



Murray Cod Australia Ltd

ASX:MCA

29 July 2022

June 2022 Quarterly Activities Report

The Board of Murray Cod Australia Ltd ('MCA' or 'the Company') is pleased to provide the following update of operational progress in conjunction with the release of the June 2022 quarterly cashflow report.

Highlights for June 2022 Quarter

- **Customer Receipts up 38.90% over June 2021 Quarter**
- **Debt Repaid of \$3.6 million**
- **Cash Reserves of \$26.9m million at 30 June 2022**
- **Sales Prices Increase**
- **Average Sale weight 2.32kg**
- **Aquna Cod now stocked at Coles, Woolworths and Harris Farms**
- **Processing Plant Equipment Installed**
- **Continued Growth in Sales Pipeline for Export**
- **Stage three of Whitton site increased to 16 Ponds**
- **Conservative Approach taken on Biomass Value**
- **Free Range Growout Trial to reduce capex and operating costs**
- **Greenfield Site Purchased to construct new hatchery**
- **Value added product Development**
- **Sustainable Feed Trials underway**
- **Growth Plans remain on track for 10 thousand tonnes in 2030**



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Revenue increase of 38.9% over June 21 Quarter

Receipts from customers grew 38.9% for the quarter compared to the June 2021 quarter. Sales growth continued during the June 2022 quarter as Covid restrictions eased.

The company continues to experience strong sales growth in line with the 2030 target of 10,000 tonnes.

\$3.6 million Debt repaid

The Company is pleased to advise that debt facilities of \$3.59 million were repaid during the quarter. This will reduce the company's interest expense. The facility is available for re-draw at the Company's discretion.

Cash Reserves \$26.9m million on Hand

The company is well positioned to capitalize on strong demand with cash reserves of \$26.9 million on hand at 30 June 2022.

Growth in Sales Price Achieved with Brand Recognition

The price per kg of live sales has been increased from \$19 per kg in early 2020 to \$23 per kg now. Current demand indicates more price rises will occur in the next 6 months. The price of processed fish has increased to \$22 kg during the June quarter.

Aquna Sustainable Murray Cod is positioned as a luxury food product rather than a commodity. Our strategy of service and brand attribution will continue to drive our target of increasing prices in excess of inflation rates.

Sale Weight 2.32 kg per fish

Average sale weight for the June 2022 quarter was 2.32 kilograms per fish.

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Domestic demand from the HORECA (Hotels Restaurants and Catering) channel has continued to grow along with Grocery and Retail.

Supermarkets

Woolworths

MCA currently supplies 150 Woolworths stores in NSW and Victoria. Growth in sales has been pleasing, however we are unable to accurately estimate lost sales that resulted from logistics protocols introduced as a result of COVID 19. It is expected these issues will ease during the coming quarter and stock will be more readily available within Woolworths.

Coles

Coles supermarkets have stocked Aquna Sustainable Murray Cod in Victorian stores since the end of May 2022. Early indications of sales in those outlets have been pleasing. Logistics within Coles have also been affected by COVID 19 issues. It is anticipated Coles will make appropriate delivery slots available to MCA in NSW distribution centres in coming weeks.

Harris Farms

Harris Farms commenced stocking Aquna Sustainable Murray Cod in six stores during the March 2022 quarter. Sales continue to be pleasing.

Processing Equipment Now Installed

Processing equipment from overseas which had been subject to supply chain delays has finally been installed and work on commissioning is underway as at the date of this report. This will provide a huge increase in processing capacity. When fully operational it will enable the company to significantly increase supply to the grocery channel if demand continues to grow as expected.

Growth in Export Demand

Recent displays by the company at the World Seafood Forum in Barcelona drew very strong interest from a variety of buyers. These leads are being followed up and it is anticipated that new export markets will be opened in coming months. Export sales are anticipated to grow



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as smaller fish currently in stock grow into marketable size.

The USA strategy of targeting high-end restaurants is currently working successfully.

Japan has been slow to re-open as an export market with inquiries beginning to emerge from Japan over the last few weeks.

The Company is constantly managing the balance between demand and available supply of our product for various markets.

Whitton Site Stage 3 Development increased to 16 Ponds instead of 14 as planned

Construction of stage 3 Whitton site is underway and construction on much of the infrastructure for that stage is progressing well. Original plans for 14 ponds have been remodelled such that 16 ponds are expected to be completed and stocked in the coming summer. Earthworks are already complete on six ponds. Pen infrastructure for those six pens has been manufactured and is awaiting installation.

Conservative Recorded Biomass Value

During the quarter multiple nets suffered failures and some fish escaped into surrounding ponds. The Company corrected the failures and the nets are now working effectively to contain fish. Fish escaping nets are contained in the ponds and no fish escaped from our properties. The Company has taken the conservative approach of only accounting for fish inside nets when assessing carrying values of biological stock.

Free Range Growout Trial

The Company has experienced rising costs of production due to inflation, increased pressure on skilled labour availability and difficulties in sourcing capital equipment in the wake of the COVID 19 pandemic. To adjust for these changing conditions our production team have been looking at how we can grow fish faster and cheaper while still maintaining the high quality product that Aquana has built its brand and reputation around.

After significant research and reviewing information from our current production systems last summer we will commence a trial of our first free range grow out ponds. This trial will involve the growing of fish in ponds without cages and will initially look at fish performance and



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quality so we can continue to drive forward with the most effective production system for our business.

If this trial is successful we would alter our production system to aim for a 60-70% reduction in capital expenditure over the next 10 years, and a 25-30% reduction in direct growing costs. If implemented, the Company expects this change in production method, could save physical labour input requirements by as much as 30%.

Other expected gains would be better fish health outcomes and increased speed of growout development. This would mean we could build and commission farms in less time than is currently the case. If adopted this change would promote our growth trajectory towards our 10,000 tonne target by 2030.

If the growout model is changed existing cage infrastructure would be utilised in juvenile production and selective breeding programs.

Greenfield Site Purchased for Hatchery Development

The company has exchanged contracts to purchase a property between Whitton and Leeton. It is planned to be developed as a new hatchery. The site is approximately 200 hectares and planning for the hatchery development is underway. Cost of the site is approximately \$1.6 million.

Josh Niland Value Added Partnership Progressing

Last year the Company entered into a 3 year agreement with renowned chef Josh Niland to produce and market value added products. Josh Niland is well known for his business “The Fish Butchery”, his restaurant “Saint Peter” (both based in Paddington, Sydney) and his newest venture “Charcoal Fish” in Rose Bay, Sydney.

Mr Niland is famous for his approach to sustainable use of seafood as highlighted in his book “The Whole Fish Cookbook”.

Several value added products now developed by Mr Niland will be evaluated with a view to commercialization in the 2023 calendar year.



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Feed trials underway

Feed trials aimed at increasing both Specific Growth Rate and Feed Conversion Ratio are continuing. In keeping with our commitment to sustainability we have commissioned production of a diet that is completely free of marine or animal based proteins. Impacts of this diet on aspects such as growth, health and taste profile of the fish will be important considerations as we continue in our quest to improve the environmental integrity of our production.

Growth Plans Remain on track for 10 thousand tonnes in 2030

The Company's plans remain on track for MCA to meet its target of producing 10,000 tonnes of Aquana Sustainable Murray Cod by the year 2030.

Conclusion

The management and board of Murray Cod Australia are very pleased with the significant progress that has been made operationally and the continued development of our markets. We look forward to providing future updates to shareholders on our continued progress.

Related party payments

During the quarter the following payments were made to related parties of the entity and their associates as disclosed in Item 6 of the Appendix 4C;

- Mathew Ryan, Managing Director salary and superannuation \$55,000;
- Bamford Partners Pty Ltd in respect of Martin Priestley non-executive director fees for \$8,912
- Cirrus Pty Ltd in respect of Non-executive director fees of David Crow \$8,718
- Payments to Andersons Tax and Investment Services Pty Ltd, a related entity of Ross Anderson, for accounting and administrative services on commercial terms for \$127,775. This excludes any work completed by Ross Anderson.
- Brigalow Enterprises Pty Ltd in respect of Roger Commins non executive directors fees \$8,250



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- Payments to Aquacomm, a related entity of Roger Commins, as a contract grower on commercial terms for fish which were on-sold by MCA, for \$241,284; and
- Payments to Commins enterprises, which is a related entity of Roger Commins, for engineering and repair works on commercial terms, for \$59,216.
- Anderson's Investment Services Pty Ltd in respect of Executive Chairman fees \$44,002;

ENDS

This announcement was authorised for release by Ross Anderson, Executive Chairman.

For more information contact:

Ross Anderson

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Appendix 4C

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

Name of entity

Murray Cod Australia Limited

ABN

74 143 928 625

Quarter ended ("current quarter")

30 June 2022

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	3,453	12,938
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs		
(f) administration and corporate costs		
Total 1.2	<5,516>	<20,228>
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	<37>	<198>
1.6 Income taxes paid		
1.7 Government grants and tax incentives	589	749
1.8 Other – Insurance proceeds	-	50
1.9 Net cash from / (used in) operating activities	<1,511>	<6,689>
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	<948>	<6,243>
(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	<1>	<11>
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	<949>	<6,254>

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	30,256
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	-	6,707
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	3,781
3.6 Repayment of borrowings	<3,591>	<4,260>
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	<3,591>	36,484

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	33,019	3,427
4.2 Net cash from / (used in) operating activities (item 1.9 above)	<1,511>	<6,689>
4.3 Net cash from / (used in) investing activities (item 2.6 above)	<949>	<6,254>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	<3,591>	36,484
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	26,968	26,968

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	27,026	33,053
5.2	Call deposits		
5.3	Bank overdrafts	<59>	<35>
5.4	Other (provide details)	1	1
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	26,968	33,019

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 and Item 2

**Current quarter
\$A'000**

553

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

All payments at item 6.1 are made for Directors Fees or in respect of contractual arrangements on arms-length terms.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>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.</i>		
7.1 Loan facilities	3,324	-
7.2 Credit standby arrangements	2,620	59
7.3 Other (Equipment Finance Facility)	2,273	2,273
7.4 Total financing facilities	8,217	2,332

7.5 **Unused financing facilities available at quarter end** 5,885

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.

7.1 Westpac Bank Bill Business Loan, facility term 5 years, Variable interest rate, secured by land and water assets.
7.2 Westpac Overdraft Facility and Credit Card Facility, Variable interest rate, secured by land and water assets.
7.3 Westpac Equipment Finance Facility.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	<1,511>
8.2 Cash and cash equivalents at quarter end (Item 4.6)	26,968
8.3 Unused finance facilities available at quarter end (Item 7.5)	5,885
8.4 Total available funding (Item 8.2 + Item 8.3)	32,853
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	22

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

1. 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: NA

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: NA

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: NA

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: 29th July 2022



Authorised by:
Ross Anderson Chairman

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.