

**ASX Limited
20 Bridge St,
Sydney NSW 2000**

**Senior Advisor Listing Compliance
Attention Mr Elvis Onyura**

By email

Wednesday, 13 November 2019

Dear Sir

Appendix 4C Query ASX letter of 11 November 2019

I confirm receipt of your letter dated 11 November 2019 in respect to a query in relation to the Appendix 4C I lodged on behalf of the Company on 15 October 2019 in respect to the quarter ended 30 September 2019.

I confirm that the Company takes its continuous disclosure obligations seriously and that as far as the Board is aware the Company has made every disclosure it is required to do. In respect to the Company's cash position the Board is always concerned and is fully aware of the need to raise more cash to meet the plans of the Company for the short and medium term. The Board is of the opinion that the Company's long term cash needs will be met by both the success of its new projects and the capital raisings it will undertake in the short and medium term.

In relation to the numbered items in your letter in respect to requests of information I advise as follows;

1. The Company expects to have negative cash flows until mid 2020. The company is commencing two new major projects in Western Australia in 2020 (see our Company Up Date releases of 30 September 2019 and 25 October 2019). The Board is reasonably confident that the sea cucumber project will be cash flow positive by mid 2020.
2. The Annual General Meeting of the Company which is to take place on 26 November 2019 includes resolutions seeking shareholder approval to placements of \$700,000. The Board is of the reasonable opinion that on or before 31 Dec 2019 an amount of not less than \$550,000 will be provided after approval at the meeting by the investors set out in the resolutions. The Board is also of the opinion that approval by the shareholders will be provided. I note the comments I made in section 8.4 of the 30 September 2019 quarter Appendix 4C in respect to these matters. The Company is of the opinion this capital raising of not less than \$550,000 will be successful.

The Board is also negotiating with the named investors in the resolutions at the AGM to provide the balance after the equity contribution by way of a medium term loan. The final terms for any

loan have not yet been agreed. When the final details of any loan are agreed the Company will announce such details.

The Board and the Company are at all times aware of its day to day cash position to ensure that the Company remains solvent at all times. The Company and its Board are also very aware that the Company must remain a “going concern” and to this extent must have sufficient cash immediately available to meet its short and medium term operating costs.

The Company and the Board are of the opinion;

- there is sufficient cash available at all times to meet the day to day operating costs of the Company; and
- that the Company has immediate plans in place to raise further capital for its medium and longer term operating costs; and
- that it is reasonable to expect those immediate plans for the additional capital to be successful; and
- that the Company has longer term capital raising plans for late 2020 and onwards. When the further details of any further capital raising are determined the Company will announce such details.

The Board has also received an assurance from one director that he would provide a further \$100,000 on or before 31 December 2019 if required, and in any event in the first quarter of 2020 which would be converted to equity subject regulatory and shareholders’ approval. The Company is of the opinion this capital raising of not less than \$100,000 will be successful.

The Board is also considering an acquisition of a minority interest in a business from an existing shareholder that is cash flow positive and such acquisition would, subject to shareholder and potential regulatory approval take place in early 2020. The final details have yet to be agreed and so the Company has not included any possible cash flow benefit of this acquisition at this time.

The Board is considering seeking approval from its shareholders that may be related party transactions that will also require regulatory notification. When the final details of the proposed placement by a director and the proposed acquisition referred to above are agreed or determined the Company will announce such details.

The Company is also considering other capital raising options for 2020. When the final details of any further capital raising are determined the Company will announce such details.

3. Yes. The Company reasonably expects to be cash flow positive by mid 2020. The Company expects its new businesses to be major assets for the future. After raising further capital in 2020 as referred to in item 2 above the Company does not expect to need to raise money in the short or medium term from its existing shareholders or directors. The Company reasonably expects that further capital raising in 2021 and onwards will be a mix of equity from the market and loan financing.
4. The Company confirms that it has been fully transparent and Listing Rule compliant in its advice to the market to date, and the Company will continue to maintain this position. The Company confirms that it has no information that ought to be or should be released to the market

concerning its financial position or its funding needs or plans. Other than the disclosures we have made to the market to date including in the 2019 Annual Report, the Notice for the 2019 AGM, the recent Appendix 4C and the commitment by the director to some further funding as referred to above there are no firm plans in respect to future fund raising. When the final details of any further capital raising are determined the Company will announce such details.

5. I confirm that the Board has approved this response.

The Company submits that its continued listing should be supported by the ASX and that the Company's financial position is not such as to be inadequate for the purposes of Listing Rule 12.2.

The Company submits that some consideration should be given to the Company and its operations in the context of the country's worst drought for 25 years, and indeed the worst drought on the Darling Downs for 40 years. For the past three years the Company has been engaged in a joint venture in southern Queensland centred on vegetable production on the Darling Downs. The Company did not have an unrealistic expectation of the revenue and profits to be realised from this venture when commencing, and indeed in the first 6 months of the operation the business was cash flow positive, profitable and growing. However, thereafter the weather in southern Queensland was the driest for 40 years. We have persevered with operations and our commitment with our joint venture partner but we recognised in the second quarter of 2019 that we could not sustain this business in such a severe drought. We will recover some cash from this business before 31 December 2019 but we have not met our budget. Our previous primary investors in the Company were no longer prepared to provide further support and we were able to restructure some debt which was the subject of the SGM earlier this year. This re-structure had a profound and positive effect on the Company's balance sheet and saw the introduction of new investors to the Company and to the market. All of the matters set out in this paragraph have been previously fully disclosed.

The Board recognises the cash needs of the Company. The Company maintains comprehensive cash flow budgets which it regularly reviews. The Board meets at least monthly and always examines the budget and particularly variances, the bank reconciliation and revenues.

Whilst the Company remains a general investment company the Company made a commitment to focus upon the food industry and food related products. We have sought to extend our Queensland joint venture to southern Australia in order to better manage the risk of the weather in Australia. We are in the latter stages of commencing operations in Tasmania in March 2020 and again farming on the Darling Downs from April or May 2020.

Whilst undertaking the above we were examining other agriculture projects across Australia. We are now in the final stages of acquiring a lease of a 13,000 hectare mixed farm in central Western Australia. The budget for Bundybunna provides that in year 1 it will be cash flow neutral but thereafter profitable and cash flow positive.

Whilst undertaking our due diligence on Bundybunna we were introduced to Tidal Moon which company has the right to harvest sea cucumbers in Shark Bay. Our new investors were particularly interested in sea cucumbers and we have arranged a joint study to be undertaken by Australian and Japanese universities into the life cycle and breeding of sea cucumbers. The market for sea cucumber products exceeded US\$5 billion in Asia in 2017 (source The United Nations Food and Agriculture Organisation report in respect to

sea cucumbers the 2018). Our realistic target is a small portion of this market. Our products will however, be coming from the pristine waters of the World Heritage Areas of Shark Bay and will therefore be extremely attractive in the market.

As part of its proposed fund raising program in 2020 the Company is currently examining the acquisition of a pearl licence in Shark Bay which we would seek to convert to a sea cucumber breeding facility. This possible acquisition is in the earliest stages of negotiation and when further details are agreed the Company will make a full disclosure to the market.

There is a world-wide shortage of sea cucumber and demand exceeds supply in Australia by a factor of 100. I direct you to the Company's announcement on 30 September 2019.

The Company has a major operating and funding business plan for 2020 and will make appropriate releases as the details are determined and approved by the Board.

In conclusion I note that the Company released its Annual Report for the year to 30 June 2019, the Notice for its AGM, Appendices 4C in respect to the quarters ending 30 June 2019 and 30 September 2019 and company Up Dates over the past 5 months all in time and all in accordance with the Company's continuous disclosure policy. The Company finally concludes by submitting it fully complies with Listing Rule 12.2.

If the ASX requires further clarification or expansion of this response please advise.

Yours faithfully



Peter Ashcroft

Director/ Secretary

A1 Investments & Resources Limited

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11 November 2019

Reference: 10490

Mr Peter Ashcroft
Director & Company Secretary
A1 Investments & Resources Ltd
Suite 606
37 Bligh Street
Sydney NSW 2000

By email:

Dear Mr Ashcroft

A1 Investments & Resources Ltd ('AYI'): Appendix 4C Query

ASX refers to AYI's Appendix 4C quarterly report for the period ended 30 September 2019 lodged with the ASX Market Announcements Platform and released on 15 October 2019 (the 'Appendix 4C').

ASX notes that AYI has reported:

- negative net operating cash flows for the quarter of \$297,000;
- cash at the end of the quarter of \$163,000; and
- estimated cash outflows for the next quarter of \$468,000.

It is possible to conclude, based on the information in the Appendix 4C, that if AYI were to continue to expend cash at the rate indicated by the Appendix 4C, AYI may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks AYI to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does AYI expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has AYI 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?
3. Does AYI expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that AYI is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that AYI's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AYI with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that AYI considers may be relevant to ASX forming an opinion on whether AYI is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEDT Thursday, 14 November 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in AYI's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AYI's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to AYI's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that AYI's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading Halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in AYI's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Elvis Onyura
Senior Adviser, Listings Compliance (Sydney)