



Quarterly Update and Appendix 4C for the period ending 31 December 2018

HIGHLIGHTS

- **Abalone Sales - up 25% to 30.3 tonnes H1FY19** compared to 24.3 tonnes in H1FY18.
- **Production - up 37% to 28.7 tonnes in H1FY19** compared to 21.0 tonnes in H1FY18. Largest ever harvest for a quarter of 19.9 tonnes, an increase of 48% compared to previous largest quarter in Q2FY18.
- **Flinders Bay** - Approval for additional Abitats granted for 300 tonne p.a. potential.
- **R&D trial sites** - approved outside of existing leased area for potential further expansion. Trials commenced.
- **Export processing facility** - Construction in progress and on schedule.
- **Performance KPI's met** - 4,000,000 performance rights vested after successful completion of Flinders 2.

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 December 2018.

Sales

Sales in H1FY19 were 30.3 tonnes, 25% higher than the 24.3 tonnes in H1FY18. OGA continues to take advantage of the strong demand of its range of products with majority (93%) of the stock being sold to Asian markets. Sales to the Australian market remained steady at 7% with 72% being sold as live abalone to the domestic market.

The Company continues to expand its presence in Asia, launching its Two Oceans Abalone brand in 3 of “Park N Shop’s” signature stores in Hong Kong. Park N Shop have over 300 supermarkets in Hong Kong. OGA has also secured distribution for its Two Oceans Abalone brand in Singapore supermarket chain Fairprice.

The launch at “Park N Shop” supplements sales to the existing chain of supermarkets supplied in Hong Kong and coincides with Chinese New Year.



Operations and Processing

Harvest for H1FY19 was 28.7 tonnes, 37% higher than the 21.0 tonnes in H1FY18. OGA achieved its largest harvest in one quarter of just over 19 tonnes. In the comparable quarter in the previous financial year, this was 12.9 tonnes, a 48% increase.

The Managing Director Brad Adams successfully met his performance KPI's for the completion of Flinders 2. This now entitles Mr Adams the right to convert 4,000,000 Class A performance rights into shares in the Company.

The completion of Flinders 2 puts the Company on track to increase harvest volumes as the abalone continue to grow to commercial maturity.

Business Development

Export Processing Facility - construction continued in 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.



Aerial view of new processing plant location



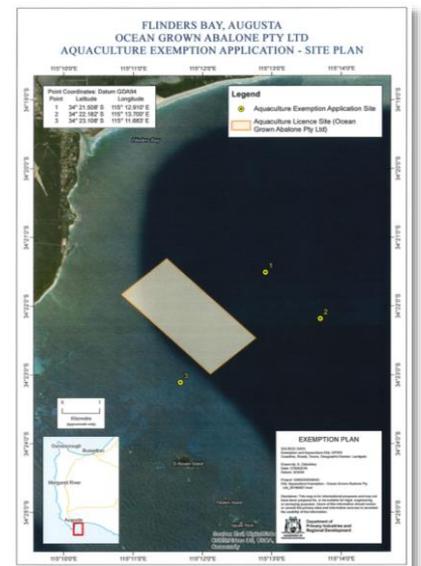
Early stage construction of the new processing facility

Ranch expansion - approval was granted by the Western Australian Department of Primary Industries and Regional Development (DPIRD) to expand the existing number of Abitats to 15,000 on the existing lease located near Augusta. This approval means OGA's anticipated maximum harvesting capacity will increase from 200 tonnes p.a. to 300 tonnes p.a.

Trial site approval - DPIRD approved 3 x 1-hectare trial sites in Flinders Bay for OGA to test its proprietary abalone sea ranching technology outside of the existing 413 ha aquaculture lease in Flinders Bay. Trials currently being conducted to determine future expansion potential.

Planned activities for the next quarter

- **Export Processing Facility** – continue construction.
- **Marketing** – brand and product development for Asian markets, including markets for live greenlip abalone.
- **Live export** – continued development of live abalone capabilities.
- **R&D Trials** – in collaboration with DPIRD.
- **Release of Half Year Results** – including latest BIOMASS results.



For investor and media enquiries, please contact:

Romolo Santoro – Chief Financial Officer
Email: investors@oceangrown.com.au
Mobile: +61 8 6181 8888

Kate Sutton - Media
Email: kate@suttonsolutions.com.au
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.

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 December 2018

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	899	1,451
1.2 Payments for		
(a) research and development ^{1,2}	(31)	(39)
(b) product manufacturing and operating costs	(811)	(2,018)
(c) advertising and marketing	(86)	(178)
(d) leased assets	-	-
(e) staff costs	(701)	(1,358)
(f) administration and corporate costs	(218)	(439)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	36	79
1.5 Interest and other costs of finance paid	(3)	(6)
1.6 Income taxes paid	(20)	(20)
1.7 Government grants and tax incentives	1,994	1,994
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	1,059	(534)
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.		

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(10)	(42)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets ³	(673)	(731)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	37
(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	11	10
2.6 Net cash from / (used in) investing activities	(672)	(726)
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	(25)	(50)
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	(25)	(49)

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	5,745	7,416
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,059	(534)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(672)	(726)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(25)	(49)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	6,107	6,107

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	546	490
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	5,561	5,255
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,107	5,745

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	126
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 Directors services and fees for the current quarter ended 31 December 2018.

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	

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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	184
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	45	15
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	516
9.3 Advertising and marketing	103
9.4 Leased assets	-
9.5 Staff costs ⁷	695
9.6 Administration and corporate costs	162
9.7 Other (provide details if material) ⁸	1,290
9.8 Total estimated cash outflows	2,766

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 R&D activities are identified in 9.1.

⁸ Estimated progress payments for Augusta Marina development 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	-	-

