

29 July 2021

ASX RELEASE

ASX: OGA

Quarterly Update and Appendix 4C for the period ending 30 June 2021

KEY POINTS

- New Executive team has commenced establishing Strategic Choices for the business and defined a pathway to a profitable core business, to realise continuous improvement and pursue avenues for growth
- Record annual abalone harvest of 75.9 tonnes, a 39% production increase on the FY20 harvest volume of 54.7 tonnes
- Record annual abalone sales volume of 72 tonnes, a 49% increase on FY20 and a record level of annual abalone sales revenue of \$3.1M* representing a 25% increase on prior year
- A commitment to the Marine Stewardship Council ("MSC") certification process, to validate the Company's sustainability credentials and support the marketing of its WILD Two Oceans Abalone brand
- The OGA and Yumbah Esperance Project secured an additional 107 hectares of land, providing a more favourable footprint and significant expansion opportunities for the onshore abalone hatchery and grow out facility

DETAILS

Ocean Grown Abalone Ltd (ASX Code: OGA, the Company), Western Australia's largest oceanic harvested greenlip abalone producer, is pleased to provide the following operations update and Appendix 4C Cashflow Report for the quarter ended 30 June 2021.

Executive Management Team Formation

As announced to the ASX in March and April of 2021, OGA implemented an Executive team restructure and made key appointments to improve production capacity, drive a new sales and marketing strategy and facilitate the growth of the business.

Rob Jorden was appointed to Chief Executive Officer, Brent Stockden joined as Chief Financial Officer, Company Secretary & Commercial Services Manager and Brad Adams moved into Executive Director Corporate Development.

Q4 of FY21 saw the executive and management team come together and commence the development of Strategic Choices to define a pathway toward a profitable and self-sustaining core business, focused on delivering continual improvement and the pursuit of growth projects.

*unaudited

Sales & Marketing Update

OGA's sales and marketing initiatives introduced in H2 of FY21, continued to progress through Q4, with strategic partnerships opening new bulk order channels through Taiwan and the UK, while sales volumes continued through traditional channels into Hong Kong, Singapore, Sydney and Melbourne.

As announced to the ASX on 2 July 2021, OGA achieved a record (unaudited) level of abalone sales revenue of \$3.1M, representing a 25% increase on prior year and a 12% increase on the next largest sales period (pre COVID) experienced in FY19. This was achieved through a consistent, disciplined approach which provided the data to rationalise products and align supply with market demand.

The impact of the COVID pandemic on abalone market, saw FY21 yield the lowest price per kilogram on record for OGA (a reduction of 18% on pre-COVID levels). This further highlights the significance of the sales record, achieved in a tumultuous international environment.

OGA's bulk orders to international markets will continue to provide the sales base necessary to drive production efficiencies and growth and allow the next phase of the Company's sales and marketing strategy to evolve. This will entail building our premium brand with our own domestic high-end customers.

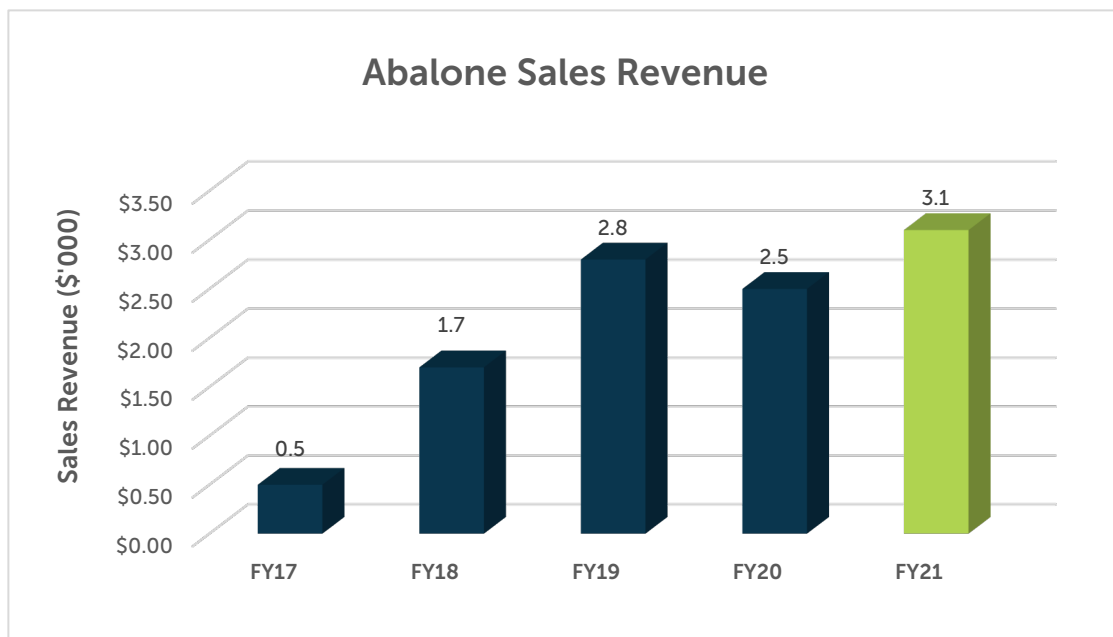


Figure 1: OGA annual sales revenue growth

Operations & Growth

OGA's core business strength will be underpinned by the continual improvement of its Flinders Bay ranching operations to ensure maximum product growth for minimum cost.

The Executive and management team through Q4 have commenced the development of a Digital Twin to determine the best strategic choices to achieve the highest product growth at lowest cost. This approach, combined with ongoing research and development will drive the continuous improvement of the Flinders Bay ranch and lay the foundations for future expansion.

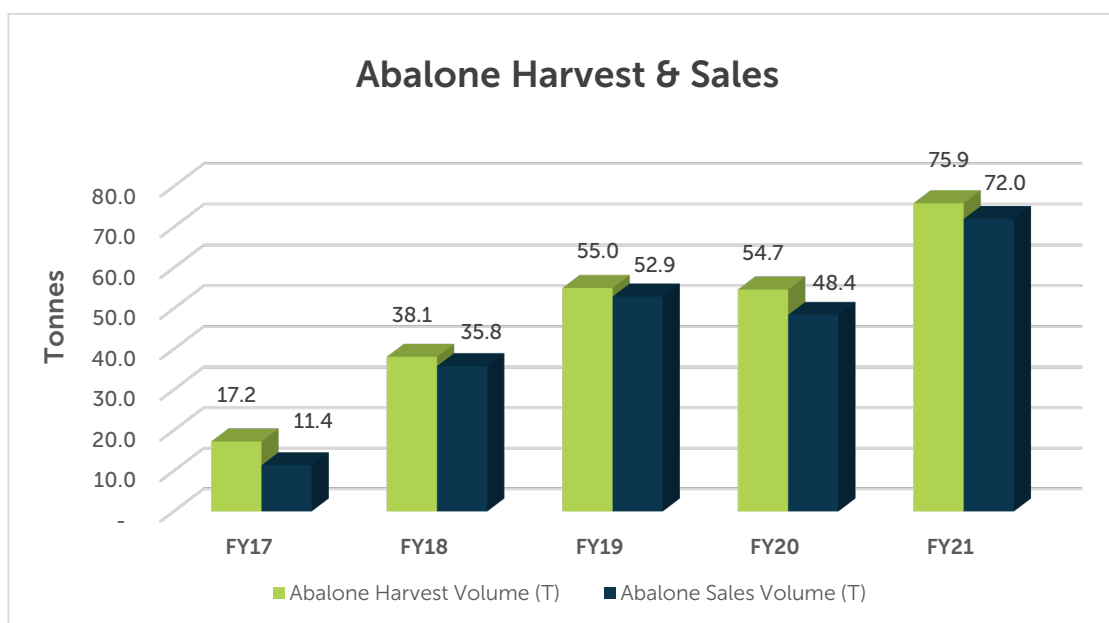


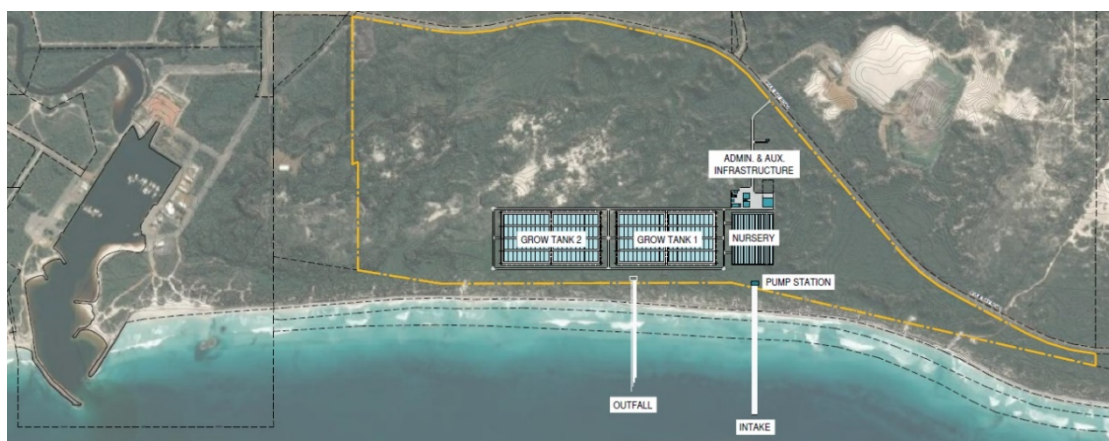
Figure 2: OGA annual harvest and sales growth

In June OGA reported its commitment to undertake an independent third-party assessment of its sustainability credentials. The audit is to commence in the July quarter 2021 under the Marine Stewardship Council ("MSC") audit criteria. The audit will assess the health of target stock, the operational impact on the marine ecosystem and OGA's overall management of greenlip abalone.

WA's State Government is funding the assessment and, in partnership with the WA Fishing Industry Council (WAFIC), will support the process so that OGA can achieve external sustainability accreditation.

In Q4, OGA and Yumbah Aquaculture Limited (Yumbah), secured a two-year option to purchase a 107ha portion of land at Lot 4 Wylie Bay Road, Esperance, Western Australia. This parcel of land, combined with the existing Esperance land option, creates a combined area of 143ha for the proposed 600 tonne per annum onshore abalone hatchery and grow out facility. This is currently the subject of a Bankable Feasibility Study (BFS).

Securing the option to purchase the additional land, provides OGA and Yumbah with a uniquely suitable area of land, which is anticipated will contribute to lower construction costs and favourable expansion opportunities into the BFS. The BFS is expected to be delivered during Q2 of FY22, at which point both Yumbah and OGA, under the Heads of Agreement, will enter a three-month investment decision window.



Esperance Project Concept Design – subject to relevant approvals

Cashflow & Outlook

OGA had operating net cash outflow for Q4 of \$223k and an annual net operating surplus for FY21 of \$154k.

Cash inflows for Q4 included \$748k of customer receipts, the final Job keeper receipt of \$60k and interest received of \$7k. Operating cash outflows totalled \$1.038M for Q4. Payments to related parties for the quarter ended 30 June 2021 totalled \$124k, including Director, employee and cold storage fees.

OGA commenced the year with cash reserves of \$2.78M and concluded FY21 with \$2.71M, representing a net annual cash outflow of only \$66k.

The Strategic Choices adopted by the OGA executive and management team into FY22, are focused on providing self-sustaining working capital for the business, including OGA's remaining forecasted BFS expenditure commitment.



END

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

The Board of Ocean Grown Abalone Limited.

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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. With the construction of proprietary, purpose-built artificial abalone reefs (called "Abitats") now complete, OGA is supplying commercial quantities of its premium, 'wild-harvested', greenlip abalone to local and overseas customers.

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 the 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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Ocean Grown Abalone Limited

ABN

52 148 155 042

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	748	3,181
1.2 Payments for		
(a) research and development ¹	-	-
(b) product manufacturing and operating costs ¹	(175)	(1,588)
(c) advertising and marketing	(32)	(144)
(d) leased assets	-	-
(e) staff costs ¹	(540)	(2,112)
(f) administration and corporate costs	(226)	(820)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	34
1.5 Interest and other costs of finance paid	(8)	(30)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives ²	60	1,986
1.8 Other (provide details if material) ³	(57)	(353)
1.9 Net cash from / (used in) operating activities	(223)	154

1. A portion of cash outflows included in 1.2 (b) and (e) are also eligible for FY2021 R&D tax incentive.

2. Cash inflows are associated with: Government COVID-19 relief measures: \$60k of Job Keeper.

3. Other cash outflows comprises: \$57k associated with Esperance Project development.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(9)	(30)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	(30)	(46)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	10	10
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(19)	(19)
2.6	Net cash from / (used in) investing activities	(48)	(85)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	1
3.6	Repayment of borrowings	(2)	(34)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (leased assets)	(26)	(102)
3.10	Net cash from / (used in) financing activities	(28)	(135)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,012	2,779
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(223)	154
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(48)	(85)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(28)	(135)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,713	2,713

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,713	3,012
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Term deposits	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,713	3,012

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

124

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities ⁴	2,500	25
7.2 Credit standby arrangements	-	-
7.3 Other (Credit Card) ⁵	45	7
7.4 Total financing facilities	2,545	32

7.5 **Unused financing facilities available at quarter end** **2,513**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

4. The equipment loan has been provided by National Australia Bank Limited, pursuant to a master asset finance agreement with a facility limit of \$1,500,000. The loan is secured over the financed asset via an equitable mortgage. Additional loan security is provided in the form of a charge over the assets of OGA. The Company has also provided a guarantee and indemnity to the loan provider for the full facility limit. The equipment loan balance at quarter end totalled \$25,380, with applicable annual interest rate of 3.99%.

National Australia Bank Limited has also provided a business overdraft facility of \$1,000,000 with an annual rate of 4.5%. The facility expires on 30 November 2021. The overdraft facility was undrawn at quarter-end.

5. Credit card facility limit at quarter-end totalled \$45,000 with an applicable annual interest rate of 15.5% The balance drawn at quarter-end was \$7,010.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(223)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,713
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,513
8.4 Total available funding (Item 8.2 + Item 8.3)	5,226
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	23.43

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2021

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.