



Ocean Grown Abalone – December 2019 Half-Year Financial Results

HIGHLIGHTS

- **BIOMASS - up 52 tonnes** to 263 tonnes, after harvesting 62 tonnes over the 12 months to 31 December 2019.
- **Commercial grade abalone – up over 20% and 36.6 tonnes in H1FY20** over the 12 month period, adding \$614,808 to the fair value of the BIOMASS.
- **Harvest volumes - up 24% to 35.5 tonnes in H1FY20** (28.7 tonnes in H1FY19).
- **Rights issue** – Successful raising of \$2,899,618 (before costs) with the funds enabling the Company to progress with its feasibility assessment of the Esperance project.
- **Total sales - down 14% to \$1,447,580 for H1FY19** compared to \$1,682,784 in H1FY19.
- **Operating loss before tax of (\$1,364,112)** in H1FY20 compared to a profit of \$1,125,461 in H1FY19.

DETAILS

Ocean Grown Abalone Limited (**ASX: OGA, the Company**) has released its results for the 6 months to December 2019.

Operating Loss before Tax

The operating loss before tax for the half-year was (\$1,364,112) compared to a profit of \$1,125,461 in H1FY19.

Sales for the period were challenging and lower than expected, predominantly due to unrest in Hong Kong.

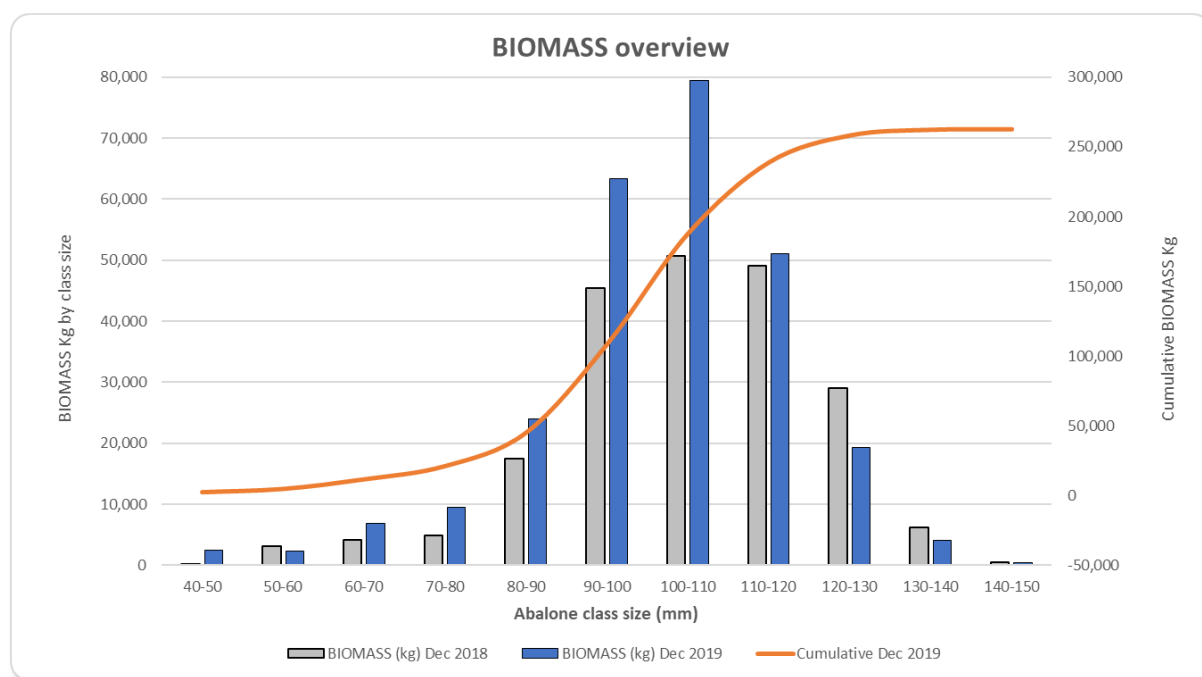
Corporate and Administration costs included expenditure on the Esperance development project of \$364,900, after adjusting for these costs the total Corporate and Administration costs to 31 December 2019 reduced to \$469,828 (\$501,542 H1FY19). Diving, vessels and operating expenses were also lower to \$259,813 (\$322,379 H1FY19). Processing costs were \$141,378 (\$61,794 H1FY19), driven by higher harvest volumes, increase in product lines and accessing new markets. The fit-out of the processing facility was completed and became fully operational in November 2019.

Biomass

After harvesting 62 tonnes of abalone over the 12 month period, the biomass increased by 52 tonnes to 263 tonnes, and the value of the biomass reached \$9,958,193 at 31 December 2019 (\$8,624,331 at 31 December 2018), **an increase in value of 15% for the 12 month period.**

Re-seeding of juvenile abalone continued throughout the half-year with approximately 842,000 abalone restocked on the Flinders Bay sea ranches.

The commercial-grade abalone above 90 mm increased by over 20% adding 36.6 tonnes to a total commercial-grade quantity of 218 tonnes over the 12 month period. This stock represents significant future value to the Company.



Sales and Harvesting

Sales for the period were lower than expected at \$1,447,580 for the half-year ended 31 December 2019, (2018: \$1,682,784).

The Company has expanded sales into other markets, including Thailand, United States of America, Taiwan, Australia, Singapore and Malaysia. OGA has achieved positive sales growth from its new developing markets segment, increasing sales in this segment by 71% to \$612,072.

Sales totalled 26.1 tonnes whole in shell equivalent, of abalone product during the half-year, including individually quick frozen (IQF) meat, live abalone, retort pouch gift packs, canned and whole frozen abalone.

Corporate

During the half-year, the Company raised \$2,899,618 (before costs) via a fully underwritten rights issue.

On 1 November 2019, Ian Ricciardi resigned as Executive Director, continuing his role in the Company as Non-Executive Director.

Outlook

Since 31 December 2019, COVID-19 has been in the media, the Company realises the potential for this to hamper sales in the immediate term, and is actively seeking sales solutions during this period.

The Company can mitigate any potential reduction in revenue, by deferring harvests, sales and reducing discretionary spend. During the deferred period, the abalone are expected to increase in size and value for future sales realisation.

END

This announcement was authorised to be given to the ASX by:

The Board of Ocean Grown Abalone Limited.

ASX RELEASE

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Mobile: 0418 202 546

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 2019

Name of Entity	Ocean Grown Abalone Limited
ABN:	52 148 155 042
Current Reporting Period	31 December 2019
Previous Reporting Period	31 December 2018

Results for announcement to the market

Item 1

Operating Performance

					2019
					\$
Revenue from ordinary activities	Down	14%	to		1,447,580
EBITDA	Down	175%	to		(1,003,969)
EBIT	Down	230%	to		(1,365,480)
Profit/(Loss) from ordinary activities before tax attributable to members	Down	221%	to		(1,364,112)
Profit/(Loss) from ordinary activities after tax attributable to members	Down	460%	to		(998,435)

Item 2

Dividends

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 2019.

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 H1FY20 results media release.

Item 4

Net Tangible Assets	Half-year ended 31 December			
	2019	2018	Movement	Movement
	\$	\$	\$	%
Net tangible assets per security for Group	0.094	0.095	(0.001)	(1.1)

Appendix 4D Half year report

Item 5

Control gained or lost over Entities during the period

Not applicable.

Item 6

Controlled Entities and Joint Ventures	Ownership interest as at	
	31 December 2019	30 June 2019
	%	%
Parent Entity: Ocean Grown Abalone Limited		
Controlled entities:		
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

Auditor's review report

The accompanying half-year financial report of Ocean Grown Abalone Limited for the half year ended 31 December 2019 has been reviewed by Stantons International. Refer to the 31 December 2019 half-year financial report for the independent review report provided to the members of Ocean Grown Abalone Limited. Refer to paragraph *Inherent Material Uncertainty Regarding Valuation of Inventory of Biological Assets and Harvested Abalone* and *Material Uncertainty in relation to Going Concern* for emphasis of matter.



Ocean Grown Abalone Limited
and its controlled entities
ACN 148 155 042

Financial Report

For The Half-Year Ended 31 December 2019

OCEAN GROWN ABALONE LIMITED
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OCEAN GROWN ABALONE LIMITED
CORPORATE DIRECTORY

Directors

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

Company Secretary

Romolo Santoro

Registered Office

Level 3, 3 Cantonment Street
Fremantle WA 6160
Telephone: +61 8 6181 8888
Facsimile: +61 8 6181 8899
Email: investors@oceangrown.com.au
Website Address: www.oceangrown.com.au

Principal Place of Business

Augusta Boat Harbour
Leeuwin Road
Augusta WA 6290

Auditors

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

Australian Securities Exchange

ASX Code Ordinary Shares: OGA

Share Registry

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000
Enquiries (within Australia): 1300 288 664
Enquiries (outside Australia): +61 2 9698 5414
Facsimile: +61 8 9321 2337
Website: www.automic.com.au

OCEAN GROWN ABALONE LIMITED

DIRECTORS' REPORT

The Directors present the financial report for Ocean Grown Abalone Limited (the **Company**) and its controlled entities (the **Consolidated Group or Group**) for the half-year ended 31 December 2019.

DIRECTORS

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

- Peter Harold Non Executive Chairman
- Bradley (Brad) Adams Managing Director
- Ignazio (Ian) Ricciardi Non Executive Director (Changed from Executive Director to Non Executive Director with effect from 1 November 2019)
- Danielle Lee Non Executive Director

All directors were appointed for the full half-year.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Sales for the period were challenging and lower than expected at \$1,447,580 for the half-year ended 31 December 2019, (2018: \$1,682,784) predominantly due to unrest in Hong Kong.

The Company accessed alternative markets and achieved positive sales growth from its alternate markets segments, increasing sales by 71% to \$612,072 to 31 December 2019, including Thailand, United States of America, Taiwan Australia, Singapore and Malaysia.

Because of the lower than anticipated demand for abalone from Hong Kong, harvest volumes were deferred to future periods. During the deferred harvest period, the abalones are expected to continue to grow, increasing in size, which is anticipated to result in higher sales revenue in subsequent periods.

The Company's focus on diversifying markets during the half-year has been rewarded after meeting various regulatory requirements, with first shipments achieved of its products to the United States of America, Malaysia, Thailand, and Taiwan.

The Company has identified other export markets, including Canada, and Europe and has commenced the process of completing regulatory approvals to gain access for future sales volumes.

Corporate and Administration costs included expenditure on the Esperance development project of \$364,900, after adjusting for these costs the total Corporate and Administration costs to December 2019 were \$469,828 (\$501,542 H1 FY19), Diving, vessels and operating expenses reduced to \$259,813 (\$322,379 H1 FY19). Processing costs were \$141,378 (\$61,794 H1 FY19), driven by increasing the number of product lines and accessing new international market.

The fair value adjustment of biological assets increased by \$614,808, and the total Biomass increased to 263 tonnes for the period ended 31 December 2019 (\$3,083,513 and total Biomass of 211 tonnes at 31 December 2018). The Biomass is in a transition period where a greater proportion of the abalone are reaching an optimum size for market consumption, and future value realisation will occur through the sales revenue benefits.

Operating loss before tax for the half-year ended 31 December 2019 amounted to \$1,364,112 (2018: Profit before tax of \$1,125,461). The net loss of the Group for the half-year, after provision for income tax, was \$998,435 (2018: Profit \$277,495).

Processing facility

The fit-out of the processing facility was completed and became fully operational in November 2019, which provides increased processing capacity of abalone harvest volumes and enables further value-adding to abalone products, including live exports and other processed and packaged abalone products.

Operations

A total of 35.5 tonnes (2018: 28.7 tonnes) of abalone was harvested, and since June 2019, the BIOMASS increased by a further 29 tonnes to 263 tonnes at the end of December 2019 (December 2018: 211 tonnes).

Re-seeding of juvenile abalone continued throughout the half-year with a total of approximately 842,000 abalone restocked on the Flinders Bay reefs.

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

OCEAN GROWN ABALONE LIMITED

DIRECTORS' REPORT

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

Sales totalled 26.1 tonnes whole in shell equivalent (WWE) of abalone product during the half year, which comprised individual quick frozen (IQF) meat product, live, retort pouch gift packs, canned and whole frozen product, with 21 tonnes WWE of product exported to customers mostly in Asian markets.

Esperance Development

During the half year, the Company completed an independent Concept Design Study (Design Study) for the proposed development of a 500-tonne p.a. grow-out facility and hatchery with positive results.

The Design Study focused on determining the suitability of the Esperance Project Land (Land) to meet the Company's strategy of vertical integration and growth of existing ocean ranching operations by the development of a large-scale land-based abalone hatchery and grow-out facility (abalone hatchery) on the Land.

The outcome of the Design Study has given the Board confidence to continue to the next stage of feasibility assessment.

Corporate

During the half year, the Company raised \$2,899,618 (before costs) via a fully underwritten rights issue.

On 1 November 2019, Ian Ricciardi resigned as Executive Director, however, will continue his role in the Company as Non-Executive Director.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

Significant matters that have arisen since the end of the reporting period are:

- Since 31 December 2019, COVID-19 has been in the media. The Company does expect this to hamper sales in the immediate term, and as mitigation will defer harvests and sales to future periods. During the deferred period, the abalones are anticipated to increase in size and value for future sales realisation.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

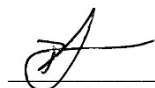
The Consolidated Group will continue to carry on its business plan by:

- continuing to manage its research and development activities in Augusta with the longer-term aim of achieving commercial operations;
- developing its export supply chains into Asia; and
- further expanding the current Augusta operations and continue other trial and research programs at other sites around Australia, including Esperance (Wylie Bay ranch) and Esperance 500 tonnes p.a. abalone hatchery and grow out facility.

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.



Bradley Adams
Managing Director
26 February 2020

**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 2019, 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, condensed 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 2019 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 26 February 2020.

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 2019 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*.

Material Uncertainty Regarding Valuation of Inventory of Biological Assets

As referred to in Note 8 to the consolidated financial statements, the consolidated financial statements include biological assets with a carrying value of \$9,958,183 (Current biological assets: \$4,776,627; Non-current biological assets: \$5,181,566). The Group's biological assets include live abalone on Abitats, which are measured at fair value less costs to sell. Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs (refer to Note 2(e)). Because of the uncertainty associated with the valuation of the biological assets due to the estimates of the number of abalone, size, mortality, the sample size selected and absence of an active market during the growth phase, their carrying value may differ from their realisable value.

Similarly, as the valuation of the harvested abalone is derived from the valuation parameters as outlined above, their carrying value may differ from the realisable value.

Our conclusion is not modified in respect of this matter.

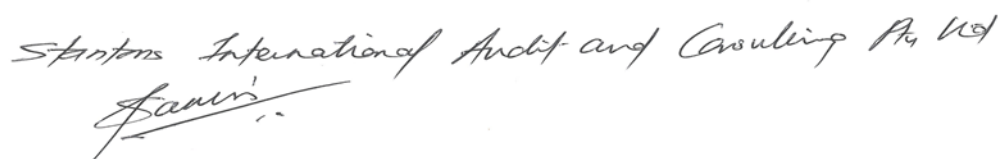
Material Uncertainty in relation to Going Concern

As referred to in Note 2(f) to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. The Group incurred loss before tax for the half-year of \$1,364,112, had cash and cash equivalents totalling \$4,034,479 and net cash outflows from operating activities of \$562,527.

The ability of the Group to continue as going concern is subject to the Group generating sufficient profits and cashflows, the recoverability of trade receivables and/or future capital raisings. In the event that the Group is not successful in generating sufficient profits and cashflows and in raising further equity, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's current and non-current assets may be significantly less than book values.

Our conclusion is not modified in respect of this matter.

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

A handwritten signature in cursive script, appearing to read 'Samir Tirodkar', is written over a horizontal line.

Samir Tirodkar
Director

West Perth, Western Australia
26 February 2020

26 February 2020

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

Dear Directors

RE: OCEAN GROWN ABALONE LIMITED

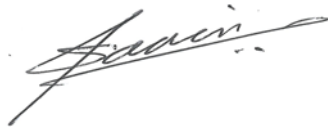
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Ocean Grown Abalone Limited.

As Audit Director for the review of the financial statements of Ocean Grown Abalone Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the 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)



Samir Tirodkar
Director

OCEAN GROWN ABALONE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated Group	
		31 Dec 2019	31 Dec 2018
		\$	\$
Revenue	3	1,447,580	1,682,784
Other income	4(a)	109,743	31,266
Net interest received (excluding interest expense on lease liability)		16,595	75,348
Research and development tax incentive	4(b)	924,019	857,285
Total income		2,497,937	2,646,683
Cost of goods sold		(1,289,562)	(1,440,052)
Fair value adjustment of biological assets	8	614,808	3,083,513
Selling & distribution		(160,560)	(124,582)
Processing expenses		(141,378)	(61,794)
Employee benefits expense		(1,272,468)	(1,353,903)
Share based payments	20	-	(367,330)
Diving, vessels & operations expense		(259,813)	(322,379)
Corporate & administration		(834,728)	(501,542)
Depreciation & amortisation expense		(361,511)	(292,450)
Interest expense on lease liability	11	(15,227)	-
Other expenses		(141,610)	(140,703)
		(3,862,049)	(1,521,222)
(Loss) / Profit before income tax		(1,364,112)	1,125,461
Income tax credit/(expense)	5(a)	365,677	(847,966)
(Loss)/Profit after tax from continuing operations		(998,435)	277,495
Other comprehensive loss for the period, net of tax:			
- Items that may be reclassified to profit or loss		-	-
- Items that will not be reclassified to profit or loss		-	-
Total comprehensive profit for the period		(998,435)	277,495
(Loss)/Profit attributable to:			
- Owners of the Company		(997,608)	277,485
- Non-controlling interests		(827)	10
		(998,435)	277,495
Total comprehensive (loss)/profit attributable to:			
- Owners of the Company		(997,608)	277,485
- Non-controlling interests		(827)	10
		(998,435)	277,495
Basic and diluted profit per share attributable to the Owners of the Company			
Basic and diluted (loss)/profit per share (cents)		(0.55)	0.16
Diluted (loss)/profit per share (cents)		(0.55)	0.16

The accompanying notes form part of these financial statements.

OCEAN GROWN ABALONE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	Consolidated Group	
		31 Dec 2019	30 Jun 2019
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	6	4,034,479	2,571,694
Trade and other receivables	7	1,455,247	2,032,989
Biological assets	8	4,776,627	3,870,000
Inventory	9	834,056	418,602
Other assets	12	35,231	146,930
TOTAL CURRENT ASSETS		11,135,640	9,040,215
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,046,821	4,753,122
Biological assets	8	5,181,566	6,040,705
Right-of-use assets	11	555,763	-
Intangible assets		63,488	71,881
Other assets	12	81,173	117,743
Deferred tax assets	15	61,517	60,565
TOTAL NON-CURRENT ASSETS		10,990,328	11,044,016
TOTAL ASSETS		22,125,968	20,084,231
CURRENT LIABILITIES			
Trade and other payables	13	758,121	697,711
Interest bearing liabilities		88,146	115,314
Lease liabilities		101,828	-
Provisions		157,994	141,099
Current tax liability	14	-	647
TOTAL CURRENT LIABILITIES		1,106,089	954,771
NON-CURRENT LIABILITIES			
Interest bearing liabilities		29,711	59,493
Lease liabilities		578,681	-
Deferred tax liabilities	15	1,491,460	1,718,292
TOTAL NON-CURRENT LIABILITIES		2,099,852	1,777,785
TOTAL LIABILITIES		3,205,941	2,732,556
NET ASSETS		18,920,027	17,351,675
EQUITY			
Contributed equity	16	26,957,018	23,408,139
Share based payment reserve	17	1,051,899	1,902,703
Accumulated losses		(9,079,630)	(7,950,960)
Equity attributable to owners of the Company		18,929,287	17,359,882
Non-controlling interests		(9,260)	(8,207)
TOTAL EQUITY		18,920,027	17,351,675

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 2019

Consolidated Group	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2018, as restated	23,408,139	1,965,372	(8,985,329)	16,388,182	(7,463)	16,380,719
Profit after income tax expense for the period	-	-	277,485	277,485	10	277,495
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive profit for the period, as restated	-	-	277,485	277,485	10	277,495
Transactions with owners recorded directly in equity						
Share based payment expense	-	367,330	-	367,330	-	367,330
Total transactions with owners recorded directly in equity	-	367,330	-	367,330	-	367,330
Balance as at 31 December 2018, as restated	23,408,139	2,332,702	(8,707,844)	17,032,997	(7,453)	17,025,544
Balance as at 1 July 2019	23,408,139	1,902,703	(7,950,960)	17,359,882	(8,207)	17,351,675
Adjustment on adoption of AASB 16	-	-	(131,062)	(131,062)	(226)	(131,288)
Balance as at 1 July 2019, as restated	23,408,139	1,902,703	(8,082,022)	17,228,820	(8,433)	17,220,387
Loss after income tax expense for the period	-	-	(997,608)	(997,608)	(827)	(998,435)
Other comprehensive loss for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(997,608)	(997,608)	(827)	(998,435)
Transactions with owners recorded directly in equity						
Shares issued	2,899,618	-	-	2,899,618	-	2,899,618
Capital raising costs	(201,543)	-	-	(201,543)	-	(201,543)
Transfer from share based payments reserve	850,804	(850,804)	-	-	-	-
Total transactions with owners recorded directly in equity	3,548,879	(850,804)	-	2,698,075	-	2,698,075
Balance as at 31 December 2019	26,957,018	1,051,899	(9,079,630)	18,929,287	(9,260)	18,920,027

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 2019

	Notes	Consolidated Group	
		31 Dec 2019	31 Dec 2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,389,840	1,447,968
Other income		115,288	3,072
Payments to suppliers and employees		(3,783,787)	(4,032,126)
Income taxes refunded/(paid)		137,246	(20,096)
R&D tax incentive		1,578,886	1,994,059
		<u>1,578,886</u>	<u>1,994,059</u>
Net cash (used in) operating activities		<u>(562,527)</u>	<u>(607,123)</u>
Cash flows from investing activities			
Purchases of plant, equipment and intangible assets		(618,659)	(41,639)
Proceeds from disposals of plant, equipment and intangible assets		10,085	36,818
Receipt of lease deposits		35,840	9,500
Other asset - Augusta development		-	(730,574)
Interest received		23,288	78,947
		<u>23,288</u>	<u>78,947</u>
Net cash (used in) investing activities		<u>(549,446)</u>	<u>(646,948)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,000	1,000
Repayment of borrowings		(56,950)	(50,296)
Repayment of lease liability		(63,677)	-
Interest paid		(3,690)	(6,010)
Proceeds from issue of shares		2,899,618	-
Capital raising costs		(201,543)	-
		<u>(201,543)</u>	<u>-</u>
Net cash provided by / (used in) financing activities		<u>2,574,758</u>	<u>(55,306)</u>
Net increase / (decrease) in cash and cash equivalents		1,462,785	(1,309,377)
Cash and cash equivalents at the beginning of the period		<u>2,571,694</u>	<u>7,415,975</u>
Cash and cash equivalents at the end of the period	6	<u><u>4,034,479</u></u>	<u><u>6,106,598</u></u>

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 2019

Note 1. NATURE OF OPERATIONS OF OCEAN GROWN ABALONE LIMITED

Ocean Grown Abalone Limited and its wholly-owned subsidiaries' 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 and expansion 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 2019.

b) Basis of measurement

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

c) Basis of preparation

(i) General purpose financial report

The consolidated general purpose financial report of the Group has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. 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 half-year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 26 February 2020.

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

(ii) Correction of prior period errors

With continuing growth and long-term development considerations, the Company completed an internal review of its operations. The outcome of this review is that the Company, with the assistance of external advisers, has led to a revision of the Company's historical deferred tax balances. This review resulted in a recognition of deferred tax assets (which were not previously recognised) and the consequent change in the income tax expense and deferred tax liabilities in the prior year. The additional deferred tax assets have been included within the restated balance sheet and represents a potential future cash flow benefit, which will be used to offset any future taxable profits. As a result, balance of retained earnings as at 1 July 2018 has been restated.

(iii) New and amended standards adopted by the Company

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

OCEAN GROWN ABALONE LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

- AASB 16: *Leases*

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 2 (d) below.

d) Changes in Accounting Policies

This note describes the nature and effect of the adoption of AASB 16: *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

As a result of the changes in Group's accounting policies, prior year financial statements were required to be restated. However, the Group has adopted AASB 16: *Leases* using the modified retrospective approach with the cumulative effect of initially applying AASB 16 recognised as 1 July 2019.

(i) Leases

The Group as lessee

At inception of a contract the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows;

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(ii) Initial Application of AASB 16: Leases

The Group has adopted AASB 16: *Leases* retrospectively with the cumulative effect of initially applying AASB 16 which amounted to \$131,062 was recognised as an adjustment in the accumulated losses as at 1 July 2019. In accordance with AASB 16, the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with exception of short-term and low value leases) recognised as operating leases under AASB 117: *Leases* where the Group is a lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
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The right-of-use assets were measured at their carrying values as if AASB 16 *Leases* had been applied since the commencement date but discounted using the Group's incremental borrowing rate per lease term as at 1 July 2019. The right-of-use assets have been recognised in the statement of financial position as at 1 July 2019.

The following practical expedients have been used by the Group in applying AASB 16 *Leases* for the first time:

- For a portfolio of leases that have been reasonably similar characteristics, a single discount rate has been applied.
- Leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term lease.
- The use of hindsight to determine lease terms or contracts that have options to extend or terminate.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 4.5%

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

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

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

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

Deferred Tax Assets and Liabilities

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the tax benefit can be utilised. Deferred tax assets are reviewed at each reporting date to assess the probability that the related tax benefit will be realised. Assumptions about the generation of future taxable profits depends on the Group's estimates of future cash flows, which in turn depend on estimates of future sales volumes and pricing, operational costs, capital expenditure and capital management transactions. The Board has decided to recognise a deferred tax asset, and also retrospectively restate the 2018 financial statements to reflect the likelihood of the generation of future profits against which the deferred tax asset will be utilised.

The Group recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due, which requires judgement. Amounts are accrued based on management's interpretation of applicable tax law and the likelihood of settlement. Where the final tax position is different from the amounts that were initially recorded, such differences

OCEAN GROWN ABALONE LIMITED
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FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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.

f) Going concern

The consolidated financial statements have been prepared on a going concern basis. At 31 December 2019 the Group had cash and cash equivalents totalling \$4,034,479, working capital of \$10,029,551 and had a loss before tax for the half-year of \$1,364,112.

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

	Consolidated Group	
	31 Dec 2019	31 Dec 2018
	\$	\$
Note 3. REVENUE		
Revenue for the reporting period consisted of the following:		
Sale of abalone products	1,445,470	1,586,984
Processing revenue	2,110	95,800
	1,447,580	1,682,784
During the period, products sold comprised individual quick frozen (IQF) meat product, retail pack meat products, live abalone and whole frozen abalone.		
Processing revenue relates to processing activities undertaken for third party customers.		
Note 4. OTHER INCOME		
(a) Other revenue for the reporting period consisted of the following:		
Government grants	75,000	-
Facility use	4,200	4,200
Foreign exchange (loss) on sales	(5,171)	(3,327)
Miscellaneous	35,714	30,393
	109,743	31,266
(b) Research and Development Tax Incentive		
Accrued during the period (refer also Note 7)	924,019	857,285
	924,019	857,285

OCEAN GROWN ABALONE LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated Group	
	31 Dec 2019	31 Dec 2018
	\$	\$
Note 5. INCOME TAX		
(a) The components of tax expense comprise:		
<i>Current income tax</i>		
Adjustments in respect of current income tax of previous years	(137,012)	-
<i>Deferred income tax</i>		
Relating to the origination and reversal of temporary differences	(97,591)	847,966
Adjustments for prior period & movements in deferred taxes not recognised	(131,074)	-
Total income tax (benefit)/expense from continuing operations	(365,677)	847,966
Deferred income tax expense/(income) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets/(liabilities)	(227,784)	847,966
	(227,784)	847,966
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Profit/(Loss) Before Income Tax	(1,364,112)	1,125,461
Prima facie tax payable on profit from ordinary activities before income tax at 27.5%	(375,131)	309,502
Add:		
Tax effect of:		
- Research & Development Expenditure: Non-deductible	408,526	541,962
- Other non-deductible permanent adjustments	1,328	423,862
- Adjustments for prior period & movements in deferred taxes not recognised	121,791	(165,641)
- Tax loss recognised	-	(25,966)
	156,514	1,083,719
Less:		
Tax effect of:		
- Adjustments for current tax of prior period	268,086	-
- Income not assessable for income tax purposes	254,105	235,753
Income tax expense/(benefit)	(365,677)	847,966
The applicable weighted average effective tax rates are as follows:	27%	75%

	Consolidated Group	
	31 Dec 2019	30 Jun 2019
	\$	\$
Note 6. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	4,034,479	2,571,694
	4,034,479	2,571,694

OCEAN GROWN ABALONE LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated Group	
	31 Dec 2019	30 Jun 2019
	\$	\$
Note 7. TRADE AND OTHER RECEIVABLES		
Trade debtors	283,949	266,213
Sundry and other debtors	966,558	1,582,569
GST receivable	204,740	184,207
	<u>1,455,247</u>	<u>2,032,989</u>

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

Sundry and other debtors for the December 2019 half-year represents the research and development tax incentive for the period of \$924,019 and \$42,539 other debtors (30 June 2019: research and development tax incentive \$1,582,569 and (\$Nil other debtors).

Note 8. BIOLOGICAL ASSETS

CURRENT		
Abalone on Abitats	<u>4,776,627</u>	<u>3,870,000</u>
	<u>4,776,627</u>	<u>3,870,000</u>
NON CURRENT		
Abalone on Abitats	<u>5,181,566</u>	<u>6,040,705</u>
	<u>5,181,566</u>	<u>6,040,705</u>

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

Opening balance	9,910,705	5,887,560
Increases due to purchases	957,942	1,310,665
Decreases due to harvest for processing to inventory	(1,525,262)	(2,366,097)
Fair value adjustment at period end recognised in profit and loss	<u>614,808</u>	<u>5,078,577</u>
Closing balance	<u>9,958,193</u>	<u>9,910,705</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.

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(e), the number of abalone and biomass is estimated using a model that factors in projected growth and mortality rates, which in turn are based on the results of survival counts and size class measurements taken during the Company's trial phase and subsequent six monthly stock counts (based upon a 6% sample). Actual growth and mortality rates will invariably differ to some extent across the ranch.

OCEAN GROWN ABALONE LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated Group	
	31 Dec 2019	30 Jun 2019
	\$	\$
Note 9. INVENTORY		
Harvested stock	834,056	418,602
	<u>834,056</u>	<u>418,602</u>

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

Note 10. PROPERTY, PLANT AND EQUIPMENT

Plant & equipment, at cost	3,421,147	3,128,264
less : Accumulated depreciation	<u>(1,918,339)</u>	<u>(1,864,300)</u>
	1,502,808	1,263,964
Leasehold improvements, at cost	48,816	112,769
less : Accumulated depreciation	<u>(24,978)</u>	<u>(81,989)</u>
	23,838	30,780
Office equipment, at cost	78,632	65,566
less : Accumulated depreciation	<u>(35,863)</u>	<u>(32,873)</u>
	42,769	32,693
Processing facility - Augusta, at cost	3,557,203	3,425,685
less : Accumulated depreciation	<u>(79,797)</u>	<u>-</u>
	3,477,406	3,425,685
Net carrying amount	<u>5,046,821</u>	<u>4,753,122</u>

Note 11. RIGHT-OF-USE ASSETS

The right-of-use assets have arisen upon adoption of AASB 16 Leases on 1 July 2019. The Group's lease portfolio includes building and aquaculture lease. The building lease has an average term of 5 years and the aquaculture leases have an average term of 21 years.

(a) The carrying amount of right-of-use assets is detailed below:

	Leased Property \$	Aquaculture Lease \$	Total \$
Recognised at inception of lease (previously classified as operating leases under AASB 17)	647,632	193,914	841,546
Impact of Depreciation on Retained Earnings, beginning	(195,743)	(48,132)	(243,875)
At 1 July 2019	<u>451,889</u>	<u>145,782</u>	<u>597,671</u>
Balance at 1 July 2019	451,889	145,782	597,671
Depreciation expense for the half -year ended	(37,375)	(4,533)	(41,908)
As at 31 December 2019	<u>414,514</u>	<u>141,249</u>	<u>555,763</u>

OCEAN GROWN ABALONE LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 11. RIGHT-OF-USE ASSETS (continued)

(b) AASB 16 related amounts recognised in statement of profit or loss

	As at 31 Dec 2019 \$
Depreciation charge related to right-of-use assets	41,908
Interest expense on lease liabilities	15,227
Low-value asset expense	888
Variable lease payment expense	3,844

The group has some property leases which contain variable lease payments. These variable lease payments are recognised in the statement of profit or loss in the period which they occur.

	As at 31 Dec 2019 \$
(c) Total half-yearly cash outflows for leases	<u>63,679</u>

(d) Options to extend or terminate

The options to extend or terminate are contained in several leases of the Group. There were no extension options for the building lease. All of the extension or termination options are only exercisable by the Group. The extension options which management were reasonably certain to be exercised have been included in the calculation of the lease liability.

Note 12. OTHER ASSETS

	Consolidated Group	
	31 Dec 2019 \$	30 Jun 2019 \$
CURRENT		
Prepayments	34,855	143,551
Accrued Interest	376	3,379
	<u>35,231</u>	<u>146,930</u>
NON CURRENT		
Deposits	74,667	110,507
Other	6,506	7,236
	<u>81,173</u>	<u>117,743</u>

Prepayments relate to advance payments for insurance.

Note 13. TRADE AND OTHER PAYABLES

Trade payables	547,048	323,049
Accrued expenses	211,073	374,662
	<u>758,121</u>	<u>697,711</u>

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

OCEAN GROWN ABALONE LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

		Consolidated Group	
		31 Dec 2019	30 Jun 2019
		\$	\$
Note 14. TAXATION			
	CURRENT		
	Current income tax payable	-	647
		<u>-</u>	<u>647</u>
Note 15. DEFERRED TAX ASSETS AND LIABILITIES			
	Recognised deferred tax assets		
	Accruals	20,595	74,903
	Provisions	57,605	52,484
	Losses	1,084,282	840,314
	40-880	133,291	143,327
	Other	189,279	1,290
	Deferred tax assets to offset deferred tax liability	(1,423,535)	(1,051,753)
		<u>61,517</u>	<u>60,565</u>
	Recognised deferred tax liabilities		
	Biological & Inventory Asset	2,752,575	2,730,568
	Prepayments	9,585	39,477
	Other	152,835	-
	Deferred tax assets to offset deferred tax liability	(1,423,535)	(1,051,753)
		<u>1,491,460</u>	<u>1,718,292</u>
		Consolidated Group	
		31 Dec 2019	30 Jun 2019
Note 16. CONTRIBUTED EQUITY			
	(a) Issued and paid up capital	No.	No.
	No. fully paid ordinary shares	<u>200,742,780</u>	<u>174,110,260</u>
		\$	\$
	Balance at beginning of period	23,408,139	23,408,139
	Employee performance rights vested - class D ¹	50,804	-
	Managing Director performance rights vested - class A ²	800,000	-
	Rights issue (\$0.13 on 20 November 2019) ³	2,899,618	-
	Share issue costs	(201,543)	-
	Balance at end of the period	<u>26,957,018</u>	<u>23,408,139</u>
	(b) Movement in ordinary shares	No.	No.
	Balance at the beginning of period	174,110,260	174,110,260
	Employee performance rights vested - class D ¹	327,766	-
	Managing Director performance rights vested - class A ²	4,000,000	-
	Rights issue (\$0.13 on 20 November 2019) ³	22,304,754	-
	Balance at end of the period	<u>200,742,780</u>	<u>174,110,260</u>

1. On 2 August 2019, the Company issued 327,766 shares from performance rights to employees in accordance with the Company's Employee Incentive Plan.

2. On 15 November 2019, the Company issued 4,000,000 shares to Managing Director Brad Adams through conversion Class A Performance Rights.

3. On 20 November 2019, the Company issued 22,304,754 shares by a pro-rata non-renounceable rights offer on the basis of 1 new share for every 8 shares held at an issue price of 13 cents per new share.

OCEAN GROWN ABALONE LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 16. CONTRIBUTED EQUITY (continued)

(c) Ordinary Shares

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

(d) Share options

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

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

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

All of these options remained outstanding at balance date.

	Consolidated Group	
	31 Dec 2019	30 Jun 2019
	\$	\$
Note 17. RESERVES		
Share-based payment reserve	<u>1,051,899</u>	<u>1,902,703</u>

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 20 for details of share-based payments during the period.

Movement in reserves:

Share-based payments reserve

Balance at beginning of the period/year	1,902,703	1,965,372
Net performance rights (reversed) to managing director	-	(113,473)
Performance rights issued to employees	-	50,804
Transfer to issued capital upon the vesting of Class D performance rights	(50,804)	
Transfer to issued capital upon the vesting of Class A performance rights	<u>(800,000)</u>	<u>-</u>
Balance at the end of the period/year	<u>1,051,899</u>	<u>1,902,703</u>

In the prior year, the remaining balance being the \$307,307 of class A performance rights for the managing director was expensed upon successful completion of the performance condition. At the same time, the balance of \$296,110 of class B performance rights for the managing director and \$124,670 of class C performance rights for the managing director expensed in previous years were reversed.

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

Refer to Note 20 Share-based payments for further details on performance rights.

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Note 18. SUBSEQUENT EVENTS

Significant matters that have arisen since the end of the reporting period are:

- Since 31 December 2019, COVID-19 has been in the media. The Company does expect this to hamper sales in the immediate term, and as mitigation will defer harvests and sales to future periods. During the deferred period, the abalones are anticipated to increase in size and value for future sales realisation.

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

Consolidated Group	
31 Dec 2019	30 Jun 2019
\$	\$

Note 19. COMMITMENTS AND CONTINGENCIES

Commitments

The Consolidated Group had the following operating lease commitments as at 31 December 2019

Within one year	142,617	128,183
After one year but not more than five years	360,818	291,767
More than five years	366,239	354,574
	<u>869,674</u>	<u>774,524</u>

The Consolidated Group had the following aquaculture lease commitments as at 31 December 2019

Within one year	17,606	18,450
After one year but not more than five years	70,423	73,800
More than five years	181,195	210,450
	<u>269,224</u>	<u>302,700</u>

The Consolidated Group had the following supplier purchase commitments as at 31 December 2019

Within one year	1,124,854	725,004
After one year but not more than five years	1,242,864	1,242,864
More than five years	-	-
	<u>2,367,718</u>	<u>1,967,868</u>

The Consolidated Group had the following capital purchase commitments as at 31 December 2019

Within one year	-	262,341
After one year but not more than five years	-	-
More than five years	-	-
	<u>-</u>	<u>262,341</u>

Contingencies

Contingencies other than as disclosed in the 2019 financial statements, the Consolidated Group does not have any contingent liabilities at balance sheet date and none have arisen since balance sheet date to the date of signing the Directors' report.

Note 20. 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.

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

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Note 20. SHARE-BASED PAYMENTS (continued)

Series	Grant Date	Expiry Date	Exercise Price	Number of options
A	1 Aug 2017	28 Dec 2020	\$0.30	8,807,452
B	1 Aug 2017	30 Sep 2021	\$0.39	10,039,450
C ¹	1 Aug 2017	30 Sep 2021	\$0.44	2,500,000
			Total	21,346,902

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

Fair value of performance rights during the period

The following performance rights were issued previously and during the period:

Class	Grant Date	Number of Performance Rights	Value per Share	Fair Value	31 Dec 2019	30 Jun 2019
					Total expense	Total expense
A	1 Aug 2017	4,000,000	\$0.20	\$800,000	-	\$307,307
B	1 Aug 2017	4,000,000	\$0.20	\$800,000	-	(\$296,110)
C	1 Aug 2017	4,000,000	\$0.20	\$800,000	-	(\$124,670)
D	31 Jan 2019	342,391	\$0.155	\$53,071	-	\$50,804
Total		12,342,391		\$2,453,071	-	(\$62,669)

The Company previously issued 12,000,000 Performance Rights to Brad Adams, the Managing Director. The Performance Rights have been issued in 3 classes, with 4,000,000 shares in each class and subject to separate service and performance conditions. During the previous financial year, the Company granted 342,391 Performance Rights (327,766 issued) to eligible employees. The service conditions for each class are 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 material part of the Port Lincoln Development Project, the Company (either on its own or together with an affiliate or joint venture partner) deploys and seeds a cumulative total of 5,000 Abitats across one or more commercial project sites within South Australia.
- Class D – *Service Condition:* remain engaged as an employee for a continuous period until 30 June 2019.
Performance Condition: Maintain a satisfactory level of performance.

OCEAN GROWN ABALONE LIMITED
CONDENSED NOTES TO THE FINANCIAL STATEMENTS
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Note 20. SHARE-BASED PAYMENTS (continued)

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

(i) Class A – 4,000,000 performance rights allocated after successfully achieving service and performance conditions as outlined above. Transfer to issued capital upon the vesting of Class A performance rights occurred on 15 November 2019.

(ii) Class B – based on the projected FY2019, FY2020 annual harvests and current stock estimates, production and harvest capacity, the probability of achieving the applicable performance condition was considered to be less than 50%. As per AASB 2 Share-based Payment, no amount is recognised because of failure to satisfy vesting condition and therefore the share-based payment expense was reversed in the prior year. The 4,000,000 Class B performance rights have lapsed.

(iii) Class C – based on the Company’s assessment, the probability of achieving the applicable performance condition was considered to be less than 50%. As per AASB 2 Share-based Payment, no amount is recognised because of failure to satisfy vesting condition and therefore the share-based payment expense was reversed in the prior year.

(iv) Class D – 327,766 performance rights allocated after successfully achieving service and performance conditions as outlined above.

Note 21. OPERATING SEGMENT

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

Note 22. 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) in the 30 June 2019 Annual Report.

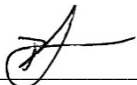
Name	Country of Incorporation	Percentage Owned	
		31 Dec 2019	30 Jun 2019
Ocean Grown Abalone Operations Pty Ltd	Australia	100%	100%
Two Oceans Abalone Pty Ltd	Australia	100%	100%
Wylie Bay Abalone Pty Ltd	Australia	66.67%	66.67%
Ocean Grown Abalone Wylie Bay Pty Ltd	Australia	100%	100%

OCEAN GROWN ABALONE LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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 Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*; and
 - b) giving a true and fair view of the Consolidated Group's financial position as at 31 December 2019 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 made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



Bradley Adams
Managing Director
26 February 2020