



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

HIGHLIGHTS

- **Production** – up 23% to 35.4 tonnes in H1FY20 compared to 28.7 tonnes in H1FY19. Largest ever harvest for a quarter of 20.8 tonnes, an increase of 9% compared to the previous largest quarter in Q2FY19
- **Rights issue** – Successful in raising \$2,899,618 (before costs) with the funds enabling the Company to progress with its feasibility assessment of the Esperance project
- **Esperance development** – Positive results from concept design to develop a 500 tonnes p.a. abalone farm
- **Abalone sales** – 26.1 tonnes H1FY20 compared to 30.3 tonnes in H1FY19
- **Seeding** – 0.84 million juvenile abalone seeded in H1FY20, with 0.5 million to be seeded in Q4FY20
- **Achievements** – Hong Kong Australia Business Association: National Export Award winner and 2019 Fishtech China Fisheries & Seafood Expo in Qingdao, China for ‘Best Seafood Innovation Product’ Award
- **Export processing facility** – final fit-out complete and fully operational
- **R&D Tax Refund** – Tax incentive refund of \$1.58 million received in November 2019

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 2019.

Sales

OGA continues to expand its markets and has recently exported product to the United States after meeting necessary licencing requirements. OGA’s focus is to explore additional markets across multiple countries as well as domestically and is currently exporting to China, Hong Kong, Singapore, Malaysia, Taiwan, Macau and USA.

OGA continues to increase supply to the domestic market with approximately 20% of product sold in Australia for H1FY20.

Sales volumes have been impacted for the quarter by the unrest in Hong Kong, the Company has commenced exports to new markets, such as the USA and is expecting to increase sales into the newly accessed markets.

OGA has introduced a new product line, Two Oceans Abalone branded Canned Greenlip Abalone. The canned abalone creates a new dimension to OGA’s already diverse product range with its release coinciding with the Chinese New Year calendar event.



Two Oceans Abalone – Canned Australian Greenlip Abalone

Achievements



Ian Ricciardi – OGA Director accepts HKABA National Award

OGA was a winner of the Hong Kong Australia Business Association (HKABA) WA Chapter Award and also won a National Business award held at Parliament House, Sydney in November 2019.

The National Business award recognised OGA’s achievements in establishing export markets and provided opportunities to develop new connections for future international export markets.

OGA's award-winning success continued, receiving the highly prestigious and globally recognised 2019 Fishtech Award for 'Top Innovative Seafood Product of the Year' at the China Fisheries and Seafood Expo in Qingdao, China.

This award represents an important milestone for the ongoing development and establishment of long term relations and markets in the Chinese for the Company.



Marcus Tromp – OGA Sales and Marketing accepts Fishtech award in China

Rights Issue

OGA raised \$2.9 million via a fully underwritten rights issue. The funds raised will be used to continue the feasibility assessment of the Esperance hatchery and grow-out project (a land-based abalone hatchery and farm). A total of 64.7% of applications was received as entitlement shares, which gives OGA confidence in the support of the project received by existing shareholders.

R&D Tax Incentive

FY2019 R&D Tax Incentive of \$1.58 million was received in November 2019.

Operations

Juvenile seeding continued, with up to 0.84 million juvenile abalone seeded on OGA's Flinders Bay Abitats in H1FY20. A further 0.5 million juvenile abalone are planned to be seeded in Q4FY20 during more favourable seasonal conditions.

Production

Harvest for H1FY20 was 35.4 tonnes, 23% greater than the 28.7 tonnes in H1FY19. OGA achieved its largest harvest in one-quarter of 20.8 tonnes. In the comparable quarter in the previous financial year, this was 19.1 tonnes, a 9% increase.

OGA has completed its final fit-out including the purchase of new value-adding machinery and equipment. The new facility ensures there is now additional capability and efficiencies for OGA to grow and support future harvests.

Business Development

Marketing – Ocean Grown Abalone featured in an exhibition at the 24th China Fisheries & Seafood Expo (CFSE) in Qingdao, China on 30 Oct - 1 Nov 2019. OGA showcased its high-end abalone products which were well received by those who attended. CSFE is the largest seafood expo in Asia with more than 35,000 seafood professionals from around the world visiting the CFSE annually.



Ocean Grown Abalone Exhibition booth including product display at the China Fisheries and Seafood Expo

ASX RELEASE

Esperance Project – The Company completed an independent Concept Design Study during the quarter. The Design Study focused on the potential to build a 500-tonne p.a. abalone grow-out facility and hatchery. The results of the study have provided the Board with the confidence to continue with the next stage of the feasibility assessment of the project.

Reported cases of coronavirus – OGA’s sales and orders for the December 2019 quarter were fulfilled before the recent events of the reported coronavirus outbreak in China.

The upcoming March 2020 quarter is traditionally a quieter period for sales for the Company. To manage the potential impact of a reduction in sales volumes due to the recent reports of coronavirus in China, OGA will manage its harvest volumes to more closely align with firm sales orders and keep the abalone in the ocean; this approach means the abalone will continue to grow, increasing in size and weight, with sales benefits deferred to future periods.

In addition to the delay of harvests, and until the magnitude of the coronavirus impact is better understood, discretionary expenditure has been deferred or reduced wherever practical as the Company looks to preserve its cash.

Planned activities for the next quarter

- **Esperance project** – ongoing planning and feasibility assessment.
- **Marketing** – international brand and product development for greenlip abalone.
- **Live export** – continued development of live abalone sales.
- **Release of Half Year Results** – including latest BIOMASS results.

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 December 2019

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	620	1,505
1.2 Payments for		
(a) research and development ¹	-	-
(b) product manufacturing and operating costs ¹	(1,097)	(1,581)
(c) advertising and marketing	(63)	(134)
(d) leased assets	-	-
(e) staff costs ¹	(661)	(1,250)
(f) administration and corporate costs	(235)	(517)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	23
1.5 Interest and other costs of finance paid	(2)	(4)
1.6 Income taxes paid	137	137
1.7 Government grants and tax incentives	1,579	1,579
1.8 Other (provide details if material) ²	(191)	(365)
1.9 Net cash from / (used in) operating activities	100	(607)

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	(202)	(619)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	3	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) ³	-	36
2.6 Net cash from / (used in) investing activities	(199)	(573)

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	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)	(202)
3.5 Proceeds from borrowings	1	1
3.6 Repayment of borrowings	(29)	(57)
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	2,670	2,642

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	1,463	2,572
4.2	Net cash from / (used in) operating activities (item 1.9 above)	100	(607)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(199)	(573)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,670	2,642
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,034	4,034

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	4,023	1,102
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Term deposits	11	361
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,034	1,463

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
130
-

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 December 2019.

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

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 ⁵	2,500	118
7.2 Credit standby arrangements	-	-
7.3 Other (Credit Card) ⁶	45	20
7.4 Total financing facilities	2,545	138

7.5 Unused financing facilities available at quarter end **2,407**

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 \$117,857, with applicable annual interest rates of (i) 5.2% for \$35,347; (ii) 4.82% for \$44,391; and (iii) 3.99% for \$38,199.

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 \$19,653.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(607)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,034
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,407
8.4 Total available funding (Item 8.2 + Item 8.3)	6,441
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	11

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: 31 January 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.