

## Appendix 4C

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

**Name of entity**

A1 INVESTMENTS &amp; RESOURCES LIMITED

**ABN**

44 109 330 949

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

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (.....months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	44	687
1.2 Payments for		
(a) research and development	-	(2)
(b) product manufacturing and operating costs	(3)	(3)
(c) advertising and marketing	-	(6)
(d) leased assets	(6)	(14)
(e) staff costs	(66)	(271)
(f) administration and corporate costs	(347)	(1,086)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
1.5 Interest and other costs of finance paid	(3)	(51)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(374)</b>	<b>(739)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(26)
(d) investments	18	18
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	180
	(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>17</b>	<b>172</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	-	2,000
3.6	Repayment of borrowings	-	(372)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Deposit for share issues	-	695
	Subscription in advance	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>2,323</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	2,638	473
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(374)	(739)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	17	172
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,323
4.5	Effect of movement in exchange rates on cash held	(46)	6
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,235</b>	<b>2,235</b>

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	235	638
5.2	Call deposits	2,000	2000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,235</b>	<b>2,638</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**

(71)

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

Note: Payments to the Directors of the company.

7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		2,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	200	-
7.4 <b>Total financing facilities</b>	200	

7.5 **Unused financing facilities available at quarter end** 200

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.

**Loan Facility**

The company has entered a loan facility with WIN Properties Australia Pty Limited in a principal sum of \$2,000,000 (\$2 million) at an interest rate of 5% pa paid 6 monthly in advance or if paid on time at a rate of 2.5% pa, for a term of 3 years from 19 March 2020 and a maturity date of 19 March 2023. The security for the loan is floating charge over all the assets of the company located in Australia, including any subsidiary but not including any offshore subsidiary or offshore asset.

The principal amount has been fully drawn down by the company from the lender and the full amount of \$2,000,000 has been placed on deposit. The funds may be used as the company sees fit but were primarily borrowed to secure the future expansion of the sea cucumber project in Australia and the production of sea cucumber supplements in Japan.

**Other**

The company has received advice from related parties to the directors for further equity investment in the company, and the conversion of these funds to ordinary shares subject to shareholder approval and notice to ASIC and the ASX. The funds the subject of this paragraph have not been received by the company, but the company reasonably believes these funds are available and will be provided to the company prior to the Annual General Meeting of the company which must take place before 30 Nov 2020.

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(374)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,235
8.3 Unused finance facilities available at quarter end (Item 7.5)	200
8.4 Total available funding (Item 8.2 + Item 8.3)	2,435
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	6.0

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?

The company provided an expanded answer/response to this provision in its quarterly cash report to 31 March 2020.

Although the company's answer to item 8.5 is again not less than 2, the Board of the company is of the opinion that without further explanation no comment could be construed as misleading to the company's shareholders and potential investors. The company has therefore provided a further explanation or expansion of its comments in its previous Appendix 4C dated 28 April 2020. The company also directs readers to the Quarterly Activity Statement following this Appendix 4C for the quarter ended 30 June 2020.

The company has continued to develop its sea cucumber project in Western Australia. The company has made payments in advance for product to Tidal Moon Australia Pty Limited (TMA") of \$641,000 to 30 June 2020. In the Appendix 4C dated 28 April 2020 the company noted that it anticipated the first delivery of product in June. Delivery has been delayed and the company expects the first deliveries of dried sea cucumber to be made at the end of July. Final export authority has not yet been received by TMA, but is expected in the next 2 to 3 weeks. TMA has complied with all requirements of a food production facility, all staff have undertaken the requisite training and the processing practices refined. Further equipment to enhance and increase production will be installed over the coming 4-6 weeks.

The coronavirus has delayed the project and will continue to impact the management of the project until the border to WA is opened for business travel. The impact and restrictions caused by the coronavirus pandemic will also impact the international deliveries of the product to Japan and the PRC and other international markets.

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?

The company advised in its Appendix 4C dated 28 April 2020 of an intention to call a SGM to approve the proposed equity funding. The Board has now determined that approval will be sought at the next AGM, which must occur before 30 Nov 2020.

The company reasonably expects all funds promised to be available on or before the AGM.

The company has also seeking a low interest working capital loan of \$250,000-500,000 which is part of the program of funding of the Commonwealth government's assistance package for small/medium businesses.

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

The company has sufficient cash to meet all its obligations in the near and medium terms including accessing the \$2,000,000 loan facility principal currently on deposit. The further loan applied for will provide additional working capital assistance over the following 12 months.

The company still expects the sea cucumber business to be cash flow positive before 30 June 2021 despite the operational problems of the past months and the continued impact of the coronavirus in Australia and throughout Asia.

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## 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: 22 July 2020.



Peter J Ashcroft

Director

Authorised by: The Board of A1 Investments & Resources Limited....

## 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.

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Suite 606, 37 Bligh Street, Sydney NSW Australia 2000

**Wednesday 22 July 2020**

## **ASX ANNOUNCEMENT**

### **Quarterly Activity Statement to 30 June 2020**

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Despite the coronavirus and its impact on the company's operations in Australia and Japan AYI has continued to develop its primary new business of sea cucumbers during the quarter.

This announcement should be read in conjunction with the company's Appendix 4C for the quarter period to 30 June 2020.

#### **Commercial Operations**

##### **Shark Bay Sea Cucumber Project**

AYI throughout the quarter made payments to Tidal Moon Australia Pty Limited ("TMA") by way of advance payments for dried sea cucumbers. (See the terms of the supply agreement between AYI and TMA disclosed in the company's Activity Statement for the quarter to 31 March 2020 dated 1 May 2020.)

To 30 June 2020 AYI has paid \$641,000 to Tidal Moon Pty Limited ("TM") or TMA by way of payments for product in advance of its delivery. The company expects that it will pay a further \$100-200,000 to TMA over the next 2 to 3 months to complete the operational objectives of the project in Western Australia and permit the continuous supply of dried sea cucumber to the company over the long term.

The company expects that TMA will receive export authority for the product in the next 2 to 3 weeks. TMA will act as the agent of the company in the export of the product to Japan.

During the quarter the coronavirus has caused delays to the completion of the factory in Denham. The factory is now producing a small quantity of product on a daily basis but awaits the final installation of additional equipment including a dehydrator and additional cooker to increase production to the company's projected volumes. The company expects all equipment to be fully installed by the end of August and the factory operating at a capacity to produce 1 tonne of dried product per month thereafter, subject to TM supplying 10 tonne of wet product to TMA for processing.

During the quarter AYI was also seeking to obtain the best possible logistics solution for the export of the product, in view of the significant constraints now in place because of the coronavirus.

##### **Further Project Development during the quarter**

AYI has agreed in principal to join with TM to acquire the operations and assets of Blue Lagoon Pearls Pty Limited subject to financing. AYI and TMA will have no funding obligations in the proposal but have

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agreed if the TM proposal is successful, to lease the pearling processing platform and sub-license the pearling license area for sea cucumber breeding.

### **Bundybunna**

AYI continues to pursue the resolution of the termination of the liquidation of Bundybunna Aboriginal Corporation Limited (in liquidation). Further delay in finalisation has taken place because of the coronavirus pandemic.

### **Qualipac and Other Farming Projects**

No further developments took place on this project in the quarter.

### **Research and Development**

During the quarter AYI and TMA negotiated a further research agreement with Curtin University whereby Curtin would provide assistance with design of the proposed hatchery for breeding of Western Australian sea cucumbers at Shark Bay.

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## **A1 INVESTMENTS & RESOURCES LTD**

### 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.



Peter J Ashcroft

Director

Date: Wednesday 22 July 2020

Authorised by: The Board of A1 Investments & Resources Limited