



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

KEY POINTS

- **Abalone sales volumes** – up 35.6% to 35.4 tonnes in H1FY21 compared to 26.1 tonnes in H1FY20
- **Abalone average sales prices** – down ~20% in H1FY21 compared to H1FY20
- **Seeding** – 0.35 million juvenile abalone seeded in H1FY21, with 0.53 million scheduled to be seeded in H2FY21
- **Production volumes** – up 34.2% to 47.5 tonnes in H1FY21 compared to 35.4 tonnes in H1FY20.
- **R&D Tax Refund** – tax incentive refund of \$1.42 million received in October 2020
- **Esperance development** – heads of agreement signed with Yumbah to undertake a feasibility study into the proposed development of a large onshore abalone hatchery and grow out facility in Esperance, WA

DETAILS

Ocean Grown Abalone Limited (**ASX: OGA, the Company**), Western Australia's largest oceanic harvested greenlip abalone producer, is pleased to provide the following operations update and Appendix 4C Cashflow Statement for the quarter ended 31 December 2020.

Sales

Revenue from abalone product sales in H1FY21 was \$1.51 million, an increase of approximately 5% on H1FY20. The Company sold 35.4 tonnes of abalone meat products in H1FY21, an increase of 35.6% compared to H1FY20 sales of 26.1 tonnes. In contrast, average sale prices declined by approximately 20% compared to H1FY20, which is consistent with other seafood industry participants during 2020.

During the December 2020 quarter, OGA completed a strategic review of its sales and marketing operations, with the aim of increasing demand and prices for the Company's products as the restrictions placed upon our customer base by COVID-19 are reduced. As a result of that review, OGA has developed a Seafood Trader network to promote the sales of bulk product through various Asian market channels. The Company now has bulk product going to customers in Taiwan, Singapore and Hong Kong, with further opportunities in advanced stages of negotiation.

The trader network is also being supported with new marketing material, which promotes the depth, breadth and quality of the Company's product offering and ability to supply consistently all year round.

Simultaneously our sales and marketing team are segmenting our customer base, to conduct more in-depth research of customer requirements. Our intention is to use this research in the first instance to promote our story to a wider food services customer base in Australia with the use of our digital platform. This will give us the opportunity to connect directly with a broader end user and target improved margins.

Operating Cashflow

Operating cash inflows for Q2FY21 totalled \$2.39 million and comprised of \$1.42m for FY2020 Research and Development Tax Incentive, \$867k in cash receipts from customers, \$62k in JobKeeper and Cashflow Boost of \$28k. The Company and its subsidiary entities will no longer be eligible for JobKeeper payments after Q2FY2021.

Operating cash outflows for Q2HY21 totalled \$1.28 million, predominantly comprised of staff costs; juvenile abalone purchases; processing, freight, administration and corporate costs. Payments to related parties, included in operating cash outflows for Q2FY21 of \$155,213, related to the provision of Director and management services.

Operations

Harvest for H1FY21 was 47.5 tonnes, 34.2% higher than H1FY20 harvest of 35.4 tonnes. More favourable weather conditions in the December quarter resulted in a total of 30.7 tonnes being harvested during Q2FY21, which is the highest quarterly harvest achieved to date.

173k juvenile abalone were seeded in Q2FY21, which took the total seedings for H1FY21 to 0.35 million. The reduction on the 0.84 million of juvenile abalone seeded in H1FY20, was attributable to the impact of COVID-19 on the market for abalone products. In particular, seeding was deferred to allow for the anticipated growth in existing reef stocks, pending improved market conditions.

Total scheduled juvenile deployments for calendar year 2021 are in line with 2019 levels of approximately 1.2 million, with 0.53 million expected to take place in H2FY21.

Business Development

During Q2FY21, the Company announced that a Heads of Agreement (HoA) had been signed with Yumbah Aquaculture Limited (Yumbah) to progress the development of a large onshore abalone hatchery and grow out facility in Esperance, Western Australia (Esperance Project).

The HoA includes binding obligations on both OGA and Yumbah to:

- (a) undertake and complete a Bankable Feasibility Study (**BFS**) within 12 months, in relation to the Esperance Project; and
- (b) make an investment decision of whether or not to proceed with the development of the Esperance Project (**Investment Decision**) within 3 months of receipt of the BFS.

In 2019 OGA carried out a preliminary independent concept design study for developing the Esperance Project (**Conceptual Study**), which suggested that the land is suitable for a hatchery and grow-out facility for 500 tonnes of abalone per annum. Under the HoA, OGA and Yumbah have agreed to:

- (a) have Yumbah's engineers review the Conceptual Study to optimise it and incorporate (where possible) the Nyamat Technology;
- (b) complete further studies and progress the necessary regulatory approvals, preliminary site planning and preliminary budget analysis for the Esperance Project; and
- (c) complete a BFS for the Esperance Project.

On receipt of the BFS, OGA and Yumbah must each make an Investment Decision within 3 months. If OGA and Yumbah both make a positive Investment Decision, they intend to form an unincorporated joint venture to assess, develop, own and operate the Esperance Project.

END

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

The Board of Ocean Grown Abalone Limited.

For investor and media enquiries, please contact:

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About the Company

Ocean Grown Abalone Limited 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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	867	1,487
1.2 Payments for		
(a) research and development ¹	-	-
(b) product manufacturing and operating costs ¹	(388)	(719)
(c) advertising and marketing	(47)	(76)
(d) leased assets	-	-
(e) staff costs ¹	(628)	(1,124)
(f) administration and corporate costs	(205)	(393)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	17
1.5 Interest and other costs of finance paid	(7)	(15)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives ²	1,514	1,831
1.8 Other (provide details if material)	(4)	(46)
1.9 Net cash from / (used in) operating activities	1,112	962

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: (i) Government COVID-19 relief measures: \$62k of JobKeeper, \$28k for Cashflow Boost; and (ii) \$1.42m FY2020 Research and Development Tax Incentive.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(c) property, plant and equipment	(3)	(16)
(d) investments	-	-
(e) intellectual property	(2)	(16)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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)	-	-
2.6 Net cash from / (used in) investing activities	(5)	(32)

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	1
3.6 Repayment of borrowings	(11)	(30)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (leased assets)	(25)	(50)
3.10 Net cash from / (used in) financing activities	(35)	(79)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	2,558	2,779
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,112	962
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(32)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(35)	(79)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,630	3,630

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	3,630	2,538
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Term deposits	-	20
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,630	2,558

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 1³
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
155
-

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 ³	2,500	30
7.2 Credit standby arrangements	-	-
7.3 Other (Credit Card) ⁴	45	8
7.4 Total financing facilities	2,545	38

7.5 **Unused financing facilities available at quarter end** 2,507

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.

3. 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 \$29,711, with applicable annual interest rates 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.

4. 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 \$7,904.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	1,112
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,630
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,507
8.4 Total available funding (Item 8.2 + Item 8.3)	6,137
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5.56

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 January 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.