



Ocean Grown  
Abalone

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OCEAN GROWN ABALONE LIMITED ACN 148 155 042

# 2019 ANNUAL REPORT

For The Year Ended 30 June 2019

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# CORPORATE DIRECTORY



Peter Harold

## DIRECTORS

Peter Harold (Non-Executive Chairman)  
Bradley (Brad) Adams (Managing Director)  
Ignazio (Ian) Ricciardi (Executive Director)  
Danielle Lee (Non-Executive Director)

## COMPANY SECRETARY

Romolo Santoro



Brad Adams

## REGISTERED OFFICE

Level 3, 3 Cantonment Street  
Fremantle WA 6160

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Website: [www.oceangrown.com.au](http://www.oceangrown.com.au)

## PRINCIPAL PLACE OF BUSINESS

Augusta Boat Harbour  
Leeuwin Road  
Augusta WA 6290



Ian Ricciardi

## AUDITORS

Stantons International  
Level 2,  
1 Walker Avenue  
West Perth WA 6005

## AUSTRALIAN SECURITIES EXCHANGE

ASX Code Ordinary Shares: OGA



Danielle Lee

## SHARE REGISTRY

Automic Registry Services  
Level 2  
267 St Georges Terrace  
Perth WA 6000

Enquiries (within Australia): 1300 288 664  
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# DIRECTORS REPORT

The Directors present the financial report for Ocean Grown Abalone Limited (the **Company**) and its subsidiaries (the **Consolidated Group**) for the year ended 30 June 2019.

## DIRECTORS

The following persons were Directors of the Company during or since the end of the financial year:

Peter Harold	Non Executive Chairman
Bradley (Brad) Adams	Managing Director
Ignazio (Ian) Ricciardi	Executive Director
Danielle Lee	Non Executive Director

The qualifications and experience of the Directors and Company Secretaries are as follows:

### MR PETER HAROLD

#### Non-Executive Chairman - Bachelor of Applied Science in Chemistry (Melb Uni), FAICD

Peter is the Managing Director of Panoramic Resources Limited (ASX:PAN) and is a process engineer with over 30 years of corporate experience in the minerals industry, specialising in financing, marketing, project development and operating, business development and general corporate activities. Prior to founding Panoramic Resources in March 2001, Peter held various senior management positions with Shell Australia, Australian Consolidated Minerals Limited, Normandy Mining Limited, MPI Mines Limited and the Gutnick network of companies. Peter is also Non-Executive Chairman of Horizon Gold Limited (ASX:HRN) and a Non-Executive Director of Pacifico Minerals Limited (ASX:PMY). Peter is the immediate past Chairman of Youth Focus, having served on the board for 9.5 years. Youth Focus is a not-for-profit charity working to prevent youth suicide and depression.

Special responsibilities:

- Chairman of the Board
- Member of the Remuneration and Nomination Committee
- Member of the Audit and Risk Committee

#### Other Public Company Directorships held in the past 3 years:

Company Name and Code	Position/s Held	Dates (month/year)	
Panoramic Resources Limited (ASX:PAN)	Managing Director	Appointed: April 2001	Ceased: N/A
Pacifico Minerals Limited (ASX:PMY)	Non-Executive Director	Appointed: August 2013	Ceased: N/A
Peak Resources Limited (ASX:PEK)	Non-Executive Chairman	Appointed: December 2015	Ceased: December 2017
Horizon Gold Limited (ASX:HRN)	Non-Executive Chairman	Appointed: August 2016	Ceased: N/A

# DIRECTORS REPORT cont.

## MR BRAD ADAMS

### Managing Director - BSc(Biology), G.Dip(Aqua) MBA

Brad is a third-generation fisherman and has worked as a commercial abalone diver along Western Australia's south coast for 12 years. In the 1990's, Brad was involved in setting up one of Tasmania's first abalone farms – Tasmanian Tiger Abalone, which later became Cold Gold Abalone.

Brad has been actively involved in Abalone Aquaculture research and development in Western Australia since 2000. Brad was a director of the Western Australian Fishing Industry Council from 2009 to 2011 and Chairman from 2011 to 2013. He holds an MBA and Bachelor of Applied Science, Biology from Curtin University of Technology and a Graduate Diploma, Aquaculture from the University of Tasmania. Brad has been a Director of and served in an executive capacity for Ocean Grown Abalone Limited since July 2013.

Special responsibilities:

- Member of the Remuneration and Nomination Committee

### Other Public Company Directorships held in the past 3 years:

Company Name and Code	Position/s Held	Dates (month/year)
N/A	N/A	N/A

## MR IAN RICCIARDI

### Executive Director

Ian has been involved in the Western Australian Fishing Industry since 1975. Ian has worked on and operated prawn trawlers in Shark Bay, Gulf of Carpentaria and Kimberly Prawn Fisheries. Ian also has interests in the South West Trawl Fishery, through One Sea Pty Ltd – Rottnest Island Scallop. The Ricciardi Family built and operated an Export Food Processing Facility in North Coogee and holds 50% interest in Fremantle City Coldstores. Ian held the position of President of Shark Bay Prawn Association for 10 years and has significant experience in WA Fisheries-related processes.

Special responsibilities:

- Member of the Audit and Risk Committee

### Other Public Company Directorships held in the past 3 years:

Company Name and Code	Position/s Held	Dates (month/year)
N/A	N/A	N/A

## MS DANIELLE LEE

### Non-Executive Director - B.Ec LLB

Danielle is an experienced corporate lawyer with more than 23 years of experience shared between private law firms and the Australian Securities Exchange. She has a broad range of skills and legal experience in the areas of corporate advisory, governance and equity capital markets. She has advised a range of Australian public and private companies in a range of industries on corporate transactions including capital raisings, ASX listings, business and share acquisitions, shareholder agreements and joint venture agreements.

Special responsibilities:

- Chairman of the Remuneration and Nomination Committee
- Chairman of the Audit and Risk Committee

### Other Public Company Directorships held in the past 3 years:

Company Name and Code	Position/s Held	Dates (month/year)
Hazer Group Limited (ASX:HZR)	Director	Appointed: September 2015      Ceased: N/A

# DIRECTORS REPORT cont.

## DIRECTORS' INTERESTS

The relevant interests of each director in the securities of the Company at the date of this report are as follows:

Director	Shares	Options	Performance Rights
Peter Harold	120,000	1,500,000 <sup>1</sup>	-
Danielle Lee	-	1,000,000 <sup>1</sup>	-
Brad Adams	3,326,055	-	12,000,000 <sup>2, 3</sup>
Ian Ricciardi	14,685,445	-	-

Note:

<sup>1</sup> These Options are Series C Options and have an exercise price of 44 cents and an expiry date of 30 September 2021.

<sup>2</sup> Refer to KMP Performance Rights for B Adams in the Remuneration Report (Audited) for further detail.

<sup>3</sup> Class A Performance rights yet to be converted to shares at balance date.

## ROMOLO SANTORO

**Company Secretary - BAppSc, BBus, CA, MBA, AGIA, ACIS, Chartered Secretary**

*(Appointed on 30 November 2018)*

Mr Santoro is an experienced executive with a broad range of experience in commercial developments, corporate governance and company administration having worked for a number of ASX listed and other companies over a broad range of industries. Mr Santoro is a Member (ACA) of the Institute of Chartered Accountants Australia and New Zealand, an Associate Member of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators/Chartered Secretary and Graduate of the Australian Institute of Company Directors. Mr Santoro has worked with the Company as Chief Financial Officer since October 2017 and Company Secretary from 30 November 2018 and is well placed to assist the Company in its ongoing development.

## PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Group during the course of the financial year were the development of its sea ranching hardware design and processes that allows for near-shore aquaculture (**Ranching**). This included activities in relation to the establishment of its initial abalone Ranching operation in Flinders Bay, Augusta WA. In particular, the continuation of the construction and deployment of Abitat structures (**Abitats**) and the seeding of juvenile abalone stock, for the purposes of undertaking larger scale trials over a three-year growth cycle at both its Flinders Bay 1 and Flinders Bay 2 sites.

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Groups major activities for the year were:

- construction of an abalone processing facility, which increases abalone processing capacity, enables further value-adding to abalone products and provides increased efficiencies across operating activities;
- the construction of Flinders Bay 2, which was completed in Q2FY19 and positions the Company for further increases in production in subsequent years;
- harvesting of abalone from the Flinders Bay ranch;
- maintenance of existing reefs, including re-seeding of juvenile abalone to sustain future harvest production;
- optimisation of existing operations to increase future yields; and
- ranching technology development, for use in future developments and application at existing operating locations.

The sales revenue generated from production was \$3,059,756 for the year ended 30 June 2019, (2018: \$2,053,748).

Operating profit before tax for the year ended 30 June 2019 amounted to \$2,370,024 (2018: Loss before tax of \$3,046,512). The net profit of the Group for the year, after provision for income tax, was \$1,033,625 (2018: Restated loss \$3,312,243).

# DIRECTORS REPORT cont.

## Construction of processing facility

The processing facility construction was completed in the Augusta marina and handed over in Q4FY19, located close to the Companies abalone ranches; it has enabled the consolidation of processing and diving activities into one location resulting in additional efficiencies across the operations.

Because the facility is in the marina, the Company's dive boats deliver abalone harvested directly for processing, which increases product quality for end-user consumption.

The fit-out of the processing facility is expected to be completed by the end of Q1FY20, which is essential for the processing of increasing abalone harvest volumes enables further value-adding to abalone products, including live exports and other processed and packaged abalone products.

## Operations

A total of 55.0 tonnes (2018: 38.1 tonnes) of abalone was harvested and the BIOMASS increased by a further 73 tonnes to 234.6 tonnes at the end of June 2019 (2018: 161.8 tonnes).

The Company completed the construction of the Flinders Bay 2 project, installing a further 454 Abitats. The total Abitats installed over Flinders Bay 1 and Flinders Bay 2 ranches at the end of 30 June 2019 was 10,000.

Significant insights have been gained from the Flinders Bay 1 project and have been applied in the development of Flinders Bay 2. The ongoing assessment of the Flinders Bay projects provides the company with further optimisation and yield increasing opportunities as the company works towards achieving full-scale commercial production.

The priority for the Company in subsequent years is to utilise information and experience it has collected and analysed on items like topographical and tide patterns to further optimise existing ranches and in turn increase growth and production yields. This information is also beneficial in the identification of future development sites.

## Corporate

During the financial year, the Managing Director, Brad Adams successfully met his performance KPI's for the completion of Flinders 2. This now entitles Mr Adams the right to convert 4,000,000 Class A performance rights into shares in the Company. As at the date of this report, the shares are yet to be issued.

Eryn Dale and Winton Willesee simultaneously resigned as Joint Company Secretaries and Romolo Santoro, current Chief Financial Officer of the Company, was appointed Company Secretary on 30 November 2018.

Performance rights were issued to employees in accordance with the Company's Employee Incentive Scheme. The eligible employees successfully met the service criteria and converted these into 327,766 shares in the Company on 2 August 2019.

## DIVIDEND PAID OR RECOMMENDED

During the financial year, the Company did not declare or pay any dividends.

## EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

Significant matters that have arisen since the end of the financial year are:

- Esperance land agreement – the Company executed land agreements with the Shire of Esperance (Shire) in July 2019, securing the rights to approximately 34 hectares of land (Land) located about 10 kilometres from the town of Esperance.

Key terms of the land transaction are:

- The Company will lease the Land from the Shire for a period of 12 months for \$10,000, with a further right to extend the lease period for an additional 12 months for a further \$10,000;
- The Company, at its discretion, holds exclusivity to purchase the Land for \$500,000;
- Sale of the Land to the Company is conditional on OGA developing an onshore aquaculture hatchery and grow-out facility and will be subject to necessary regulatory and shareholder approvals.
- On 2 August 2019, the Company issued 327,766 shares from performance rights to employees in accordance with the Company's Employee Incentive Plan.

# DIRECTORS REPORT cont.

Other than as disclosed above or in the financial statements, there are no other significant matters sufficiently advanced or at a level of certainty that would require disclosure, arisen since the end of the financial year, which significantly affects the operations of the Consolidated Group, the results of those operations or the state of affairs of the Consolidated Group in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Consolidated Group will continue to carry on its business plan by:

- continuing to manage its research and development activities in Augusta with the longer-term aim of achieving commercial operations;
- developing its export supply chains into Asia; and
- further expanding the current Augusta operations and continue other trial and research programs at other sites around Australia, including Esperance.

## OPTIONS

At the date of this report, the unissued ordinary shares of Ocean Grown Abalone Limited under option are as follows:

Grant date	Expiry date	Exercise price	Number of options
1 Aug 2017	28 Dec 2020	\$0.30	8,807,452
1 Aug 2017	30 Sep 2021	\$0.39	10,039,450
1 Aug 2017	30 Sep 2021	\$0.44	2,500,000
<b>Total</b>			<b>21,346,902</b>

All of these options remained outstanding at balance date.

## PERFORMANCE RIGHTS

At the date of this report, the unissued ordinary shares of Ocean Grown Abalone Limited under performance rights are as follows:

Class	Grant date	Value per share	Number of performance rights
A	1 Aug 2017	\$0.20	4,000,000
B	1 Aug 2017	\$0.20	4,000,000
C	1 Aug 2017	\$0.20	4,000,000
D	31 Jan 2019	\$0.155	342,391
<b>Total</b>			<b>12,342,391</b>

All of these performance rights remained outstanding at balance date.

# DIRECTORS REPORT cont.

## DIRECTORS' MEETINGS

The number of Directors' Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

Director's name	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Peter Harold	9	9	3	3	1	1
Danielle Lee	9	9	3	3	1	1
Brad Adams	9	9	-	-	1	1
Ian Ricciardi	9	9	3	3	-	-

Where: column A is the number of meetings the Director was entitled to attend; and column B is the number of meetings the Director attended.



The new abalone processing facility at Augusta Boat Harbour

# DIRECTORS REPORT cont.

## REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Ocean Grown Abalone Limited's key management personnel for the financial year ended 30 June 2019. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Group, directly or indirectly, including any director (whether executive or otherwise) of the Consolidated Group.

## KEY MANAGEMENT PERSONNEL

The directors and other key management personnel of the Consolidated Group during or since the end of the financial year were:

Non-Executive Directors	Position
Peter Harold	Chairman, Non-Executive Director
Danielle Lee	Non-Executive Director
Executive officers	Position
Brad Adams	Managing Director
Ian Ricciardi	Executive Director
Romolo Santoro	Chief Financial Officer and Company Secretary
Mark Wall (resigned 31 July 2019)	Ranch Operations Manager - Augusta

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

## REMUNERATION POLICY AND PRINCIPLES

To ensure the executive reward framework is competitive and appropriate for the results delivered, the Board has appointed a Remuneration and Nomination Committee to assist the Board by making recommendations on remuneration packages for the Groups KMP's.

The Remuneration and Nomination Committee is responsible for ensuring the KMP's reward framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board seeks to ensure that KMP's reward is consistent with the following:

- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and Company with those of the shareholders.
- The remuneration committee reviews KMP packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of KMPs is measured against criteria agreed with each executive and is focused on increasing shareholder value. All bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, options or performance rights and can recommend changes to the committee's recommendations. The policy is designed to reward executives for performance leading to long-term growth in shareholder wealth.

# DIRECTORS REPORT cont.

## Performance-based Remuneration

KPIs are set annually, with measures specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold the greatest potential to increase shareholder value, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes.

## Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

Ocean Grown Abalone Limited is in the early development phase of its operations and due consideration is made of developing long term shareholder value, the Board has regard to the following indices in respect of the current financial year to facilitate the long-term growth of the Group:

Item	2019	2018
Sales Revenue (\$)	3,059,756	2,053,748
BIOMASS (Tonnes)	234.6	161.8
Harvest (Tonnes)	55.0	38.1

## Performance Conditions Linked to Remuneration

The Consolidated Group seeks to emphasise reward incentives for results and continued commitment to the Consolidated Group through the provision of various reward schemes.

The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to reinforce the short and long-term goals of the Consolidated Group and provide a common interest between management and shareholders.



OGA's wild ocean grown greenlip abalone from the Flinders Bay sea ranch

IMAGE: RUSSELL LORD

# DIRECTORS REPORT cont.

## Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the Consolidated Group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

2019	Short-term employee benefits				Post-employment benefits	Long-term employee benefits	Share Based payments	Performance Rated	
	Salary & fees \$	Cash Bonus \$	Non-mone-tary \$	Other \$	Super-annuation \$	Long Service Leave \$	Options & rights	Total	(%)
<b>Non-executive directors</b>									
P Harold	54,795	-	-	-	5,205	-	-	60,000	-
D Lee	36,530	-	-	-	3,470	-	-	40,000	-
<b>Executive officers</b>									
B Adams	250,000	-	-	-	20,531	-	(113,473) <sup>1</sup>	157,058	(72)
I Ricciardi	150,000	-	-	-	14,250	-	-	164,058	-
R Santoro	185,516	-	-	-	17,624	-	26,668	229,808	12
M Wall	120,000	-	-	-	11,400	-	4,667	136,067	3
<b>Total</b>	<b>796,841</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,480</b>	<b>-</b>	<b>(82,138)</b>	<b>787,183</b>	<b>(10)</b>

<sup>1</sup> Reversal value of Class B and Class C performance rights for Managing Director, Brad Adams. Refer to Note 27. Share-Based Payments.

2018	Short-term employee benefits <sup>1</sup>				Post-employment benefits	Long-term employee benefits	Share Based payments	Performance Rated	
	Salary & fees \$	Cash <sup>4</sup> Bonus \$	Non-mone-tary \$	Other \$	Super-annuation \$	Long Service Leave \$	Options & rights	Total	(%)
<b>Non-executive directors</b>									
P Harold	54,795	-	-	-	5,205	-	130,943	190,943	69
D Lee	36,530	-	-	-	3,470	-	87,296	127,296	69
<b>Executive officers</b>									
B Adams	250,000	100,000	-	-	20,049	-	913,473	1,283,522	79
I Ricciardi <sup>2</sup>	150,000	35,460	-	10,202	18,588	-	-	214,250	17
R Santoro	109,817	-	-	-	10,433	-	-	120,250	-
I Cunningham <sup>3</sup>	-	-	-	47,320	-	-	-	47,320	-
M Wall	120,000	2,000	-	-	11,590	-	-	133,590	2
<b>Total</b>	<b>721,142</b>	<b>137,460</b>	<b>-</b>	<b>57,522</b>	<b>69,335</b>	<b>-</b>	<b>1,131,712</b>	<b>2,117,171</b>	<b>60</b>

<sup>1</sup> Short-term employee benefits include consultancy fees paid to Ian Cunningham for services as Chief Financial Officer.

<sup>2</sup> The amount of \$10,202 disclosed as other benefits for Ian Ricciardi is salary sacrificed superannuation payments and forms part of a total package of \$50,000 cash bonus (inclusive of superannuation).

<sup>3</sup> The amount of \$47,320 disclosed as other benefits for Ian Cunningham's consultancy services as Chief Financial Officer. Ian Cunningham resigned on 26 October 2017.

<sup>4</sup> Cash bonuses are performance-related incentives.

# DIRECTORS REPORT cont.

The following table provides employment details of persons who were, during the financial year, members of KMP of the Consolidated Group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

Position Held as at 30 June 2019			Contract Details (Duration and Termination)		Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)		Proportions of Elements of Remuneration Not Related to Performance	
2019				Non-salary Cash-based Incentives (%)	Shares /Units (%)	Fixed Salary /Fees (%)		
Non-executive directors								
Peter Harold	Chairman	No fixed term.			-	-	100	
Danielle Lee	Non-Executive Director	No fixed term.			-	-	100	
Executive officers								
B Adams	Managing Director	No fixed term. 12 months' notice.			-	(72)	172 <sup>1</sup>	
I Ricciardi	Executive Director	No fixed term. 6 months' notice.			-	-	100	
R Santoro	Chief Financial Officer	No fixed term. 3 months' notice.			-	12	88	
M Wall	Ranch Operations Manager - Augusta	No fixed term. 4 weeks' notice.			-	3	97	

The employment terms and conditions of all KMP are formalised in contracts of employment.

<sup>1</sup> Reversal value of Class B and Class C performance rights for Managing Director, Brad Adams. Refer to Note 27. Share-Based Payments.

Position Held as at 30 June 2018		Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)		Proportions of Elements of Remuneration Not Related to Performance
2018			Non-salary Cash-based Incentives (%)	Shares /Units (%)	Fixed Salary /Fees (%)
Non-executive directors					
Peter Harold	Chairman	No fixed term.	-	-	31
Danielle Lee	Non-Executive Director	No fixed term.	-	-	31
Executive officers					
B Adams	Managing Director	No fixed term. 12 months' notice.	8	71	21
I Ricciardi	Executive Director	No fixed term. 6 months' notice.	17	-	83
R Santoro	Chief Financial Officer	No fixed term. 3 months' notice.	-	-	100
I Cunningham	Chief Financial Officer	No fixed term.	-	-	100
M Wall	Ranch Operations Manager - Augusta	No fixed term. 4 weeks' notice.	2	-	98

The employment terms and conditions of all KMP are formalised in contracts of employment.

# DIRECTORS REPORT cont.

OGA Employees at Augusta Boat Harbour



## Cash Bonuses, Performance-related Bonuses and Share-based Payments

The following table summarises the performance related payments for 2019:

	Remuneration Type	Grant Date	Fair Value \$	Percentage Vested/Paid during Year (%)	Percentage Forfeited during Year (%)	Percentage Remaining as Unvested (%)	Expiry Date for Vesting or Payment
Peter Harold	Options <sup>1</sup>	1/08/17	130,943	-	-	-	30/09/21
Danielle Lee	Options <sup>1</sup>	1/08/17	87,296	-	-	-	30/09/21
B Adams	Performance Rights <sup>2</sup>	1/08/17	800,000	100	-	-	31/12/18
	Performance Rights <sup>2</sup>	1/08/17	800,000	-	-	100	14/11/19
	Performance Rights <sup>2</sup>	1/08/17	800,000	-	-	100	14/11/22
R Santoro	Performance Rights <sup>3</sup>	23/11/18	26,668	100	-	-	30/06/19
M Wall	Performance Rights <sup>3</sup>	23/11/18	4,667	100	-	-	30/06/19

<sup>1</sup>Options were granted as part of the engagement of non-executive directors at an exercise price of \$0.44.

<sup>2</sup>Performance rights were granted to Brad Adams. Class A Performance shares yet to be issued at report date. Refer to Note 27 Share-based Payments.

<sup>3</sup>Performance rights were granted to Romolo Santoro and Mark Wall. Refer to Note 27 Share-based Payments.

# DIRECTORS REPORT cont.

The following table summarises the performance related payments for 2018:

	Remuneration Type	Grant Date	Fair Value \$	Percentage Vested/Paid during Year (%)	Percentage Forfeited during Year (%)	Percentage Remaining as Unvested (%)	Expiry Date for Vesting or Payment
Peter Harold	Options <sup>1</sup>	1/08/17	130,943	100	-	-	30/09/21
Danielle Lee	Options <sup>1</sup>	1/08/17	87,296	100	-	-	30/09/21
B Adams	Cash <sup>2</sup>	23/11/17	50,000	100	-	-	23/11/17
	Cash <sup>2</sup>	29/03/18	25,000	100	-	-	29/03/18
	Cash <sup>2</sup>	21/06/18	25,000	100	-	-	21/06/18
	Performance Rights <sup>3</sup>	1/08/17	800,000	-	-	100	31/12/18
	Performance Rights <sup>3</sup>	1/08/17	800,000	-	-	100	14/11/19
	Performance Rights <sup>3</sup>	1/08/17	800,000	-	-	100	14/11/22
I Ricciardi	Cash <sup>2, 5</sup>	01/06/18	50,000	100	-	-	01/06/18
M Wall	Cash <sup>4</sup>	26/10/17	2,000	100	-	-	26/10/17

<sup>1</sup> Options were granted as part of the engagement of non-executive directors at an exercise price of \$0.44.

<sup>2</sup> Cash bonus paid in recognition of efforts in readying the Company for its IPO.

<sup>3</sup> Performance rights were granted to Brad Adams. Refer to Note 27. Share-based Payments.

<sup>4</sup> Cash performance bonus paid in recognition of efforts during the financial year.

<sup>5</sup> The amount of \$10,202 disclosed as other benefits for Ian Ricciardi is salary sacrificed superannuation payments and forms part of a total package of \$50,000 cash bonus (inclusive of superannuation).

## KMP Performance Rights

### Brad Adams

The Company issued 12,000,000 Performance Rights to Brad Adams, the Managing Director. The Performance Rights have been issued in 3 classes including service and performance conditions as follows:

Number of Performance Rights	Service Condition	Performance Condition
Class A 4,000,000	Brad Adams to remain engaged as an employee for a continuous period until the performance condition is satisfied.	(a) Prior to 31 December 2018, the Company completes its Flinders Bay 2 Project in Augusta, with completion deemed to occur upon the deployment and seeding of 5,000 ABITATS at the Flinders Bay 2 Project site. or (b) Prior to 31 December 2018 a Takeover Event <sup>1</sup> occurs.
Class B 4,000,000	Brad Adams to remain engaged as an employee for a continuous period until the performance condition is satisfied.	(a) Within 2 years from the date the Company is admitted to the Official List of the ASX, the Company recognises revenue from the sale of 100 tonnes of abalone combined from Flinders Bay 1, Flinders Bay 2, Wylie Bay and Port Lincoln Development projects in any 12-month period. or (b) Within 2 years from the date the Company is admitted to the Official List of ASX a Takeover Event <sup>1</sup> occurs.
Class C 4,000,000	Brad Adams to remain engaged as an employee for a continuous period until the performance condition is satisfied.	(a) Within 5 years from the date the Company is admitted to the Official List of the ASX, and subject to the Board determining the success of a material part of the Port Lincoln Development Project, the Company (either on its own or together with an affiliate or joint venture partner) deploys and seeds a cumulative total of 5,000 ABITATS across one or more commercial project sites within South Australia. or (b) Within 5 years from the date the Company is admitted to the Official List of ASX a Takeover Event <sup>1</sup> occurs.

# DIRECTORS REPORT cont.

## Romolo Santoro

The Company issued 172,054 Performance Rights to Romolo Santoro, the Chief Financial Officer and Company Secretary. The Performance Rights have been issued in 1 class including service conditions as follows:

Number of Performance Rights	Service Condition	Performance Condition
Class D 172,054	Romolo Santoro to remain engaged as an employee for a continuous period until 30 June 2019 or the performance condition is satisfied.	(a) Maintain a satisfactory level of performance. or (b) Prior to 30 June 2019, a Takeover Event <sup>1</sup> occurs.

## Mark Wall

The Company issued 30,109 Performance Rights to Mark Wall, the Augusta Ranch Manager. The Performance Rights have been issued in 1 class including service conditions as follows:

Number of Performance Rights	Service Condition	Performance Condition
Class D 30,109	Mark Wall to remain engaged as an employee for a continuous period until 30 June 2019 or the performance condition is satisfied.	(a) Maintain a satisfactory level of performance. or (b) Prior to 30 June 2019, a Takeover Event <sup>1</sup> occurs.

<sup>1</sup> Pursuant to Chapter 6 of the Corporations Act where at least 50% of the holders of ordinary shares accept the bid and such bid is free of conditions or a court grants an order approving a compromise or scheme where the ordinary shares are either cancelled or transferred to a third party.

During the reporting period, no other KMP were issued Performance Rights.

## Description of Options / Rights Issued as Remuneration

Details of the options granted and performance rights as remuneration to those KMP listed in the previous table are as follows:

Security Type	Grant Date	Issuer	Entitlement	Exercise Date	Exercise Price \$	Value at Grant Date \$	Amount Paid / Payable by Recipient \$
Option	01/08/17	OGA Ltd		30/09/21	44c	9c	-
Class A Performance Right	01/08/17	OGA Ltd	1:1 Ordinary Shares in OGA Limited	31/12/18	-	20c	-
Class B Performance Right	01/08/17	OGA Ltd		14/11/19	-	20c	-
Class C Performance Right	01/08/17	OGA Ltd		14/11/22	-	20c	-
Class D Performance Right	31/01/19	OGA Ltd		30/06/19	-	15.5c	-

For further details on the outstanding options and performance rights, refer to Note 27 to the financial statements.

# DIRECTORS REPORT cont.

## KMP Shareholdings

### KMP ordinary shares held

The number of ordinary shares held by each of the KMP's in Ocean Grown Abalone Limited at 30 June 2019 is as follows:

2019	Balance at Beginning of Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance at End of Year
P Harold	120,000	-	-	120,000
D Lee	-	-	-	-
B Adams	3,326,055	-	-	3,326,055
I Ricciardi	15,135,445	-	(450,000) <sup>1</sup>	14,685,445
R Santoro	-	-	-	-
M Wall	8,000	-	-	8,000
	18,589,500	-	(450,000)	18,139,500

<sup>1</sup> I Ricciardi through his family trust, has a 50% interest in Lismar Pty Ltd, which held ordinary shares in Ocean Grown Abalone Limited. The transferred amount represents the proportion of shares, that I Ricciardi was not the ultimate beneficial owner of, which have since been transferred to the holding account of the ultimate beneficial owner.

The number of ordinary shares held by each of the KMP's in Ocean Grown Abalone Limited at 30 June 2018 is as follows:

2018	Balance at Beginning of Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance at End of Year
P Harold	-	-	120,000	120,000
D Lee	-	-	-	-
B Adams	3,326,055	-	-	3,326,055
I Ricciardi	26,219,225	-	(11,083,780) <sup>1</sup>	15,135,445
R Santoro	-	-	-	-
I Cunningham	-	-	-	-
M Wall	-	-	8,000	8,000
	29,545,280	-	(10,955,780)	18,589,500

<sup>1</sup> I Ricciardi through his family trust, has a 50% interest in Lismar Pty Ltd, which held ordinary shares in Ocean Grown Abalone Limited. The transferred amount represents the proportion of shares, that I Ricciardi was not the ultimate beneficial owner of, which have since been transferred to the holding account of the ultimate beneficial owner.

# DIRECTORS REPORT cont.

## KMP options held

The number of options held by each of the KMP's in Ocean Grown Abalone Limited at 30 June 2019 is as follows:

2019	Balance at Beginning of Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance At End of Year
P Harold	1,500,000	-	-	1,500,000
D Lee	1,000,000	-	-	1,000,000
B Adams	-	-	-	-
I Ricciardi	-	-	-	-
R Santoro	-	-	-	-
I Cunningham	-	-	-	-
M Wall	-	-	-	-
	2,500,000	-	-	2,500,000

The number of options held by each of the KMP's in Ocean Grown Abalone Ltd at 30 June 2018 is as follows:

2018	Balance at Beginning of Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance At End of Year
P Harold	-	1,500,000	-	1,500,000
D Lee	-	1,000,000	-	1,000,000
B Adams	-	-	-	-
I Ricciardi	-	-	-	-
R Santoro	-	-	-	-
I Cunningham	-	-	-	-
M Wall	-	-	-	-
	-	2,500,000	-	2,500,000

## Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

## Other Transactions with KMP and/or their Related Parties

There have been no other transactions with KMP and/or their Related parties that are not covered in other sections of this report for the year 30 June 2019. Refer Note 26 for further details.

END OF THE AUDITED REMUNERATION REPORT

# DIRECTORS REPORT cont.

## ENVIRONMENTAL REGULATIONS

The Company's operations are subject to environmental regulations under Western Australian law. The Consolidated Group has procedures in place to ensure regulations are adhered to. The Consolidated Group is not aware of any breaches in relation to environmental matters.

## PROCEEDINGS ON BEHALF OF COMPANY

No legal proceedings have been brought against the Company to the date of this report.

## CORPORATE GOVERNANCE

The Company's 2019 Corporate Governance Statement is contained in the 'Corporate Governance' section of the Company's website at <https://www.oceangrown.com.au/investors/corporate-governance/>.

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Company has made agreements indemnifying all the Directors and Officers of the Consolidated Group against all losses or liabilities incurred by each Director or Officer in their capacity as Directors or Officers of the Consolidated Group to the extent permitted by the *Corporations Act 2001*. The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Consolidated Group. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

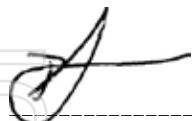
## INDEMNIFYING OF AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an Auditor of the Company.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19 of this report.

Signed in accordance with a resolution of the Directors.



Bradley Adams  
Managing Director

30 August 2019

30 August 2019

Board of Directors  
Ocean Grown Abalone Limited  
Level 3, 3 Cantonment St  
Fremantle WA 6160

Dear Sirs

**RE: OCEAN GROWN ABALONE LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Ocean Grown Abalone Limited.

As Audit Director for the audit of the financial statements of Ocean Grown Abalone Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED**  
(Trading as Stantons International)  
(An Authorised Audit Company)

**Martin Michalik**  
Director

# Consolidated Statement of Profit or Loss and Other Comprehensive Income FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated Group	
	Notes	2019 \$	2018 Restated \$
Revenue	3	3,059,756	2,053,748
Other income	4(a)	327,337	223,557
Net interest received		122,260	131,568
R&D tax incentive	4(b)	1,578,886	1,994,059
<b>TOTAL INCOME</b>		<b>5,088,239</b>	<b>4,402,932</b>
Cost of goods sold		(2,541,965)	(1,739,274)
Fair value adjustment of biological assets	8	5,078,577	1,502,699
Selling & distribution		(264,189)	(72,714)
Processing expenses		(143,790)	(91,162)
Employee benefits expense		(2,608,929)	(2,750,050)
Share based payments	27	62,669	(1,131,712)
Diving, vessels & operations expense		(518,123)	(1,117,679)
Corporate & administration		(1,019,724)	(1,084,642)
Depreciation & amortisation expense		(550,016)	(554,864)
Other expenses		(212,725)	(410,046)
		<b>(2,718,215)</b>	<b>(7,449,444)</b>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>2,370,024</b>	<b>(3,046,512)</b>
Income tax (expense)	5(a)	(1,336,399)	(265,731)
<b>PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>		<b>1,033,625</b>	<b>(3,312,243)</b>
Other comprehensive loss for the year, net of tax:			
- Items that may be reclassified to profit or loss		-	-
- Items that will not be reclassified to profit or loss		-	-
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR</b>		<b>1,033,625</b>	<b>(3,312,243)</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO:</b>			
- Owners of the Company		1,034,369	(3,310,927)
- Non-controlling interests		(744)	(1,316)
		<b>1,033,625</b>	<b>(3,312,243)</b>
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) ATTRIBUTABLE TO:</b>			
- Owners of the Company		1,034,369	(3,310,927)
- Non-controlling interests		(744)	(1,316)
		<b>1,033,625</b>	<b>(3,312,243)</b>
<b>BASIC PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>			
Basic profit/(loss) per share (cents)	24	0.59	(2.10)
Diluted profit per share (cents)	24	0.55	-

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

## AS AT 30 JUNE 2019

	Notes	Consolidated Group		
		30 June 2019	30 June 2018 Restated	1 July 2017 Restated
		\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	6	2,571,694	7,415,975	2,990,360
Trade and other receivables	7	2,032,989	2,227,513	1,651,510
Biological assets	8	3,870,000	2,915,743	1,480,000
Inventory	9	418,602	297,518	184,346
Other	12	146,930	154,543	25,000
<b>TOTAL CURRENT ASSETS</b>		<b>9,040,215</b>	<b>13,011,292</b>	<b>6,331,216</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	10	4,753,122	1,615,543	1,718,900
Biological assets	8	6,040,705	2,971,817	2,249,337
Intangible assets	11	71,881	88,568	72,263
Other assets	12	117,743	408,665	126,464
Deferred tax assets	17	60,565	132,388	271,878
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,044,016</b>	<b>5,216,981</b>	<b>4,438,842</b>
<b>TOTAL ASSETS</b>		<b>20,084,231</b>	<b>18,228,273</b>	<b>10,770,058</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	13	697,711	1,026,112	631,964
Unearned revenue		-	-	205,642
Interest bearing liabilities	14	115,314	101,863	105,009
Provisions	15	141,099	132,609	53,693
Current tax liability	16	647	-	114,333
<b>TOTAL CURRENT LIABILITIES</b>		<b>954,771</b>	<b>1,260,584</b>	<b>1,110,641</b>
<b>NON-CURRENT LIABILITIES</b>				
Interest bearing liabilities	14	59,493	132,606	255,730
Deferred tax liabilities	17	1,718,292	454,364	213,790
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,777,785</b>	<b>586,970</b>	<b>469,520</b>
<b>TOTAL LIABILITIES</b>		<b>2,134,555</b>	<b>1,847,554</b>	<b>1,580,161</b>
<b>NET ASSETS</b>		<b>17,351,675</b>	<b>16,380,719</b>	<b>9,189,897</b>
<b>EQUITY</b>				
Contributed equity	18	23,408,139	23,408,139	14,046,786
Share based payment reserve	19	1,902,703	1,965,372	823,660
Accumulated losses	20	(7,950,960)	(8,985,329)	(5,674,402)
<b>Equity attributable to owners of the Company</b>		<b>17,359,882</b>	<b>16,388,182</b>	<b>9,196,044</b>
Non-controlling interests		(8,207)	(7,463)	(6,147)
<b>TOTAL EQUITY</b>		<b>17,351,675</b>	<b>16,380,719</b>	<b>9,189,897</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity FOR THE YEAR ENDED 30 JUNE 2019

Consolidated Group	Issued Capital \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total \$	Non- controlling interest \$	Total Equity \$
<b>Balance as at 1 July 2017, as restated</b>	<b>14,046,786</b>	<b>823,660</b>	<b>(5,674,402)</b>	<b>9,196,044</b>	<b>(6,147)</b>	<b>9,189,897</b>
Net effect of a correction on an error	-	-	144,301	144,301	3,210	147,511
Loss after income tax expense for the year, as previously stated	-	-	(3,455,228)	(3,455,228)	(4,526)	(3,459,754)
Other comprehensive loss for the year	-	-	-	-	-	-
<b>Total comprehensive loss for the year, as restated</b>	<b>-</b>	<b>-</b>	<b>(3,310,927)</b>	<b>(3,310,927)</b>	<b>(1,316)</b>	<b>(3,312,243)</b>
<b>Transactions with owners recorded directly in equity</b>						
Shares issued	11,722,877	-	-	11,722,877	-	11,722,877
Share issue costs	(2,361,524)	-	-	(2,361,524)	-	(2,361,524)
Share based payment expense	-	1,141,712	-	1,141,712	-	1,141,712
Non-controlling interest	-	-	-	-	-	-
<b>Total transactions with owners recorded directly in equity</b>	<b>9,361,353</b>	<b>1,141,712</b>	<b>-</b>	<b>10,503,065</b>	<b>-</b>	<b>10,503,065</b>
<b>Balance as at 30 June 2018, as restated</b>	<b>23,408,139</b>	<b>1,965,372</b>	<b>(8,985,329)</b>	<b>16,388,182</b>	<b>(7,463)</b>	<b>16,380,719</b>
<b>Balance as at 1 July 2018</b>	<b>23,408,139</b>	<b>1,965,372</b>	<b>(8,985,329)</b>	<b>16,388,182</b>	<b>(7,463)</b>	<b>16,380,719</b>
Loss after income tax expense for the year	-	-	1,034,369	1,034,369	(744)	1,033,625
Other comprehensive loss for the year	-	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>1,034,369</b>	<b>1,034,369</b>	<b>(744)</b>	<b>1,033,625</b>
<b>Transactions with owners recorded directly in equity</b>						
Share based payment expense	-	(62,669)	-	(62,669)	-	(62,669)
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>(62,669)</b>	<b>-</b>	<b>(62,669)</b>	<b>-</b>	<b>(62,669)</b>
<b>Balance as at 30 June 2018</b>	<b>23,408,139</b>	<b>1,902,703</b>	<b>(7,950,960)</b>	<b>17,359,882</b>	<b>(8,207)</b>	<b>17,351,675</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

## FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated Group	
	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,759,849	1,698,380
Other income		317,402	399,509
Payments to suppliers and employees		(6,678,074)	(7,680,378)
Income taxes paid		(20,096)	-
R&D tax incentive		1,994,059	1,377,541
<b>Net cash (used in) operating activities</b>	29	<b>(1,626,860)</b>	<b>(4,204,948)</b>
<b>Cash flows from investing activities</b>			
Purchases of plant, equipment and intangible assets		(3,508,565)	(702,132)
Proceeds from disposals of plant, equipment and intangible assets		206,808	20,000
Receipt/(Payment) of lease deposits		9,500	(49,119)
Interest received		148,082	130,974
<b>Net cash (used in) investing activities</b>		<b>(3,144,175)</b>	<b>(600,277)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		44,542	4,000
Repayment of borrowings		(103,204)	(126,270)
Interest paid		(10,364)	(18,243)
Borrowing costs		(4,220)	-
Proceeds from issue of shares		-	10,000,000
Capital raising costs		-	(628,647)
<b>Net cash (used in) / provided by financing activities</b>		<b>(73,246)</b>	<b>9,230,840</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(4,844,281)</b>	<b>4,425,615</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>7,415,975</b>	<b>2,990,360</b>
<b>Cash and cash equivalents at the end of the financial year</b>	6	<b>2,571,694</b>	<b>7,415,975</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 1. NATURE OF OPERATIONS OF OCEAN GROWN ABALONE LIMITED

Ocean Grown Abalone Limited (the **Company**) and its wholly owned subsidiaries' (the **Group**) principal activities during the year were the ongoing development of its sea ranching hardware design and processes that allows for near-shore aquaculture. This included activities in relation to the establishment of its initial Ranching operation in Flinders Bay, Augusta Western Australia for the purposes of undertaking larger scale trials over a three year growth cycle.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. These consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

#### b) Basis of measurement

The financial report is prepared on the accruals basis and the historical cost basis, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

#### c) Basis of preparation

##### (i) General purpose financial report

The consolidated general purpose financial report of the Group has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards result in full compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board. Ocean Grown Abalone Limited is the Group's ultimate parent company and is a for-profit entity for the purpose of preparing the financial statements. The Company is a public company limited by shares, incorporated and domiciled in Australia.

The consolidated financial statements for the financial year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 30 August 2019 .

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

##### (ii) Correction of prior period errors

With continuing growth and long-term development considerations, the Company completed an internal review of its operations. The outcome of this review is that the Company, with the assistance of external advisers, has led to a revision of the Company's historical deferred tax balances. This review resulted in a recognition of deferred tax assets (which were not previously recognised) and the consequent change in the income tax expense and deferred tax liabilities in the prior year. The additional deferred tax assets have been included within the restated balance sheet and represents a potential future cash flow benefit, which will be used to offset any future taxable profits. The following tables summarise the impacts of the error on the Group's consolidated financial statements which resulted to the restatement of prior period balances in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Extract of consolidated statement of financial position	Impact of correction of error		
	As previously reported	Adjustments	As restated
	\$	\$	\$
<b>30 June 2018</b>			
Deferred Tax Asset	-	132,388	132,388
<b>Total assets</b>	<b>18,095,885</b>	<b>132,388</b>	<b>18,228,273</b>
Current tax liabilities	114,333	(114,333)	-
Deferred tax liability	627,032	(172,668)	454,364
<b>Total liabilities</b>	<b>2,134,555</b>	<b>(287,001)</b>	<b>1,847,554</b>
Accumulated losses	(9,401,508)	416,179	(8,985,329)
Non-controlling interests	(10,673)	3,210	(7,463)
<b>Total equity</b>	<b>15,961,330</b>	<b>419,389</b>	<b>16,380,719</b>
Extract of consolidated statement of profit or loss	Impact of correction of error		
	As previously reported	Adjustments	As restated
	\$	\$	\$
<b>For the year ended 30 June 2019</b>			
Income tax (expense)	(413,242)	147,511	(265,731)
<b>Total assets</b>	<b>(3,459,754)</b>	<b>147,511</b>	<b>(3,312,243)</b>

#### (iii) New and amended standards adopted by the Company

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the operations and effective for the financial year.

The Company has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments which became effective for financial reporting periods commencing on or after 1 January 2018

#### AASB 15: Revenue from Contracts with Customers

This standard replaces the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The five-step process outlined in AASB 15 are as follows:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has applied the new Standard effective from 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of all contracts that are not completed as at 1 July 2018 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. However, the Group does not have any contracts with customers that were not completed as at 1 July 2018, hence, no adjustment to the opening retained earnings have been made and the comparative information was not restated and continued to be reported under AASB 118.

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- i. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- ii. the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii. the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligations that are not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

#### **i. Sale of Abalone products**

Revenue from sales of Abalone products is recognised at the point in time when control of the asset is transferred to the customer, i.e point of delivery of goods to the customer.

#### **ii. Sales of service (processing)**

Revenue from rendering processing service is recognised upon the delivery of service to the customers.

#### **iii. Research and development tax incentives**

Refund amounts received or receivable under the Federal Government's Research and Development Tax Incentives are recognised on an accrual basis.

#### **iv. Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### **AASB 9: Financial Instruments**

AASB 9 Financial instruments replaces AASB 139 Financial Instruments: Recognition and Measurement, bringing together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. The hedge accounting changes are not applicable to the Group.

#### **Classification and measurement**

Under AASB 9, the Group initially measures a financial asset as its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Financial assets are then subsequently measured at fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI").

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.



### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On adoption of AASB 9, the Group has reclassified its financial assets as subsequently measured at amortised cost or fair value depending on the business model for those assets and contractual cash flow characteristic. There was no change in the classification or measurement of financial liabilities. Under AASB 9 the Group's financial assets of cash and cash equivalents and trade and other receivables are classified as 'financial assets at amortised cost'.

The Standard is applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

There were no financial instruments which the Group has designated at fair value through profit or loss under AASB 139 that were subject to reclassification. The Board assessed the Group's financial assets and determined the application of AASB 9 does not result in a change in the classification of the Group's financial instruments. In relation to the reclassification and measurement of financial assets and liabilities, there was no impact on the Consolidated Statement of Profit or Loss and Other Comprehensive Income; Consolidated Statement of Financial Position; or Consolidated Statement of Changes in Equity on adoption of AASB 9. Nor has there been any impact on basic or diluted earnings per share.

#### **Impairment**

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward looking expected credit loss ("ECL") approach.

#### **(iii) New and revised Accounting Standards for Application in Future Periods**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **AASB 16: Leases applies to annual reporting periods beginning on or after 1 January 2019.**

This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, AASB interpretation 115 Operating Leases-Incentives and AASB interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The key features of AASB 16 are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for leases.

#### **Lessor accounting**

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

#### **Estimated impact of AASB 16 on the Group (or Company) when the standard is applied**

Due to the adoption of AASB 16, the Group's EBITDA will improve, while its interest expense and amortisation (depreciation) will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under AASB 117. The expense and current liabilities may also be increased which could reduce the net working capital of the Group.

The group has reviewed all of the group's leasing arrangements in light of the new lease accounting rules in AASB 16, with the standard primarily affecting accounting for the group's operating leases.

As at the reporting date, the group has operating lease commitments of \$774,524, see note 22. Of these commitments, approximately \$128,183 relate to short-term leases which will be recognised on a straight-line basis as expense in the profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately \$767,095 on 1 July 2019, lease liabilities of \$893,319. Overall net assets will be approximately \$249,706 lower, and net current assets will be \$123,482 lower due to the presentation of a portion of the liability as a current liability.

The group expects that net profit after tax will decrease by approximately \$29,222 for 2020 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately \$94,259 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

#### **(iv) Other standards not yet applicable**

#### **AASB Interpretation 22 Foreign Currency Transactions and Advance Considerations**

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **AASB Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date.

#### **AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle**

These improvements include:

- AASB 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

- AASB 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in AASB 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- AASB 112 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

- AASB 123 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d) Basis of Consolidation

The Group financial statements consolidate those of the parent company and its subsidiaries. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A list of subsidiaries is provided in Note 33. All subsidiaries have a reporting date of 30 June.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interest are attributed their share of profit or loss and each component of comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.



Brad Adams harvesting greenlip abalone

IMAGE: RUSSELL LORD

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interest issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (i) the fair value of consideration transferred; (ii) the recognised amount of any non-controlling interest in the acquiree; and (iii) the acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair value of identifiable net assets exceeds the sum calculated above, the excess is recognised directly in profit and loss as a bargain purchase.

#### f) Foreign currency translation

Foreign currency transactions during the period are converted to Australian currency using the exchange rates prevailing at the dates of the transactions. Amounts receivable and payable in foreign currency at balance date are also converted at the spot rate at each reporting date.

Realised exchange gains and losses during the period are included in the operating profit before income tax as they arise. Unrealised exchange gains and losses at balance date are included in the operating profit before income tax to the extent that their realisation is certain.

#### g) Revenue recognition

##### (i) Financial assets

##### Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets at amortised cost includes trade receivables.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

#### Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

#### Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### (ii) Financial Liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

##### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

##### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

##### (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

##### h) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

##### i) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.



### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### j) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The Group is not consolidated for tax purposes.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### k) Good and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### l) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash on hand, deposits held at call with banks and other highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents are as described above.

#### m) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 2(g).

#### n) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs include all expenses directly attributable to the manufacturing process. Costs are assigned on the basis of weighted average costs. In the case of abalone stock, upon harvest the stock is transferred from Biological Assets to Inventory at a revised cost value, being the carrying value previously determined for that stock in accordance with the AASB 141 (refer Note 2(o) below). Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expense.

#### o) Biological Assets

Biological assets comprise abalone stock located on Abitats.

The abalone stock are valued at their fair value less costs to sell in accordance with the AASB 141 Agriculture. Where fair value cannot be reliably measured biological assets are measured at cost less impairment losses.

For abalone stock below 90mm (~120g whole weight), these biological assets are measured at cost as the Company considers that the fair value for this stock cannot be reliably measured on the basis that its commercial sales are only for product above this size threshold.

Abalone stock above 90mm (~120g whole weight) are measured at fair value less cost to sell. The valuation takes into consideration estimated growth rates and mortality (refer Note 2(u) for a description of the methodology used for the estimation of growth rates and mortality rates). The market prices are derived from observable market prices (when available) and realised prices. The prices are reduced for estimated harvesting costs, processing costs, freight costs and other selling costs, to determine the net fair value.

The net increase / (decrease) in the fair value of abalone stock at period end is recognised as income / (expense) in the profit and loss.



# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### p) Property, plant and equipment

Property, plant and equipment is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in a manner intended by the Group's management. These assets are subsequently measured at cost less depreciation and impairment losses.

Repairs and maintenance expenditure is charged to the Statement of Profit or Loss during the financial period in which it is incurred.

#### Depreciation

The depreciable amount of fixed assets are depreciated on either a diminishing value (DV) method or on a straight-line (SL) basis over their useful lives to the Group commencing from the time the asset is held ready for use. The following depreciation rates were applied during the financial period:

• Plant and equipment	20% SL
• Leasehold improvements	20% SL
• Office equipment	10%-50% DV
• Software	40% SL
• Buildings	4.5% SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

#### Derecognition

Additions of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the Profit or Loss.

#### Impairment

Carrying values of plant and equipment are reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may be impaired.

#### q) Intangible assets

Trademarks, patents leases and licenses are initially recorded at the cost incurred to acquire. Intangible assets which are deemed to have an indefinite life are tested annually for impairment and carried at cost less accumulated impairment losses. Assets deemed for have a finite life are amortised over their expected economic life to the Company and then recorded at cost less accumulated amortisation and impairment losses.

#### r) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

#### t) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### u) Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Biological Assets**

Biological assets are measured at fair value less cost to sell in accordance with AASB 141. Abalone stock below 90mm (~120g) are measured at the same rate per mm as the rate charged to the Company by the supplier. Management estimates this is a more accurate reflection of fair value as it takes into consideration growth rates from approximately 40mm to 90mm. Historically, abalone stock below 90mm (~120g) were measured at cost. The basis for the change in methodology is consistent with improvements in the analysis of growth data of juvenile abalone.

Abalone stock above 90mm (120g) is measured at fair value in accordance with AASB 141. Management estimates the fair value of biological assets, taking into account the most reliable evidence available at each reporting date in relation to the underlying assumptions, including mortality rates, growth rates, calculation of biomass, harvest costs, processing costs, selling costs and market prices.

Biomass is calculated using a size/weight algorithm derived from industry reports. In relation to the assumptions underlying mortality rates and growth rates, from which the stock estimates are extrapolated, including biomass, these are updated following each six monthly survival count and size class measurements. The bi-annual stock counts and measurements are taken over approximately 6% of the entire ranch, which has been determined to be a statistically relevant sample size.

The future realisation of these biological assets may be affected by any variance between actual results and the assumptions relied upon..

#### **Deferred Tax Assets and Liabilities**

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the tax benefit can be utilised. Deferred tax assets are reviewed at each reporting date to assess the probability that the related tax benefit will be realised. Assumptions about the generation of future taxable profits depends on the Group's estimates of future cash flows, which in turn depend on estimates of future sales volumes and pricing, operational costs, capital expenditure and capital management transactions. The Board has decided to recognise a deferred tax asset, and also retrospectively restate the financial statements to reflect the likelihood of the generation of future profits against which the deferred tax asset will be utilised.

The Group recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due, which requires judgement. Amounts are accrued based on management's interpretation of applicable tax law and the likelihood of settlement. Where the final tax position is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax balances in the period in which such determination is made, resulting in an adjustment to prior years.

#### **Impairment**

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them (where applicable). Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (if applicable).

#### **Useful life of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected useful life of the assets. Uncertainties in these estimates include assessing the impact of the Company's operating environment and technical and other forms of obsolescence.

#### v) Going concern

The consolidated financial statements have been prepared on a going concern basis. At 30 June 2019 the Group had cash and cash equivalents totalling \$2,571,694, working capital of \$8,085,444 and had earned a profit before tax for the year of \$2,370,024.

The Group's ability to continue as a going concern is dependent upon its ability to generate cash flow through its business operations and the recoverability of trade receivables. The Directors continue to be focused on meeting the Group's business objectives and are mindful of the funding requirements to meet these objectives.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 3. REVENUE

Revenue for the reporting period consisted of the following:

	Consolidated Group	
	2019 \$	2018 \$
Sale of abalone product	2,837,250	1,853,225
Processing revenue	222,506	200,523
	<b>3,059,756</b>	<b>2,053,748</b>

During the financial year, products sold comprised individual quick frozen (IQF) meat product, retail pack meat products, live abalone and whole frozen abalone.

Processing revenue relates to processing activities undertaken for third parties customers.

### NOTE 4. OTHER INCOME

#### (a) Other revenue for the reporting period consisted of the following:

Government grants	210,000	160,000
Facility use	8,400	8,400
Foreign exchange (loss)/gain on sales	(20,817)	5,792
Miscellaneous	129,754	49,365
	<b>327,337</b>	<b>223,557</b>

#### (b) R&D Tax Incentive

Accrued during the year (refer also Note 7)	1,578,886	1,994,059
	<b>1,578,886</b>	<b>1,994,059</b>

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 5. INCOME TAX

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
		<b>Restated</b>
	<b>\$</b>	<b>\$</b>
<b>(a) The components of tax expense comprise:</b>		
Current income tax		
Current income tax expense/(benefit)	647	-
Adjustments in respect of current income tax of previous years		
Deferred income tax		
Relating to the origination and reversal of temporary differences	1,335,752	265,731
<b>Total income tax expense/(benefit) from continuing operations</b>	<b>1,336,399</b>	<b>265,731</b>
<b>Deferred income tax expense/(income) included in income tax expense comprises:</b>		
Decrease/(increase) in deferred tax assets/(liabilities)	1,335,752	265,731
	<b>1,335,752</b>	<b>265,731</b>
<b>(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:</b>		
Profit/(Loss) Before Income Tax	<b>2,370,024</b>	<b>(3,046,512)</b>
Prima facie tax payable on profit from ordinary activities before income tax at 27.5%	651,758	(837,791)
<b>Add:</b>		
- Research & Development Expenditure: Non-deductible	757,858	1,260,612
- Movement in foreign exchange rates	-	-
- Other non-deductible permanent adjustments	2,170	309,791
- Adjustments for prior period & movements in deferred taxes not recognised	376,042	81,485
- Tax loss recognised	-	-
	<b>1,787,828</b>	<b>814,097</b>
<b>Less:</b>		
<b>Tax effect of:</b>		
- Adjustments for current tax of prior period	-	-
- Income not assessable for income tax purposes	(451,429)	(548,366)
- Previously unrecognised deferred tax losses	-	-
<b>Income tax expense/(benefit)</b>	<b>1,336,399</b>	<b>265,731</b>
<b>The applicable weighted average effective tax rates are as follows:</b>		
	56%	(9%)

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 6. CASH AND CASH EQUIVALENT

	Consolidated Group	
	2019	2018
	\$	\$
Cash at bank and in hand	2,571,694	7,415,975
	<b>2,571,694</b>	<b>7,415,975</b>

### NOTE 7. TRADE AND OTHER RECEIVABLES

Trade debtors	266,213	39,881
Sundry & other debtors	1,582,569	1,994,059
GST receivable	184,207	193,573
	<b>2,032,989</b>	<b>2,227,513</b>

At the reporting date, none of the trade and other receivables were past due or impaired.

Sundry & other debtors for the 2019 financial year represents the research and development tax incentive for the year of \$1,578,886 and \$3,683 other debtors (2018: research and development tax incentive \$1,994,059 and \$Nil other debtors).



# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 8. BIOLOGICAL ASSETS

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Abalone on Abitats	3,870,000	2,915,743
	<b>3,870,000</b>	<b>2,915,743</b>
<b>NON-CURRENT</b>		
Abalone on Abitats	6,040,705	2,971,817
	<b>6,040,705</b>	<b>2,971,817</b>

The carrying value of abalone on hand at year end was calculated as follows:

Opening balance	5,887,560	3,729,337
Increases due to purchases	1,310,665	2,113,870
Decreases due to harvest for processing to inventory	(2,366,097)	(1,458,346)
Fair value adjustment at year end recognised in profit and loss	5,078,577	1,502,699
<b>Closing balance</b>	<b>9,910,705</b>	<b>5,887,560</b>

The classification of the closing biological stock between current and non-current is based on the estimated harvest potential for the following 12 month period, which will be sourced from within the closing stock above 90mm.

Abalone stock below 90mm (~120g) are valued at a per mm rate. Management estimates this is a more accurate reflection of fair value as it takes into consideration growth rates from approximately 40mm to 90mm.

Stock above 90mm is measured at fair market value less costs to sell. The fair value assessment also assumes a further 10% mortality rate between balance date and harvest date. As these valuation variables are unobservable, they are deemed Level 3 inputs.

There is inherent uncertainty in the estimate of the closing number of abalone and biomass and hence the resultant fair value estimate for closing stock. As detailed in Note 2(u), the number of abalone and biomass is estimated using a model that factors in projected growth and mortality rates, which in turn are based on the results of survival counts and size class measurements taken during the Company's trial phase and subsequent six monthly stock counts (based upon a 6% sample). Actual growth and mortality rates will invariably differ to some extent across the farm.

### NOTE 9. INVENTORY

Harvested stock	418,602	297,518
	<b>418,602</b>	<b>297,518</b>

Inventory is stated at the lower of cost (value at harvest time on valuation of biological assets) or net realisable value. The inventory balance includes an allocation of harvest and processing costs (deferred cost of production). These costs are capitalised and carried forward to harvested stock and subsequently cost of goods sold when the product is eventually sold.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 10. PROPERTY, PLANT AND EQUIPMENT

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Plant & equipment, at cost	3,128,264	3,028,623
less : Accumulated depreciation	(1,864,300)	(1,491,496)
	1,263,964	1,537,127
Leasehold improvements, at cost	112,769	112,769
less : Accumulated depreciation	(81,989)	(71,137)
	30,780	41,632
Office equipment, at cost	65,566	56,199
less : Accumulated depreciation	(32,873)	(19,415)
	32,693	36,784
Processing facility - Augusta, at cost	3,425,685	-
Less : Accumulated depreciation	-	-
	3,425,685	-
<b>Net carrying amount</b>	<b>4,753,122</b>	<b>1,615,543</b>
A reconciliation of the movement in the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial years:		
<b>Plant &amp; equipment</b>		
Carrying amount at beginning of year	1,537,127	1,654,934
Additions	358,458	398,950
Depreciation charges	(508,324)	(516,757)
Disposals	(123,297)	-
Carrying amount at the end of the year	1,263,964	1,537,127
<b>Leasehold Improvements</b>		
Carrying amount at beginning of year	41,632	42,514
Additions	-	8,861
Depreciation charges	(10,852)	(9,743)
Disposals	-	-
Carrying amount at the end of the year	30,780	41,632
<b>Office Equipment</b>		
Carrying amount at beginning of year	36,784	21,452
Additions	9,367	30,001
Depreciation charges	(13,458)	(14,669)
Disposals	-	-
Carrying amount at the end of the year	32,693	36,784

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 10. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Consolidated Group	
	2019 \$	2018 \$
<b>Land &amp; Buildings</b>		
Carrying amount at beginning of year	-	-
Additions	3,425,685	-
Depreciation charges	-	-
Disposals	-	-
Carrying amount at the end of the year	3,425,685	-
<b>Net carrying amount</b>	<b>4,753,122</b>	<b>1,615,543</b>

### NOTE 11. INTANGIBLE ASSETS

Artificial reef technology, at cost	62,650	62,650
less accumulated amortisation	(22,051)	(18,918)
	40,599	43,732
Patents & trademarks, at cost	31,095	31,095
less accumulated amortisation	(8,805)	(7,251)
	22,290	23,844
Software, at cost	30,000	30,000
Less accumulated depreciation	(21,008)	(9,008)
	8,992	20,992
	<b>71,881</b>	<b>88,568</b>

Artificial reef technology and patents & trademarks are amortised over a period of 20 years which is commensurate with the life of Australian patent.  
Software is depreciated over a period of 5 years.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 12. OTHER ASSETS

	Consolidated Group	
	2019	2018
	\$	\$
<b>CURRENT</b>		
Prepayments	143,551	135,706
Accrued Interest	3,379	18,837
	<b>146,930</b>	<b>154,543</b>
<b>NON-CURRENT</b>		
Capital WIP - Augusta Boat Harbour Marina Development	-	284,945
Corporate & financing costs	4,846	1,323
Deposits	110,507	120,197
Other	2,390	2,200
	<b>117,743</b>	<b>408,665</b>

In prior year, capital WIP refers to the architectural design, engineering costs and construction progress payments associated with the new processing facility that was built in the Augusta Boat Harbour. Practical completion of construction occurred 31 May 2019. This balance was reclassified to property, plant and equipment. The building became available for first use on 1 July 2019. Expenses attributable to the Augusta Boat Harbour Marina Development include architectural, engineering and other consultants, which is due to commence construction in the next financial year.

### NOTE 13. TRADE AND OTHER PAYABLES

Trade payables	323,049	748,901
Accrued expenses	374,662	277,211
	<b>697,711</b>	<b>1,026,112</b>

Trade payables are not past due and are non-interest bearing. They are normally on average settled between 30 and 45 days terms.

### NOTE 14. INTEREST BEARING LIABILITIES

<b>CURRENT</b>		-
Equipment loans	115,314	101,863
	<b>115,314</b>	<b>101,863</b>
<b>NON-CURRENT</b>		
Equipment loans	59,493	132,606
	<b>59,493</b>	<b>132,606</b>

#### Equipment Loans

The equipment loans have been provided to Ocean Grown Abalone Operations Pty Ltd and its subsidiaries by National Australia Bank Limited, pursuant to a master asset finance agreement with a facility limit of \$1,500,000 (2018: \$750,000). The loans are secured over the financed assets via an equitable mortgage. Additional loan security is provided in the form of a charge over the assets of OGA Operations and the Company. The Company has also provided a guarantee and indemnity to the loan provider for the full facility limit.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 14. INTEREST BEARING LIABILITIES (Continued)

The equipment loans at reporting date comprised:

- Balance of \$64,814. Original loan \$271,273, which commenced in July 2015, with 60 monthly repayments (final payment date of 10 July 2020) and an annual interest rate of 5.2%;
- Balance of \$67,793. Original loan \$220,000, which commenced in November 2015, with 60 monthly repayments (final payment date 15 November 2020) and an annual interest rate of 4.82%; and
- Balance of \$42,200. Original loan \$43,542, which commenced in May 2019, with 60 monthly repayments (final payment date of 24 June 2024) and an annual interest rate of 3.99%.

### NOTE 15. PROVISIONS

	Consolidated Group	
	2019	2018
	\$	\$
<b>CURRENT</b>		
Employee entitlements – annual leave	95,398	92,814
Employee entitlements – long service leave	45,701	39,795
	<b>141,099</b>	<b>132,609</b>

### NOTE 16. TAXATION

	Consolidated Group	
	30 June 2019	30 June 2018
		Restated
	\$	\$
<b>CURRENT</b>		
Current income tax payable	647	-

### NOTE 17. DEFERRED TAX LIABILITIES

	Consolidated Group	
	30 June 2019	30 June 2018
		Restated
	\$	\$
<b>Recognised deferred tax assets</b>		
Accruals	74,903	33,067
Provisions	52,484	50,949
Losses	840,314	1,052,704
40-880	143,327	197,702
Other	1,290	-
Deferred tax assets to offset deferred tax liability	(1,051,753)	(1,202,034)
	<b>60,565</b>	<b>132,388</b>
<b>Recognised deferred tax liabilities</b>		
Biological & Inventory Asset	2,730,568	1,619,079
Prepayments	39,477	37,319
Deferred tax assets to offset deferred tax liability	(1,051,753)	(1,202,034)
	<b>1,718,292</b>	<b>454,364</b>

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 17. DEFERRED TAX LIABILITIES (Continued)

A review was undertaken by the Company, with the assistance of external advisers, has led to a revision of the Company's historical deferred tax balances. This review resulted in a recognition of deferred tax assets (which were not previously recognised) and the consequent change in the income tax expense and deferred tax liabilities in the prior year. The additional deferred tax assets have been included within the restated balance sheet and represents a potential future cash flow benefit, which will be used to offset any future taxable profits.

### NOTE 18. CONTRIBUTED EQUITY

	Consolidated Group	
	2019	2018
	No.	No.
<b>(a) Issued and paid up capital</b>		
No. fully paid ordinary shares	<b>174,110,260</b>	<b>174,110,260</b>
	\$	\$
Balance at beginning of year	23,408,139	14,046,786
Initial Public Offer (\$0.25 on 14 November 2017) <sup>1</sup>	-	10,000,000
Corporate advisor shares <sup>2</sup>	-	1,722,877
Share issue costs	-	(2,361,524)
Balance at end of year	<b>23,408,139</b>	<b>23,408,139</b>
<b>(b) Movement in ordinary shares</b>	No.	No.
Balance at the beginning of year	174,110,260	127,218,750
Public Offer (\$0.25 on 14 November 2017) <sup>1</sup>	-	40,000,000
Corporate advisor shares <sup>2</sup>	-	6,891,510
Balance at end of year	<b>174,110,260</b>	<b>174,110,260</b>

<sup>1</sup> On 14 November 2017, the Company completed an IPO consisting of 40,000,000 new Shares at an issue price of \$0.25 per Share for gross proceeds of \$10,000,000.

<sup>2</sup> On 14 November 2017, the Company, issued 6,891,510 shares at the issue price of \$0.25 per Share as part consideration for corporate advisory services provided in relation to the IPO.

#### (c) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings, each ordinary share is entitled to one vote when a poll is called.

#### (d) Share options

On 1 August 2017, the existing 7,633,125 options, each with an exercise price of \$0.26 and expiry date of 28 December 2020, were cancelled and replaced with 8,807,452 new options, each with an exercise price of 30 cents and an expiry date of 28 December 2020. The increased number of options being in proportion to the 30/26 increase in the exercise price.

On 1 August 2017, 10,039,450 options, each exercisable at \$0.39 on or before 30 September 2021, were issued as part consideration for corporate advisory services provided in relation to IPO.

On 1 August 2017, 2,500,000 options, each exercisable at \$0.44 on or before 30 September 2021 were issued as part of the remuneration packages for Peter Harold (Non-Executive Chairman) and Danielle Lee (Non-Executive Director).

All of these options remained outstanding at balance date.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 19. RESERVES

	Consolidated Group	
	2019	2018
	\$	\$
Share based payment reserve	1,902,703	1,965,372

The share-based payment reserve is used to record the value of equity benefits (options and performance rights) provided to directors, executives and employees as part of their remuneration and consultants / advisers for their services. Refer to Note 28 for details of share-based payments during the financial year.

#### Movement in reserves:

##### Share based payments reserve

Balance at beginning of the year	1,965,372	823,660
Options issued to advisers (charged to share issue costs)	-	10,000
Options issued to directors	-	218,239
Performance rights issued to managing director	(113,473)	913,473
Performance rights issued to employees	50,804	-
<b>Balance at the end of the year</b>	<b>1,902,703</b>	<b>1,965,372</b>

On 1 August 2017, in anticipation of a proposed ASX listing, the existing 7,633,125 adviser options, each with an exercise price of \$0.26 and expiry date of 28 December 2020, were cancelled and replaced with 8,807,452 new options, each with an exercise price of 30 cents and an expiry date of 28 December 2020. The increased number of options being in proportion to the 30/26 increase in the exercise price.

On 1 August 2017, 10,039,450 options, each exercisable at \$0.39 on or before 30 September 2021, were issued as part consideration for corporate advisory services provided in relation to IPO.

On 1 August 2017, 2,500,000 options were issued to non-executive directors, each with an exercise price of \$0.44 and expiry date of 30 September 2021.

All of these options remained outstanding at balance date.

Remaining balance being \$307,307 of class A performance rights for the managing director expensed on successful completion of performance condition. Balance of \$296,110 of class B performance rights for the managing director and \$124,670 of class C performance rights for the managing director expensed in the previous year was reversed.

On 23 November 2018, 342,391 class D performance rights were issued to employees of which on 2 August 2019 327,466 were converted to shares after successfully achieving service and performance conditions on 30 June 2019.

Refer to note 27 Share-based payments for further details on performance rights.

### NOTE 20. ACCUMULATED LOSSES

	Consolidated Group		
	30 June 2019	30 June 2018	1 July 2017
		Restated	Restated
	\$	\$	\$
Restated accumulated losses at beginning of year	(8,985,329)	(5,674,402)	(4,200,825)
Restated Profit/(Loss) attributable to Owners of the Company	1,034,369	(3,310,927)	(1,745,455)
Restated retained losses at end of year	<b>(7,950,960)</b>	<b>(8,985,329)</b>	<b>(5,946,280)</b>

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 21. SUBSEQUENT EVENTS

Significant matters that have arisen since the end of the financial year are:

- Esperance land agreement – the Company executed land agreements with the Shire of Esperance (Shire) in July 2019, securing the rights to approximately 34 hectares of land (Land) located about 10 kilometres from the town of Esperance.
- Mark Wall (Ranch Operations Manager – Augusta) accepted the offer to participate in Ocean Grown Abalone Limited's Employee Incentive Plan. If all performance criteria and conditions are achieved Mr Wall will be eligible to receive up to 1,200,000 Performance Rights.

Key terms of the land transaction are:

- The Company will lease the Land from the Shire for a period of 12 months for \$10,000, with a further right to extend the lease period for an additional 12 months for a further \$10,000;
- The Company, at its discretion, holds exclusivity to purchase the Land for \$500,000;
- Sale of the Land to the Company is conditional on OGA developing an onshore aquaculture hatchery and grow-out facility and will be subject to necessary regulatory and shareholder approvals.
- On 2 August 2019, the Company issued 327,766 shares from performance rights to employees in accordance with the Company's Employee Incentive Plan.

Other than as disclosed above or in the financial statements, no significant matters have arisen since the end of the financial year, which significantly affects the operations of the Consolidated Group, the results of those operations or the state of affairs of the Consolidated Group in future financial years.

### NOTE 22. COMMITMENTS AND CONTINGENCIES

	Consolidated Group	
	2019	2018
	\$	\$
The Consolidated Group had the following operating lease commitments as at 30 June 2019		
Within one year	128,183	107,429
After one year but not more than five years	291,767	389,505
More than five years	354,574	383,519
	<b>774,524</b>	<b>880,453</b>
The Consolidated Group had the following aquaculture lease commitments as at 30 June 2019		
Within one year	18,450	18,450
After one year but not more than five years	73,800	73,800
More than five years	210,450	221,400
	<b>302,700</b>	<b>313,650</b>
The Consolidated Group had the following supplier purchase commitments as at 30 June 2019		
Within one year	725,004	1,539,660
After one year but not more than five years	1,242,864	725,004
More than five years	-	-
	<b>1,967,868</b>	<b>2,264,664</b>

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 22. COMMITMENTS AND CONTINGENCIES (Continued)

	Consolidated Group	
	2019 \$	2018 \$
The Consolidated Group had the following capital purchase commitments as at 30 June 2019		
Within one year	262,341	-
After one year but not more than five years	-	-
More than five years	-	-
	<b>262,341</b>	<b>-</b>

Other than as disclosed in the financial statements, the Consolidated Group does not have any contingent liabilities at balance sheet date and none have arisen since balance sheet date to the date of signing the Directors' report.

### NOTE 23. AUDITORS REMUNERATION

Audit fees - current year	65,623	75,200
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### NOTE 24. PROFIT/(LOSS) PER SHARE

The calculation of basic and diluted profit/(loss) per share was based on the following:

	Consolidated Group	
	30 June 2019 \$	30 June 2018 Restated \$
Net profit/(loss) for the year attributable to owners of the Company	1,034,369	(3,310,927)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in calculating basic profit/(loss) per share	174,110,260	157,923,054
Effect of dilution:		
Performance rights	12,327,466	-
Share options	-	-
Convertible loans	n/a	n/a
Adjusted weighted average number of ordinary shares used in calculating diluted profit/(loss) per share	186,437,726	157,923,054
Basic profit/(loss) per share (cents per share)	0.59	(2.10)
Diluted profit per share (cents per share)	0.55	-

There is no impact from the 21,346,902 options outstanding at 30 June 2019 (2018: 21,346,902 options) on the profit per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 25. KEY MANAGEMENT PERSONNEL DISCLOSURES

Names and positions held by Directors and other members of Key Management Personnel ("KMP") in office at any time during the financial year are set out below:

Name	Position Held
Peter Harold	Non-Executive Chairman
Bradley Adams	Managing Director
Ignazio Ricciardi	Executive Director
Danielle Lee	Non-Executive Director
Romolo Santoro	Chief Financial Officer
Mark Wall	Augusta Ranch Manager

The aggregate compensation made to Directors and other KMP of the Group during the financial year is set out below:

	Consolidated Group	
	2019	2018
	\$	\$
Short-term employee benefits	796,841	916,124
Post-employment benefits	72,480	69,335
Share-based payments	(82,138)	1,131,712
	<b>787,183</b>	<b>2,117,171</b>

Short-term employee benefits include consultancy fees paid to Ian Cunningham for services as Chief Financial Officer during 2018 financial year.

### NOTE 26. RELATED PARTY TRANSACTIONS

The ultimate parent entity is Ocean Grown Abalone Limited. Refer to Note 33 for a list of all controlled entities.

In each of the following related party transactions normal commercial terms and conditions applied. Terms and conditions were no more favourable than those available or which might reasonably be expected to be available for a similar transaction or service to unrelated parties on arms-length basis.

Frichot & Frichot Lawyers, of whom Ignazio's Ricciardi's son is a director, were paid legal fees of \$0 during the financial year (FY2018: \$10,509).

Bigstreet Pty Ltd, of whom Ignazio Ricciardi is a director and in which he holds a beneficial ownership interest, was paid \$303 during the financial year (FY2018: \$33) for the provision of cold storage and handling services.

Vincenzo Ricciardi, son of Ignazio Ricciardi, is an employee of the Company. He received total remuneration inclusive of superannuation during the financial year of \$131,400 (FY2018: \$133,590) as the Group Financial Controller.

Jodee Adams, wife of Brad Adams, is an employee of the Company and received total remuneration inclusive of superannuation during the financial year of \$27,375 (FY2018: \$27,375) for the provision of office administration and marketing services.

Max Adams, son of Brad Adams, is an employee of the Company. He received total remuneration inclusive of superannuation during the financial year of \$414 (FY2018: \$0) for the provision of services of general labour.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 27. SHARE-BASED PAYMENTS

The Company makes share based payments, in the form of options and performance rights, to directors, executives and employees as part of their remuneration and to consultants / advisers for their services.

Set out below is a summary of unlisted option movements during the financial year.

	2019		2018	
	Weighted average exercise price per Option	No. of options	Weighted average exercise price per Option	No. of options
Balance at the start of the period	\$0.36	21,346,902	\$0.26	7,633,125
Cancelled during the period	-	-	-	(7,633,125)
Granted during the period – Replacement Advisor Options	-	-	\$0.30	8,807,452
Granted during the period – Advisor Options	-	-	\$0.39	10,039,450
Granted during the period – Director Options	-	-	\$0.44	2,500,000
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
<b>Balance at the end of the period</b>	<b>\$0.36</b>	<b>21,346,902</b>	<b>\$0.36</b>	<b>21,346,902</b>

Outstanding listed options at the end of the year, which were granted as share base payments, are summarised as follows:

Series	Grant date	Expiry date	Exercise price	No. of options
A	1 Aug 2017	28 Dec 2020	\$0.30	8,807,452
B	1 Aug 2017	30 Sep 2021	\$0.39	10,039,450
C <sup>1</sup>	1 Aug 2017	30 Sep 2021	\$0.44	2,500,000
			<b>Total</b>	<b>21,346,902</b>

1 Total of \$218,239 is the fair value of Director Options granted in the previous financial year.

#### Fair value of options granted during the year

The following performance rights were issued previously and during the financial year:

Class	Grant date	No. of Performance Rights	Value per Share	Fair Value	2019 Total expense	2018 Total expense
A	1 Aug 2017	4,000,000	\$0.20	\$800,000	\$307,307	\$492,693
B	1 Aug 2017	4,000,000	\$0.20	\$800,000	(\$296,110)	\$296,110
C	1 Aug 2017	4,000,000	\$0.20	\$800,000	(\$124,670)	\$124,670
D	31 Jan 2019	342,391	\$0.155	\$53,071	\$50,804	-
<b>Total</b>		<b>12,342,391</b>		<b>\$2,453,071</b>	<b>(\$62,669)</b>	<b>\$913,473</b>

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 27. SHARE-BASED PAYMENTS (Continued)

The Company previously issued 12,000,000 Performance Rights to Brad Adams, the Managing Director. The Performance Rights have been issued in 3 classes, with 4,000,000 shares in each class and subject to separate service and performance conditions. During the financial year, the Company granted 342,391 Performance Rights (327,766 issued) to eligible employees. The service conditions for each class are detailed as follows:

- **Class A** – Service Condition: remain engaged as an employee for a continuous period until the performance condition is satisfied; and  
Performance Condition: Prior to 31 December 2018, the Company completes its Flinders Bay 2 Project in Augusta, with completion deemed to occur upon the deployment and seeding of 5,000 Abitats at the Flinders Bay 2 Project site.
- **Class B** – Service Condition: remain engaged as an employee for a continuous period until the performance condition is satisfied; and  
Performance Condition: Prior to 14 November 2019, the Company recognises revenue from the sale of 100 tonnes of abalone combined from Flinders Bay 1, Flinders Bay 2, Wylie Bay and Port Lincoln Development projects in any 12 month period.
- **Class C** – Service Condition: remain engaged as an employee for a continuous period until the performance condition is satisfied; and  
Performance Condition: Prior to 14 November 2022, subject to the Board determining the success material part of the Port Lincoln Development Project, the Company (either on its own or together with an affiliate or joint venture partner) deploys and seeds a cumulative total of 5,000 Abitats across one or more commercial project sites within South Australia.
- **Class D** – Service Condition: remain engaged as an employee for a continuous period until 30 June 2019.  
Performance Condition: Maintain a satisfactory level of performance.

For the purposes of the financial statements, where the assessed probability of the relevant performance conditions is 50% or greater, the Group recognised the resulting share based payment expense over the relevant performance period. Support for a greater or less than 50% probability assessment of the respective performance conditions, are set out below:

- (i) **Class A** – 4,000,000 performance rights allocated after successfully achieving service and performance conditions as outlined above. The shares are yet to be issued at balance date.
- (ii) **Class B** – based on the projected FY2019, FY2020 annual harvests and current stock estimates, production and harvest capacity, the probability of achieving the applicable performance condition was considered to be less than 50%. As per AASB 2 Share-based Payment, no amount is recognised because of failure to satisfy vesting condition and therefore prior year amount has been reversed.
- (iii) **Class C** – based on the Company's assessment, the probability of achieving the applicable performance condition was considered to be less than 50%. As per AASB 2 Share-based Payment, no amount is recognised because of failure to satisfy vesting condition and therefore prior year amount has been reversed.
- (iv) **Class D** – 327,766 performance rights allocated after successfully achieving service and performance conditions as outlined above.



OGA greenlip abalone

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Board monitors and manages the financial risk relating to the operations of the Group. Exposure to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate and currency risk) arises in the normal course of the Consolidated Group's business. The risk management policies are designed to minimise potential adverse effects on the Consolidated Group's financial performance.

The Consolidated Group holds the following financial instruments as at the reporting date:

	Consolidated Group	
	30 June 2019	30 June 2018 Restated
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	2,571,694	7,415,975
Trade & other receivables	2,032,989	2,227,513
Deposits	110,507	120,197
	4,715,190	9,763,685
<b>Financial liabilities</b>		
Trade and other payables	323,049	748,901
Interest bearing liabilities	174,807	234,469
Current tax (refund) / liability	647	-
	498,503	983,370

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Consolidated Group's income or the value of its holding of financial instruments. The Consolidated Group's objective is to manage and control market risk exposures within acceptable parameters, whilst optimising returns.

#### Currency risk

The Consolidated Group is exposed to currency risk on overseas sales of abalone product and associated selling costs that are denominated in US dollars and cash holdings that are held in the Company's US dollar account. The Consolidated Group does not have any overseas borrowings. The Company does not currently hedge any of its estimated foreign currency exposure in respect of forecast sales.

The table below summarises the effect on the Consolidated Group's comprehensive loss (movement in average rate) and cash and cash equivalents (movement at balance date) if the AUD / USD exchange rates moved by +10%:

	Consolidated Group	
	2019	2018
	\$	\$
<b>Percentage shift in AUD / USD exchange rate</b>	10%	10%
Total effect on cash and cash equivalents of +ve movement	-	-
Total effect on cash and cash equivalents of -ve movement	-	-
Total effect on comprehensive loss of +ve movement	265,824	140,248
Total effect on comprehensive loss of -ve movement	(217,492)	(114,748)

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### Interest rate risk

The following table sets out the interest rates applicable to financial instruments that are exposed to interest rate risk:

	Interest bearing	Non-interest bearing	Total	Weighted average interest rate
	30 June 2019	30 June 2019	30 June 2019	30 June 2019
Consolidated	\$	\$	\$	(%)
<b>Financial assets</b>				
Cash and cash equivalents	2,553,033	18,661	2,571,694	1.90
Trade & other receivables	-	2,032,989	2,032,989	-
Deposits	110,507	-	110,507	2.31
<b>Total financial assets</b>	<b>2,663,540</b>	<b>2,051,650</b>	<b>4,715,190</b>	
<b>Financial liabilities</b>				
Trade & other payables	20,000	303,049	323,049	1.59
Loans and borrowings	174,807	-	174,807	4.74
Current tax liability	-	647	647	-
<b>Total financial liabilities</b>	<b>194,807</b>	<b>303,696</b>	<b>498,503</b>	
	Interest bearing	Non-interest bearing	Total	Weighted average interest rate
	30 June 2018 restated	30 June 2018 restated	30 June 2018 restated	30 June 2018 restated
Consolidated	\$	\$	\$	(%)
<b>Financial assets</b>				
Cash and cash equivalents	7,384,505	31,470	7,415,975	2.49
Trade & other receivables	-	2,227,513	2,227,513	-
Deposits	120,197	-	120,197	2.49
<b>Total financial assets</b>	<b>7,504,702</b>	<b>2,258,983</b>	<b>9,763,685</b>	
<b>Financial liabilities</b>				
Trade & other payables	7,631	741,270	748,901	0.49
Loans and borrowings	234,469	-	234,469	4.98
Current tax liability (restated)	-	-	-	-
<b>Total financial liabilities (restated)</b>	<b>242,100</b>	<b>741,270</b>	<b>983,370</b>	

The Consolidated Group receives interest on its cash management deposits based on daily balances and at balance date was exposed to a weighted average variable interest rate of 1.90% (2018: 2.49%). The Consolidated Group's US dollar account does not attract interest.

The Consolidated Group receives interest on its Deposits and at balance date was exposed to a weighted average fixed interest rate of 2.31% (2018: 2.49%)

Interest payable on trade and other payables relates to the Consolidated Group credit card balances at balance date.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### Credit Risk

Credit risk represents the risk of financial loss to the Consolidated Group if a customer or counterparty to the financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Group's receivables from customers. This in turn is influenced by the characteristics of each customer and the Consolidated Group regularly assesses the creditworthiness of its customers.

The Consolidated Group's maximum exposure to credit risk at the reporting date was:

	Consolidated Group	
	2019	2018
Financial assets	\$	\$
Cash and cash equivalents	2,571,694	7,415,975
Trade & other receivables	2,032,989	2,227,513
Deposits	110,507	120,197
<b>Total financial assets</b>	<b>4,715,190</b>	<b>9,763,685</b>

The Consolidated Group's maximum exposure to credit risk at the reporting date was:

	Equivalent S&P rating <sup>1</sup> \$	Internally rated No default \$	Total \$
<b>Credit quality of financial assets</b>			
<b>Financial assets At 30 June 2019</b>			
Cash and cash equivalents	2,571,694	-	2,571,694
Trade debtors & other receivables <sup>2</sup>	-	2,032,989	2,032,989
Deposits	110,507	-	110,507
<b>Total financial assets</b>	<b>2,682,201</b>	<b>2,032,989</b>	<b>4,715,190</b>
<b>Financial assets At 30 June 2018</b>			
Cash and cash equivalents	7,415,975	-	7,415,975
Trade debtors & other receivables <sup>2</sup>	-	2,227,513	2,227,513
Deposits	120,197	-	120,197
<b>Total financial assets</b>	<b>7,536,172</b>	<b>2,227,513</b>	<b>9,763,685</b>

<sup>1</sup>The equivalent S&P rating of the financial assets and deposits represents the rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself. NAB has a rating of A-1+ (short-term) and AA- (long-term). CBA has a credit rating of A-1+ (short-term) and AA- (long-term).

<sup>2</sup>Includes trade receivables of \$266,213 (FY2018: \$39,881). Other receivables include net amounts owing from Government institutions of \$1,763,093 (FY2018: \$2,187,632).

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

#### Liquidity risk

Liquidity risk arises from the financial liabilities of the Consolidated Group and its ability to meet their obligations to repay their financial liabilities as and when they fall due. The Consolidated Group manages liquidity risk by maintaining adequate reserves and monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

#### Impairment

The Consolidated Group regularly reviews its trade and other receivables balances for impairment. At the reporting date, none of the trade and other receivables were past due or impaired.

#### Fair Value Measurement of financial instruments

Note 2(g) summarises the Consolidated Group's approach to fair value assessment of its assets and liabilities. The carrying amount of the Consolidated Group's financial instruments are assumed to approximate their fair value due to either the short term nature or their terms and conditions.

### NOTE 29. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated Group	
	30 June 2019	30 June 2018
		Restated
Reconciliation of net Cash provided by Operating Activities to Operating Profit after Income Tax	\$	\$
Income / (Loss) after income tax for the year	1,033,625	(3,312,243)
Depreciation and amortisation	550,016	556,102
Fair value (FV) adjustment – biological assets	(5,078,577)	(1,502,699)
Net interest received	(122,260)	(131,568)
Gain on sale of assets	(83,510)	(20,000)
Performance rights (reversed) / issued	(62,669)	1,131,712
Adjustment for error	-	271,878
Change in assets and liabilities		
Decrease / (Increase) in biological assets and inventory (excluding FV adjustment)	934,348	(768,696)
(Increase) / Decrease in trade and other receivables	(220,649)	40,515
Decrease / (Increase) in R&D tax refund receivable	415,173	(616,518)
(Increase) in deferred tax assets	(60,565)	(132,388)
Increase in deferred tax liabilities	1,263,928	240,574
(Decrease) / Increase in trade and other payables	(317,150)	279,442
(Decrease) in income tax payable	112,940	(114,333)
(Decrease) in unearned revenue	-	(205,642)
Increase in provisions	8,490	78,916
Net cash used in operating activities	<b>(1,626,860)</b>	<b>(4,204,948)</b>

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 30. OPERATING SEGMENT

For management purposes, the Consolidated Group is organised into one main operating segment, which involves its abalone ranching operations, inclusive of its seeding, farming and processing activities. All of the Consolidated Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Consolidated Group as one segment. The financial results from this segment are equivalent to the financial statements of the Consolidated Group as a whole. The Consolidated Group operates only in Australia.

### NOTE 31. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2019 (2018: Nil). The balance of the franking account as at 30 June 2019 is Nil (2018: Nil).

### NOTE 32. PARENT ENTITY INFORMATION

	Consolidated Group	
	30 June 2019	30 June 2018 Restated
	\$	\$
Total assets	19,733,997	17,867,772
Total liabilities	(2,354,440)	(1,271,533)
<b>Net assets</b>	<b>17,379,557</b>	<b>16,596,239</b>
Issued capital	23,408,139	23,408,139
Share based payment reserve	1,902,703	1,965,372
Accumulated losses	(7,931,285)	(8,777,272)
<b>Total shareholders' equity</b>	<b>17,379,557</b>	<b>16,596,239</b>
Profit/(Loss) of the parent entity	845,987	(3,675,605)
<b>Total comprehensive profit/(loss) of the parent entity</b>	<b>845,987</b>	<b>(3,675,605)</b>

#### (a) Guarantees entered into by the parent entity

Refer to Note 14 for information on the guarantee and other security provided by the Company in relation to the debts of its subsidiaries.

#### (b) Contingent liabilities of the parent entity

Refer to Note 22 for information on the contingent liabilities of the Company in relation to the Group's aquaculture leases.

#### (c) Contractual commitments for capital expenditure

Refer to Note 22 for information on the Company's commitment in relation to the fit-out of the processing facility at Augusta Harbour. The Company did not have any other commitments in relation to capital expenditure contracted but not recognised as liabilities at balance date.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2019 cont.

### NOTE 33. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(d).

Name	Country of Incorporation	Percentage Owned	
		2019	2018
Ocean Grown Abalone Operations Pty Ltd	Australia	100%	100%
Two Oceans Abalone Pty Ltd	Australia	100%	100%
Wylie Bay Abalone Pty Ltd	Australia	66.67%	66.67%
Ocean Grown Abalone Wylie Bay Pty Ltd	Australia	100%	100%



OGA dive vessel

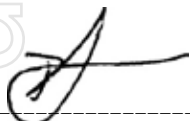
IMAGE: RUSSELL ORD

## Directors Declaration FOR THE YEAR ENDED 30 JUNE 2019

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 15 to 51 are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Australian Accounting Standards as described in Note 2, the *Corporations Act 2001* and with International Financial Reporting Standards; and
  - b) giving a true and fair view of the consolidated Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



**Bradley Adams**  
**Managing Director**

30 August 2019

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
OCEAN GROWN ABALONE LIMITED**

**Report on the Audit of the Financial Report**

**Our Opinion**

We have audited the financial report of Ocean Grown Abalone Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cashflows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- (a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

*Material uncertainty regarding valuation of biological assets*

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As referred to in Note 8 to the financial statements, the financial statements include biological assets with a carrying value of \$9,910,705 (Current biological assets: \$3,870,000; Non-current biological assets: \$6,040,705). The Group's biological assets include live abalone on Abitats, which are measured at fair value less costs to sell. Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs (refer to Note 2(u)). Because of the uncertainty associated with the valuation of the biological assets due to the estimates of the number of abalone, size, mortality, the sample size selected and absence of an active market during the growth phase, their carrying value may differ from their realisable value.

Similarly, as the valuation of the harvested abalone, as disclosed in note 8, is derived from the valuation model noted above, their carrying value may differ from the realisable value.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other than as noted in the Emphasis of Matter paragraph above, the following matter has been identified as a key audit matter.

Key Audit Matters	How the matter was addressed in the audit
<p><b>Going concern basis of preparation</b> (refer to Note 2(v))</p> <p>As referred to in Note 2(v) to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. At 30 June 2019 the Group had cash and cash equivalents totalling \$2,571,694, working capital of \$8,085,444 and achieved a profit before tax for the year of \$2,370,024.</p> <p>The ability of the Company and Group to continue as going concerns is subject to the Group generating sufficient profits and cashflows, the recoverability of trade receivables of the Group and/or future capital raisings.</p> <p>Going concern is considered a key audit matter due to the following:</p> <ul style="list-style-type: none"> <li>i. future operations of the Group are dependent on the Group continuing to be profitable and generating sufficient cashflows to fund operations; and</li> <li>ii. The Group currently generating negative operating cashflows.</li> </ul>	<p>Our audit procedures included, inter alia, the following:</p> <ul style="list-style-type: none"> <li>i. Discussing with management the going concern basis of preparation of the financial report and the Group's future plans;</li> <li>ii. Auditing the cashflow budgets prepared by management covering the period to September 2020 to obtain reasonable assurance that the Group has the resources to continue operations; and</li> <li>iii. Assessing the financial statement disclosures to ensure going concern basis of preparation is appropriately disclosed.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2019. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### **Opinion on the Remuneration Report**

In our opinion, the Remuneration Report of Ocean Grown Abalone Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)

*Stantons International Audit & Consulting Pty Ltd*

  
**Martin Michalik**  
Director

West Perth, Western Australia  
30 August 2019

# Additional Securities Exchange Information FOR THE YEAR ENDED 30 JUNE 2019

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 16 August 2019.

### 1. Quotation

Listed securities in Ocean Grown Abalone Limited are quoted on the Australian Securities Exchange under ASX code OGA (Fully Paid Ordinary Shares).

### 2. Voting Rights

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

- (a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- (b) on a show of hands, every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any Options or Performance Rights on issue.

### 3. Distribution of Shareholders

#### (i) Fully Paid Ordinary Shares

Shares Range	Holders	Units	(%)
1 – 1,000	12	4,456	0.00
1,001 – 5,000	180	629,905	0.36
5,001 – 10,000	270	2,181,477	1.25
10,001 – 100,000	562	22,072,544	12.65
100,001 and above	162	149,549,644	85.73
<b>Total</b>	<b>1,186</b>	<b>174,438,026</b>	<b>100.00%</b>

On 16 August 2019, there were 119 holders of unmarketable parcels of less than 299,146 ordinary shares (based on the closing share price of \$0.1250).

#### (ii) Unlisted Class A Options exercisable at \$0.30 on or before 28 December 2020

Shares Range	Holders	Units	(%)
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	4	8,807,452 <sup>1</sup>	100.00
<b>Total</b>	<b>4</b>	<b>8,807,452</b>	<b>100.00%</b>

<sup>1</sup> Holders who hold more than 20% of securities are:

Ainsley Gae Andrew	- 2,300,000 options
Tejiman Holdings Pty Ltd <The Tejiman A/C>	- 2,300,000 options
Jaek Holdings Pty Ltd <Hannaforde Family A/C>	- 2,300,000 options
View Street Partners Pty Ltd <Staff A/C>	- 1,907,452 options

# Additional Securities Exchange Information FOR THE YEAR ENDED 30 JUNE 2019 cont.

## SHAREHOLDER INFORMATION (Continued)

### (iii) Unlisted Class B Options exercisable at \$0.39 on or before 30 September 2021

Shares Range	Holders	Units	(%)
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	4	10,039,450 <sup>1</sup>	100.00
<b>Total</b>	<b>4</b>	<b>10,039,450</b>	<b>100.00%</b>

<sup>1</sup> Holders who hold more than 20% of securities are:

Tejiman Holdings Pty Ltd <The Tejiman A/C> - 4,394,725 options

Jaek Holdings Pty Ltd <Hannafor Family A/C> - 4,394,725 options

### (iv) Unlisted Class C Options exercisable at \$0.44 on or before 30 September 2021

Shares Range	Holders	Units	(%)
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	2,500,000 <sup>1</sup>	100.00
<b>Total</b>	<b>2</b>	<b>2,500,000</b>	<b>100.00%</b>

<sup>1</sup> Holders who hold more than 20% of securities are:

Springway Investments Pty Ltd <Allnutt Ventures A/C> - 1,500,000 options

Danielle Marguerite Lee - 1,000,000 options

### (v) Class A Performance Rights

Shares Range	Holders	Units	(%)
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	4,000,000 <sup>1</sup>	100.00
<b>Total</b>	<b>1</b>	<b>4,000,000</b>	<b>100.00%</b>

<sup>1</sup> Holders who hold more than 20% of securities are:

Bradley Adams – 4,000,000 performance rights

# Additional Securities Exchange Information FOR THE YEAR ENDED 30 JUNE 2019 cont.

## SHAREHOLDER INFORMATION (Continued)

### (vi) Class B Performance Rights

Shares Range	Holders	Units	(%)
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	4,000,000 <sup>1</sup>	100.00
<b>Total</b>	<b>1</b>	<b>4,000,000</b>	<b>100.00%</b>

<sup>1</sup> Holders who hold more than 20% of securities are:

Bradley Adams – 4,000,000 performance rights

### (vii) Class C Performance Rights

Shares Range	Holders	Units	(%)
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	4,000,000 <sup>1</sup>	100.00
<b>Total</b>	<b>1</b>	<b>4,000,000</b>	<b>100.00%</b>

<sup>1</sup> Holders who hold more than 20% of securities are:

Bradley Adams – 4,000,000 performance rights

## 4. Substantial Shareholders

As at 16 August 2019, the Company's register showed the following substantial shareholders:

Name		No. of Shares	(%)
Mr Ignazio Peter Ricciardi & Mrs Silvana Ricciardi	<IP & S Ricciardi Family A/C>	13,562,290	7.77
Calogero Paul Ricciardi	<C P Ricciardi Family A/C>	11,633,780	6.67
Frewin Corporation Pty Ltd		10,611,574	6.08
NE & HJ Soulos Pty Ltd	<NE&HJ Soulos Super Fund A/C>	9,131,930	5.24

# Additional Securities Exchange Information FOR THE YEAR ENDED 30 JUNE 2019 cont.

## SHAREHOLDER INFORMATION (Continued)

### 5. Restricted Securities

The following restricted securities are subject to escrow until 14 November 2019:

- 19,752,567 Fully Paid Ordinary Shares
- 8,807,452 Class A Options (\$0.30, 28 December 2020)
- 10,039,450 Class B Options (\$0.39, 30 September 2021)
- 2,500,000 Class C Options (\$0.44, 30 September 2021)
- 4,000,000 Class A Performance Rights
- 4,000,000 Class B Performance Rights
- 4,000,000 Class C Performance Rights

### 6. On market buy-back

There is currently no on market buy back in place.

### 7. Application of funds

The Company has applied its cash and assets readily convertible to cash in a way that is consistent with its business objectives detailed in its IPO prospectus.



Diving on the Flinders Bay abalone sea ranch

IMAGE: RUSSELL ORD

# Additional Securities Exchange Information FOR THE YEAR ENDED 30 JUNE 2019 cont.

## SHAREHOLDER INFORMATION (Continued)

### 8. Twenty Largest Shareholders

The twenty largest shareholders of the Company's quoted securities as at 16 August 2019 are as follows

	Name	No. of Shares	(%)
1	Mr Ignazio Peter Ricciardi & Mrs Silvana Ricciardi <IP & S Ricciardi Family A/C>	13,562,290	7.77
2	Calogero Paul Ricciardi <C P Ricciardi Family A/C>	11,633,780	6.67
3	Frewin Corporation Pty Ltd	10,611,574	6.08
4	NE & HJ Soulos Pty Ltd <NE&HJ Soulos Super Fund A/C>	9,131,930	5.24
5	Tomba Nominees Pty Ltd <V&N Tomba Family A/C>	6,818,960	3.91
6	UBS Nominees Pty Ltd	6,800,000	3.90
7	BNP Paribas Noms Pty Ltd <Drp>	5,966,936	3.42
8	Mr Michael Kelsey Cross	5,600,000	3.21
9	HSBC Custody Nominees (Australia) Limited	4,705,941	2.70
10	Sylvia Ricciardi	3,250,000	1.86
11	Jaek Holdings Pty Ltd <Hannaford Family A/C>	2,533,255	1.45
12	Montrose Investments (WA) Pty Ltd <Fraunschiel Family Account>	2,500,000	1.43
12	Mrs Sylvia Ricciardi	2,500,000	1.43
12	Teakdale Investments Pty Ltd	2,500,000	1.43
12	Tejiman Holdings Pty Ltd <The Tejiman A/C>	2,500,000	1.43
13	Makaba Pty Ltd <The Rickerby Spouse A/C>	2,370,000	1.36
14	Blair House Pty Ltd <Robert Stork SF A/C>	2,300,000	1.32
15	Reay Corporation Pty Ltd	2,187,500	1.25
16	Pyxis Holdings Pty Ltd <The Mapletree A/C>	2,000,000	1.15
17	Abracadabra Fishing Company Pty Ltd <Adams Family A/C>	1,951,055	1.12
18	Skycrest Investments Pty Ltd	1,609,725	0.92
19	Foxline Nominees Pty Ltd <Gilbert Super Fund A/C>	1,381,040	0.79
20	Adams Superannuation Services Pty Ltd <The Adams Super Fund A/C>	1,375,000	0.79
	<b>Total</b>	<b>105,788,986</b>	<b>60.65</b>



Ocean Grown  
Abalone

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IMAGE: RUSSELL ORD

OCEAN GROWN ABALONE LIMITED ACN 148 155 042