



Quarterly Update and Appendix 4C for the period ending 30 June 2020

KEY POINTS

- **Operations** – > 0.4 million juvenile abalone seeded to take advantage of rapid growth in the winter season.
- **Abalone sales** – down 8.5% to 48.4 tonnes Q4FY20YTD compared to 52.9 tonnes in Q4FY19YTD.
- **Production** – down 0.6% to 54.7 tonnes in Q4FY20YTD compared to 55.0 tonnes in Q4FY19YTD.
- **COVID-19 Pandemic** – OGA has taken the initiative and addressed all government and commercial relief opportunities available.

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 2020.

Sales

Sales in Q4FY20YTD were 48.4 tonnes, 8.5% lower than the 52.9 tonnes in Q4FY19YTD, with COVID-19 continuing to affect OGA's operations.

The impact of COVID-19 has resulted in lower prices and reduced demand for Australian exported seafood in OGA's target markets. Due to the reduced demand, the Company has focused on and expanded its markets domestically achieving 17% of overall abalone sales sold in Australia during FY2020 compared to 9% of total sales sold domestically in FY2019.

Operations

As a result of the Board's strategy to mitigate operational costs and defer discretionary spending on the Esperance Project development, total operating cash expenditure has reduced during Q4FY2020 compared to previous quarters. Total overall operating expenditure, excluding staff costs, was \$4.167M for FY2020, of which \$543k was spent in Q4FY2020. Approximately 35.6% of costs for the full year were spent on replenishing juvenile abalone stock on the reef in Flinders Bay. Total expenditure for FY2020 on the Esperance Project was \$450k, with a total of \$10k spent in Q4FY2020.

Juvenile seeding commenced in May 2020 to take full advantage of the winter season where research has indicated that abalone grow more rapidly given the additional food source this time of year. More than 0.4 million juvenile abalones were seeded on OGA's Flinders Bay reefs in Q4FY20. These juvenile abalones will mature in the pristine, oceanic environment and be available for future harvests when market conditions become more favourable.

Harvest for Q4FY20YTD was 54.7 tonnes, 0.6% lower than the 55.0 tonnes in Q4FY19YTD. Given the impact on demand and price on abalone products in the current economic climate, OGA is able to defer harvests, leaving the abalone in the ocean where they can continue to grow, with target harvesting occurring; to maintain our reefs, match market demand and optimise value realisation.

During the quarter, a mortality anomaly was identified on the Company's oceanic reefs, and the Company has undertaken an investigation to identify the cause and extent of the mortalities. Samples of abalone were analysed by the Western Australian Department of Primary Industries and Regional Development, who concluded that the cause of the increased mortalities related to the combination of a warm water event with lower food availability due to a long period of low swells. There was no evidence of any disease. During the analysis period, the weather conditions improved with increased swells, bringing more food and lowering the water temperature over the leased area, resulting in mortalities subsiding.

Brad Adams, Managing Director, said, "Such an event has not previously been encountered by OGA in the ten years the Company has been conducting research and commercial activities in Flinders Bay".

ASX RELEASE

The Company recently completed its bi-annual BIOMASS audit, a process that has taken eight weeks to complete. The review includes an assessment of the number and health of the abalone on the Flinders Bay ranches. Based on these results, the Company estimates the loss of 5-10% of the number of abalone on its ranches due to the warmer water and fewer swells at the time of the weather event. The remaining abalones are looking healthy and have continued to grow since the last reporting period.

Audit results show the growth over the financial year in the abalone BIOMASS weight has offset the loss in actual abalone numbers caused by the weather event in the quarter. The BIOMASS for the period ending June 2020 is estimated to be 247 tonnes; this was after harvesting 54.7 tonnes for the financial year, compared to a BIOMASS 234.6 tonnes for the period ending June 2019.

Government and Commercial Relief Initiatives

JobKeeper - Due to a downturn in sales revenue, the Company met selected criteria, qualifying for the Government's JobKeeper initiative, which has resulted in a direct cash injection of \$138,000 for the quarter-end. The JobKeeper has also allowed the Company to keep the majority of its permanent and casual positions.

Cash Flow Boost - OGA and its subsidiary companies also received a combined total of \$110,728 from the Australian Taxation Office via the 'Cash Flow Boost' initiative for the quarter.

Payroll Tax Relief - COVID-19 relief measures include a waiver to payroll tax from March to June 2020. The Office of State Revenue also announced that JobKeeper Payment Scheme would also be exempt from payroll tax.

As detailed in the ASX announcement from 8 April 2020 the Board and Executive Management agreed to reduce their base employment benefits and directors' fees by 10%, payments to related parties for Q4FY20 totalled \$131,287, being salaries and Directors fees.

Other commercial savings included a waiver for aquaculture licence and vessel pen fees in Augusta and Esperance totalling approximately \$29,000 and a deferral of aquaculture lease fees.

Esperance Project

OGA continues to work on approvals and essential development activities while deferring material expenditure to future periods on its Esperance feasibility study.

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:

Romolo Santoro – Chief Financial Officer

Email: romolo@oceangrown.com.au

Mobile: +61 8 6181 8888

Kate Sutton - Media

Email: kate@suttonsolutions.com.au

Mobile: +61418 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 OGA can supply commercial quantities of its premium, wild-caught, greenlip abalone at sizes not otherwise available in the Australian abalone market today.

For more information: <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")

30 June 2020

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	275	2,854
1.2 Payments for		
(a) research and development ¹	-	-
(b) product manufacturing and operating costs ¹	(408)	(2,900)
(c) advertising and marketing	(19)	(173)
(d) leased assets	-	-
(e) staff costs ¹	(613)	(2,450)
(f) administration and corporate costs	(106)	(644)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	43
1.5 Interest and other costs of finance paid	(12)	(39)
1.6 Income taxes paid	-	137
1.7 Government grants and tax incentives ²	249	1,903
1.8 Other (provide details if material) ³	(10)	(450)
1.9 Net cash from / (used in) operating activities	(635)	(1,719)

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

² Cash inflows are associated with: R&D Tax Incentive: \$1,579k; Capital Investment Funding Grant: \$75k and Government COVID-19 relief measures: \$138k of JobKeeper and \$111k for Cashflow Boost.

³ Cash outflows are costs associated with Esperance Project development.

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) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3)	(623)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	2	17
(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) ⁴	-	36
2.6 Net cash from / (used in) investing activities	(1)	(570)

⁴ Includes cash (outflows) / inflows for 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	-	8
3.6 Repayment of borrowings	(29)	(115)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (leased assets)	(22)	(95)
3.10 Net cash from / (used in) financing activities	(51)	2,496

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,466	2,572
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(635)	(1,719)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(570)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(51)	2,496
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,779	2,779

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	2,759	3,455
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Term deposits	20	11
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,779	3,466

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 1⁵
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
131
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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

⁵ Item 6.1 relates to Directors services and fees, salaries and other payments to related parties for the current quarter ended 30 June 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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities ⁶	2,500	59
7.2 Credit standby arrangements	-	-
7.3 Other (Credit Card) ⁷	45	6
7.4 Total financing facilities	2,545	65

7.5 **Unused financing facilities available at quarter end** **2,480**

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.

⁶ 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 \$5,114; (ii) 4.82% for \$20,421; and (iii) 3.99% for \$33,957.

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 30 November 2020. There was a nil balance drawn at quarter-end.

⁷ 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 \$6,131.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(635)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,779
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,480
8.4 Total available funding (Item 8.2 + Item 8.3)	5,259
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	8

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 July 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.