



One company's experiences and learnings on the way to commercialising abalone ranching in South Africa

2 March 2023

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No natural population in this region



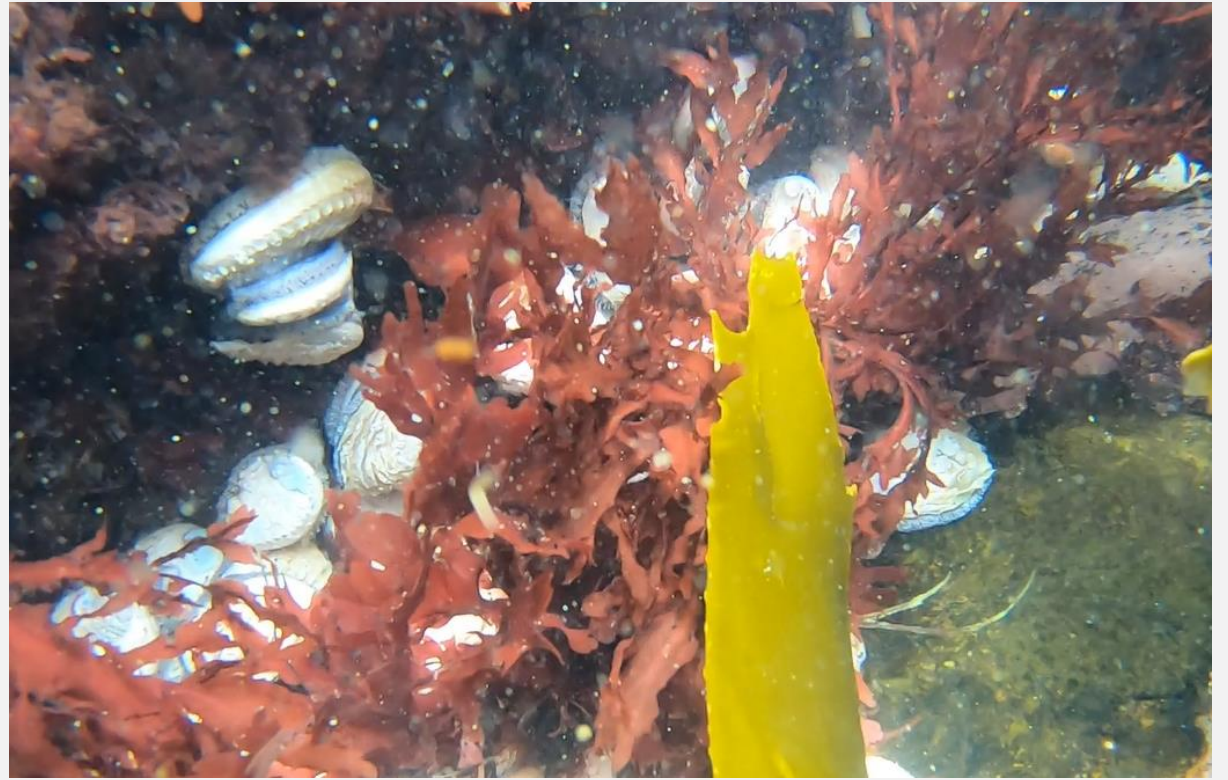
AQUUNTON

Cape Town

Hermanus



2014-2015



2021 (6 years later)



2022 (7 years later)



This year...



This presentation is about...

- Challenges in scaling up ranching from experiments to commercial.
- In particular:
 - Its more difficult to obtain finance for ranching than for farming and why
 - It's very difficult to conclusively demonstrate your success or failure during development phase
- How we've dealt with this?

Financial

- To obtain finance you must demonstrate:
 - You can be profitable
 - You have more assets than debt
- Pure ranching is on the backfoot here for two reasons stemming from accounting definition of assets:

‘an asset of an entity is a present economic resource controlled by the entity as a result of past events.’



In a developing farming business...

<u>Profit statement</u>	Farming
Income	0
Costs	-100
Spat	-10
Other	-90
Stock adjustment	120
Operating profit	20

There will be no income but...

The year's costs

are more than balanced by a positive increase in the value of the abalone on your farm. They grew larger and you had more biomass.

The business is creating value by accounting standards.

In a developing ranching business...

<u>Profit statement</u>	Farming	Ranching
Income	0	0
Costs	-100	-100
Spat	-10	-60
Other	-90	-40
Stock adjustment	120	0
Operating profit	20	-100

There will be no income

The year's costs

are not balanced by a positive increase in the value of the abalone because they do not meet the definition of an asset sufficiently under your control.

The business is not creating value by accounting standards, even if its performing to expectations.

This might change in a mature business, in which the results are more proven.

This is also a problem for debt/assets

Aqunion Proprietary Limited

(Registration number: 1995/001834/07)

Annual Financial Statements for the year ended 31 December 2021

Statement of Financial Position as at 31 Decemb

Figures in Rand

Assets

Non-Current Assets

Biological assets

Property, plant and equipment

Loan to group company

Other financial assets

Current Assets

Biological assets

Inventories

Loan to group company

Other financial assets

Trade and other receivables

Cash and cash equivalents

Most likely backers...



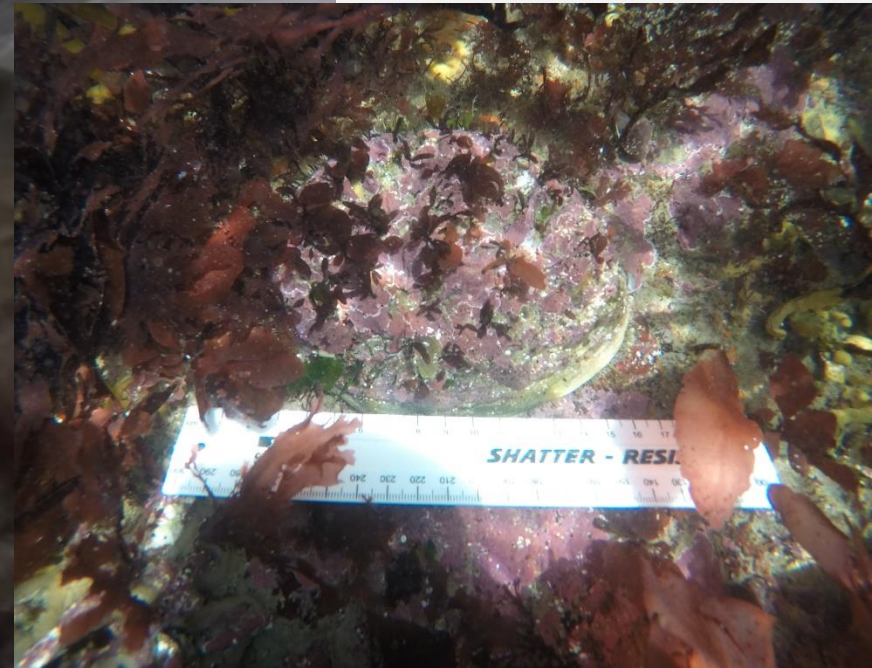
Assess as you go.

Do results match your assumptions?

Unlikely to see anyone jump in at really large scale until results are evident.



Validating results is not easy...



So in 2021 our thought process went as follows:

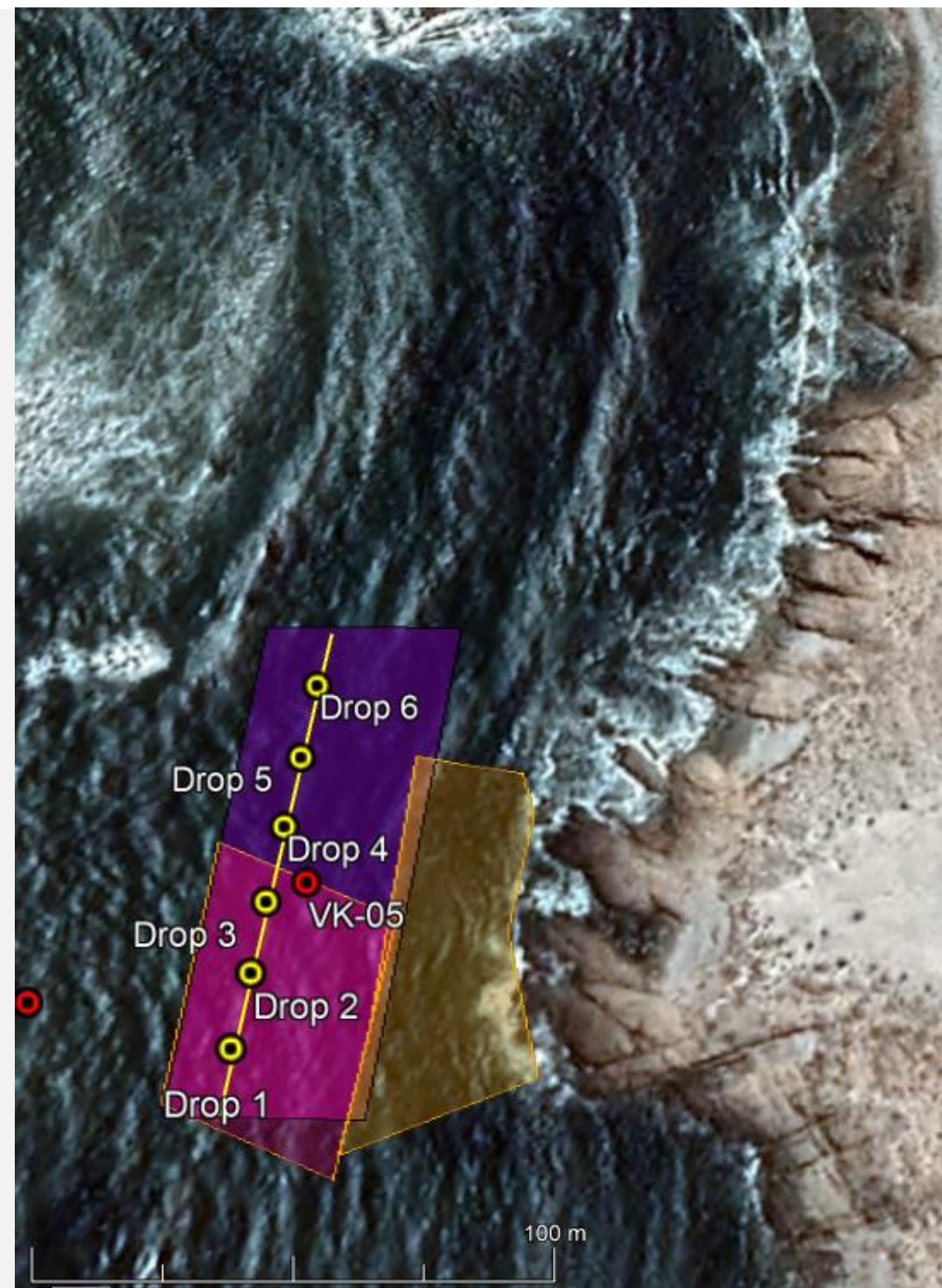


More of this?

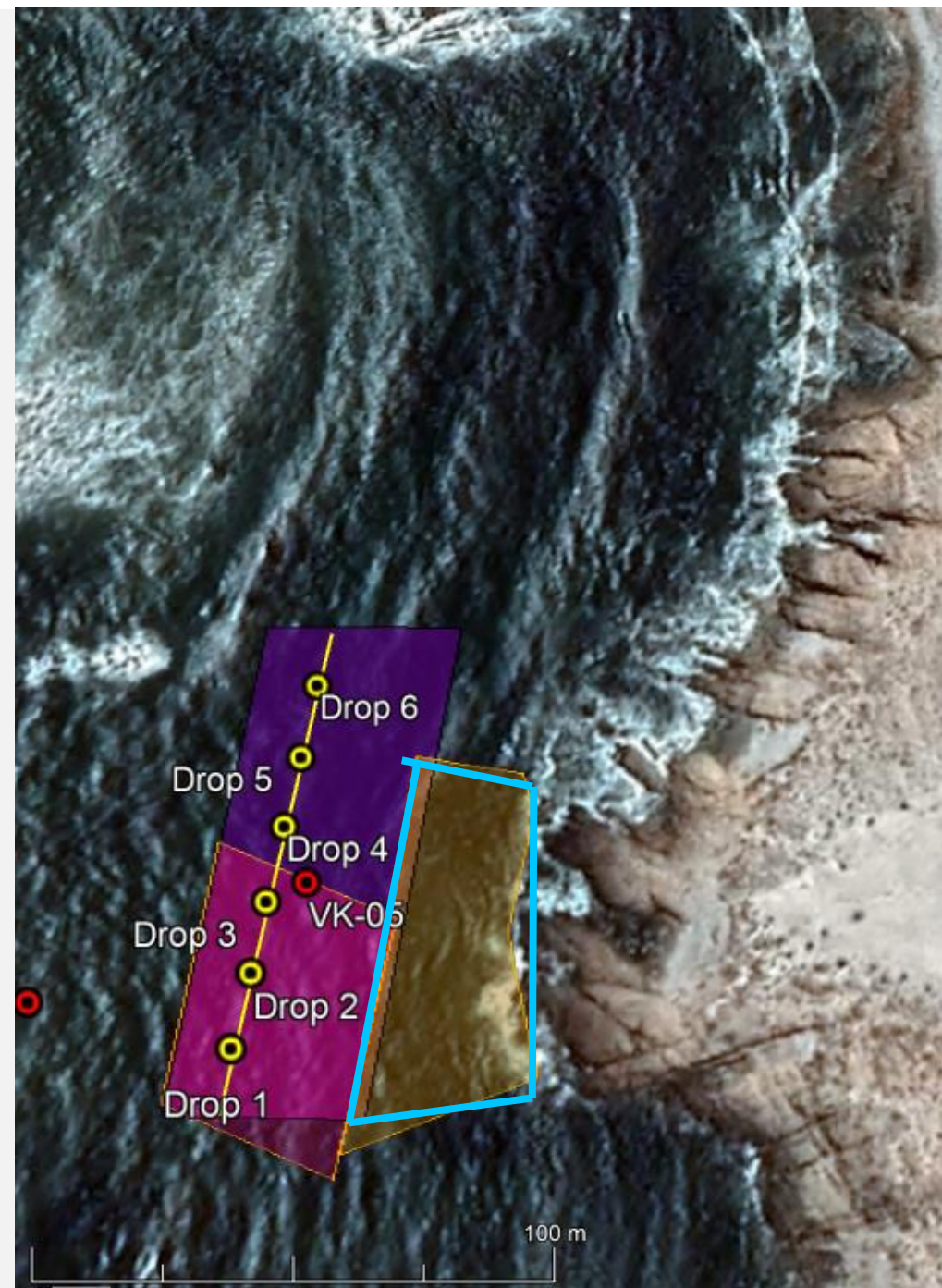
We could make these kinds of observations across large areas, just a month after seeding



Movement



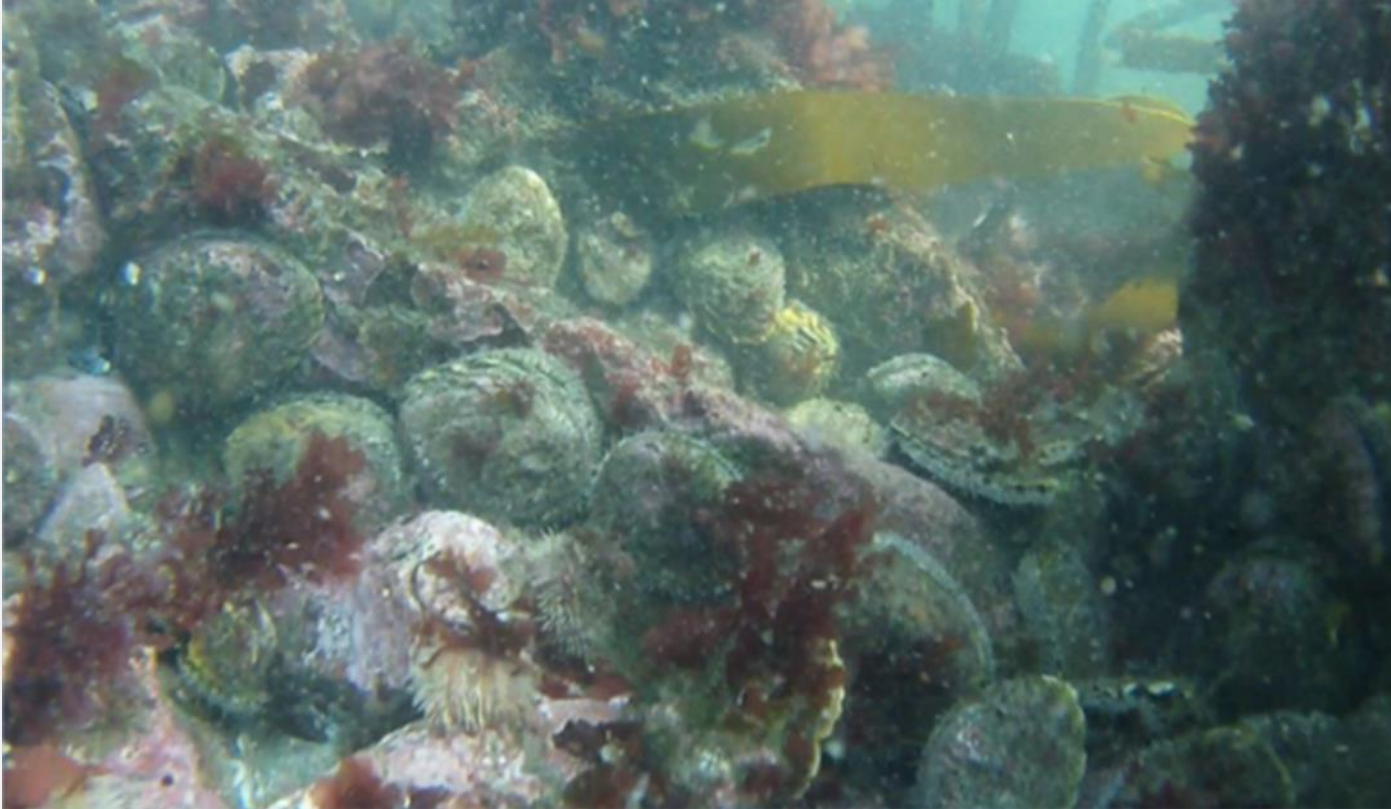
Movement



Very high degree of habitat patchiness



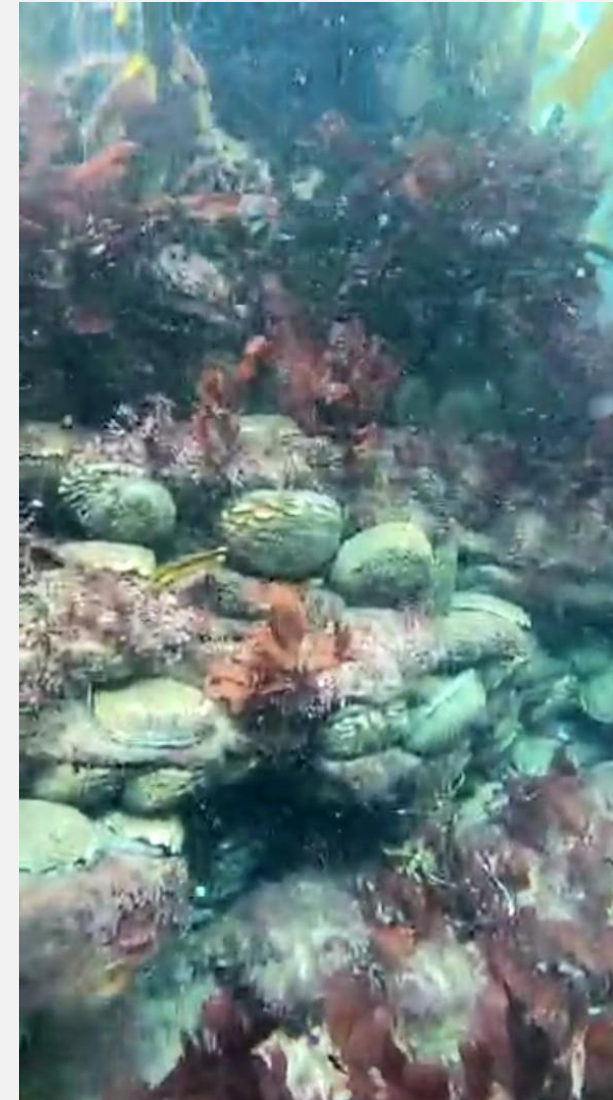
Tendency to congregate



Diver accuracy



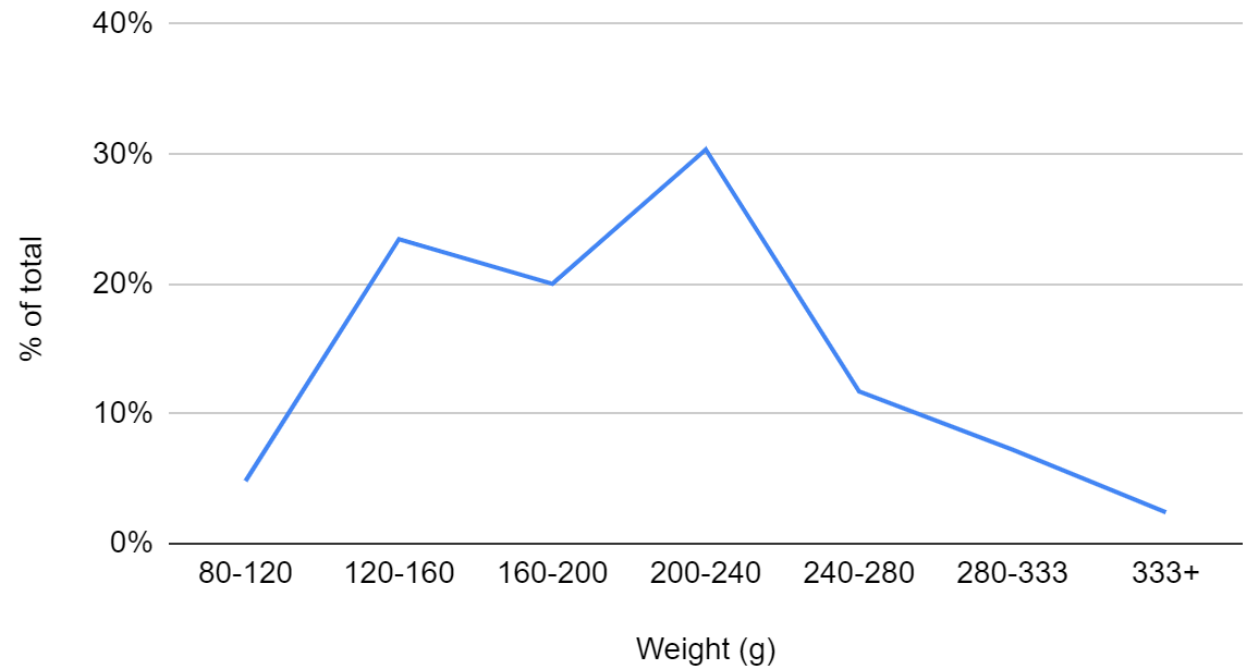
1.5 years later, significant numbers are countable



And they are accessible to be measured.

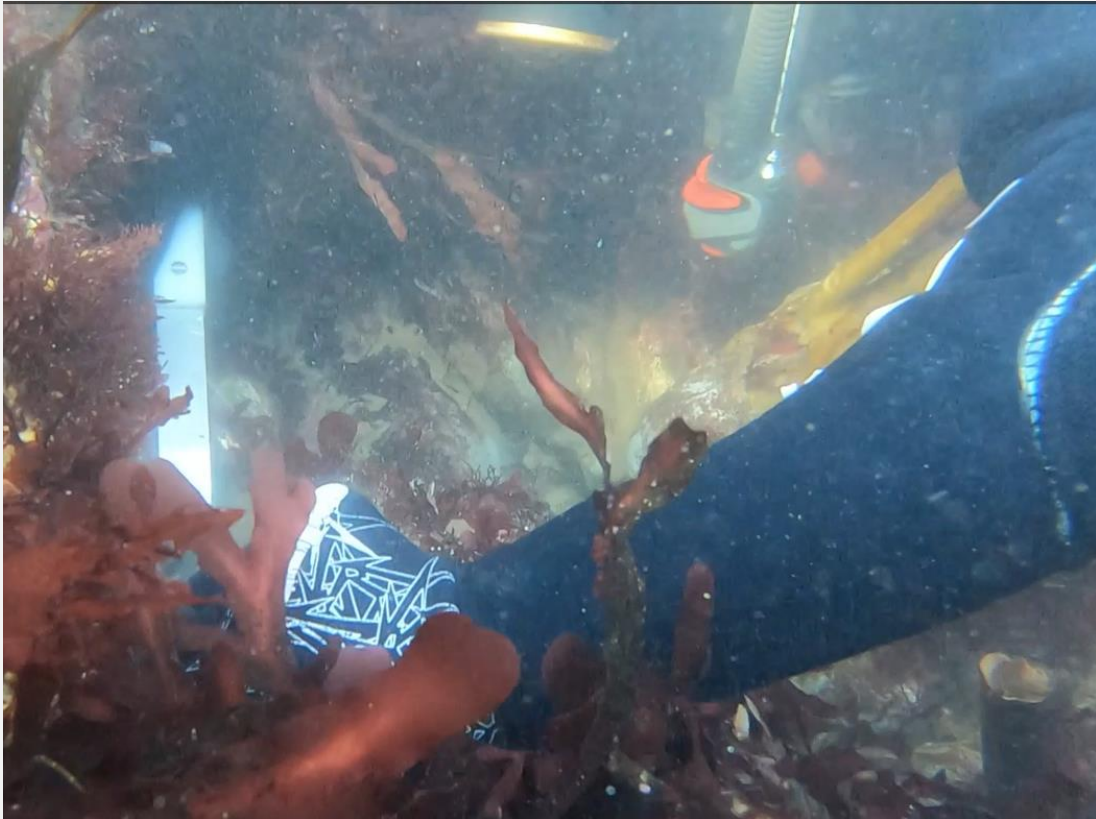


Size-distribution (g/abalone)



Length converted to weight using the length-weight formula in Britz, 1996 (confirmed to fit our ranched abalone)

As a result, 2 years after seeding...



Thank-you