Murray Cod Australia Ltd

ASX:MCA

31 January 2022

December 2021 Quarterly Activities Report

The Board of Murray Cod Australia Ltd ('MCA' or 'the Company') is pleased to provide the following update of operational and sales progress in conjunction with the release of the December 2021 quarterly cashflow report.

HIGHLIGHTS

- **Annual cash revenue growth of 29% over December 2020 Quarter**
- **Omicron has slowed domestic sales vs expectation**
- **Josh Niland partnership underway**
- **Supermarket growth is on track**
- **European exports slowed by Omicron**
- **Average sale weight of 2.25 kilograms per fish**
- **Stage three of Whitton site continuing**
- **Growth and spawning reduced due to colder and wet weather**
- **Feed Trial of 100% plant based proteins**
- **Out of Season spawning trial commenced**

Cash Revenue increase of 29% over December 2020 Quarter

Sales receipts grew 29% for the quarter compared to the December 2020 quarter. Sales have continued to grow despite the impact of COVID-19 restrictions. Lockdowns and staff shortages which closed restaurants in major capital cities around Australia during the quarter had a negative impact on expected sales growth.

After having slower than expected sales in the FY to November, we saw very strong growth in domestic sales during December. However the emergence of the Omicron variant of

COVID-19 has caused recent weekly sales to be below our targets. There has been pleasing growth in customer acquisition and new inquiries remain strong. We have added resources to our sales and logistics personnel and expect growth to accelerate in both grocery and HORECA (Hotel, Restaurant and and Catering) channels as COVID-19 restrictions continue to ease in coming months.

Josh Niland Value Added Partnership Underway

The Company has entered into an 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 and in 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".

The Company has entered into a 3 year agreement whereby Niland will partner with MCA to produce and market value added products derived from processing of Aquna Cod. The objective of this partnership is to add to the margin recovered from each fish, particularly now that filleting and processing for grocery channels have begun to change our sales mix.

A Project manager within MCA has been appointed to co-ordinate and fast track the development of value added products with Mr Niland. We expect further updates will be made to to the market in the coming quarter.

Domestic sales

Average sale weight for the December 2021 quarter was 2.25 kilograms per fish. This is an increase on the December 2020 quarter and reflects the increase in size of fish used in supply to grocery channels.

MCA has continued selling live fish domestically. Sales of smaller fish have been restricted as the Company looks to increase average sale weights and to ensure sufficient stocks are available for new and existing demand.

Restaurant and wholesaler demand was impacted during the first and second quarters by government COVID-19 pandemic restrictions. We had a pleasing jump in growth in December before Omicron emerged in Australia. Despite these conditions, growth has continued albeit at a slower rate than we had expected before the emergence of Omicron variant of COVID-19.

Whilst pandemic restrictions have slowed growth, new customer acquisition has been pleasing. We continue to build market prescence in Australia.

Growth In Supermarkets on Track

MCA launched Aquna Sustainable Murray Cod as a premium branded product into the chilled seafood cabinet section of selected Woolworths stores on 11 June 2021. The launch was for an initial 12-weeks via targeted Sydney-based stores. The number of Woolworths stores has been increased to 150 with a further review to take place in the first half of this year.
Coles supermarkets have agreed to stock our product and supplier agreements with Coles are complete. We had previously announced that this was to be a trial. However Coles have agreed to bypass the trial phase and our product is expected to roll out into selected NSW and Victorian stores. The start date is in May/June to coincide with the commissioning of our processing equipment, which has been delayed due to global supply chain constraints.

With COVID-19 restrictions soon easing around merchandising and in-store demonstrations we anticipate significant marketing activity into grocery channels in coming months.

Export Sales

Sales to Europe re-commenced during the December 2021 quarter and volume growth was pleasing before the Omicron variant of COVID-19 pandemic began to impact on restaurant and wholesaler demand. The quality of our product has been well received in Europe and we are planning significant promotional activity there as and when pandemic conditions allow.

The USA market has continued to grow gradually with the main focus being on high end restaurants. We have planned increasing marketing activity there in coming months.

Japanese exports have not recommenced as yet. We remain in touch with our distributors and will look to begin exports again as conditions permit.

Whitton Site Development

Construction of stage 3 at the Whitton site is underway although it has been hampered by wet weather. Fish have been stocked into the existing 14 ponds, and are performing well.

Grow-out performance and Spawning

The December 2021 quarter has been dominated by one of the coldest and wettest periods seen in the region for some time this has resulted in sub-optimal growing conditions.The lower than average temperatures during the spring/ early summer have caused growth rates to be below expectations. Temperatures have improved into late December and January allowing a return to expected summer growth rates.

Colder temperatures also impacted on spawning which is now completed for the season. The colder spring resulted in a delayed and compacted spawning season placing a large amount of pressure on our Hatchery staff. The hatchery results have been pleasing and a credit to the staff given the trying conditions. The company now plans to stock out 2.4 million fish to its growout units during the ensuing summer months from this spawning cycle in addition to maintaining our sales to government agencies for re-stocking purposes.

Out of Season Spawning Trial Commences

We have placed some broodstock into our Wentworth facility and will commence trials of out-of-season spawning. This initiative is aimed at removing reliance upon seasonal spawning each spring and to reduce risks and workloads associated with spawnings by distributing them more evenly throughout the year.

Feed Trial of 100% Plant based diet about to commence

Feed trials aimed at increasing both Specific Growth Rate and Feed Conversion Ratio have been underetaken and will continue during the year. In keeping with our commitment to sustainability we have commissioned production of a diet that is completely free of marine or animal based proteins. Results 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.

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 despite the challenges posed by the global pandemic and difficult weather conditions. We look forward to providing future updates to shareholders on our continued progress.

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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 $8,250;
- Cirrus Pty Ltd in respect of Non-executive director fees of David Crow $8,250;
- Payments to Andersons Tax and Investment Services Pty Ltd, a related entity of Ross Anderson, for accounting and administrative services on commercial terms for $204,428. This excludes any work completed by Ross Anderson;
- Brigalow Enterprises Pty Ltd in respect of Roger Commins non executive directors fees $8,250;
- 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 $150,447;
- Payments to Commins enterprises, which is a related entity of Roger Commins, for engineering and repair works on commercial terms, for $853,810; and
- Anderson's Investment Services Pty Ltd in respect of Executive Chairman fees for the 2021 calendar year and part of the 2020 year $168,671.

ENDS

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

For more information contact:
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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	**Quarter ended ("current quarter")**
74 143 928 625	31 December 2021

Consolidated statement of cash flows	**Current quarter $A'000**	**Year to date (6 months) $A'000**
1. Cash flows from operating activities		
1.1 Receipts from customers	3,002	4,349
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	<6,247>	<10,034>
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	<61>	<103>
1.6 Income taxes paid		
1.7 Government grants and tax incentives	120	127
1.8 Other – Insurance proceeds	31	49
1.9 Net cash from / (used in) operating activities	**<3,155>**	**<5,612>**

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	<2,214>	<4,129>
(d) investments		
(e) intellectual property		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	(f) other non-current assets	<2>	<5>
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**	**<2,216>**	**<4,134>**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	30,256	30,256
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	1,694	2,057
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	3,724
3.6	Repayment of borrowings	<291>	<435>
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**	**31,659**	**35,602**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,995	3,427
4.2	Net cash from / (used in) operating activities (item 1.9 above)	<3,155>	<5,612>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	<2,216>	<4,134>

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	31,659	35,602
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**29,283**	**29,283**

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	29,315	3,018
5.2	Call deposits		
5.3	Bank overdrafts	<33>	<24>
5.4	Other (provide details)	1	1
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**29,283**	**2,995**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1 and Item 2	1,457

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.

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	3,620	3,531
7.2	Credit standby arrangements	2,620	33
7.3	Other (Equipment Finance Facility)	2,510	2,510
7.4	**Total financing facilities**	8,750	6,074

7.5	**Unused financing facilities available at quarter end**	2,676

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)	<3,155>
8.2	Cash and cash equivalents at quarter end (Item 4.6)	29,283
8.3	Unused finance facilities available at quarter end (Item 7.5)	2,676
8.4	Total available funding (Item 8.2 + Item 8.3)	31,959
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	10.13

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: 31st January 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.