



Quarterly Update and Appendix 4C for the period ending 30 June 2018

HIGHLIGHTS

- **Sales - up 215% to 35.8 tonnes Q4FY18YTD** compared to 11.4 tonnes in Q4FY17YTD
- **Abitat deployment** – 9,546 Abitats deployed at Flinders Bay. On target to have a total of 10,000 Abitats deployed at the Flinders Bay ranches by Q1FY19
- **Seeding – 0.7 million juvenile abalone seeded in Q4FY18**, with 0.7 million to be seeded in Q1FY19
- **Production - up 221% to 38.1 tonnes in Q4FY18YTD** compared to 17.2 tonnes in Q4FY17YTD
- **Business Development** – OGA's first live tank commissioned, enables efficiency improvements, with further increases to live abalone supply capacity once the new OGA processing facility is constructed within the Augusta boat harbour.
- **Export processing facility** - The Western Australian Department of Transport has provided in principle approval for OGA's export processing facility, with the final approvals process underway with the Shire of Margaret River.

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 30 June 2018.

Sales

Sales in Q4FY18 YTD were 35.8 tonnes, 215% higher than the 11.4 tonnes in Q4FY17 YTD. Sales were mostly to Asian markets, with sales to the Australian market representing 6.6% of the total. OGA remains focused on increasing sales to Asian and Australian markets in Q1FY19 and beyond.

Bulk of the sales are Individually Quick Frozen (IQF), however there has been growing interest in whole in-shell (WIS) products, vacuum skin pack trays and retort pouch gift packs.

Grant Funding

Successful completion of Grant for Asian Market Export project. OGA has utilised grant funding to develop export markets, including its capabilities to export live abalone by installing an interim live abalone tank. The Grants program is part of the Asian Market Success (AMS) Project managed by the Department of Primary Industries and Regional Development (DPIRD). Balance of funding received was \$160,000 in May and June 2018.



Department of
**Primary Industries and
Regional Development**

Operations

At Q4FY18 there were a total of 9,546 Abitats deployed at the Flinders Bay ranches located in Augusta, Western Australia. The Flinders Bay 2 ranch is planned to have a further 454 Abitats deployed in Q1FY19. The Abitat deployment phase for Flinders Bay 2 is on target to be completed by Q1FY19 and will result in a combined total of 10,000 Abitats at the Flinders Bay 1 and Flinders Bay 2 ranches.

Juvenile seeding continued during the quarter with more than 0.7 million juvenile abalone seeded in Q4FY18. A further 0.7 million juvenile abalone are planned to be seeded in Q1FY19.

Production

The third quarters primary activity focused on seeding the new Flinders 2 Abitats; re-seeding of Flinders 1; optimisation of existing Abitats for the winter and autumn growing seasons; and harvesting focused on thinning of abalone numbers to allow space for the remaining abalone to grow during high growth periods and improve overall yields.

Harvest for Q4FY18 YTD was 38.1 tonnes, 221% higher than the 17.2 tonnes in Q4FY17 YTD.

Business Development

Abalone Live Tanks – OGA is trialling and has commissioned a live abalone tank with a capacity to supply up to 300 Kg of live abalone per week. The live abalone market segment is a premium market segment, which OGA will initially focus on supplying to the Australian market.



OGA previously utilised a third party to access this market segment, however this capability is now being developed in house. This means the live abalone OGA produces will have the benefit of significantly improved logistics; simplified processes; and material savings in time and quality, taking freshly harvested live abalone direct into OGA's tanks located in Augusta Western Australia, for subsequent direct transport to domestic and international destinations.

Once OGA's new processing facility is completed, up to an additional five tanks will be installed, each with a capacity to hold up to 1,500 kg of live abalone – 7,500 kg for local and export supply.

Export Processing Facility – The Western Australian Department of Transport has provided in principle approval for OGA's export processing facility, with the final approvals process underway with the Shire of Margaret River.

OGA is expecting to issue tender documentation to a short-listed panel of builders identified as having the capability to complete the project in Q1FY19.

Market, Symposiums and Food Expo – OGA showcased its products at the Singapore Food Expo FHA2018, was invited to present in China at the Xiamen Abalone Symposium, which is held once every three years and met with potential distributors in Japan, Hong Kong, Singapore and China. Interest in OGA's products continues to be strong and OGA continues to develop its networks and distribution channels as OGA's production capacity increases. OGA's achievements have also been showcased in the July 2018 edition of the Australia China Business Review.

Planned activities for the next quarter

- **Flinders 2** – Flinders 2 construction completed, leading to reducing average spend moving forward.
- **Harvests** - harvesting continuing to increase in Q1FY19 and beyond, with subsequent conversion to increased sales volumes.
- **R&D rebate** – R&D rebate application will be completed in the quarter.
- **Abitat deployments** – 454 Abitats deployed in Q1FY19 to reach 10,000 Abitat target for Flinders Bay
- **Juvenile seeding** – 0.7 million in Q1FY19, followed up by 315,000 in Q2FY19.
- **Marketing** - work in progress on brand and product development for Asian markets, including presentation of products at the Hong Kong seafood expo in September.
- **Live export** – continued development of live abalone capabilities, with target to supply first live abalone from the new tanks by September 18.

Full Year Results

The Company is on schedule to release its full-year results in the last week of August.

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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 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")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	311	1,938
1.2 Payments for		
(a) research and development ^{1,2}	(6)	(153)
(b) product manufacturing and operating ² costs	(985)	(3,709)
(c) advertising and marketing	(32)	(193)
(d) leased assets	-	-
(e) staff costs ^{2,3}	(844)	(2,627)
(f) administration and corporate costs	(254)	(999)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	57	131
1.5 Interest and other costs of finance paid	(4)	(18)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	160	1,538
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,597)	(4,092)
<p>¹ Includes cash outflows related to Port Lincoln trial</p> <p>² An apportionment of cash outflows included in 1.2 (b) and (e) are also eligible for R&D tax incentive.</p> <p>³ One-off payments were made to B Adams and I Ricciardi totalling \$75,000 in the quarter relating to bonus performance payments.</p>		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(10)	(468)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	20
(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	(10)	(283)
2.6 Net cash from / (used in) investing activities	(20)	(731)

⁴ Includes cash outflows for the development of the Abalone Processing Facility in Augusta of \$9,279 (\$234,319 YTD) and bank guarantees for leases held of (\$49,119 YTD)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	10,000
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	-	(628)
3.5 Proceeds from borrowings	1	4
3.6 Repayment of borrowings	(25)	(127)
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	(24)	9,249

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	9,057	2,990
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,597)	(4,092)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(731)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(24)	9,249
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	7,416	7,416

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	656	437
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Term deposits	6,760	8,620
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,416	9,057

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	196
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 June 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	
-	

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	234
8.2 Credit standby arrangements	-	-
8.3 Other (Credit card) ⁵	45	8
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 with a facility limit of \$750,000. 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 \$234,469, with applicable annual interest rates of (i) 5.2% for \$121,529; and (ii) 4.82% for \$112,940.

Credit card limit at quarter end totalled \$45,000 with a balance drawn of \$7,631

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development ^{7,8}	57
9.2 Product manufacturing and operating costs ^{7,8}	968
9.3 Advertising and marketing	50
9.4 Leased assets	-
9.5 Staff costs ⁶	708
9.6 Administration and corporate costs	260
9.7 Other (provide details if material)	55
9.8 Total estimated cash outflows	2,098


⁷ Includes amounts for one off amounts for completion cost for Flinders 2 and payments for obligations to complete Port Lincoln with an estimated total cost of \$300,000.

⁸ An apportion of cash outflows included in 9.2 and 9.5 is anticipated to also be eligible for R&D tax incentive.

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:  Date: 27 July 2018
(Company secretary)

Print name: Erlyn Dale

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.