



## Ocean Grown Abalone – December 2017 Half Year Financial results

### KEY POINTS

- **Sales Revenue** from abalone products - **up 222% to \$1.34 million** from \$0.42 million in H1FY17
- **Sales tonnage** - **up 161% to 24.3 tonnes in H1FY18** compared to 9.3 tonnes in H1FY17
- **Abitat deployment** - 7,026 Abitats deployed at Flinders Bay. On target to have a total of 10,000 Abitats deployed at the Flinders Bay ranches by Q1FY19
- **Harvest Production** - **up 114% to 21.0 tonnes in H1FY18** compared to 9.8 tonnes in H1FY17
- **BIOMASS of future marketable product** - **up 169% to 89 tonnes in H1FY18** compared to H1FY17 of 33 tonnes
- **BIOMASS** – **up 57% to 137 tonnes in H1FY18** compared to H1FY17 of 87 tonnes
- **R&D Tax Refund** - Tax Incentive Refund of \$1.4 million received November 2017
- **Wylie Bay** – Trial assessment continues for 400 seeded Abitats
- **Three potential news sites** in South Australia and Victoria to be evaluated in Q1 2018

### RESULTS COMMENTARY

Ocean Grown Abalone Limited (**ASX: OGA, the Company**) has released its results for the 6 months to December 2017.

#### Results Commentary

Sales from abalone products were up 222% to \$1.34 million from \$0.42 million in HYF117, while sales tonnage was 24.3 tonnes, 161% higher than the 9.3 tonnes in H1FY17. The Company also processes third party abalone products which had a revenue increase of 7% to \$129 thousand from \$121 thousand in HY1FY17.

The Company is focused on sales to Asian markets, where demand for Australian greenlip abalone products is strong. To date the Ocean Grown Abalone products have been well received in the Asian markets as a premium wild, sustainable, clean abalone product. The Company has used its “Two Oceans Abalone” brand established in 2009 and continues to work with its Asian customers to develop an innovative range of products currently including: live, quick frozen (IQF meat and whole in shell) and retort pouches. The retort pouches utilises a natural no chemical process to produce a long shelf life, naturally creamy tasting full flavoured abalone product that is targeted at the high premium end of the market.

Operations results were strong with the milestone of having more than 7,000 Abitats deployed achieved in H1FY18 at the Flinders Bay ranches, which places the Company on target to have 10,000 Abitats deployed by Q1FY19.

Harvest for H1FY18 was 21.0 tonnes, 114% higher than the 9.8 tonnes in H1FY17, while the BIOMASS measured at December 2017 was 137 tonnes, 57% higher than the 87 tonnes in H1FY17.

The BIOMASS above OGA’s saleable market size of 90mm from the Flinders Bay ranches was 88.6 tonnes at H1FY18, 169% higher than the equivalent H1FY17 of 32.9 tonnes.

# ASX RELEASE

With the Company transitioning from the construction and development phase to full operations and production, which is expected to be reached by Q1FY19 at the Flinders Bay ranches, the number of dive teams were increased to four. This final dive team configuration is expected to be sufficient to meet the targeted maximum production capacity from the Flinders Bay ranches of 200 tonnes p.a.

The company continues to develop opportunities to expand the use of its manmade reef technology (Abitats) and signed an agreement with the Southern Ports Authority to lease area in Wylie Bay Esperance for a term of 21 years and through a joint venture commenced seeding of 400 Abitats in Wylie Bay, Esperance, WA. Three additional sites have been identified, two in South Australia and one in Victoria for future trials. Trials form an invaluable contribution to the Companies knowledge base and intellectual property as it assesses locations suitable for the application of its ranching techniques.

## Outlook

The Board and management of Ocean Grown Abalone are focused on the ongoing optimisation and development of its Flinders Bay ranches as the Company moves from the construction and development phase into full operations and production. The Company is well positioned with its existing BIOMASS to increase its harvest tonnage.

Sales, marketing and abalone product development activities will continue as the Company continues to build its brand and presence in the expanded Asian markets.

Trials at Wylie Bay in Esperance Western Australia continue to be a focus of the Company as it monitors the progress of the 400 seeded Abitats and further development opportunities are being assessed at two new locations in South Australia and one in Victoria to determine if they are suitable to progress to a trial stage are progressing.

## **For investor and media enquiries, please contact:**

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## About the Company

Ocean Grown Abalone Limited (**ASX: OGA**) has developed the world's first commercial greenlip abalone sea ranching business in the pristine waters of Flinders Bay, Western Australia. Through the construction of proprietary, purpose-built artificial abalone reefs (called "Abitats"), OGA is able to supply commercial quantities of its premium, 'wild-harvested', greenlip abalone at sizes not otherwise available in the Australian abalone market today.

For more information visit <https://www.oceangrown.com.au>

## Forward Looking Statements

This announcement may contain certain "forward-looking statements" which may not have been based solely on historical facts, but rather may be based on the Company's current expectations about future events and results. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, currency fluctuations, increased production costs and variances in recovery rates from those assumed, as well as political and operational risks in the Countries and States in which we operate or sell product to, and governmental regulation and judicial outcomes. The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

# Ocean Grown Abalone Limited

## Appendix 4D

### Half year report For the Half-Year ended 31 December 2017

<b>Name of Entity</b>	Ocean Grown Abalone Limited
<b>ABN:</b>	52 148 155 042
<b>Current Reporting Period</b>	31 December 2017
<b>Previous Reporting Period</b>	31 December 2016

#### Results for the announcement to the market

##### Item 1

Operating Performance	Half-year ended 31 December			
	2017 \$	2016 \$	Movement \$	Movement %
Revenue from ordinary activities	1,467,210	537,420	929,790	173
Profit/(Loss) from ordinary activities after tax attributable to members	(2,606,889)	(1,655,945)	(940,944)	(56)
Profit/(Loss) from ordinary activities after tax attributable to members	(1,612,824)	(1,243,714)	(369,110)	(29)

##### Item 2

<b>Dividends</b>
It is not proposed to pay dividends.
There are no dividend or distribution reinvestment plans in operation and there has been no dividend or distribution payments during the financial half year ended 31 December 2017.

##### Item 3 – Brief Explanation

Refer to “Review of Operations” section in the accompanying Directors’ Report which forms part of the Appendix 4D Half-Year Report, together with the Company’s H1FY18 results media release.

##### Item 4

Net Tangible Assets	Half-year ended 31 December			
	2017 \$	2016 \$	Movement \$	Movement %
Net tangible assets per security for Group	0.099	0.074	0.025	33.8

**Appendix 4D**  
**Half year report**

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**Item 5**

<b>Control gained or lost over Entities during the period</b>
Not applicable.

**Item 6**

<b>Controlled Entities and Joint Ventures</b>	<b>Ownership interest as at</b>	
	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>%</b>	<b>%</b>
<b>Parent Entity:</b> Ocean Grown Abalone Limited		
<b>Controlled entities:</b>		
Ocean Grown Abalone Operations Pty Ltd	100	100
Two Oceans Abalone Pty Ltd	100	100
Wylie Bay Abalone Pty Ltd	66.67	66.67
Ocean Grown Abalone Wylie Bay Pty Ltd	100	100

All companies are incorporated in Australia

**Item 7**

<b>Auditor's review report</b>
The accompanying half-year financial report of Ocean Grown Abalone Limited for the half year ended 31 December 2017 has been reviewed by Stantons International Chartered Accountants and Consultants. Refer to the 31 December 2017 half-year financial report for the independent review report provided to the members of Ocean Grown Abalone Limited. Refer to paragraph <i>Inherent Material Uncertainty Regarding Valuation of inventory of Biological Assets and harvested Abalone</i> for emphasis of matter.



**Ocean Grown Abalone Limited**  
**ACN 148 155 042**

**Financial Report**

**For The Half-Year Ended 31 December 2017**

# OCEAN GROWN ABALONE LIMITED

## CORPORATE DIRECTORY

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### **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**

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

### **Share Register**

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

OCEAN GROWN ABALONE LIMITED  
CONTENTS

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	<u>Page No</u>
Directors' Report	3
Independent Auditor's Report	5
Auditor's Independence Declaration	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes In Equity	10
Consolidated Statement of Cash Flows	11
Condensed Notes to the Consolidated Financial Statements	12
Directors' Declaration	25

# OCEAN GROWN ABALONE LIMITED

## DIRECTORS' REPORT

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The Directors of Ocean Grown Abalone Limited present the financial report for Ocean Grown Abalone Limited (the **Company**) and its subsidiaries (the **Group**) for the half-year ended 31 December 2017.

### **DIRECTORS**

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

- |                     |                        |
|---------------------|------------------------|
| ▪ Peter Harold      | Non-Executive Chairman |
| ▪ Bradley Adams     | Managing Director      |
| ▪ Ignazio Ricciardi | Executive Director     |
| ▪ Danielle Lee      | Non-Executive Director |

All directors were appointed for the full half-year period.

### **REVIEW OF OPERATIONS AND FINANCIAL RESULTS**

The Group generated sales revenue of \$1,467,210 for the half-year ended 31 December 2017, (2016: \$537,420). Operating loss before tax for the half-year ended 31 December 2017 amounted to \$1,420,548 (2016: \$1,049,319).

The net loss of the Group for the period, after provision for income tax, was \$1,612,824 (2016: \$1,243,714).

#### ***Operations***

The milestone of having more than 7,000 Abitats deployed was achieved in H1FY18 at the Flinders Bay ranches located in Augusta Western Australia and puts the Company on target to have 10,000 Abitats deployed by Q1FY19.

The increased activity from Abitat deployment, harvesting and reef maintenance and the ongoing development of the ranches at Flinders Bay also saw an increase to four dive teams (14 divers) from two dive teams (8 divers). The dive teams are in the final transition to the operating and production phase, as the construction phase of the manmade reefs at Flinders Bay 1 and Flinders Bay 2 comes to, currently targeted to end by Q1FY19.

#### ***Flinders Bay***

During the half-year, the Company continued re-seeding of juvenile stock at the Flinders Bay 1 in Augusta Western Australia and harvesting from juvenile stock that was originally seeded in FY15.

The Company also continued the development and seeding of Flinders Bay 2. Together with Flinders Bay 1, these form part of the larger scale to full-scale commercial production in the Augusta region.

#### ***Harvest & Sales***

A total of 21,049kg of abalone (live weight) was harvested from the Flinders Bay 1 during the half-year ended 31 December 2017. The company remains on track for expected total harvest of 40 tonne for the 2018 financial year.

During the half-year approximately 24,258kg (live weight equivalent) of abalone product was sold, which comprised individual quick frozen (**IQF**) meat product, live and whole frozen product.

The Company continued export sales during the half-year, with a total of approximately 22,116kg (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.

The Company continues to explore various markets across Asia including Hong Kong, China and Singapore. The brand 'Two Oceans Abalone' is being further developed to gain recognition in these markets. The Company also successfully trialled shipping live abalone to Hong Kong and the Eastern states of Australia, as it develops future sales in the live market segment.

#### ***Wylie Bay Trial***

The Company signed an agreement with the Southern Ports Authority to lease area in Wylie Bay Esperance for a term of 21 years and through a joint venture with Ocean King Fishing Pty Ltd commenced seeding of 400 Abitats in Wylie Bay, Esperance, WA.



# OCEAN GROWN ABALONE LIMITED

## DIRECTORS' REPORT

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### *Port Lincoln Trial*

The Company, as part of its rigorous assessment process decided to terminate trials at its Port Lincoln locations on 19 February 2018. Mortality rates at the South Australian locations were in the range of 50% to 75% and considered to be unacceptable for the development of a commercially viable ranch.

Information gathered from these trials is invaluable as the Company continues to assess other locations suitable for the application of its ranching techniques.

### **Corporate**

The Company was successful in raising \$10 million at an issue price of 25 cents per share, via an initial public offer (**IPO**) and began trading on the Australian Securities Exchange (**ASX**) on 14 November 2017. Subsequent to the IPO, the Company now has on issue 174,110,260 fully paid ordinary shares (**Shares**).

Other significant corporate events that occurred during the reporting period were:

- on 1 August 2017, the existing 7,633,125 advisor 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 applicable exercise price;
- on 1 August 2017, 2,500,000 options were granted to non-executive directors, each with an exercise price of \$0.44 and expiry date of 30 September 2021;
- on 1 August 2017, 10,039,450 options were granted to advisors, each with an exercise price of \$0.39 and expiry date of 30 September 2021;
- The Company granted 12,000,000 performance rights to the Managing Director, subject to vesting conditions;
- on 26 October 2017, Romolo Santoro was appointed as Chief Financial Officer; and
- on 03 November 2017, 6,891,510 advisor shares were issued for the successful completion of the IPO

### **EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD**

The Company after a rigorous assessment of the Port Lincoln locations in South Australia determined that due to mortality rates of between 50 to 75%, the locations would not be commercially viable and made the decision on 19 February 2018 to terminate the trials.

### **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 7 of this report.

Signed in accordance with a resolution of the Directors.



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**Peter Harold**  
**Chairman**  
27 February 2018

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Ocean Grown Abalone Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Ocean Grown Abalone Limited (the consolidated entity). The consolidated entity comprises both Ocean Grown Abalone Limited (the Company) and the entities it controlled during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of Ocean Grown Abalone Limited are responsible for the preparation of the half-year 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ocean Grown Abalone Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Ocean Grown Abalone Limited on 27 February 2018.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any other matter that makes us believe that the half-year financial report of Ocean Grown Abalone Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*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 \$4,878,104. The biological assets include live abalone on abiatats, 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(c)).

Because of the inherent uncertainty associated with the valuation of the biological assets due to the estimates and judgements, as well as the sample size selected for the stocktake, and therefore the number of abalone, their size, mortality rates and absence of an active market during the growth phase, the carrying value of the biological assets may differ from their realisable value.

Similarly, as the valuation of the harvested abalone is derived from the valuation parameters as outlined 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**  
**Director**

West Perth, Western Australia  
27 February 2018

27 February 2018

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

Dear Directors

**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 review of the financial statements of Ocean Grown Abalone Limited for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

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



**Martin Michalik**  
**Director**

**OCEAN GROWN ABALONE LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Notes	Consolidated Group 31 Dec 2017 \$	31 Dec 2016 \$
Revenue	3	1,467,210	537,420
Other income		11,655	49,610
R&D tax incentive	4	994,065	422,231
<b>Total income</b>		<b>2,472,930</b>	<b>1,009,261</b>
Cost of goods sold		(1,151,142)	(340,141)
Fair value adjustment of biological assets	8	951,692	221,011
Selling & distribution		(45,357)	(26,818)
Processing expenses		(115,613)	(98,985)
Employee benefits expense		(1,817,151)	(474,600)
Diving, vessels & operations expense		(664,180)	(241,951)
Corporate & administration		(655,351)	(249,755)
Depreciation & amortisation expense		(265,697)	(204,242)
Net interest received/(paid)		6,401	(616,571)
Other expenses		(137,080)	(26,528)
<b>Loss before tax</b>		<b>(1,420,548)</b>	<b>(1,049,319)</b>
Income tax (expense)	5	(192,276)	(194,395)
<b>Loss after tax from continuing operations</b>		<b>(1,612,824)</b>	<b>(1,243,714)</b>
Other comprehensive loss for the year, net of tax:			
- Items that may be reclassified to profit or loss		-	-
- Items that will not be reclassified to profit or loss		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,612,824)</b>	<b>(1,243,714)</b>
<b>Loss attributable to:</b>			
- Owners of the Company		(1,609,956)	(1,239,485)
- Non-controlling interests		(2,868)	(4,229)
		(1,612,824)	(1,243,714)
<b>Total comprehensive loss attributable to:</b>			
- Owners of the Company		(1,609,956)	(1,239,485)
- Non-controlling interests		(2,868)	(4,229)
		(1,612,824)	(1,243,714)
<b>Basic and diluted loss per share attributable to the Owners of the Company</b>			
Basic and diluted loss per share (cents)		(1.134)	(3.826)

The accompanying notes form part of these financial statements.

**OCEAN GROWN ABALONE LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Notes	Consolidated Group	
		31 Dec 2017	30 Jun 2017
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	10,106,305	2,990,360
Trade and other receivables	7	1,247,469	1,651,510
Biological assets	8	2,654,232	1,480,000
Inventory	9	79,781	184,346
Other		-	25,000
<b>TOTAL CURRENT ASSETS</b>		<b>14,087,787</b>	<b>6,331,216</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,850,985	1,718,900
Biological assets	8	2,223,872	2,249,337
Intangible assets		69,920	72,263
Other assets		300,468	126,464
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,445,245</b>	<b>4,166,964</b>
<b>TOTAL ASSETS</b>		<b>18,533,032</b>	<b>10,498,180</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	384,873	631,964
Unearned revenue		-	205,642
Interest bearing liabilities		107,652	105,009
Provisions		71,082	53,693
Current tax liability	12	44,894	114,333
<b>TOTAL CURRENT LIABILITIES</b>		<b>608,501</b>	<b>1,110,641</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities		201,235	255,730
Deferred tax liabilities	13	475,505	213,790
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>676,740</b>	<b>469,520</b>
<b>TOTAL LIABILITIES</b>		<b>1,285,241</b>	<b>1,580,161</b>
<b>NET ASSETS</b>		<b>17,247,791</b>	<b>8,918,019</b>
<b>EQUITY</b>			
Contributed equity	14	23,408,140	14,046,786
Share based payment reserve	15	1,404,902	823,660
Accumulated losses		(7,556,236)	(5,946,280)
<b>Equity attributable to owners of the Company</b>		<b>17,256,806</b>	<b>8,924,166</b>
Non-controlling interests		(9,015)	(6,147)
<b>TOTAL EQUITY</b>		<b>17,247,791</b>	<b>8,918,019</b>

The accompanying notes form part of these financial statements.

**OCEAN GROWN ABALONE LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

Group	Issued Capital \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total \$	Non- controlling interest \$	Total Equity \$
<b>Balance as at 1 July 2016</b>	1,675,446	-	(4,200,825)	(2,525,379)	900	(2,524,479)
Loss after income tax expense for the period	-	-	(1,239,485)	(1,239,485)	(4,229)	(1,243,714)
Other comprehensive loss for the period	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	<b>(1,239,485)</b>	<b>(1,239,485)</b>	<b>(4,229)</b>	<b>(1,243,714)</b>
<b>Transactions with owners recorded directly in equity</b>						
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
Total transactions with owners recorded directly in equity	<b>12,371,340</b>	<b>823,660</b>	-	<b>13,195,000</b>	-	<b>13,195,000</b>
<b>Balance as at 31 December 2016</b>	<b>14,046,786</b>	<b>823,660</b>	<b>(5,440,310)</b>	<b>9,430,136</b>	<b>(3,329)</b>	<b>9,426,807</b>
<b>Balance as at 1 July 2017</b>	14,046,786	823,660	(5,946,280)	8,924,166	(6,147)	8,918,019
Loss after income tax expense for the period	-	-	(1,609,956)	(1,609,956)	(2,868)	(1,612,824)
Other comprehensive loss for the period	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	<b>(1,609,956)</b>	<b>(1,609,956)</b>	<b>(2,868)</b>	<b>(1,612,824)</b>
<b>Transactions with owners recorded directly in equity</b>						
Shares issued	11,722,878	-	-	11,722,878	-	11,722,878
Share issue costs	(2,361,524)	-	-	(2,361,524)	-	(2,361,524)
Share based payment expense	-	581,242	-	581,242	-	581,242
Total transactions with owners recorded directly in equity	<b>9,361,354</b>	<b>581,242</b>	-	<b>9,942,596</b>	-	<b>9,942,596</b>
<b>Balance as at 31 December 2017</b>	<b>23,408,140</b>	<b>1,404,902</b>	<b>(7,556,236)</b>	<b>17,256,806</b>	<b>(9,015)</b>	<b>17,247,791</b>

The accompanying notes form part of these financial statements.

**OCEAN GROWN ABALONE LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Note	Consolidated Group	
		31 Dec 2017	31 Dec 2016
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,303,878	602,892
Other income		11,655	49,610
Payments to suppliers and employees		(4,336,440)	(812,780)
R&D tax incentive		1,377,541	1,434,716
<b>Net cash (used in)/from operating activities</b>		<b>(1,643,366)</b>	<b>1,274,438</b>
<b>Cash flows from investing activities</b>			
Purchases of plant, equipment and intangible assets		(521,003)	(248,169)
Payment of lease deposits		(48,589)	(279)
Interest received		15,998	1,241
<b>Net cash (used in) investing activities</b>		<b>(553,594)</b>	<b>(247,207)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		3,000	757,179
Repayment of borrowings		(51,852)	(126,789)
Interest paid		(9,597)	(617,812)
Proceeds from issue of shares		10,000,000	6,000,000
Capital raising costs		(628,646)	(360,000)
<b>Net cash from financing activities</b>		<b>9,312,905</b>	<b>5,652,578</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,115,945</b>	<b>6,679,809</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2,990,360</b>	<b>467,393</b>
<b>Cash and cash equivalents at the end of the period</b>	6	<b>10,106,305</b>	<b>7,147,202</b>

The accompanying notes form part of these financial statements.



**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

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**Note 1. NATURE OF OPERATIONS OF OCEAN GROWN ABALONE LIMITED**

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

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of compliance**

The half-year financial report is a general purpose interim financial report prepared in accordance with *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual financial report for the financial year ended 30 June 2017.

The consolidated financial statements for the half-year ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 27 February 2018.

**b) Basis of preparation**

The consolidated general purpose interim financial report of the Group has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The half-year financial statements have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 30 June 2017.

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

**c) 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 applied in the half-year financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Biological Assets**

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

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

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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.

***Share-based payment transactions***

The Group measures the cost of equity settled transactions with directors, employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted.

The assessed fair value of the options at the grant date is allocated equally over the period from the grant date to the vesting date. The fair value at the grant date is determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at the 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.

During the period, the Group issued performance shares which vest subject to achievement of specified milestones. Refer Note 18 for further details. The Group has recognised the resulting share based payment expense by assessing the likelihood of meeting these milestones. At 31 December 2017, it was estimated that milestones 1, 2 & 3 had a greater than 50% likelihood of being achieved and hence have been recognised as share based payments in the current period.

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	31 Dec 2017 \$	31 Dec 2016 \$
<b>Note 3. REVENUE</b>		
Revenue for the reporting period consisted of the following:		
Sale of abalone product	1,337,825	416,003
Processing revenue	<u>129,385</u>	<u>121,417</u>
	<b><u>1,467,210</u></b>	<b><u>537,420</u></b>
<p>During the half-year product sold comprised individual quick frozen (<b>IQF</b>) meat product, retail pack meat products, live abalone and whole frozen abalone. The abalone product sold was sourced from the Company's larger scale harvest, seeding for which initially commenced during the 2015 financial year.</p> <p>Processing revenue relates to processing activities undertaken for third parties customers.</p>		
<b>Note 4. R&amp;D TAX INCENTIVE</b>		
Accrued during the half-year (refer also Note 7)	<u>994,065</u>	<u>422,231</u>
	<b><u>994,065</u></b>	<b><u>422,231</u></b>
<b>Note 5. INCOME TAX</b>		
<p>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:</p>		
(Loss) before income tax	<u>(1,420,548)</u>	<u>(1,049,319)</u>
At statutory income tax rate of 27.5%	(390,651)	(288,563)
Other non deductible expenditure for income tax purposes:		
R&D tax rebate	(273,368)	(116,113)
Other non-deductible expenses	258,741	105,251
Expenditure subject to R&D tax incentive claim	628,432	266,927
Other adjustment	(2,609)	246,132
Recognised tax losses	<u>(28,269)</u>	<u>(19,239)</u>
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	<u>192,276</u>	<u>194,395</u>

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

		31 Dec 2017	31 Dec 2016
		\$	\$
<b>Note 5.</b>	<b>INCOME TAX (continued)</b>		
	The components of income tax expense comprise:		
	Current income (refund) / tax payable	(69,439)	133,617
	Deferred income tax expense	<u>261,715</u>	<u>60,778</u>
	Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	<u><u>192,276</u></u>	<u><u>194,395</u></u>

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

**Deferred tax assets**

Carried forward revenue losses – Two Oceans Abalone Pty Ltd	125,858	165,323
Carried forward capital losses – Two Oceans Abalone Pty Ltd	2,791	2,791
Carried forward revenue losses – OGA Operations Pty Ltd	139,138	101,322
Carried forward revenue losses – Wylie Bay Abalone Pty Ltd	7,475	2,410
	<u>275,262</u>	<u>271,846</u>

Deferred tax assets not recognised

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

		31 Dec 2017	30 Jun 2017
		\$	\$
<b>Note 6.</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash at bank and in hand	<u>10,106,305</u>	<u>2,990,360</u>
		<u><u>10,106,305</u></u>	<u><u>2,990,360</u></u>

**Note 7. TRADE AND OTHER RECEIVABLES**

Trade debtors	43,798	86,107
Sundry & other debtors	994,065	1,377,541
GST receivable	<u>209,606</u>	<u>187,862</u>
	<u><u>1,247,469</u></u>	<u><u>1,651,510</u></u>

At the reporting date, \$14,439 of the trade and other receivables were past due but has not been impaired.

Sundry & other debtors for the December 2017 half-year represents the R&D refund for the period of \$994,065 (2017: \$1,377,541).

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

		31 Dec 2017		30 Jun 2017
Note 8.	BIOLOGICAL ASSETS	\$		\$
	CURRENT			
	Abalone on Abitats	<u>2,654,232</u>		<u>1,480,000</u>
		<u><b>2,654,232</b></u>		<u><b>1,480,000</b></u>
	NON CURRENT			
	Abalone on Abitats	<u>2,223,872</u>		<u>2,249,337</u>
		<u><b>2,223,872</b></u>		<u><b>2,249,337</b></u>

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

Opening balance	3,729,337		2,218,417
Increases / Decreases due to purchases & harvesting	197,075		563,871
Fair value adjustment at year end recognised in profit and loss	<u>951,692</u>		<u>947,049</u>
<b>Closing balance</b>	<u><b>4,878,104</b></u>		<u><b>3,729,337</b></u>

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

Abalone stock below 90mm (~120g) are valued at a per mm rate. Management estimates this is a more accurate reflection of fair value as it takes into consideration growth rates from approximately 40mm to 90mm. Historically, abalone stock below 90mm (~120g) were measured at cost and did not reflect the increase in value associated with growth of the abalone. The basis for the change in methodology is consistent with improvements in the analysis of growth data of juvenile abalone.

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

There is inherent uncertainty in the estimate of the closing number of abalone and biomass and hence the resultant fair value estimate for closing stock. As detailed in Note 2(c), 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.

**Note 9. INVENTORY**

Finished goods	<u><b>79,781</b></u>		<u><b>184,346</b></u>
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Inventory is stated at the lower of cost or net realisable value. The inventory balance includes an allocation of harvest and processing costs (deferred cost of production). These costs are capitalised and carried forward to finished goods and subsequently cost of goods sold when the product is eventually sold.

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

		31 Dec 2017		30 Jun 2017
		\$		\$
<b>Note 10.</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>			
	Plant & equipment, at cost	2,963,952		2,629,673
	less : Accumulated depreciation	<u>(1,223,577)</u>		<u>(974,739)</u>
		<u>1,740,375</u>		<u>1,654,934</u>
	Leasehold improvements, at cost	109,499		103,908
	less : Accumulated depreciation	<u>(66,157)</u>		<u>(61,394)</u>
		<u>43,342</u>		<u>42,514</u>
	Office equipment, at cost	51,426		26,198
	less : Accumulated depreciation	<u>(11,100)</u>		<u>(4,746)</u>
		<u>40,326</u>		<u>21,452</u>
	Software, at cost	30,000		-
	less : Accumulated depreciation	<u>(3,058)</u>		<u>-</u>
		<u>26,942</u>		<u>-</u>
	<b>Net carrying amount</b>	<b><u>1,850,985</u></b>		<b><u>1,718,900</u></b>
<b>Note 11.</b>	<b>TRADE AND OTHER PAYABLES</b>			
	Trade payables	174,803		386,709
	Accrued expenses	<u>210,070</u>		<u>245,255</u>
		<b><u>384,873</u></b>		<b><u>631,964</u></b>
	Trade payables are not past due and are non-interest bearing. They are normally on average settled between 30 and 45 days terms.			
<b>Note 12.</b>	<b>TAXATION</b>			
	CURRENT			
	Current income tax payable	<u>44,894</u>		<u>114,333</u>
<b>Note 13.</b>	<b>DEFERRED TAX LIABILITIES</b>			
	Deferred income tax liability	<u>475,505</u>		<u>213,790</u>

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 \$261,715, 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 \$69,439.

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

<b>Note 14. CONTRIBUTED EQUITY</b>	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>No.</b>	<b>No.</b>
<b>(a) Issued and paid up capital</b>		
No. fully paid ordinary shares	<u>174,110,260</u>	<u>127,218,750</u>
	<b>\$</b>	<b>\$</b>
Balance at beginning of the reporting period	14,046,786	1,675,446
Conversion of convertible notes (\$0.16 on 18 November 2016) <sup>2</sup>	-	7,555,000
Private placement (\$0.20 on 28 December 2016) <sup>3</sup>	-	6,000,000
Initial Public Offer (\$0.25 on 14 November 2017) <sup>4</sup>	10,000,000	-
Corporate advisor shares <sup>5</sup>	1,722,878	-
Share issue costs	<u>(2,361,524)</u>	<u>(1,183,660)</u>
Balance at end of the period	<u><b>23,408,140</b></u>	<u><b>14,046,786</b></u>
<b>(b) Movement in ordinary shares</b>	<b>No.</b>	<b>No.</b>
Balance at the beginning of the report period	127,218,750	10,000,000
Share split <sup>1</sup>	-	40,000,000
Conversion of convertible notes (\$0.16 on 18 November 2016) <sup>2</sup>	-	47,218,750
Private placement (\$0.20 on 28 December 2016) <sup>3</sup>	-	30,000,000
Public Offer (\$0.25 on 14 November 2017) <sup>4</sup>	40,000,000	-
Corporate advisor shares <sup>5</sup>	<u>6,891,510</u>	<u>-</u>
Balance at end of the period	<u><b>174,110,260</b></u>	<u><b>127,218,750</b></u>

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 Share for gross proceeds of \$6,000,000.
4. On 3 November 2017, the Company completed an IPO consisting of 40,000,000 new Shares at an issue price of \$0.25 per Share for gross proceeds of \$10,000,000.
5. On 3 November 2017, the Company, issued 6,891,510 shares at the issue price of \$0.25 per Share as part consideration for corporate advisory services provided in relation to the IPO.

*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.

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Note 15. RESERVES</b>		
Share based payment reserve	<u>1,404,902</u>	<u>823,660</u>

The share based payment reserve is used to record the value of equity benefits (options and performance rights) provided to directors, executives and employees as part of their remuneration and consultants / advisers for their services. Refer to Note 18 for details of share based payments during the half-year.

**Movement in reserves:**

*Share based payments reserve*

Balance at beginning of the reporting period	823,660	-
Options issued to advisers (charged to share issue costs)	10,000	823,660
Options issued to directors	218,239	-
Performance rights issued to managing director	<u>353,003</u>	<u>-</u>
<b>Balance at the end of the reporting period</b>	<b>1,404,902</b>	<b>823,660</b>

*Share options*

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

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

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

All of these options remained outstanding at balance date.

**Note 16. SUBSEQUENT EVENTS**

The Company after a rigorous assessment of the Port Lincoln locations in South Australia determined that due to mortality rates of between 50 to 75%, the locations would not be commercially viable and made the decision on 19 February 2018 to terminate the trials.



**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Note 17. COMMITMENTS AND CONTINGENCIES</b>		
The Group had the following operating lease commitments as at 31 December 2017		
Within one year	111,269	101,190
After one year but not more than five years	423,613	460,720
More than five years	397,991	412,463
	<u><b>932,872</b></u>	<u><b>974,373</b></u>
The Group had the following aquaculture lease commitments as at 31 December 2017		
Within one year	20,950	15,950
After one year but not more than five years	73,800	63,800
More than five years	228,900	207,350
	<u><b>323,650</b></u>	<u><b>287,100</b></u>
The Group had the following supplier purchase commitments as at 31 December 2017		
Within one year	2,094,672	1,592,036
After one year but not more than five years	-	-
More than five years	-	-
	<u><b>2,094,672</b></u>	<u><b>1,592,036</b></u>
The Group had the following capital purchase commitments as at 31 December 2017		
Within one year	97,107	195,669
After one year but not more than five years	-	-
More than five years	-	-
	<u><b>97,107</b></u>	<u><b>195,669</b></u>

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.

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**Note 18. SHARE-BASED PAYMENTS**

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

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

	31 December 2017		30 June 2017	
	Weighted average exercise price per Option	Number of options	Weighted average exercise price per Option	Number of options
Balance at the start of the period	\$0.26	7,633,125	-	-
Cancelled during the period	-	(7,633,125)	-	-
Granted during the period – replacement	\$0.30	8,807,452	\$0.26	7,633,125
Granted during the period – Advisor Options	\$0.39	10,039,450	-	-
Granted during the period – Director Options	\$0.44	2,500,000	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
<b>Balance at the end of the period</b>	<b>\$0.36</b>	<b>21,346,902</b>	<b>\$0.26</b>	<b>7,633,125</b>

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

The estimated fair value at grant date of options issued during the reporting period, 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 reporting period:

Series	Grant date	Number of options	Expiry date	Exercise price	Fair value per option	Total fair value
A	1 August 2017	8,807,452	28 Dec 2020	\$0.30	\$0.0923	\$812,908
B	1 August 2017	10,039,450	30 Sep 2021	\$0.39	\$0.001	\$10,000
C	1 August 2017	2,500,000	30 Sep 2021	\$0.44	\$0.0873	\$218,239

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

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**Note 18. SHARE-BASED PAYMENTS** (continued)

The Black & Scholes model inputs for the options granted during the reporting period were:

*Series A Options*

Number of options	8,807,452
Grant date	1 Aug 2017
Expiry Date	28 Dec 2020
Grant date share price	\$0.20
Exercise price	\$0.30
Expected volatility	80%
Option life (years)	3.41
Expected dividend yield	0%
Risk free rate at grant date	2.01%

The cost of the issue of the original Series A Options \$823,660 was recorded in 30 June 2017 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.

In view of the proposed IPO and ASX listing in the second half of 2017 and in particular the requirements of the ASX Listing Rules, it was subsequently determined that the minimum exercise price for any existing options should be 30 cents. Hence the Board resolved to cancel the existing 7,633,125 Series A Options and replaced them 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 Series A options was in proportion to the 30/26 increase in the exercise price.

On the basis that the Board identified the new advisor options as a replacement for the original options, the Company has accounted for the grant of the replacement Series A options as a modification of rather than cancellation of the original grant. Accordingly, as the fair value of the replacement options is less than the original fair value calculation, no adjustment is required to the existing accounting treatment.

*Series B Options*

The Series B Options, were issued during the period as part consideration for advisory services provided in relation to the IPO and ASX Listing. Accordingly, the fair value of the options of \$10,000 was recorded during the reporting period, which represents the additional fees that would have been charged.

*Series C Options*

Number of options	2,500,000
Grant date	1 Aug 2017
Expiry Date	30 Sep 2021
Grant date share price	\$0.20
Exercise price	\$0.44
Expected volatility	80%
Option life (years)	4.17
Expected dividend yield	0%
Risk free rate at grant date	2.14%

The fair value of the Series C Options if \$218,239 was recorded in the reporting period. These options form part of the remuneration packages for Peter Harold (Non-Executive Chairman) and Danielle Lee (Non-Executive Director).

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**Note 18. SHARE-BASED PAYMENTS** (continued)

***Fair value of performance rights during the period***

The following performance rights were issued during the reporting period:

Class	Grant date	Number of performance rights	Value per Share	Value	Total fair value
A	1 Aug 2017	4,000,000	\$0.20	\$800,000	\$190,397
B	1 Aug 2017	4,000,000	\$0.20	\$800,000	\$114,429
C	1 Aug 2017	4,000,000	\$0.20	\$800,000	\$48,177

During the reporting period, the Company issued 12,000,000 Performance Rights to Brad Adams, the Managing Director. The Performance Rights have been issued in 3 classes, with 4,000,000 shares in each class and subject to separate service and performance conditions as detailed below:

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

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

- (i) Class A – based on the deployment and seeding rates as at grant date and projected rates for the balance of 2017 and 2018, the probability of achieving the applicable performance condition was considered to be greater than 50%.
- (ii) Class B – based on the projected FY2018 annual harvest of ~40T and current stock estimates, production and harvest capacity, the probability of achieving the applicable performance condition was considered to be greater than 50%.
- (iii) Class C – based on the Company's assessment that by 2019 it would have (i) completed its SA trials, noting that trial approvals were granted in 2017; and (ii) completed the deployment of the Augusta 2 project and hence gained the requisite operational experience, technical know-how and efficiencies that would facilitate a similar roll-out in SA, the probability of achieving the applicable performance condition was considered to be greater than 50%.

**OCEAN GROWN ABALONE LIMITED**  
**CONDENSED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

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**Note 19. 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 20. 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	
		31 Dec 2017	30 Jun 2017
Ocean Grown Abalone Operations Pty Ltd	Australia	100%	100%
Two Oceans Abalone Pty Ltd	Australia	100%	100%
Wylie Bay Abalone Pty Ltd	Australia	66.67%	66.67%
Ocean Grown Abalone Wylie Bay Pty Ltd	Australia	100%	100%

OCEAN GROWN ABALONE LIMITED  
DIRECTORS' DECLARATION

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The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 24 are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b) giving a true and fair view of the consolidated Group's financial position as at 31 December 2017 and of its performance for the half-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.



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**Peter Harold**  
**Chairman**

27 February 2018