



30 April 2020

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ASX: OGA

Quarterly Update and Appendix 4C for the period ending 31 March 2020

HIGHLIGHTS

- **Abalone sales – up 8% to 41.9 tonnes Q3FY20YTD** compared to 38.8 tonnes in Q3FY19YTD.
- **Production – up 10% to 42.3 tonnes in Q3FY20YTD** compared to 38.6 tonnes in Q3FY19YTD.
- **COVID-19 Pandemic** – OGA is monitoring the situation and exploring all government and commercial relief opportunities available.
- **Chinese New Year** – Continued promotion and showcasing abalone products in overseas markets.
- **Sale achievements** – First shipment of 8 tonnes of abalone shell, by-product, to Vietnam.

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 2020.

Sales

Sales in Q3FY20YTD were 41.9 tonnes, 8% higher than the 38.8 tonnes in Q3FY18YTD.

During the quarter, OGA increased brand exposure of its Premium ‘Two Oceans Abalone’ product range in Singapore through Ambassador Chef – Eric Low of Lush Epicurean at a Chinese New Year radio promotion and other cooking demonstration events held by The Seafood Company.

As part of Chinese New Year promotions, ‘Two Oceans Abalone’ products featured at Malaysian supermarkets along with in-store product cooking and tasting demonstrations.



Two Oceans Abalone Brand Product in Malaysian Supermarket



Taste Testing at Malaysian Supermarket

The Company achieved a new milestone in the quarter, securing the sale of 8 tonnes of abalone shell, destined for use in the ornamental shell market. The sales of this shell also provided the opportunity for OGA to reduce its waste and created an additional revenue stream.

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OGA's abalone shell has a uniform pearl appearance, which OGA also uses in its high-end gift packs, sold at duty-free stores and high-end retail outlets.



Ocean Grown Abalone's first shipment of Abalone Shell

OGA continues to explore all sales opportunities; with world abalone markets subdued due to the consequences of the COVID-19 pandemic; this is expected to create further sales competition and pricing pressure.

Until market consumption for abalone increases, OGA's harvests will be closely aligned to firm sales commitments; with unmet demand deferred to future periods, providing the abalone more time to grow in size and value.

Operations

OGA will continue to maintain and seed its oceanic reefs, concentrating on operationally optimising the business to address the consequences of COVID-19.

The Company focused on further cost reductions in the quarter and is exploring all government and commercial relief opportunities available including the JobKeeper payment, Payroll Tax relief and Australian Taxation Office (ATO) small business relief.

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. 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 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”)	
	31 March 2020	
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	1,074	2,579
1.2 Payments for		
(a) research and development ¹	-	-
(b) product manufacturing and operating costs ¹	(747)	(2,492)
(c) advertising and marketing	(20)	(154)
(d) leased assets	-	-
(e) staff costs ¹	(587)	(1,837)
(f) administration and corporate costs	(249)	(538)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	34
1.5 Interest and other costs of finance paid	(7)	(27)
1.6 Income taxes paid	-	137
1.7 Government grants and tax incentives	75	1,654
1.8 Other (provide details if material) ²	(75)	(440)
1.9 Net cash from / (used in) operating activities	(525)	(1,084)

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

² Cash outflows are costs 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	(1)	(620)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	5	15
	(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) ³	-	36
2.6	Net cash from / (used in) investing activities	4	(569)

³ Includes cash inflows for return of bank guarantees for lease bond.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,900
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	-	(202)
3.5	Proceeds from borrowings	7	8
3.6	Repayment of borrowings	(29)	(86)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (leased assets)	(25)	(73)
3.10	Net cash from / (used in) financing activities	(47)	2,547

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 period	4,034	2,572
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(525)	(1,084)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	4	(569)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(47)	2,547
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,466	3,466

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	3,455	4,023
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Term deposits	11	11
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,466	4,034

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 ⁴	113
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

⁴ Item 6.1 relates to Directors services and fees for the current quarter ended 31 March 2020.

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.

- 7.1 Loan facilities⁵
- 7.2 Credit standby arrangements
- 7.3 Other (Credit Card)⁶
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
2,500	89
-	-
45	7
2,545	96

- 7.5 **Unused financing facilities available at quarter end** **2,449**

- 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.

⁵ The equipment loans have been provided by National Australia Bank Limited, pursuant to a master asset finance agreement with a facility limit of \$1,500,000. The loans are secured over the financed assets via an equitable mortgage. Additional loan security is provided in the form of a charge over the assets of OGA. The Company has also provided a guarantee and indemnity to the loan provider for the full facility limit.

The equipment loans balance at quarter end totalled \$88,854, with applicable annual interest rates of (i) 5.2% for \$20,327; (ii) 4.82% for \$32,478; and (iii) 3.99% for \$36,049.

A business overdraft facility has been provided by National Australia Bank Limited with a facility of \$1,000,000 with an annual rate of 4.5%. The facility expires on 31 May 2020. There was a nil balance drawn at quarter end.

⁶ 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 \$7,096.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,084)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,466
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,449
8.4 Total available funding (Item 8.2 + Item 8.3)	5,915
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5

- 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: 30 April 2020

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.