



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

HIGHLIGHTS

- **Sales – up 12% to 10.4 tonnes Q1FY19 YTD** compared to 9.3 tonnes in Q1FY18 YTD.
- **Forward sales commitment** – purchase commitment with Wo Hing for more than 50 tonnes of harvested greenlip abalone with an estimated value of USD 1.95 million.
- **Abitat deployment** – final abitats deployed at Flinders Bay.
- **R&D Tax Incentive** – \$1.99 million received in October 2018.
- **Wylie Bay** – 12-month assessment completed. Encouraging results, comparable to commercial ranches in Augusta. Continuing to monitor for future expansion opportunities.
- **Production – up 19% to 9.6 tonnes in Q1FY19 YTD** compared to 8.1 tonnes in Q1FY18 YTD.
- **Largest daily harvest** - largest harvest in one day achieved in the quarter of almost 1.2 tonne.
- **Business Development** – First commercial trial of live abalone exported to Hong Kong.
- **Export processing facility** – Construction contract for purpose built and designed processing facility awarded.

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 September 2018.

Sales

Demand for Individually Quick Frozen (IQF) abalone meat to Hong Kong continues to grow, with one of OGA's customers Wo Hing committing to monthly forward sales contracts equivalent to more than 50 tonnes of harvested greenlip abalone product to December 2019.

Sales in Q1FY19 YTD were 10.4 tonnes, 12% higher than the 9.3 tonnes in Q1FY18 YTD. Sales volumes were significantly lower than expected due to unseasonal weather conditions resulting in large oceanic swells, which impacted diver utilisation and the ability to harvest. These harvests have been deferred to subsequent periods.

Demand for live abalone is continuing to increase, the majority of live sales occurring in Australia, with the first live commercial shipment from the new tanks sent to Hong Kong in September 2018.

OGA commenced supplying greenlip abalone to Singapore's largest seafood company, The Seafood Company Pte Ltd which will continue to build brand awareness in the region.

Achievements

Recognised by the community, OGA was awarded the winner of the 2018 Robust and Remarkable - Telstra Margaret River Region Business Award and Champion of the 2018 Environmental Excellence Business Award. OGA's Managing Director, Brad Adams also achieved 2018 Business Person of the Year - Telstra Margaret River Region Business Award, in recognition of OGA's continuous pursuit for best business practices and excellence.



R&D Tax Incentive

FY 2018 R&D Tax Incentive of \$1.99 million was received in October 2018. This amount is not reflected in the Q1FY2019 Appendix 4C closing cash balance at 30 September 2018.

Operations and Processing

The final Abitats for Flinders 2 were deployed in the quarter. There is now a total of 10,000 Abitats deployed at the Flinders Bay 1 and Flinders Bay 2 ranches located in Augusta, Western Australia.

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Harvest for Q1FY19 YTD was 10.4 tonnes, 12% higher than the 9.3 tonnes in Q1FY18 YTD, but was lower than OGA's expectation due to unseasonal weather conditions, resulting in large oceanic swells. This impacted diver utilisation, resulting in harvesting and seeding of juvenile being deferred to subsequent periods.

OGA achieved its largest harvest in one day during the quarter of almost 1.2 tonne and expects this will increase as the ranches continue to develop.

At present OGA's processing capacity is constrained to approximately 700Kg per day and volumes above this are not routinely sustainable, primarily due to limitations with existing freezing capacity.

This processing capacity constraint will be resolved once OGA's new processing facility is operational which is targeted to be the end of June 2019. Once operational the processing facility will provide increased efficiencies, capacity and flexibility to manage variable supplies of harvested abalone.

Business Development

The construction contract for the purpose-built processing facility has been awarded to local building firm, Big Ben Builders Pty Ltd (BBB).

The new processing facility will significantly increase processing capacity while providing the Company with opportunities to further value add to the business and increase regional economic development.



Market, Seafood Expo – OGA exhibited its products at the September 2018 Seafood Expo Asia in Hong Kong. This Expo is known for its quality exhibitors and buyers. OGA launched its corporate sales booklet and 16-page simple abalone recipe booklet to assist with its marketing activities. The products and information has been well received and had generated further orders as a result. Interest in OGA's products is strong and OGA continues to develop its networks and distribution channels as production capacity increases.

Wylie Bay – The 12-month assessment has been completed with encouraging results comparable to OGA's existing commercial ranches in Augusta. Monitoring will continue in 2019 for future expansion opportunities.

Planned activities for the next quarter

- **Sales / Harvests** – with improvements in weather increased harvest and sales volumes are anticipated.
- **Export Processing Facility** – commence construction.
- **Marketing** – brand and product development for Asian markets, including markets for live greenlip abalone.
- **Live export** – continued development of live abalone capabilities.

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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 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	552	552
1.2 Payments for		
(a) research and development ^{1,2}	(9)	(9)
(b) product manufacturing and operating ² costs	(1,205)	(1,205)
(c) advertising and marketing	(92)	(92)
(d) leased assets	-	-
(e) staff costs ²	(657)	(657)
(f) administration and corporate costs	(221)	(221)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	42	42
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,594)	(1,594)
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.		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(31)	(31)
(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	36	36
(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) ³	(59)	(59)
2.6 Net cash from / (used in) investing activities	(54)	(54)
³ Includes cash outflows for the development of the Abalone Processing Facility in Augusta, 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	1
3.6 Repayment of borrowings	(25)	(25)
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)	(24)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	7,416	7,416
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,594)	(1,594)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(54)	(54)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(24)	(24)
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	5,745	5,745

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	490	656
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Term deposits	5,255	6,760
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,745	7,416

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 ⁴	142
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	

⁴ Item 6.1 relates to payments for Directors services and fees for the current quarter ended 30 September 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 ⁵	750	209
8.2 Credit standby arrangements	-	-
8.3 Other (Credit card) ⁵	45	11
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.		

⁵ 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 ^{6,7}	60
9.2 Product manufacturing and operating costs ^{6,7}	863
9.3 Advertising and marketing	108
9.4 Leased assets	-
9.5 Staff costs ⁷	713
9.6 Administration and corporate costs	232
9.7 Other (provide details if material) ⁸	478
9.8 Total estimated cash outflows	2,454

⁶ Includes amounts for includes amounts for payments for obligations to complete Port Lincoln.

⁷ An apportion of cash outflows included in 9.2 and 9.5 is anticipated to also be eligible for R&D tax incentive.

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	-	-

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.

29 October 2018

Sign here:
(Company secretary)

Date:

Winton Willesee

Print name:

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.