs ¹	(1,090)	(1,090)
(c) advertising and marketing	(117)	(117)
(d) leased assets	-	-
(e) staff costs ¹	(1,041)	(1,041)
(f) administration and corporate costs	(243)	(243)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(34)	(34)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	54	54
1.8 Other (provide details if material)	1	1
1.9 Net cash from / (used in) operating activities	(936)	(936)

1. A portion of cash outflows included in 1.2 (b) and (e) are also eligible for FY2023 R&D tax incentive.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(21)	(21)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets	(3)	(3)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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)	-	-
2.6	Net cash from / (used in) investing activities	(24)	(24)

3.	Cash flows from financing activities		
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	-	-
3.6	Repayment of borrowings	(97)	(97)
3.7	Transaction costs related to loans and borrowings	(7)	(7)
3.8	Dividends paid	-	-
3.9	Other (leased assets)	-	-
3.10	Net cash from / (used in) financing activities	(104)	(104)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	(328)	(328)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(936)	(936)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(24)	(24)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(104)	(104)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	(1,392)	(1,392)

5.	Reconciliation of cash and cash equivalents 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	797	20
5.2	Call deposits	-	-
5.3	Bank overdrafts	(2,189)	(348)
5.4	Term deposits	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(1,392)	(328)

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
100
-

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities ⁴	4,250	2,698
7.2 Credit standby arrangements	-	-
7.3 Other (Credit Card) ⁵	25	1
7.4 Total financing facilities	4,275	2,700

7.5 Unused financing facilities available at quarter end **1,575**

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 \$334,453, with applicable annual interest rates of (i) 3.99% for \$4,784; (ii) 3.89% for \$11,732; (iii) 3.71% for \$6,238; (iv) 4.37% for \$14,918; (v) 4.97% for \$115,841; (vi) 4.80% for \$13,205; (vii) 5.66% for \$10,694; (viii) 6.59% for \$111,463; (ix) 7.89% for \$10,641; (x) 8.31% for \$14,083; (xi) 8.5% for \$7,266 and (xii) 7.36% for \$13,589.

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 \$175,030.

National Australia Bank Limited has also provided a business markets loan of \$2,500,000 with an annual rate of 7.729%. The overdraft facility had a drawdown balance of \$2,189,000 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 \$1,104.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(936)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	(1,392)
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,575
8.4 Total available funding (Item 8.2 + Item 8.3)	183
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.20

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

- 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: No. The entity expects to have improved net operating cashflows with the receipt of a \$1.8M Ausindustry R&D tax incentive refund expected in Q2 together with a strong Q2 forward sales order pipeline leading into Chinese New Year. The entity is pursuing a number of growth projects, and if required, could slow its expansion plans to reduce the level of cash burn.

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: No. The entity expects to fund its operations from operating activities and the receipt of the \$1.8m Ausindustry R&D refund expected in Q2 and has financing facilities available to support its operations. .

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: Yes, for the reasons outlined in 8.6.1 and 8.6.2..

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: 18 October 2023

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.