



Suite 606, 37 Bligh Street, Sydney NSW Australia 2000

Friday 1 May 2020

ASX ANNOUNCEMENT

Quarterly Activity Statement to 31 March 2020

AYI has been further developing its primary new business of sea cucumbers during the quarter and improving its overall financial position.

Commercial Operations

Shark Bay Sea Cucumber Project

AYI entered an agreement with Tidal Moon Pty Limited (“TM”) in September 2019 (see ASX release 30 September 2019) whereby the parties would collectively develop a new sea cucumber business based in Western Australia. TM has the rights to harvest sea cucumbers along 1200 klm of Western Australian coastline from Shark Bay to Onslow.



Looking from the sea into Shark Bay

TM and AYI agreed to form a new company that will undertake the processing of the sea cucumbers from a new factory at Denham on the shores of Shark Bay in Western Australia. AYI arranged the incorporation of Tidal Moon Australia Pty Limited (“TMA”) which is owned 51% by TM and 49% by AYI, although AYI has rights of veto. The agreement between the three companies is that TM will sell 100% of the harvested sea cucumbers to TMA at cost plus 20%, and TMA will sell 80% of the processed sea cucumber to Blue Ocean Health an operating division of AYI, at cost plus 20%.

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The agreements are that AYI will control the costs of the project both in respect to TM and TMA. Both companies must provide AYI with an open accounting book and must always drive their respective operating costs down.

The calculation of the costs of the product by TM to TMA is based on the following costs;

1. All employee costs (including on costs of entitlements to leave) of those employees directly involved in the harvest of the products and their transport and delivery to TMA.
2. Management employee costs are limited to a portion of those costs as approved by TMA prior to being incurred.
3. Any training costs incurred are only included in the costs of the products if approved prior to being incurred.
4. The direct operating costs of all vessels directly related to the harvesting and transport of the products.
5. The reasonable financing costs (as agreed in advance) of any capital items of TM used to undertake the harvest and transport of the products.
6. The reasonable administration costs of TM that relate directly to the harvest and delivery of the products to TMA. These costs include accounting, tax and fisheries compliance costs.
7. Only if TMA has agreed with TM that certain product will be used for the secondary purpose of direct sale will the costs of TM in providing undamaged products be included in the costs of the product.
8. The reasonable costs of complying with any statutory obligation directly related to the retention of the right to harvest sea cucumbers.
9. All pre-agreement costs of TM are excluded unless agreed by TMA.
10. Such other costs as are agreed between the parties from time to time.
11. All costs that are funded from state or federal grants will be excluded from the costs of the product.
12. No general overheads costs are included in the costs of the product.
13. Costs that relate to cultural matters will only be included if approved in advance by TMA.
14. After the direct cost is calculated in accordance with above an amount of 20% of those costs is added and a cost per kilo can be calculated.



**Launching the TM sea cucumber harvesting vessel.
Denham March 2020**

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15. TMA and AYI are entitled to thoroughly check and audit the calculation and all primary and secondary documents supporting the calculation.

The calculation of the costs of the product by TMA to AYI (trading as Blue Ocean Health is based on the following costs;

1. All employee costs (including on costs of entitlements to leave) of those employees directly involved in the processing of the products and their transport and delivery to AYI.
2. Management employee costs are limited to a portion of those costs as approved by AYI prior to being incurred.
3. Any training costs incurred are only included in the costs of the products if approved prior to being incurred.
4. The direct operating costs of the factory, warehouse and vehicles related to the processing and subsequent transport of the products.
5. The reasonable financing costs (as agreed in advance) of any capital items of TMA used to undertake the processing, subsequent transport of the products, and the design, construction and operation of a hatchery to breed sea cucumbers.
6. The reasonable administration costs of TMA that relate directly to the processing and delivery of the products to AYI, and the development and operation of a sea cucumber breeding program including the operation of a hatchery. These costs include accounting, tax and fisheries compliance costs.
7. Only if AYI has agreed with TMA that certain product will be used for the secondary purpose of direct sale will the costs of TMA in providing undamaged products be included in the costs of the product.
8. The reasonable costs of complying with any statutory obligation directly related to the retention of right to harvest sea cucumbers including the development and operation of a sea cucumber breeding program including the operation of a hatchery.
9. All pre-agreement costs of TMA are excluded unless agreed by AYI.
10. Such other costs as are agreed between the parties from time to time.
11. All costs that are funded from state or federal grants will be excluded from the costs of the product.
12. No general overheads costs are included in the costs of the product.
13. Costs that relate to cultural matters will only be included if approved in advance by AYI.
14. After the cost is calculated in accordance with above an amount of 20% of those costs is added and a cost per kilo of the processed product can be calculated.
15. AYI is entitled to thoroughly check and audit the calculation and all primary and secondary documents supporting the calculation of the cost.



To 31 March 2020 AYI has paid \$374,170 to TM or TMA by way of payments for product in advance of its delivery. The company expects that it will pay a further \$300-400,000 to TMA over the next 3 to 4 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.

**Big Lagoon. Potential aquaculture license area
Shark Bay**

The company notes that its projections are conservative, and consideration has been given to the impact of the coronavirus and its possible further impact to operations in Australia, and the difficulties with managing export logistics to the company's major markets in Asia.

During the quarter to 31 March 2020 TM commenced survey operations in Shark Bay, employed experienced divers, tested its primary fishing vessel and acquired the required equipment to support the operation.



The Denham Factory of TMA 27 March 2020

TMA and TM proceeded to complete the factory in Denham which will process the sea cucumbers. AYI expects the factory to receive final operational approval as a food processing factory in May 2020.

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The operations of both TM and TMA are designed to be as environmentally neutral as possible. The factory includes a new state of the art solar powered drying room.

AYI expects harvesting of sea cucumbers to commence in the third or fourth week of May, and processing to commence at the same time. AYI notes that the final processing operations will be refined during this quarter. AYI expects to have approximately 100kg of product for export on or about 30 June 2020.

During the quarter AYI and TMA have been undertaking all the pre-requisite requirements to secure the required export authorities for the product. AYI expects to receive the required authority in May or early June 2020 to permit the export of product in late June. 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 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 is expected 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 entered an agreement with Curtin University to fund part of a research project including the part funding of a dedicated PhD student in examining the breeding of Western Australian sea cucumbers.

During the quarter AYI entered into discussions with Ocean Park Aquarium (see <https://oceanpark.com.au/>) whereby Ocean Park would provide facilities for the establishment of a sea cucumber experimental breeding program operated by TMA and AYI within the Ocean Park facility. A formal strategic alliance agreement has been signed by the parties including TMA, AYI and Ocean Park and dated 30 April 2020. TM is yet to sign.

Blue Ocean Japan (see below in respect to the acquisition of Blue Ocean Japan) has commenced to undertake and support research and development of a sea cucumber breeding program in Japan.



Laboratory Testing and Research in Amori Japan

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AYI Funding

Share Placements

On 17 February 2020 AYI announced that the company had successfully raised \$627,460.96 and had issued 4,481,863,997 ordinary shares at an issue price of \$0.00014 per share.

These funds will be used as further working capital and will be primarily used to expand and develop the sea cucumber business. AYI also issued a further 1,000,000,000 shares to its sea cucumber partners and contractors in Western Australia at a notional issue price of \$0.0004 per share. No cash was payable to the company from that issue.

The above issues were approved by AYI at its AGM on 26 November 2019.

Loan Facility

During the quarter to 31 March 2020 AYI entered a loan facility with WIN Properties Australia Pty Limited in a principal sum of \$2,000,000 at an interest rate of 5%pa paid 6 monthly in advance or 2.5%pa if paid on time, for a term of 3 years commencing on 19 March 2020. The security for the loan is a floating charge over all the assets of the company located in Australia, including any subsidiary but not including any offshore subsidiary or asset.

AYI has fully drawn down this facility and has placed the full amount on deposit. The funds will be used for working capital and primarily to fund the expansion of the sea cucumber business.

Other

During the quarter to 31 March 2020 AYI 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 30 June 2020. The company proposes called a special general meeting to seek shareholder approval for such funds.

Acquisition of Blue Ocean Japan

The company also noted in its announcement on 17 February 2020 that the AYI had on 31 January 2020 settled the purchase of Blue Ocean Japan for a sum of \$200,000. 400,000,000 shares in the company at a notional \$0.0005 per share were issued to the shareholders of Blue Ocean Japan in full satisfaction of the purchase price.



AYI advises that Blue Ocean Japan will act as the sales and marketing vehicle for the company's products into Japan and China. The primary focus of the company's marketing is the PRC and Japan is uniquely placed to continue to supply products into China during the current coronavirus pandemic.

Blue Ocean Japan is positioned to take advantage of these difficult trading conditions.

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: Friday 1 May 2020

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

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