

31 October 2024

ASX RELEASE

ASX: RFA

QUARTERLY UPDATE AND APPENDIX 4C

Period Ending 30 September 2024

KEY POINTS

CORE BUSINESS

- Biomass of 170 tonnes confirmed
- Restructure of the executive team and operating cost reductions implemented to reduce cost base by over \$1 million per annum
- Juvenile supply agreement renewal negotiations ongoing
- Implementation and execution of the Company's 7-year Ranch Management Strategy builds momentum
- Record \$2.35 million FY24 Ausindustry R&D claim submitted and approved in Q1

GROWTH

- Record sales from Ocean Pantry for Q1, a 42% improvement on comparative period
- Strong progress with Subsea Estate Margaret River brand development for subsea wine production
- State Government support achieved for the Esperance Aquaculture Precinct
- RFA project management agreement secured with Esperance Tjaltjraak Native Title Aboriginal Corporation (ETNTAC)
- Live abalone product sales conducted successfully both domestically & internationally

CASHFLOW

- Cost reductions implemented in pursuit of cashflow positive FY25.
- \$2.1M tax refund receipted subsequent to Q1.

DETAILS



CORE BUSINESS

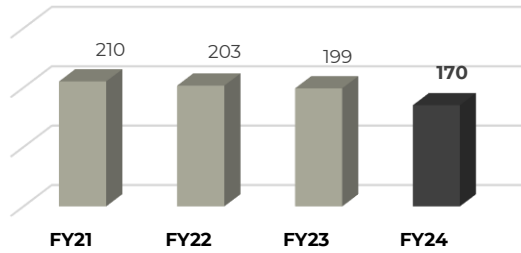
Operations

During the Quarter, the Company completed its biannual counts and measures process which verified a total biomass volume of 170 tonnes. This represented a 15% biomass decline on the comparative 12 months to 30 June 2024, as reported in the Company's half year results.

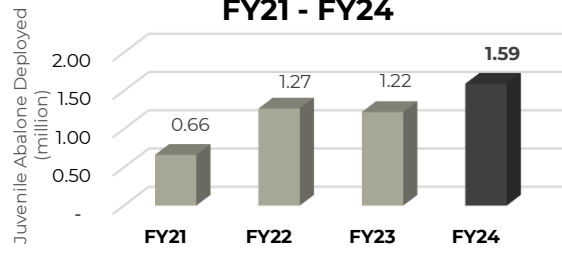
The biomass reduction was primarily attributed to a reduction in juvenile abalone deployed on the reef in FY21. The juvenile deployments made in FY21 were effectively halved as a COVID management strategy, to preserve cash during what was an unpredictable sales period.

Juvenile deployments returned to normal levels throughout FY22, FY23 and were at record levels during FY24, providing confidence in future biomass recovery.

RFA Biomass (T) FY21 - FY24



Abalone Juveniles Deployed (M) FY21 - FY24



As announced to the market on 5 August 2024, due to a combination of the decline in the commercial biomass grade of ranched Greenlip abalone, a softening demand for abalone products internationally and higher operating costs, the Company implemented a significant cost reduction strategy across the business during the Quarter.

These changes resulted in a restructuring of the Company's Executive team, with Brad Adams becoming Managing Director and the CEO role held by Rob Jorden being made redundant. This change combined with other operational and corporate cost cutting measures is designed to reduce the cost base of the business by over \$1 million annually.

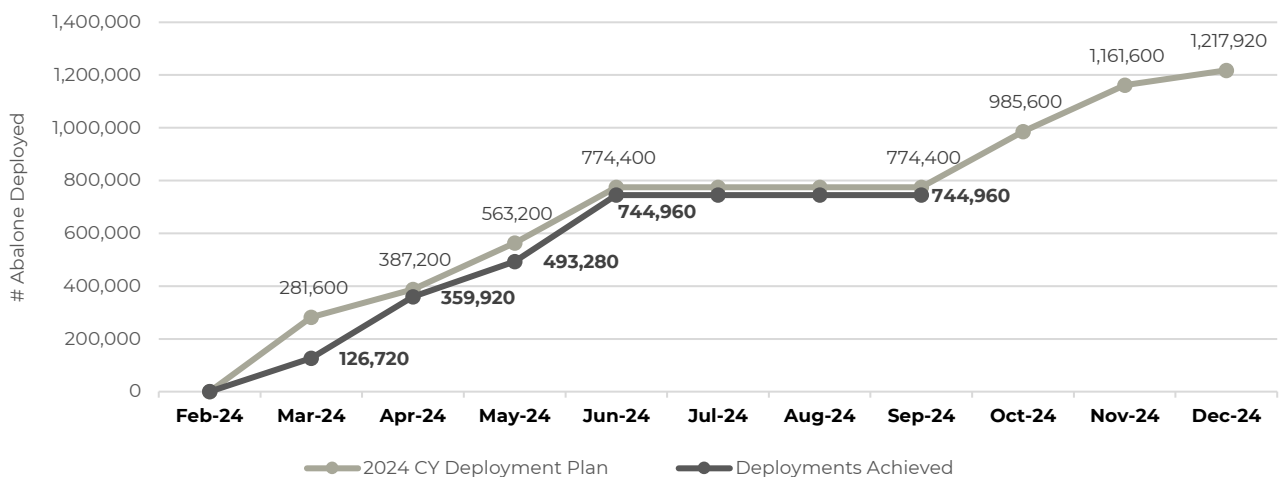
During the Quarter, the Company's 10-year juvenile supply agreement concluded, with negotiations ongoing for a revised supply agreement for calendar year 2025 and beyond. New longer-term arrangements are focused on extracting synergies and costs savings in both the supply of juveniles and the Company providing sales and processing services to 888 Abalone.

The implementation of the 7-Year Ranch Management Strategy continued to progress through the Quarter, aimed at lifting the yield of the Company's MSC certified wild caught Greenlip abalone. The strategy involves continually refurbishing 15% of the lowest performing parts of the artificial reef each year, providing greater space for higher juvenile survival and growth.

Refurbishment is a process of lifting each ABITAT (purpose-built abalone concrete habitat) from the ocean floor and removing marine fouling by high pressure cleaning on the purpose-built vessel the Kon Dios. This provides a clean surface on the ABITATs for greater numbers of juvenile abalone to attach, survive and grow

The strategy also includes timing the deployment of juveniles to avoid large winter swells, to increase post deployment survival rates, which is tracking well against the CY24 deployment plan.

CY24 Juvenile Deployment Progress to Plan



Sales & Marketing

The Company sold 17.4 tonnes of premium abalone products in the Quarter, including 13.1 tonnes of MSC certified wild caught Greenlip. Sales revenue for the premium abalone products achieved for the period was \$0.72 million, with MSC certified wild caught Greenlip contributing \$0.59 million.

Sales strategies for FY25 are focused on building live product channels through both the Augusta and newly established Perth processing facility. These avenues are aimed at broadening the Company's markets into China, Japan and Vietnam, and pursue the consistent live abalone demand now supported by direct flights into these regions.

Research & Development

In addition to the implementation and execution of the 7-Year Ranch Strategy during the Quarter, the Company also submitted and received approval on an FY24 Ausindustry R&D application for a record \$2.35 million. The result reflects RFA's enhanced level of effort and investment in the 7-year Ranch Management Strategy and its Ocean Cellaring innovation.



GROWTH

Organic Growth

Ocean Pantry

The Company continued to progress and refine its retail customer experience during the Quarter, with the Ocean Pantry achieving revenues of \$51k, 42% above the same period in FY24.

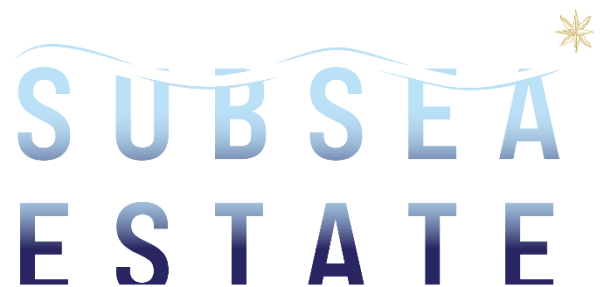
The Ocean Pantry customer experience is designed to showcase the Company's Unique Value Proposition of MSC certified wild caught Greenlip and Ocean Cellared wines through tours and tastings.

During the Quarter, the Ocean Pantry also activated its e-commerce presence, providing an additional retail avenue to generate revenues and allow customers the ability to access the Company's unique abalone and ocean cellaring product range across Australia.

Ocean Cellaring

The collaboration between Winereef International and Rare Foods achieved a significant milestone during the period, with the Subsea Estate brand developed for the first subsea wine project in the Southern Hemisphere.

With the critical branding elements now in place, the project remains on track to retrieve and bottle the subsea wines through Q2, in time for a brand launch and sales activation prior to the upcoming festive season and Chinese New Year.



Esperance

During the Quarter, with the support of the Esperance Tjaltjraak Native Title Aboriginal Corporation (ETNTAC) and Yumbah Aquaculture, the Company secured State Government funding for a 12-month project to progress the proposed Esperance aquaculture precinct.

Rare Foods has been engaged by ETNTAC to utilise Managing Director Brad Adams to Project Manage the project for a fee of \$100k, further reducing the Company's cost base. The project is designed to pursue federal funding for infrastructure including roads, power and piping, whilst promoting the aquaculture precinct nationally and internationally to attract additional precinct partners.



Premium Abalone

The Company successfully achieved sales of live wild origin Roei and aquaculture reared Greenlip abalone through the Company's Perth based holding facility during the Quarter.

While international markets for premium frozen abalone products are experiencing high levels of supply, the Company intends to continue to pursue live abalone product demand to Australian east coast customers, in preparation for regular domestic and international live sales.



CASHFLOW

Cash receipts from operating activities for the Quarter were \$0.85 million, down 45% on the comparative FY24 Quarter.

Cash payments from Operating Activities were \$2.3 million, including staff costs of \$0.9 million and juvenile deployment payments of \$0.7 million. This resulted in negative cashflow from Operations of \$1.4 million for the Quarter.

During the Quarter, the Company submitted a record \$2.35 million R&D application to Ausindustry which was reviewed and approved one month earlier than the prior year.

As announced to the market on the 24 October 2024, the Company's FY24 R&D refund in excess of \$2.1 million (after tax effect accounting adjustments) has now been received, allowing for the repayment of debt and supporting the working capital requirements of the business moving forward into FY25.

The R&D investment refund, combined with the implementation of the Company's cost reduction strategy, are assisting in providing a pathway for the business toward a cashflow positive result from operations, in response to the reduced commercial biomass and softening international premium food market.

Payments to related parties for the Quarter totalled \$101k, 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.

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About the Company

Rare Foods Australia Limited (ASX: RFA) has developed the world's first commercial Greenlip Abalone ocean 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 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	849	849
1.2 Payments for		
(a) research and development ¹	-	-
(b) product manufacturing and operating costs ¹	(966)	(966)
(c) advertising and marketing	(63)	(63)
(d) leased assets	-	-
(e) staff costs ¹	(941)	(941)
(f) administration and corporate costs	(288)	(288)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(57)	(57)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	30	30
1.8 Other (provide details if material)	(5)	(5)
1.9 Net cash from / (used in) operating activities	(1,441)	(1,441)

1. A portion of cash outflows included in 1.2 (b) and (e) are also eligible for FY2025 R&D tax incentive.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(46)	(46)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	-	-
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	(46)	(46)

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	34	34
3.6	Repayment of borrowings	(146)	(146)
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	(119)	(119)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(1,221)	(1,221)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,441)	(1,441)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(46)	(46)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(119)	(119)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	(2,827)	(2,827)

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	-	25
5.2	Call deposits	-	-
5.3	Bank overdrafts	(2,827)	(1,246)
5.4	Term deposits	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(2,827)	(1,221)

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**

101

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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	3,274
7.2 Credit standby arrangements	-	-
7.3 Other (Credit Card) ⁵	25	5
7.4 Total financing facilities	4,275	3,279

7.5 **Unused financing facilities available at quarter end** **996**

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 \$750,000. 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 \$248,938, with applicable annual interest rates of (i) 3.71% for \$1,271; (ii) 4.37% for \$5,084; (iii) 4.97% for \$84,769; (iv) 4.80% for \$4,982; (v) 5.66% for \$4,713; (vi) 6.59% for \$85,671; (vii) 7.89% for \$6,692; (viii) 8.31% for \$8,595; (ix) 8.5% for \$4,543; (x) 7.36% for \$8,632 and (xi) 9.05% for \$33,987.

National Australia Bank Limited has also provided a business overdraft facility of \$250,000 with an annual rate of 7.62%. The facility expires on 15 March 2027. The facility balance at quarter-end totalled \$125,050.

National Australia Bank Limited has also provided a business markets loan of \$3,250,000 with an annual rate of 7.87%. The overdraft facility had a drawdown balance of \$2,900,400 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 \$4,653.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,441)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	-
8.3 Unused finance facilities available at quarter end (Item 7.5)	996
8.4 Total available funding (Item 8.2 + Item 8.3)	1,430
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.69

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 Company is forecasting an improved level of cashflows from operating activities based on an increase in pre Chinese New Year sales and a reduction in juvenile deployment expenses.

- 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 Company has receipted its annual Ausindustry R&D refund in Q2 of \$2.1M which will support the repayment of existing debt facilities and support the working capital requirements moving forward.

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 outlines in 8.6.1 and 8.6.2. above.

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 2024

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.