

OCEANA GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1939/001730/06)

JSE share code: OCE

NSX share code: OCG

ISIN: ZAE000025284

("Oceana" or "the Company" or "the Group")

RESULTS OF INVESTIGATION, DELAY IN FINALISING GROUP FINANCIAL RESULTS AND FURTHER CAUTIONARY

Oceana advised shareholders through a SENS announcement on 29 October 2021 of a delay in publishing year end results. The Company was made aware of queries raised by a whistleblower relating predominantly to the accounting treatment of matters pertaining to a United States subsidiary of the Group together with other financial and related matters ("Matters Raised"). In particular, the matters pertained to the accounting treatment of the Group's 25% shareholding in Westbank Fishing LLC ("Westbank") held by Daybrook Fisheries Inc. ("Daybrook"), a wholly-owned subsidiary of Oceana. Westbank owns fishing vessels and operates a commercial fishing business to supply Daybrook with 100% of its catch.

- In order to protect the integrity of the Group's accounting and governance processes and for the avoidance of doubt, Oceana took a decision to undertake a comprehensive independent investigation and a review process of all matters raised. Oceana appointed ENSafrica to carry out this task and further appointed external accounting and technical advisors to assist and support it in the interpretation and review of IFRS requirements, previous legal and technical advice obtained at the inception of the transactions in 2015 and 2018, interpretations of legal agreements and operational practices as well as a consideration of what the most appropriate accounting treatment would be, relative to previous accounting treatment applied for the 2015 to 2020 reporting periods. The Board and the accounting advisory team also engaged with the Group's previous auditors. The accounting advisory team was supported by US legal advisors in respect of US legal and marine regulatory matters.

Furthermore, this review was undertaken albeit that the US acquisition transaction in 2015 was specifically designed and structured, both in 2015 and subsequently in 2018, in a way that complies with US marine law regulations pertaining to US citizen control of the fishing vessels. These transactions were designed after factoring in the advice of both SA and US legal advisors as well as US marine law advisors and was approved by shareholders in compliance with the JSE Listings Requirements. An accounting technical opinion on the IFRS implications was obtained at the same time and this informed and confirmed the basis of accounting since 2015. At the time the Board constituted a committee of non-executive directors to have oversight over the transaction and interacted with the advisors directly in addressing both governance and scrutiny over specific transaction matters. The 2018 negotiations were led by a senior member of management, supported by the advisors referred to above, under the direct oversight of a committee of non-executive directors given the related party aspects of the transaction. The final transaction and operating agreements were submitted for approval to the US marine regulator as well as other regulators. Westbank's fishing endorsements were approved on commencement of the transaction and have been renewed every year since. Through undertaking this current review, the Board was also intent on understanding and assessing any potential risk a revised accounting treatment may have on the US marine regulator's assessment of compliance with its regulations.

The investigation and analyses have been concluded and the Board confirms the following:

- There has been no evidence of fraud, misappropriation or loss of funds or management override of controls arising from any of the Matters Raised.
- As a result of the analyses, the accounting treatment of various matters relating to Daybrook and its investment in Westbank has come under review.

- Arising out of this review, Oceana's technical accounting advisors, Mazars South Africa supported by Mazars International amongst others, concluded that a purely legal interpretation of certain clauses in the transaction, shareholders' and operating agreements could result in a conclusion, from an IFRS perspective, that Oceana has joint control over Westbank. However, considering that voting against the 75% shareholder in Westbank could result, ultimately, in Westbank losing its fishing endorsement and thus significantly prejudicing the operations of Daybrook, the technical advisors concluded that because there is a significant economic disincentive for Daybrook to exercise joint control, and that in fact Daybrook has not been exercising its veto rights over the operational expenditure budget, the 75% shareholder has *de facto* control over Westbank and that Daybrook only has significant influence which is aligned with the accounting treatment in prior years.
- The conclusion of the auditors is that while the purpose and design of the structure together with a number of special relationship indicators could point to Daybrook having control over Westbank, a level of judgement is introduced by virtue of legal interpretation concluding that Daybrook cannot unilaterally remove the 75% shareholder. Further, the auditors concluded that Daybrook's rights, via supermajority decision making clauses and arbitration clauses in the operating agreement, are substantive and that Daybrook has joint control over Westbank with the arrangement being classified as a joint operation from an IFRS perspective. This conclusion results in a change in the accounting treatment from equity accounting 25% of the holding to accounting for 100% of Westbank based on the share of the output which Daybrook is obliged to take from Westbank and recognising a liability in respect of the 75% shareholder's share of the profit/loss and net assets to which Daybrook is not entitled.
- This change to proportionate consolidation resulted in a change to the prior year's comparative numbers but has had no change to headline earnings per share, earnings per share or net asset value per share. The Group's 25% share in Westbank contributed an approximate loss of less than 1% of the Group's profit before tax for the year ended 30 September 2021.
- The accounting treatment of a \$3.5m asset on the Group's balance sheet in respect of Westbank, which arose prior to the new shareholder taking ownership in 2018. This has also come under review. Specifically, the discussions covered whether the amount should be in the cost of investment in an associate, goodwill or written off. The technical accounting team also considered these matters. The final accounting treatment has been an increase in goodwill of \$4.4m and a reallocation of \$3.5m from current assets to goodwill.
- Oceana has initiated a process with the 75% shareholder in Westbank to give effect to the original intent of the transaction to have no more than significant influence by clarifying to the extent necessary clauses in the agreements that could be interpreted to give Oceana joint control over Westbank. This process will, to the extent applicable, be subject to all regulatory processes and approvals.

- Further issues that were investigated in the Matters Raised included:
 - The appropriateness of recognition in Daybrook's books of the proceeds of an insurance payment received under a self-insurance arrangement in which Oceana participates. This was found to have been appropriately accounted for.
 - Conflicts of interest arising from relationships within the workplace. Remedial action is being undertaken in one instance in this regard.
 - Related party transactions involving the purchase by Oceana of COVID-19 related supplies (masks and rapid test kits) from suppliers associated to Brimstone. It was found that no undue influence in the procurement process was established, the procurement policy and supplier screening processes were applied and there was a valid rationale for the purchases. The value of the purchases was also not material.
 - Nevertheless, some improvements to the procurement policy have been recommended.
 - Possible undue influence in proposed changes to be made to the remuneration incentives for management employees, which changes entail the proposed acceleration of the vesting of incentives. This was found to have no substance.

- Further matters that the Board has or is taking action on relate to management style, culture and the governance over reporting and managing conflicts in certain areas within the organisation. Whilst these instances are isolated and not prevalent throughout the organisation, the Board views these matters in an extremely serious light and has initiated remedial action in regard thereto.
- Other matters, that were not within the original scope of the investigation, came to the Board's attention during the course of the investigation and may potentially lead to further remedial action and possible reportable irregularities relating to conduct and behavioural breaches of key personnel.

The principal aspects of the investigation were completed by ENSafrica towards the end of December 2021 and the report has been subject to external review by the Group's auditors, with particular reference to the IFRS interpretations and the resultant basis of accounting for the 25% interest in Westbank. The Board is advised that the audit is substantially complete, however the auditors require more time of approximately 10 days in which to finalise their conclusions and the results will be released thereafter. The change in basis of accounting for Westbank, which has been a key focus area, has had no impact on headline earnings or on net asset value for the current year and in this regard the attention of shareholders is drawn to the voluntary trading update published by the Group on 10 December 2021.

The Board has the highest regard for its governance, regulatory and reporting responsibilities and is extremely disappointed to advise that it is not in a position to release condensed reviewed results on the communicated date of 31 January 2022 until the external audit review is completed within the estimated 10 days from date of this announcement. The Company and auditors have engaged with the JSE regarding the delay and to confirm to the JSE their commitment to release condensed reviewed results within the timeframe indicated. Shareholders are thus requested to exercise caution when dealing in the Group's shares until such time as the Group's condensed results are released as indicated above.

Cape Town

31 January 2022

Sponsor - South Africa

The Standard Bank of South Africa Limited

Sponsor – Namibia

Old Mutual Investment Services (Namibia) Proprietary Limited