



## Quarterly Update and Appendix 4C for the period ending 30 September 2019

### HIGHLIGHTS

- **Abalone sales** – up 11% to **11.5 tonnes Q1FY20YTD** compared to 10.4 tonnes in Q1FY19YTD.
- **Production** – up 53% to **14.7 tonnes in Q1FY20YTD** compared to 9.6 tonnes in Q1FY19YTD.
- **Seeding** – **0.5 million juvenile abalone seeded in Q1FY20**, with 0.4 million to be seeded in Q2FY20.
- **Esperance** – Ongoing assessment of Esperance development.
- **Achievements** – Hong Kong-Australia Business Association: winner of the Export Council Australia award category for – Sustainability.
- **Export processing facility** – Processing facility officially opened, fit-out of live tanks completed, progressing to final fit-out.

### 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 2019.

#### Sales

Ocean Grown Abalone achieved its largest single shipment of 9 tonnes of whole weight equivalent (WWE) greenlip abalone to Hong Kong in September 2019. Sales for the quarter were 11.5 tonnes, 11% higher than the 10.4 tonnes in Q1FY19YTD.

#### Achievements

Ocean Grown Abalone continues to be recognised for the quality and sustainability of its greenlip abalone, receiving two state awards in September 2019.

OGA received a Business Export Award from the Hong Kong-Australia Business Association (HKABA). As a winner of the HKABA-WA Chapter award, OGA has also been nominated for the National Business Awards, which will be held in Sydney on 11 November 2019.



OGA also achieved the Export Council Australia – WA Industry & Export Award in the category of Sustainability. This award acknowledges ‘outstanding international success in environmental solutions, clean energy innovation, materials and energy efficiency, waste and water management, green buildings and R&D collaboration.’



*OGA team acceptance of ECA sustainability award*



## Operations

Juvenile seeding continued, with up to 0.5 million juvenile abalone seeded on OGA's Flinders Bay habitats in Q1FY20. A further 0.4 million juvenile abalone are planned to be seeded in Q2FY20.

The installation of live tanks at the new processing facility at the Augusta Boat Harbour was completed and provides OGA increased capacity to deliver its premium, live, greenlip abalone into local and Asian markets.



*Live tanks installed – Facility, Augusta Boat Harbour*

## Production

Harvest for Q1FY20YTD was 14.7 tonnes, 53% greater than the 9.6 tonnes in Q1FY19YTD. With the new facility, expected to be licenced for operation in November 2019 and final equipment installed, processing capacity will increase (currently constraining production) and enable further value-adding products.

*Processing facility* – the processing facility was officially opened in October. OGA expects to have the processing facility fully operational by the end of Q2FY19

## Business Development

*Marketing* – OGA's products featured in the 'Margaret River on Tour' event held at the Grand Hyatt in Singapore and Malaysia. Chef Eric Low from the Grand Hyatt Singapore and Chef Evan Hayter from Arimia Winery and Restaurant, Margaret River prepared the abalone, showcasing to those who attended.

Eric Low said, 'Ocean Grown Abalone is a fabulous product to work with, having an amazing, taste!'

OGA's representatives in Shanghai attended the 14<sup>th</sup> Annual Shanghai International Fisheries and Seafood Exhibition in August 2019, marketing its Two Oceans Abalone premium brand to Asian markets.



*Chefs Eric Low and Evan Hayter preparing abalone*

*Esperance* – OGA continues to progress the assessment to develop an abalone hatchery and grow-out facility. The Esperance location is considered to be the premium location to establish an onshore abalone hatchery and grow-out facility.

"The Esperance land location is ideal for growing greenlip abalone with water temperatures in the range of 14 to 22 degrees celsius. This makes it one of the best places in Australia to develop an onshore abalone hatchery and grow-out facility," said Brad Adams, OGA Managing Director.

## Working Capital

OGA has forecast that there will be sufficient cash available for ongoing operations from future sales and the expected receipt of an R&D refund by the end of Q2FY19. In the event, there is a timing mismatch in revenue receipts, and incurring costs a business overdraft facility of \$1,000,000 is available to meet working capital requirements.

## Planned activities for the next quarter

- **Harvest** – focus will be on live abalone with improving harvesting techniques.
- **Juvenile Seeding** – OGA plans to seed 420,000 juvenile abalone in October and November 2019.
- **Esperance** – ongoing planning to develop a hatchery and grow-out facility.
- **Marketing** – Exhibition at the 24<sup>th</sup> China Fisheries & Seafood Expo in Qingdao, China on 30 Oct - 1 Nov 2019 and showcase our high-end abalone products.
- **Processing facility** – final fit-out completed and fully operational.

# ASX RELEASE

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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 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 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	885	885
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating <sup>1</sup> costs	(658)	(658)
(c) advertising and marketing	(71)	(71)
(d) leased assets	-	-
(e) staff costs <sup>1</sup>	(589)	(589)
(f) administration and corporate costs	(282)	(282)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	10
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(707)</b>	<b>(707)</b>
<sup>1</sup> 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
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(417)	(417)
(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	7	7
(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) <sup>2</sup>	36	36
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(374)</b>	<b>(374)</b>
<sup>2</sup> Includes cash inflows for return of bank guarantees for lease bond.		

<b>3. Cash flows from financing activities</b>		
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	-	-
3.6 Repayment of borrowings	(28)	(28)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(28)</b>	<b>(28)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,572	2,572
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(707)	(707)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(374)	(374)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(28)	(28)
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>1,463</b>	<b>1,463</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	1,102	711
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Term deposits	361	1,861
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,463</b>	<b>2,572</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2 <sup>5</sup>	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	

<sup>5</sup> Item 6.1 relates to payments for Directors services and fees for the current quarter ended 30 September 2019

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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	
-	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities <sup>4</sup>	2,500	147
8.2 Credit standby arrangements	-	-
8.3 Other (Credit card) <sup>4</sup>	45	24
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.		

<sup>4</sup> 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. OGA has also secured a business overdraft facility with National Australia Bank Limited to the value of \$1,000,000 and the amount available under its equipment finance arrangement is \$1,500,000.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs <sup>5</sup>	740
9.3 Advertising and marketing	69
9.4 Leased assets	-
9.5 Staff costs <sup>5</sup>	617
9.6 Administration and corporate costs	96
9.7 Other (provide details if material) <sup>6</sup>	88
<b>9.8 Total estimated cash outflows</b>	<b>1,610</b>

<sup>5</sup> 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, unique R&D activities are identified in 9.1.

<sup>6</sup> Estimated equipment purchases, equipment loan repayments and feasibility assessment for Esperance development.

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:   
Company Secretary

Date: 31 October 2019

Print name: Romolo Santoro

### 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.