



Quarterly Update and Appendix 4C for the period ending 31 March 2019

HIGHLIGHTS

- **Abalone sales** – up 26% to **38.8 tonnes Q3FY19YTD** compared to 30.8 tonnes in Q3FY18YTD.
- **Production** – up 31% to **38.6 tonnes in Q3FY19YTD** compared to 29.5 tonnes in Q3FY18YTD.
- **Export processing facility** – construction in progress and on schedule.
- **Grant funding** – awarded \$285,000 in funding.
- **Esperance land opportunity** – finalising land agreements, for the potential development of an abalone hatchery and grow out facility.

DETAILS

Ocean Grown Abalone Limited (**ASX: OGA, the Company**) is pleased to provide the following operations update and Appendix 4C Cashflow Statement for the quarter ended 31 March 2019.

Sales

Sales in Q3FY19YTD were 38.8 tonnes, 26% higher than the 30.8 tonnes in Q3FY18YTD.

OGA continues to take advantage of the strong demand for its range of products with the majority of the stock sold to Asian markets.

Average sales prices have strengthened by more than 21% per kilogram compared to Q3FY18.



Display of OGA products in Hong Kong supermarkets

Grant Funding

OGA has been awarded funding from government programs aimed at regional economic development and exports to Asian markets including:

- Value Add Agribusiness Investment Attraction Fund – \$150,000 awarded, contributing to the acquisition of saltwater tanks and freezing plant.
- South West Regional Economic Development Grant – \$85,000 awarded towards the construction of the new seafood processing facility at the Augusta Boat Harbour.
- Asian Market Export – awarded \$50,000 towards Asian market brand development and sales expansion.

Business Development

Esperance land opportunity - Esperance Council has passed a resolution authorising the Shire's CEO to prepare agreements to enter into a land transaction with OGA for the land that has the potential for development into an abalone hatchery and grow out facility. Refer to the announcement "Approval for Esperance land" dated 27 March 2019.

Operations and Processing

Harvest for Q3FY19YTD was 38.6 tonnes, 31% higher than the 29.5 tonnes in Q3FY18YTD.

Export processing facility - construction continued at the Augusta Boat Harbour and is on target for completion by the end of June 2019. Once completed this will provide increased production capacity and efficiency opportunities.



Construction progress – North Elevation



Construction progress – East Elevation

Working Capital

OGA has forecast that with the completion and final payments of the new processing facility and ongoing operational costs, cash at bank is forecast to reach a level that warrants a market update.

The Company anticipates that there will be sufficient cash available for the ongoing operations generated from future sales and the expected receipt of an R&D refund by October 2019.

In the event there is a timing mismatch in revenue receipts and incurring costs, OGA has also secured a business overdraft facility with its bank to the value of \$1,000,000 and has increased the amount available under its equipment finance arrangement to \$1,500,000 (previously \$750,000, currently drawn down to \$158,550 as at 31 March 2019).

Planned activities for the next quarter

- **Juvenile Seeding** – OGA anticipates juvenile seeding activity to recommence next quarter with approximately 535,000 juveniles to be seeded in Flinders Bay. This allows OGA to take advantage of seasonal winter growth opportunities.
- **Export Processing Facility** – continue construction and fit out of live tanks and freezing infrastructure at the new processing facility.
- **Esperance** – completion of contractual documentation for the land transaction. Commencement of feasibility study to assess the development potential for an abalone hatchery and grow out facility
- **Marketing** – launch of ‘Two Oceans Abalone’ website. The focus will be on building existing relationships to drive repeat orders. Continue marketing activities to engage with new customers.

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 can 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 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 report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Ocean Grown Abalone Limited

ABN

52 148 155 042

Quarter ended ("current quarter")

31 March 2019

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 737 | 2,188 |
| 1.2 Payments for | | |
| (a) research and development ^{1,2} | (8) | (47) |
| (b) product manufacturing and operating ² costs | (511) | (2,527) |
| (c) advertising and marketing | (60) | (238) |
| (d) leased assets | - | - |
| (e) staff costs ² | (605) | (1,964) |
| (f) administration and corporate costs | (122) | (561) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 37 | 116 |
| 1.5 Interest and other costs of finance paid | (2) | (8) |
| 1.6 Income taxes paid | - | (20) |
| 1.7 Government grants and tax incentives | - | 1,994 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (534) | (1,067) |

¹ Includes cash outflows related to Port Lincoln trial.
² An apportion of cash outflows included in 1.2 (b) and (e) are also eligible for R&D tax incentive.

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (113) | (155) |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) other non-current assets ³ | (1,130) | (1,861) |
| 2.2 Proceeds from disposal of: | | |
| (a) property, plant and equipment | 48 | 85 |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |
| (d) intellectual property | - | - |
| (e) 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) ⁴ | - | 9 |
| 2.6 Net cash from / (used in) investing activities | (1,195) | (1,922) |
| ³ Includes cash outflows for the development of the Abalone Processing Facility in Augusta. ⁴ Includes cash inflows/outflows return of bank guarantees for leases held and lease bond. | | |

| | | |
|---|-------------|-------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | - |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | - | - |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 Proceeds from borrowings | - | 1 |
| 3.6 Repayment of borrowings | (26) | (76) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (provide details if material) | - | - |
| 3.10 Net cash from / (used in) financing activities | (26) | (75) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|--|------------------------------------|--|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of quarter/year to date | 6,107 | 7,416 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (534) | (1,067) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (1,195) | (1,922) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (26) | (75) |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of quarter | 4,352 | 4,352 |

| 5. Reconciliation of cash and cash equivalents | | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|--|------------------------------------|-------------------------------------|
| at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | | | |
| 5.1 | Bank balances | 515 | 546 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Term deposits | 3,837 | 5,561 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 4,352 | 6,107 |

| 6. Payments to directors of the entity and their associates | | Current quarter \$A'000 |
|--|--|------------------------------------|
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 ⁵ | 142 |
| 6.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 | Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

⁵ Item 6.1 relates to payments for Directors services and fees for the current quarter ended 31 March 2019

| 7. Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|--|----------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | - |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |
| - | |

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|--|---|
| 8.1 Loan facilities ⁶ | 750 | 159 |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (Credit card) ⁶ | 45 | 12 |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

⁶ The equipment loans have been provided by National Australia Bank Limited, pursuant to a master asset finance agreement. The loans are secured over the financed assets via an equitable mortgage. Additional loan security is provided in the form of a charge over the assets of OGA. The Company has also provided a guarantee and indemnity to the loan provider for the full facility limit.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|--------------|
| 9.1 Research and development ⁷ | - |
| 9.2 Product manufacturing and operating costs ⁷ | 938 |
| 9.3 Advertising and marketing | 103 |
| 9.4 Leased assets | - |
| 9.5 Staff costs ⁷ | 624 |
| 9.6 Administration and corporate costs | 195 |
| 9.7 Other (provide details if material) ⁸ | 1,370 |
| 9.8 Total estimated cash outflows | 3,230 |


⁷ Where anticipated R&D tax incentive forms part of existing business activities these are included in cash outflows in 9.2 and 9.5, otherwise unique R&D activities are identified in 9.1.

⁸ Estimated progress payments for Augusta Marina development, equipment purchases and equipment loan repayments.

| 10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above) | Acquisitions | Disposals |
|---|--------------|-----------|
| 10.1 Name of entity | - | - |
| 10.2 Place of incorporation or registration | - | - |
| 10.3 Consideration for acquisition or disposal | - | - |
| 10.4 Total net assets | - | - |
| 10.5 Nature of business | - | - |

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.

Sign here: 
Company Secretary

Date: 30 April 2019

Print name: Romolo Santoro

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.