Ocean Grown Abalone Limited
ACN 148 155 042

GENERAL PURPOSE FINANCIAL STATEMENTS

For The Year Ended 30 June 2017

OCEAN GROWN ABALONE LIMITED
CORPORATE DIRECTORY

Directors
Peter Harold – Non Executive Chairman
Bradley Adams – Managing Director
Ignazio Ricciardi – Executive Director
Danielle Lee – Non Executive Director

Company Secretary
Winton Willesee
Erlyn Dale

Registered Office
Level 3, 3 Cantonment Street
Fremantle WA 6160
Tel +61 8 6181 8888
Fax +61 8 6181 8899

Principal Place of Business
617 Brindley Street
Augusta WA 6290

Auditors
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Level 2,
1 Walker Avenue
West Perth WA 6005

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

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The Directors present the financial report for Ocean Grown Abalone Limited (the **Company**) and its subsidiaries (the **Group**) for the year ended 30 June 2017. The Company was a proprietary company, for the period to 22 December 2016. The Company was subsequently converted to a public company on 22 December 2016.

DIRECTORS

The names of the Directors that held office during or since the end of the financial year are detailed below:

▪ Peter Harold[1]	Non Executive Chairman
▪ Bradley Adams[2]	Managing Director
▪ Ignazio Ricciardi[2]	Executive Director
▪ Danielle Lee[1]	Non Executive Director
▪ Vincenzo Ricciardi[3]	Director
▪ Peter Kestel[4]	Director
▪ Craig Kestel[4]	Director

1. Appointed 19 May 2017
2. Appointed 1 July 2013
3. Resigned 19 May 2017
4. Resigned 5 August 2016

The qualifications and experience of the Directors are as follows:

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

Mr Harold is the Managing Director of Panoramic Resources Limited (ASX:PAN) and is a process engineer with over 26 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 Peak Resources Limited (ASX:PEK) 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 9½ years. Youth Focus is a not-for-profit charity working to prevent of youth suicide and depression.

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 a MBA and Bachelor of Applied Science, Biology from Curtin University of Technology and a Graduate Diploma, Aquaculture from the University of Tasmania.

Mr Ian Ricciardi
Executive Director

Ian has been involved in the Western Australian Fishing Industry since 1975. The Ricciardi Family group have interests in Shark Bay prawn trawlers. Ian has worked on and operated 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.

Ms Danielle Lee
Non-Executive Director – B.Ec LLB

Danielle is an experienced corporate lawyer more than 23 years' 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 arrangements. Danielle is also a Non-Executive Director of ASX listed company Hazer Group Limited (ASX:HZR).

Vincenzo Ricciardi
Director – resigned 19 May 2017
B.Comm MPA CPA

Enzo has a background in accounting and is a member of the Certified Practicing Accountants. His formal qualifications include a Degree in Commerce and Master of Professional Accounting from Notre Dame University. Enzo has experience as a public practice accountant for 9 years specialising in taxation. Enzo is also the financial controller for the Group, overseeing the daily management of the Group's finance and accounting functions.

Peter Kestel
Director – resigned 5 August 2016

Mr Kestel is a Non-Executive Director of 888 Abalone Pty Ltd. Mr Kestel has been a successful business man with over 44 years of experience and has developed and operated a number of businesses in the tourism and agriculture sectors. Mr Kestel has also found and developed a number of gold mines and has been on the board of a number of mining companies.

Craig Kestel
Director – resigned 5 August 2016
B.Bus

Craig is the Managing Director of 888 Abalone Pty Ltd. He has experience in the operations of a producing abalone aquaculture business as well as project management experience. His previous experience includes managing small business and the corporate world of BlueScope steel. Formal qualifications include a Business Degree with a double major in Management and Marketing. Craig is also an active committee member of the Aquaculture Council of Western Australia and former board member of Abalone Growers Association of Australia.

During the financial year, in addition to regular informal Board discussions and decisions made via circulating resolutions, the number of Directors' meetings held during the year, and the number of meetings attended by each Director were as follows:

Name	Number of Meetings Eligible to Attend	Number of Meetings Attended
Bradley Adams	14	14
Ignazio Ricciardi	14	14
Vincenzo Ricciardi	9	9
Peter Harold	3	3
Danielle Lee	3	3
Craig Kestel	4	4
Peter Kestel	4	4

JOINT COMPANY SECRETARIES

Winton Willesee
BBus, DipEd, PGDipBus, MCom, FFin, CPA, GAICD, FGIS/FCIS

Mr Willesee is an experienced company director. He brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects.

Mr Willesee holds a Master of Commerce, a Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators/ Chartered Secretary.

Erlyn Dale
BCom, AGIA/ACIS

Miss Dale has a broad range of experience in the efficient administration of companies and corporate governance having been involved with several listed and unlisted public and other companies.
Miss Dale holds a Bachelor of Commerce (Accounting and Finance) and a Graduate Diploma in Applied Corporate Governance. She is a member of the Governance Institute of Australia/Chartered Secretary.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were the ongoing 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 Group generated sales revenue of $744,713 for the year ended 30 June 2017, (2016: $291,679). Operating loss before tax for the year ended 30 June 2017 amounted to $1,549,568 (2016: $1,123,232).

The net loss of the Group for the year, after provision for income tax, was $1,752,502 (2016: $1,325,923).

Operations

During the financial year, the Company continued seeding of juvenile stock at the Flinders Bay 1 project in Augusta WA and commenced harvesting from juvenile stock that was originally seeded in the 2015 financial year.

The Company also commenced construction of the Flinders Bay 2 project. Together with the Flinders Bay 1 project, these operations forms part of the larger scale trial being undertaken by the Company to determine the optimum conditions for the Ranching operations in Flinders Bay, including suitable densities and positioning of Abitats within the lease areas.

The ongoing assessment of both projects is considered crucial to facilitating the goal of achieving full-scale commercial production in Flinders Bay.

A total of 17,105 kg of abalone (live weight) was harvested from the Flinders Bay 1 trial site in the 2017 financial year. A further 132.7kg was harvested from earlier trial sites within Flinders Bay, taking total harvest for the financial year to 17,237.7kg.

During the financial year, approximately 11,380.6kg (live weight) of abalone product was sold at an average price of approximately $45.22 per kg. The product sold comprised 11,341.3kg of individual quick frozen meat (**IQF**) product (live weight equivalent), processed at the Company's Augusta facility, with the balance of 39.3kg sold live. The abalone product sold was sourced from both the Company's initial sea ranching trials and subsequent larger scale trial harvest, seeding for which initially commenced during the 2015 financial year. The balance of the 2017 harvest was held as inventory at year end and subsequently sold in July 2017. The Company commenced export sales during the 2017 financial year, with a total of 10,799kg (live weight equivalent) of IQF product sold to customers in Hong Kong.

In addition to processing the Company's own abalone product, the Company also generated revenue from processing activities undertaken for third parties, with approximately 35,055kg (live weight) of abalone processed for customers at an average price of $6.56kg.

Research and development activity was also undertaken in relation to potential expansion sites at Wylie Bay (Esperance, WA) and Port Lincoln (SA).

Corporate

During the financial year, Peter Harold was appointed as Non-Executive Chairman and Danielle Lee as Non-Executive Director. Former directors, Peter Kestel, Craig Kestel and Vincenzo Ricciardi, resigned during the financial year.

In July 2016, new convertible notes totalling $250,000 were issued, the key terms of which were:

- annual interest rate of 8% payable monthly in arrears;
- loan balance being convertible to shares at an issue price of $0.16 per share (on a post Share Split basis), with such conversion being at the election of the note holder; and
- termination date of 30 June 2017;

On 11 November 2016, the Company undertook a share split on a 5 for 1 basis (**Share Split**), resulting in the number of Shares on issue in the Company increasing from 10,000,000 to 50,000,000. Subsequently on 22 December 2016, the Company converted from a proprietary limited company to a public company limited by shares and changed its name to Ocean Grown Abalone Limited.

Financing activities undertaken subsequent to the Share Spilt during the financial year comprised:

- on 18 November 2016, the Company issued 47,218,750 new Shares pursuant to the conversion of all outstanding convertible notes, totalling $7,555,000, at a conversion price of $0.16 per Share; and
- on 28 December 2016, the Company completed a share placement (**Placement**) consisting of 30,000,000 at an issue price of $0.20 per Share for gross proceeds of $6,000,000. As part consideration for advisory services provided in relation to the Placement the Company issued 7,633,125 options to purchase Shares, each of which was exercisable at $0.26 on or before 28 December 2020.

There were no other significant changes in the nature of the Company's business activities during the financial year. Other than as disclosed in the financial statements, no matters have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the Company, the results of the operations or the state of affairs of the Company in future years.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

All significant changes in the state of affairs of the Company during the period are discussed in detail above.

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:

- 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, 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; and
- in July 2017 the Company was granted 7 aquaculture licenses and leases, covering an area of approximately 7 hectares in the ocean off Port Lincoln, South Australia. The licenses and leases, which were issued by the

South Australian Government and expire on 30 September 2018, were issued for the purposes of undertaking initial research and development trials.

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 Company, the results of those operations or the state of affairs of the Company for the in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The 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 expand the current Augusta operations and continue other trial and research programs at other sites around Australia, including Esperance and Port Lincoln.

ENVIRONMENTAL REGULATIONS

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

OPTIONS

As at 30 June 2017, there were 7,633,125 outstanding options on issue to purchase Shares, each of which was exercisable at $0.26 on or before 28 December 2020. Refer to the section titled *Events Arising Since the End of the Reporting Period*, for details on the subsequent cancellation of these options and the issue of replacement options.

PROCEEDINGS ON BEHALF OF COMPANY

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Company has made agreements indemnifying all the Directors and Officers of the Group against all losses or liabilities incurred by each Director or Officer in their capacity as Directors or Officers of the 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 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 11 of this report.

Signed in accordance with a resolution of the Directors.

Bradley Adams
Managing Director
7 September 2017

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 12 to 42 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 2017 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.

Bradley Adams
Managing Director
7 September 2017

Stantons International Audit and Consulting Pty Ltd
trading as
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
OCEAN GROWN ABALONE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Ocean Grown Abalone Limited, which comprises the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the end of the year or from time to time during the financial year.

Directors' responsibility 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 (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101: *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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 and fair presentation of the financial report 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. 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 believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Ocean Grown Abalone Limited 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 2017 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 2.

Inherent Material Uncertainty Regarding Going Concern

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

As referred to in Note 2 to the financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2017, the consolidated entity had net assets of $8,918,019, working capital of $5,220,575, cash and cash equivalents of $2,990,360 and net cash operating outflows totalling $1,442,643.

The ability of the Group to continue as a going concern is subject to the Group commencing profitable operations and generating sufficient cash flows from its existing businesses, and/or raising further equity or loan funds to meet the Group's liabilities and commitments as they fall due. There is a material uncertainty as to when or whether these objectives will be met.

In the event the Group is not successful in commencing profitable operations and/or raising further equity or loan funds, the Group may not be able to continue as a going concern and the realisable value of the Group's assets may be significantly less than their current carrying values.

Inherent Material Uncertainty Regarding Valuation of inventory of Biological Assets and harvested abalone

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

As referred to in Note 8 to the financial statements, biological assets are carried at a value of $3,729,337. The 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 also to Note 2 (v)). Because of the inherent uncertainty associated with the valuation of the biological assets due to the sample size selected for the stocktake and thus the number of abalone, their size, mortality rates and absence of an active market during the growth phase, their carrying value may differ from the realisable value. Similarly, as the valuation of the harvested abalone is derived from the valuation model noted above, their carrying value may differ from the realisable value.

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

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director
West Perth, Western Australia
7 September 2017

Stantons International Audit and Consulting Pty Ltd
trading as
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7 September 2017

Board of Directors
Ocean Grown Abalone Limited
Suite 6, 20 Twickenham Road
Burswood, WA 6100

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 2017, 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

Martin Michalik
Director

OCEAN GROWN ABALONE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $	2016 $
Revenue	3	744,713	291,679
Other income	4	101,816	79,221
R&D tax incentive	4	1,377,541	1,435,659
Total income		**2,224,070**	**1,806,559**
Cost of goods sold		(394,546)	(3,045)
Fair value adjustment of biological assets	8	947,049	184,069
Selling & distribution		(39,829)	-
Processing expenses		(199,477)	(252,795)
Employee benefits expense		(1,374,231)	(1,058,612)
Diving, vessels & operations expense		(889,132)	(677,028)
Corporate & administration		(719,070)	(212,678)
Depreciation & amortisation expense		(393,478)	(274,726)
Net interest paid		(597,338)	(551,547)
Other expenses		(113,586)	(83,429)
		3,773,638	**(2,929,791)**
Loss before tax		**(1,549,568)**	**(1,123,232)**
Income tax (expense)	5	(202,934)	(202,691)
Loss after tax from continuing operations		**(1,752,502)**	**(1,325,923)**
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		-	-
Total comprehensive loss for the year		**(1,752,502)**	**(1,325,923)**
Loss attributable to:			
- Owners of the Company		(1,745,455)	(1,325,823)
- Non-controlling interests		(7,047)	(100)
		(1,752,502)	(1,325,923)
Total comprehensive loss attributable to:			
- Owners of the Company		(1,745,455)	(1,325,823)
- Non-controlling interests		(7,047)	(100)
		(1,752,502)	(1,325,923)
Basic and diluted loss per share attributable to the Owners of the Company			
Basic and diluted loss per share (cents)	25	(1.85)	(2.79)

The accompanying notes form part of these financial statements.

OCEAN GROWN ABALONE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	6	2,990,360	467,393
Trade and other receivables	7	1,651,510	1,598,151
Biological assets	8	1,480,000	540,000
Inventory	9	184,346	-
Other	12	25,000	210,000
TOTAL CURRENT ASSETS		**6,331,216**	**2,815,544**
NON CURRENT ASSETS			
Property, plant and equipment	10	1,718,900	990,172
Biological assets	8	2,249,337	1,678,417
Intangible assets	11	72,263	135,615
Other assets	12	126,464	96,289
TOTAL NON CURRENT ASSETS		**4,166,964**	**2,900,493**
TOTAL ASSETS		**10,498,180**	**5,716,037**
CURRENT LIABILITIES			
Trade and other payables	13	631,964	187,693
Unearned revenue	14	205,642	-
Interest bearing liabilities	15	105,009	7,550,040
Provisions	16	53,693	16,856
Current tax liability	17	114,333	94,237
TOTAL CURRENT LIABILITIES		**1,110,641**	**7,848,826**
NON CURRENT LIABILITIES			
Interest bearing liabilities	15	255,730	360,738
Deferred tax liabilities	18	213,790	30,952
TOTAL NON CURRENT LIABILITIES		**469,520**	**391,690**
TOTAL LIABILITIES		**1,580,161**	**8,240,516**
NET ASSETS / (DEFICIENCY)		**8,918,019**	**(2,524,479)**
EQUITY			
Contributed equity	19	14,046,786	1,675,446
Share based payment reserve	20	823,660	-
Accumulated losses	21	(5,946,280)	(4,200,825)
Equity attributable to owners of the Company		**8,924,166**	**(2,525,379)**
Non-controlling interests		(6,147)	900
TOTAL EQUITY		**8,918,019**	**(2,524,479)**

The accompanying notes form part of these financial statements.

OCEAN GROWN ABALONE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Issued Capital $	Share Based Payments Reserve $	Accumulated Losses $	Total $	Non-controlling interest $	Total Equity $
Balance as at 1 July 2015	1,625,446	-	(2,875,002)	(1,249,556)	-	(1,249,556)
Loss after income tax expense for the year	-	-	(1,325,823)	(1,325,823)	(100)	(1,325,923)
Other comprehensive loss for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	**(1,325,823)**	**(1,325,823)**	**(100)**	**(1,325,923)**
Transactions with owners recorded directly in equity						
Shares issued	50,000	-	-	50,000	-	50,000
Share issue costs	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	1,000	1,000
Total transactions with owners recorded directly in equity	**50,000**	-	-	**50,000**	**1,000**	**51,000**
Balance as at 30 June 2016	**1,675,446**	-	**(4,200,825)**	**(2,525,379)**	**900**	**(2,524,479)**
Balance as at 1 July 2016	**1,675,446**	-	**(4,200,825)**	**(2,525,379)**	**900**	**(2,524,479)**
Loss after income tax expense for the year		-	(1,745,455)	(1,745,455)	(7,047)	(1,752,502)
Other comprehensive loss for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	**(1,745,455)**	**(1,745,455)**	**(7,047)**	**(1,752,502)**
Transactions with owners recorded directly in equity						
Shares issued	13,555,000	-	-	13,555,000	-	13,555,000
Share issue costs	(1,183,660)	-	-	(1,183,660)	-	(1,183,660)
Share based payment expense	-	823,660	-	823,660	-	823,660
Non-controlling interest	-	-	-	-	-	-
Total transactions with owners recorded directly in equity	**12,371,340**	**823,660**	-	**13,195,000**	-	**13,195,000**
Balance as at 30 June 2017	**14,046,786**	**823,660**	**(5,946,280)**	**8,924,166**	**(6,147)**	**8,918,019**

The accompanying notes form part of these financial statements.

OCEAN GROWN ABALONE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		949,917	251,161
Other income		100,771	79,221
Payments to suppliers and employees		(3,928,990)	(3,823,609)
R&D tax incentive		1,435,659	1,266,641
Net cash (used in) operating activities	30	**(1,442,643)**	**(2,226,586)**
Cash flows from investing activities			
Purchases of plant, equipment and intangible assets		(1,091,127)	(276,249)
Incorporation of Wylie Bay Abalone		-	(2,000)
Payment of lease deposits		1,936	(1,237)
Interest received		31,148	16,071
Net cash (used in) investing activities		**(1,058,043)**	**(263,415)**
Cash flows from financing activities			
Proceeds from borrowings		257,179	2,160,653
Repayment of borrowings		(245,040)	(150,397)
Interest paid		(628,486)	(567,617)
Borrowing costs		-	(9,432)
Proceeds from issue of shares		6,000,000	50,000
Capital raising costs		(360,000)	-
Net cash from financing activities		**5,023,653**	**1,483,207**
Net increase / (decrease) in cash and cash equivalents		**2,522,967**	**(1,006,794)**
Cash and cash equivalents at the beginning of the financial year		**467,393**	**1,474,187**
Cash and cash equivalents at the end of the financial year	6	**2,990,360**	**467,393**

The accompanying notes form part of these financial statements.

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 are 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 WA for the purposes of undertaking larger scale trials over a three year growth cycle.

The Company is now a public company limited by shares. This followed the Company's conversion on 22 December 2016 from a proprietary limited company to a public company and its change of name from "Ocean Grown Abalone Pty Ltd" to "Ocean Grown Abalone Limited".

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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 Standrads results 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 2017 were approved and authorised for issue by the Board of Directors on 7 September 2017.

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) Going Concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. For the year ended 30 June 2017, the Group incurred a loss after tax from continuing operations of $1,752,502 (2016: loss of $1,325,923) and incurred net operating cash outflows of $1,442,643 (2016: $2,226,586). At 30 June 2017, the Group had a net current assets of $5,220,575 (2016: net deficiency of $5,033,282).

The Group's ability to continue as a going concern is dependent upon its ability to generate positive cash flow through its business operations, raise further equity or debt financing and its ongoing eligibility for the research and development tax incentive scheme. The Directors continue to be focused on meeting the Group's business objectives and are mindful of the funding requirements to meet these objectives. The Directors consider the basis of going concern to be appropriate for the following reasons:

- the results achieved to date from the Company's research and development trials and future growth prospects;
- the Director's achievements to date in terms of raising requisite levels of financing, in the form of both equity and debt, to meet its operational requirements;
- ongoing eligibility for the R&D tax incentive refund; and
- the Company's ability to manage its level of operational activity and hence working capital requirements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(iii) New and amended standards adopted by the Company

The Company has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

(iv) New standards and interpretations not yet adopted

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

- AASB 9 *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, the Standard includes revised requirements for the classification and measurement of financial instruments and simplified requirements for hedge accounting. The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace 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 will apply 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.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- 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.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

- AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

The main changes introduced by the new Standard are as follows:

- recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);

- depreciating the right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;

- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

- application of practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and

- additional disclosure requirements.

The directors anticipate that the adoption of AASB 16 will not have a material impact on the Company's revenue recognition and disclosures.

- *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

b) 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 34. 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.

c) 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 general 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 exceed the sum calculated above, the excess is recognised directly in profit and loss as a bargain purchase.

d) 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.

e) Revenue recognition

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

Interest income and expenses are reported on an accrual basis.

f) Research and development tax refund

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

g) 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.

h) 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.

i) Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of an asset below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss and other comprehensive income – is removed from equity and recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments classified as available for sale are not reversed through the statement of profit or loss and other comprehensive income.

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.

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, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

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 Standard. 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(v) 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.

p) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value movements are recognised within the income statement.

q) 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 and 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
• Dive vessels	20% SL
• Barge	20% SL
• Dive equipment	20% SL
• Motor vehicles	20% SL
• Moulds	20% 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.

r) Intangible assets

Trademarks, patents leases and licenses are initially recorded at 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.

s) 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.

t) 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.

u) 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.

v) 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 cost, on the basis that the Company considers that the fair value cannot be measured reliably.

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 farm, 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 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.

	2017 $	2016 $

Note 3. REVENUE

Revenue for the reporting period consisted of the following:

	2017 $	2016 $
Sale of abalone product	514,576	28,232
Processing revenue	230,137	263,447
	744,713	**291,679**

During the financial year approximately 11,380.6kg (live weight) of abalone product was sold at an average price of approximately $45.22 per kg. The product sold comprised 11,341.3kg which was subsequently processed and sold as individual quick frozen (**IQF**) meat product and the balance of 39.3kg was sold as live. The abalone product sold was sourced from both the Company's initial sea ranching trials and subsequent larger scale trial harvest, seeding for which initially commenced during the 2015 financial year.

Processing revenue relates to processing activities undertaken for third parties, with approximately 35,055kg (live weight) of abalone processed for customers (average price of $6.56kg).

Note 4. OTHER INCOME

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

	2017 $	2016 $
Government grants	40,000	-
Facility use	8,400	8,400
Foreign exchange gain on sales	2,295	-
Miscellaneous	51,121	70,821
	101,816	**79,221**

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

	2017 $	2016 $
Accrued during the year (refer also Note 7)	1,377,541	1,435,659
	1,377,541	**1,435,659**

Note 5. INCOME TAX

	2017 $	2016 $
A reconciliation between income tax benefit / (expense) and the product of accounting (loss) / profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
(Loss) before income tax	(1,549,568)	(1,123,232)
At statutory income tax rate of 27.5% (2016: 28.5%)	(426,131)	(320,121)
Other non deductible expenditure for income tax purposes:		
R&D tax rebate	(378,824)	(409,164)
Other non-deductible expenses	134,372	7,711
Expenditure subject to R&D tax incentive claim	870,859	909,251
Other adjustment	34,384	15,171
Recognised tax losses	(31,726)	(157)
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	202,934	202,691
The components of income tax expense comprise:		
Current income (refund) / tax payable	(57,505)	150,232
Deferred income tax expense	260,439	52,459
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	202,934	202,691

The following deferred tax balances have not been brought to account:

	2017 $	2016 $
Deferred tax assets		
Carried forward revenue losses – Two Oceans Abalone Pty Ltd	154,127	191,274
Carried forward capital losses – Two Oceans Abalone Pty Ltd	2,791	2,892
Carried forward revenue losses – OGA Operations Pty Ltd	-	1,337
Carried forward revenue losses – Wylie Bay Abalone Pty Ltd	5,897	86
Deferred tax assets not recognised	162,815	195,589

Due to uncertainty regarding the utilisation of prior year tax losses in future years, the tax losses have not been recognised as an asset.

Note 6. CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank and in hand	2,990,360	467,393
	2,990,360	**467,393**

	2017 $	2016 $

Note 7. TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Trade debtors	86,107	84,624
Sundry & other debtors	1,377,541	1,435,659
GST receivable	187,862	77,868
	1,651,510	**1,598,151**

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

Sundry & other debtors for the 2017 financial year represents the R&D refund for the period of $1,377,541 (2016: $1,435,659).

Note 8. BIOLOGICAL ASSETS

	2017 $	2016 $
CURRENT		
Abalone on Abitats	1,480,000	540,000
	1,480,000	**540,000**
NON CURRENT		
Abalone on Abitats	2,249,337	1,678,417
	2,249,337	**1,678,417**

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

	2017 $	2016 $
Opening balance	2,218,417	862,433
Increases due to purchases	1,077,021	1,174,960
Decreases due to harvest for processing to inventory	(513,150)	(3,045)
Fair value adjustment at year end recognised in profit and loss	947,049	184,069
Closing balance	**3,729,337**	**2,218,417**

The closing stock estimate was 1,558,699 abalone with a biomass of 121,870kg. This comprised (i) 1,070,019 abalone with an estimated nominal size below 90mm and total estimated biomass of 46,356kg; and (ii) 488,680 abalone with an estimated nominal size above 90mm and total estimated biomass of 75,514kg. The classification of the closing biological stock between current and non-current is based on the estimated harvest potential for the 2017 financial year, which will be sourced from within the closing stock above 90mm.

As detailed in Note 2(o), historical cost is used as an estimate of fair value for abalone below the minimum commercial harvest size of 90mm.

Note 2 (o) also details that stock above 90mm is measured at fair value less costs to sell. For the 2017 financial year, the fair value of stock above 90mm has been estimated using a value of $37kg (live weight), which in turn is based on the Company's assessment of the market value of the stock at balance date, being the average price received for the 2017 financial year, less estimated harvest, processing and selling costs. 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.

The harvest during the 2017 financial year comprised 17,105 kg abalone, which had a carrying value of $513,150. The balance of the harvest during the 2017 financial year of 132.7kg was taken from pre 2015 trial stock that had been expensed in prior periods.

Note 8. BIOLOGICAL ASSETS (continued)

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(v), 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% statistically relevant sample). Actual growth and mortality rates will invariably differ to some extent across the farm.

Sensitivity analysis – Biological Assets

Based on the assumed market price and biomass at 30 June 2017 (refer above), with all other variables held constant, the Group's pre-tax operating loss for the period would have been impacted as follows:

- a pricing increase / decrease of 10% would have resulted in a change of $305,834 lower / higher (2016:$136,496); and
- a closing biomass (above 90mm) increase / decrease of 10% would have resulted in a change of $251,464 lower / higher (2016:$102,888).

	2017	2016
	$	$
Note 9. INVENTORY		
Finished goods	184,346	-
	184,346	**-**

Inventory is stated at the lower of cost or net realisable value. Inventory at balance date comprised 1,505kg (~5,318kg live weight equivalent) of IQF product. The inventory balance includes an allocation of harvest and processing costs (deferred cost of production). These costs are capitalised and carried forward to finished goods and subsequently cost of goods sold when the product is eventually sold.

Note 10. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
Plant & equipment, at cost	438,494	386,311
less : Accumulated depreciation	(268,828)	(213,888)
	169,666	172,423
Motor vehicles, at cost	258,905	208,996
less : Accumulated depreciation	(101,017)	(75,969)
	157,888	133,027
Barge, at cost	63,190	63,190
less : Accumulated depreciation	(40,749)	(28,113)
	22,441	35,077
Dive vessels, at cost	1,446,470	603,559
less : Accumulated depreciation	(358,660)	(202,503)
	1,087,810	401,056
Dive equipment, at cost	278,174	237,713
less : Accumulated depreciation	(119,129)	(68,194)
	159,045	169,519
Moulds, at cost	144,440	134,840
less : Accumulated depreciation	(86,356)	(58,965)
	58,084	75,875

		2017	2016
		$	$
Note 10.	PROPERTY & PLANT AND EQUIPMENT (continued)		
	Leasehold improvements, at cost	103,908	60,683
	less : Accumulated depreciation	(61,394)	(60,683)
		42,514	-
	Office equipment, at cost	26,198	6,936
	less : Accumulated depreciation	(4,746)	(3,741)
		21,452	3,195
	Net carrying amount	**1,718,900**	**990,172**

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:

	2017	2016
Plant & equipment		
Carrying amount at beginning of year	172,423	182,940
Additions	52,183	38,194
Depreciation charges	(54,940)	(48,711)
Disposals	-	
Carrying amount at the end of the year	169,666	172,423
Motor vehicles		
Carrying amount at beginning of year	133,027	158,240
Additions	49,909	-
Depreciation charges	(25,048)	(25,213)
Disposals	-	
Carrying amount at the end of the year	157,888	133,027
Barge		
Carrying amount at beginning of year	35,077	47,716
Additions	-	-
Depreciation charges	(12,636)	(12,639)
Disposals	-	-
Carrying amount at the end of the year	22,441	35,077
Dive Vessels		
Carrying amount at beginning of year	401,056	390,870
Additions	842,911	125,669
Depreciation charges	(156,157)	(115,483)
Disposals	-	-
Carrying amount at the end of the year	1,087,810	401,056
Dive Equipment		
Carrying amount at beginning of year	169,519	106,174
Additions	40,461	107,243
Depreciation charges	(50,935)	(43,898)
Disposals	-	
Carrying amount at the end of the year	159,045	169,519
Moulds		
Carrying amount at beginning of year	75,875	102,845
Additions	9,600	-
Depreciation charges	(27,391)	(26,970)
Disposals	-	-
Carrying amount at the end of the year	58,084	75,875
Leasehold Improvements		
Carrying amount at beginning of year	-	-
Additions	43,225	-
Depreciation charges	(711)	-
Disposals	-	-
Carrying amount at the end of the year	42,514	-

Note 10. PROPERTY & PLANT AND EQUIPMENT (continued)

	2017 $	2016 $
Office Equipment		
Carrying amount at beginning of year	3,195	2,729
Additions	20,504	1,243
Depreciation charges	(1,142)	(777)
Disposals	(1,105)	-
Carrying amount at the end of the year	21,452	3,195
Net carrying amount	**1,718,900**	**990,172**

Note 11. INTANGIBLE ASSETS

	2017 $	2016 $
Artificial reef technology, at cost	62,650	62,650
less accumulated amortisation	(15,786)	-
	46,864	62,650
Ocean leases, at cost	41,870	41,870
less accumulated amortisation	(41,870)	-
	-	41,870
Patents & trademarks, at cost	31,095	31,095
less accumulated amortisation	(5,696)	-
	25,399	31,095
	72,263	**135,615**

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

The capitalised ocean lease expenditure relates to a research and development lease in South Australian. The expenditure has been written off on the basis that the lease is expected to be surrendered following the granting of 7 new aquaculture licenses and leases in July 2017 (refer Note 22 for further details).

Note 12. OTHER ASSETS

	2017 $	2016 $
CURRENT		
Prepayments	25,000	210,000
	25,000	**210,000**
NON CURRENT		
Augusta Boat Harbour Marina	50,626	17,050
Corporate & financing costs	2,560	4,026
Deposits	71,078	73,013
Other	2,200	2,200
	126,464	**96,289**

Prepayments relate to advance payments for hatchery-reared juvenile abalone stock that was subsequently received in the next financial period.

		2017	2016
		$	$
Note 13.	**TRADE AND OTHER PAYABLES**		
	Trade payables	386,709	37,757
	Accrued expenses	245,255	149,936
		631,964	**187,693**

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

		2017	2016
Note 14.	**UNEARNED REVENUE**		
	Finished goods	205,642	-
		205,642	**-**

Unearned revenue relates to payments received for abalone product that had not been delivered to the customer at balance date. The relevant sale was completed after balance date.

		2017	2016
Note 15.	**INTEREST BEARING LIABILITIES**		
	CURRENT		
	Equipment loans	105,009	245,040
	Convertible notes	-	7,305,000
		105,009	**7,550,040**
	NON CURRENT		
	Equipment loans	255,730	360,738
		255,730	**360,738**

Equipment Loans

The equipment loans have been provided to Ocean Grown Abalone Operations Pty Ltd (**OGA Operations**) by National Australia Bank Limited, pursuant to a master asset finance agreement with a facility limit of $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.

The equipment loans at reporting date comprised:

- $175,411 which commenced in July 2015, with 60 monthly repayments (final payment date of 10 July 2020) and an annual interest rate of 5.2%;
- $155,968 which commenced in November 2015, with 60 monthly repayments (final payment date 15 November 2020) and an annual interest rate of 4.82%; and
- $29,360 which commenced in November 2015, with 60 monthly repayments (final payment date 16 November 2020) and an annual interest rate of 4.82%

Convertible Notes

All outstanding convertible notes were converted to shares on 18 November 2016 (refer Note 19 for further details).

		2017 $	2016 $
Note 16.	PROVISIONS		
	CURRENT		
	Employee entitlements – annual leave	53,693	16,856
		53,693	16,856
Note 17.	TAXATION		
	CURRENT		
	Current income tax payable	114,333	94,237
Note 18.	DEFERRED TAX LIABILITIES		
	Deferred income tax liability	213,790	30,952

The movement in the deferred income tax liability benefit arises from the tax effect of the fair value adjustment at balance date to the carrying value of Biological Assets of $260,439, the tax liability for which is expected to be realised in future periods when the assets are sold, offset by applicable deferred tax assets arising in the period of $77,601.

Note 19. CONTRIBUTED EQUITY

	2017	2016
	No.	No.
(a) Issued and paid up capital		
No. fully paid ordinary shares	127,218,750	10,000,000
	$	$
Balance at beginning of year	1,675,446	1,625,446
Issue of shares at $0.05 on 31 December 2015 upon the exercise of options	-	50,000
Share split[1]	-	-
Conversion of convertible notes ($0.16 on 18 November 2016)[2]	7,555,000	-
Private placement ($0.20 on 28 December 2016)	6,000,000	-
Share issue costs	(1,183,660)	-
Balance at end of year	**14,046,786**	**1,675,446**
(b) Movement in ordinary shares	No.	No.
Balance at the beginning of year	10,000,000	9,000,000
Issue of shares at $0.05 on 31 December 2015 upon the exercise of options	-	1,000,000
Share split[1]	40,000,000	-
Conversion of convertible notes ($0.16 on 18 November 2016)[2]	47,218,750	-
Private placement ($0.20 on 28 December 2016)	30,000,000	-
Balance at end of year	**127,218,750**	**10,000,000**

1. On 11 November 2016, the Company undertook a share split on the basis of 5 Shares for each existing Share (**Share Split**), resulting in the number of Shares on issue increasing by 40,000,000. The Company received no consideration in relation to the Share Split and hence there was no increase in the nominal value of the Company's issued capital.
2. On 18 November 2016, the Company issued 47,218,650 new Shares (on a post Share Split basis) pursuant to the conversion of all outstanding convertible notes totalling $7,555,000, at a conversion price of $0.16 per Share.
3. On 28 December 2016, the Company completed a share placement consisting of 30,000,000 new Shares (on a post Share Split basis) at an issue price of $0.20 per Shares for gross proceeds of $6,000,000.

(b) 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.

(c) Share options

During the financial year, 7,633,125 options, each exercisable at $0.26 on or before 28 December 2020, were issued as part consideration for corporate advisory services provided in relation to the December 2016 share placement. All of these options remained outstanding at balance date. Refer Note 22 for details on the subsequent cancellation of the outstanding options and issue of replacement options.

		2017	2016
		$	$
Note 20.	RESERVES		
	Share based payment reserve	823,660	-

The share based payment reserve is used to record the value of equity benefits (options) 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

	2017	2016
	$	$
Balance at beginning of the year	-	-
Options issued to advisers (charged to share issue costs)	823,660	-
Options exercised or expired during the year	-	-
Balance at the end of the year	**823,660**	**-**

The options expense which was charged to share issue cost during the period, relates to the fair value of options issued to the Company's corporate adviser as part consideration for services in relation to share placement which was completed on 28 December 2016. Refer to Note 28 for further details.

Note 21. ACCUMULATED LOSSES

	2017	2016
Retained losses at beginning of year	(4,200,825)	(2,875,002)
Loss attributable to Owners of the Company	(1,745,455)	(1,325,823)
Dividends paid in the year	-	-
Retained losses at end of year	**(5,946,280)**	**(4,200,825)**

Note 22. SUBSEQUENT EVENTS

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

- on 3 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, the existing 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; and
- in July 2017 the Company was granted 7 aquaculture licenses and leases, covering an area of approximately 7 hectares in the ocean off Port Lincoln, South Australia. The licenses and leases which were issued by the South Australian Government and expire on 30 September 2018, were issued for the purposes of undertaking initial research and development trial.;

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 Company, the results of those operations or the state of affairs of the Company for the in future financial years.

		2017	2016
		$	$
Note 23.	COMMITMENTS AND CONTINGENCIES		

The Group had the following operating lease commitments as at 30 June 2017

	2017 $	2016 $
Within one year	101,190	48,121
After one year but not more than five years	460,720	115,779
More than five years	412,463	441,409
	974,373	**605,309**

Operating leases comprise the Fremantle head office lease, Augusta Harbour site lease and various premise leases in Augusta which are required pending the eventual construction of the proposed new facility at Augusta harbour.

The Fremantle head office expires 13 April 2022, with current annual lease payments of $55,245 increasing to $90,231 (plus CPI) from April 2019.

The Augusta harbour lease expires 31 August 2036, with current annual lease payments of $28,945. The expenditure commitments for more than five years includes the commitments through to the current expiry date of 31 August 2036.

Pursuant to the Augusta Harbour lease, the Company has a commitment to commence construction of a processing facility at the leased site on or before 31 March 2018, with final completion by 31 May 2019. As at the date of this report the Company is in the process of finalising the design for the facility and will undertake a competitive tender process once this has been finalised. Consequently the value of the any commitments that the Company enter into in relation to the facility are yet to be determined.

The Group had the following aquaculture lease commitments as at 30 June 2017

	2017 $	2016 $
Within one year	15,950	4,200
After one year but not more than five years	63,800	16,800
More than five years	207,350	58,800
	287,100	**79,800**

The lease commitments for the period beyond five years are based on the current lease end dates of 30 June 2035.

At 30 June the Group had contingent liabilities in relation to the leases amounting to:

- $60,000 in respect of security deposit guarantees in favour of the Minister for Fisheries (WA), $40,000 of which relates to leases held in the name of the Company and $20,000 of which relates to leases held in the name of Two Oceans Abalone Pty Ltd (**TOA**); and
- $10,000 in respect of a security deposit guarantee in favour of the Department of Primary Industries and Regions.

The required security deposits over the WA leases will increase to $100,000 in the period to 30 June 2019 and then to $200,000 for the period 1 July 2019 to 30 June 2032. Thereafter the requirement will increase to $700,000.

The Group had the following juvenile abalone purchase commitments as at 30 June 2017

	2017 $	2016 $
Within one year	1,592,036	936,031
After one year but not more than five years	-	-
More than five years	-	-
	1,592,036	**936,031**

The Company's juvenile abalone purchase commitment for the 2018 financial year assumes an average size per juvenile of 40mm (average price $1.027 per juvenile). The actual expenditure will be subject to the size of abalone delivered, with an additional price of $0.026 payable for each mm above 40mm.

	2017 $	2016 $
The Group had the following capital purchase commitments as at 30 June 2017		
Within one year	195,669	-
After one year but not more than five years	-	-
More than five years	-	-
	195,669	-

Capital purchase commitments at balance date were attributable to the remaining payments due in relation to the purchase of an additional dive boat, which is currently under construction and due for delivery in the first quarter of the 2018 financial year.

Other than as disclosed in the financial statements, the Company 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 24. AUDITORS' REMUNERATION

Audit fees – current year	15,000	15,000

Note 25. LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following :

Net loss for the year attributable to owners of the Company	(1,745,455)	(1,325,823)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share (on a post Share Split basis)	94,191,370	47,486,339
Effect of dilution:		
Share options	-	n/a
Convertible loans	n/a	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share (on a post Share Split basis)	94,191,370	47,486,339
Basic and diluted loss per share (cents per share)	**(1.85)**	**(2.79)**

There is no impact from the 7,633,125 options outstanding at 30 June 2017 (2016: nil options) on the loss per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future.

Note 26. 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:

Peter Harold	Non-Executive Chairman
Bradley Adams	Managing Director
Ignazio Ricciardi	Executive Director
Danielle Lee	Non-Executive Director
Vincenzo Ricciardi	Executive Director
Peter Kestel	Director
Craig Kestel	Director
Ian Cunningham	Chief Financial Officer

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

	2017	2016
	$	$
Short-term employee benefits	364,838	244,800
Post-employment benefits	34,093	21,128
Consulting fees	34,200	-
	433,131	265,928

Note 27. RELATED PARTY TRANSACTIONS

The ultimate parent entity is Ocean Grown Abalone Limited. Refer to Note 34 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 $12,535 during the financial year (FY2016:$1,755).

Big Buoy Pty Ltd, of whom Ignazio Ricciardi is a director and in which he holds a beneficial ownership interest, purchased $1,350 of abalone product duirg the financial year (FY2016:$1,224).

Bigstreet Pty Ltd, of whom Ignazio Ricciardi is a director and in which he holds a beneficial ownership interest, was paid $106 during the financial year (FY2016: nil) for the provision of cold storage and handling services.

888 Abalone Pty Ltd, of whom Peter and Craig Kestel are directors, was paid $153,736 during the period of their directorships to 4 August 2016 (FY2016 $1,174,960) for the supply of juvenile abalone. 888 Abalone Pty Ltd was also charged $16,348.20 (FY2016: $217,218) by TOA, during the same period, for abalone processing services.

Vincenzo Ricciardi, son of Ignazio's Ricciardi's, is an employee of the Company and was a director of the Company until 19 May 2017. He received total remuneration during the financial year of $80,356 (FY2016: $nil) as the Group financial controller.

Jodee Adams, wife of Brad Adams, is an employee of OGA Operations and received total remuneration during the financial year of $29,481 (FY2016: $25,000) for the provision of office administration and marketing services.

Note 28. SHARE-BASED PAYMENTS

The Company makes share based payments, in the form of options, 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.

	2017		2016	
	Weighted average exercise price per Option	Number of options	Weighted average exercise price per Option	Number of options
Balance at the start of the year	-	-	$0.05	1,000,000
Granted during the year	$0.26	7,633,125		
Exercised during the year	-	-	$0.05	(1,000,000)
Lapsed during the year	-	-		
Balance at the end of the year	**$0.26**	**7,633,125**	-	-

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

Grant date	Expiry date	Exercise price	Number of options
28 Dec 2016	28 Dec 2020	$0.26	7,633,125
		Total	**7,633,125**

Fair value of options granted during the year

The estimated fair value at grant date of options issued during the financial year, was determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following options were issued during the 2017 financial year:

Grant date	Number of options	Expiry date	Exercise price	Fair value per option	Total fair value
28 Dec 2016	7,633,125	28 Dec 2020	$0.26	$0.1079	$823,660

The Black & Scholes model inputs for the options granted during the 2017 financial year were:

Number of options	7,633,125
Grant date	28 Dec 2016
Expiry Date	28 Dec 2020
Grant date share price	$0.20
Exercise price	$0.26
Expected volatility	80%
Option life (years)	4.0
Expected dividend yield	0%
Risk free rate at grant date	2.26%

The cost of the issue of the options $823,660 was recorded in financial statements as share issue costs on the basis that the options were issued as part consideration for advisory services provided in relation to the December 2016 financing and were contingent on the completion of that financing.

There were no options issued during the 2016 financial year.

Note 29. 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 Group's business. The risk management policies are designed to minimise potential adverse effects on the Group's financial performance.

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

	2017 $	2016 $
Financial assets		
Cash and cash equivalents	2,990,360	467,393
Trade & other receivables	1,651,510	1,598,151
Deposits	71,078	73,013
	4,712,948	2,138,557
Financial liabilities		
Trade and other payables	631,964	187,693
Interest bearing liabilities	360,739	7,910,778
Current tax liability	114,333	94,237
	1,107,036	8,192,708

Market risk

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

Currency risk

The 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 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 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%:

	2017 $	2016 $
Percentage shift in AUD / USD exchange rate	10%	10%
Total effect on cash and cash equivalents of +ve movement	32,490	-
Total effect on cash and cash equivalents of -ve movement	(26,583)	-
Total effect on comprehensive loss of +ve movement	52,329	-
Total effect on comprehensive loss of –ve movement	(42,815)	-

Interest rate risk

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

Consolidated	Interest bearing 2017 $	Non-interest bearing 2017 $	Total 2017 $	Weighted average interest rate 2017 %
Financial assets				
Cash and cash equivalents	2,664,973	325,387	2,990,360	1.25
Trade & other receivables	-	1,651,510	1,651,510	-
Deposits	71,078	-	71,078	2.42
Total financial assets	2,736,051	1,976,897	4,712,948	
Financial liabilities				
Trade & other payables	7,741	624,223	631,964	15.50
Loans and borrowings	360,739	-	360,739	4.97
Current tax liability	-	114,333	114,333	-
Total financial liabilities	368,480	738,556	1,107,036	

Consolidated	Interest bearing 2016 $	Non-interest bearing 2016 $	Total 2016 $	Weighted average interest rate 2016 %
Financial assets				
Cash and cash equivalents	400,337	67,056	467,393	0.95
Trade & other receivables	-	1,598,151	1,598,151	
Deposits	73,013	-	73,013	3.03
Total financial assets	473,350	1,665,207	2,138,557	
Financial liabilities				
Trade & other payables	3,471	184,222	187,693	15.50
Loans and borrowings	7,910,778	-	7,910,778	7.78
Deferred tax liability	-	94,237	94,237	-
Total financial liabilities	7,914,249	278,459	8,192,708	

The 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 1.25%. The Group's US dollar account does not attract interest.

The Group receives interest on its Deposits and at balance date was exposed to a weighted average fixed interest rate of 2.42%

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

Credit Risk

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

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

	2017 $	2016 $
Financial assets		
Cash and cash equivalents	2,990,360	467,393
Trade & other receivables	1,651,510	1,598,151
Deposits	71,078	73,013
Total financial assets	**4,712,948**	**2,138,557**

The credit quality is assessed and monitored as follows:

Credit quality of financial assets	Equivalent S&P rating[1]	Internally rated No default	Total
At 30 June 2017			
Financial assets			
Cash and cash equivalents	2,990,360	-	2,990,360
Trade debtors & other receivables[2]	-	1,651,510	1,651,510
Deposits	71,078	-	71,078
Total financial assets	**3,061,438**	**1,651,510**	**4,712,948**
At 30 June 2016			
Cash and cash equivalents	467,393	-	467,393
Trade & other receivables - current	-	1,598,151	1,598,151
Deposits	73,013	-	73,013
Total financial assets	**540,406**	**1,598,151**	**2,138,557**

1. 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 AA-/Negative/A-1+.
2. Includes trade receivables of $86,107 (FY2016: $84,624). Other receivables includes net amounts owing from Government institutions of $1,565,403 (FY2016: $1,513,527).

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and its ability to meet their obligations to repay their financial liabilities as and when they fall due. The 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 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 s

Fair Value Measurement of financial instruments

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

Note 30. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of net Cash provided by Operating Activities to Operating Profit after Income Tax	2017	2016
	$	$
Loss after income tax for the year	(1,752,502)	(1,325,923)
Depreciation and amortisation	393,478	274,726
Fair value (FV) adjustment – biological assets	(947,049)	(184,069)
Net interest paid/(received)	597,338	551,547
Change in assets and liabilities		
(Increase) in biological assets and inventory (excluding FV adjustment)	(748,217)	(1,171,915)
Decrease / (Increase) in trade and other receivables	73,522	(220,338)
Decrease / (Increase) in R&D tax refund receivable	58,118	(169,018)
Decrease / (Increase) in deferred tax assets	-	21,508
Increase in deferred tax liabilities	182,838	30,952
Increase / (Decrease) in trade and other payables	437,255	(45,855)
Increase in income tax payable	20,096	12,985
Increase / (Decrease) in unearned revenue	205,642	-
Increase / (Decrease) in provisions	36,838	(1,186)
Net cash (used in) operating activities	**(1,442,643)**	**(2,226,586)**

Note 31. OPERATING SEGMENT

For management purposes, the 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 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 Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. The Group operates only in Australia.

Note 32. 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 2017 (2016: Nil). The balance of the franking account as at 30 June 2017 is Nil (2016: Nil).

Note 33. PARENT ENTITY INFORMATION

	2017 $	2016 $
Total assets	10,399,068	5,637,227
Total liabilities	(902,167)	(7,508,039)
Net assets / (deficiency)	**9,496,901**	**(1,870,812)**
Issued capital	14,046,786	1,675,446
Share based payment reserve	823,660	-
Accumulated losses	(5,373,545)	(3,546,258)
Total shareholders' equity	**9,496,901**	**(1,870,812)**
Loss of the parent entity	1,827,287	1,304,293
Total comprehensive loss of the parent entity	**1,827,287**	**1,304,293**

(a) Guarantees entered into by the parent entity

Refer to Refer Note 15 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 Refer Note 23 for information on the contingent liabilities of the Company in relation to the Group's aquaculture leases.

(c) Contractual commitments for capital expenditure

Refer Note 23 for information on the Company's commitment in relation to the construction of a 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.

Note 34. 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(b).

Name	Country of Incorporation	Percentage Owned	
		2017	2016
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%*	-

*Note: Incorporated on 30 May 2017