



## Quarterly Update and Appendix 4C for the period ending 31 March 2021

### HIGHLIGHTS

- **Abalone sales - up 28% to 53.5 tonnes Q3FY21YTD** compared to 41.9 tonnes in Q3FY20YTD.
- **Production volumes - up 41% to 59.6 tonnes in Q3FY21YTD** compared to 42.3 tonnes in Q3FY20YTD.
- **Seeding** - Seeding to return to pre COVID-19 levels, with ~1.2 million scheduled to be seeded during the remainder of the 2021 calendar year
- **Sales and marketing** – Development of trader network and integrated supply chain
- **Esperance development** – Commencement of BFS and engagement of key consultants

### DETAILS

Ocean Grown Abalone Limited (ASX: **OGA, the Company**), Western Australia's largest oceanic harvested greenlip abalone producer, is pleased to provide the following operations update and Appendix 4C Cashflow Report for the quarter ended 31 March 2021.

#### Sales

Revenue from abalone meat product sales in the nine months to 31 March 2021 (**Q3FY21YTD**) was \$2.29 million, an increase of approximately 3% on the corresponding period in 2020 (**Q3FY20YTD**). The Company sold 53.5 tonnes of abalone meat products in Q3FY21YTD, an increase of 28% compared to Q3FY20YTD sales of 41.9 tonnes. In contrast to volumes, average sale prices for meat products declined by approximately 19% in Q3FY21YTD compared to Q3FY20YTD, which is attributable to the impact of COVID-19 on market prices and the appreciation of the Australian dollar.

Following completion of a strategic review of OGA's sales and marketing operations in the December 2020 quarter, the Company has implemented a number of initiatives aimed at increasing demand and prices for the Company's products, these include:

- The development of our **WILD Two Oceans Abalone (TOA)** brand.
- Bulk orders negotiated through a Trader network to develop our integrated supply chain, aimed at increasing sales in line with OGA's predicted growth in ranch production capacity.
- Systematically soliciting continuous customer feedback, which has already led to;
  - Rationalising our products to; Whole In Shell (WIS), IQF Meat and Live
  - Rationalising our packaging to 10 x 1kg retail boxes (WIS), 10kg (bulk) & 3 x 3kg (Live)
  - And removing harvest of smaller product, that competes with land farmed product
- Creating demand in the Australian Food Services marketplace by researching high-end customers; restaurants and wholesalers.
- Creating a retail connection by developing our WILD TOA brand and presence at OGA's world class export processing / live tank facility in Augusta.

The new seafood trader network has sought to promote bulk sales of product through numerous market channels. This has resulted in the Company securing its first bulk delivery orders to Taiwan and the UK in April 2021. Further export opportunities continue to be pursued.

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The Company has successfully identified a market for its shell by-product, achieving sales revenue of \$85k for the quarter ended 31 March 2021 (Q3FY21) for raw and polished shells. The Company is also actively seeking to value add and develop a market for abalone gut which is currently a waste product.

## Marine Stewardship Certification (MSC)

The Company is pleased to report that it is about to undertake an independent third-party full assessment of its sustainability credentials with an audit to commence in the June quarter under the MSC audit criteria. MSC is an independent, not for profit organisation that works to ensure the sustainability of wild global fish stocks and the health of marine ecosystems. In Q3FY21 an independent pre-audit conducted by conformity assessment body BioInspecta determined the Company's abalone reefs (called 'Abitats') in Flinders Bay are in scope to be assessed as a 'hatch and catch', enhanced wild greenlip abalone fishery. Obtaining MSC certification will support our WILD TOA brand and validate OGA's sustainability credentials.

The MSC audit process is funded by the WA Government Department of Fisheries in a partnership with the WA Fishing Industry Council under a program to provide all of the States commercial fisheries with the opportunity to achieve external sustainability accreditation.

## Operating Cashflow

Cash inflows for Q3FY21 included \$946k in cash receipts from customers, \$85k in JobKeeper and other grant income of \$10k. OGA and its subsidiary entities are no longer eligible for JobKeeper payments for pay periods ending after 1 January 2021.

Operating cash outflows totalled \$1.63 million, comprised of staff costs; juvenile abalone purchases and amendments to previous orders; advertising and marketing; administration and corporate costs; and costs associated with the development of the Esperance Project.

## Operations

Harvest for Q3FY21YTD was 59.6 tonnes, 41% higher than Q3FY20YTD harvest of 42.3 tonnes. This was achieved despite the harvesting rate in Q3FY21 being reduced in response to improved alignment of harvesting with sales and the practice of setting lower rates in summer as abalone are in poorer meat condition over the summer months.

Juvenile seedings for Q3FY21YTD were 400,060, compared to 842,140 in Q3FY20YTD. This was attributable to the impact of COVID-19 on the market for abalone products and the decision to defer seeding in the first half of the 2021 financial year pending improved market conditions.

Total scheduled juvenile deployments for calendar year 2021 are back in line with pre COVID-19 levels of approximately 1.2 million per annum.

## Esperance Project

During Q3FY21, the Company commenced a Bankable Feasibility Study (BFS) into the proposed development of a large onshore abalone hatchery and grow out facility in Esperance, Western Australia (Esperance Project). The BFS is being undertaken pursuant to the terms of the Heads of Agreement signed with Yumbah Aquaculture Limited (Yumbah) in December 2020.

Key activities undertaken during Q3FY21 included:

- Formation of the BFS Steering Committee
- Key consultants engaged including project manager, geotechnical, hydraulic, licencing and environmental and marine modelling consultants
- Progressing regulatory approvals, with the Esperance Project accepted into State Development Assessment Unit process
- Review of bio-security risks
- Acquisition of temperature data for development of growth rate and mortality models
- Ongoing consultation with key stakeholders

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On completion of the BFS, OGA and Yumbah must each make an Investment Decision within 3 months. If OGA and Yumbah both make a positive Investment Decision, they intend to form an unincorporated joint venture to assess, develop, own and operate the Esperance Project.

## Corporate

During Q3FY21 the Company announced a restructure of its executive management team effective 9 March 2021, as a result of which:

- Brad Adams, moved to Executive Director Corporate Development; and
- Rob Jorden was appointed Chief Executive Officer.

The Company also announced the appointment of Brent Stockden to the executive management team as CFO, Company Secretary & Commercial Services Manager.

Payments during Q3FY21 to related parties and their associates totalled \$124k and comprised the following:

- Director fees and employee remuneration (\$123k)
- Cold storage fees and other transport costs (\$1k)

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:**

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## About the Company

Ocean Grown Abalone Limited has developed the world's first commercial greenlip abalone sea ranching business in the pristine waters of Flinders Bay, Western Australia. With the construction of proprietary, purpose-built artificial abalone reefs (called "Abitats") now complete, OGA is supplying commercial quantities of its premium, 'wild-harvested', greenlip abalone to local and overseas customers.

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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	946	2,433
1.2 Payments for		
(a) research and development <sup>1</sup>	-	-
(b) product manufacturing and operating costs <sup>1</sup>	(694)	(1,413)
(c) advertising and marketing	(36)	(112)
(d) leased assets	-	-
(e) staff costs <sup>1</sup>	(448)	(1,572)
(f) administration and corporate costs	(201)	(594)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	27
1.5 Interest and other costs of finance paid	(7)	(22)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives <sup>2</sup>	95	1,926
1.8 Other (provide details if material)	(250)	(96)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(585)</b>	<b>377</b>

1. A portion of cash outflows included in 1.2 (b) and (e) are also eligible for FY2021 R&D tax incentive.

2. Cash inflows are associated with: Government COVID-19 relief measures: \$85k of JobKeeper. \$10k of other grant funding.

3. Other cash outflows comprises: (i) \$50k associated with Esperance Project development; and (ii) \$200k of non-recurring costs incurred in relation to the reduction of juvenile abalone to be supplied during the first half of the 2021 financial year (the reduction was undertaken to mitigate the impact of reduced sales due to COVID-19).

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(21)
(d) investments	-	-
(e) intellectual property	-	(16)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(5)</b>	<b>(37)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5 Proceeds from borrowings	-	1
3.6 Repayment of borrowings	(2)	(32)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.9	Other (leased assets)	(26)	(76)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(28)</b>	<b>(107)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,630	2,779
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(585)	377
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(37)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(28)	(107)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,012</b>	<b>3,012</b>

<b>5.</b>	<b>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	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,012	3,630
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Term deposits	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,012</b>	<b>3,630</b>

**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 1	124
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter  
\$A'000**

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

**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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities <sup>3</sup>	2,500	28
7.2 Credit standby arrangements	-	-
7.3 Other (Credit Card) <sup>4</sup>	45	7
<b>7.4 Total financing facilities</b>	<b>2,545</b>	<b>38</b>

7.5 **Unused financing facilities available at quarter end** **2,507**

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.

3. The equipment loan has been provided by National Australia Bank Limited, pursuant to a master asset finance agreement with a facility limit of \$1,500,000. The loan is secured over the financed asset 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 loan balance at quarter end totalled \$27,556, with applicable annual interest rate of 3.99%.

National Australia Bank Limited has also provided a business overdraft facility of \$1,000,000 with an annual rate of 4.5%. The facility expires on 30 November 2021. The overdraft facility was undrawn at quarter-end.

4. 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 \$6,854.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(585)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,012
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,510
8.4 Total available funding (Item 8.2 + Item 8.3)	5,522
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>9.44</b>

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: 30 April 2021

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.