

29 October 2021

ASX RELEASE

ASX: OGA

Quarterly Update and Appendix 4C for the Period Ending 30 September 2021

KEY POINTS

- Overall average sales price per KG during the quarter increase of **26%** on FY21 average.
- Growth of customer base, including largest direct shipment to China.
- Abalone harvest volume up **19%** on Q1 of FY21 to 20T and sales volume of 18.6T, up **5%** on Q1 FY21.
- Global product demand increasing with YTD sales to 30 September 2021 and FY22 forward orders accounting for **68%** of total FY21 sales volume.
- Sales and marketing strategy further defined and endorsed by the Board, leading to **Rare Foods Australia** rebranding, opening the door to additional unique products to complement and de-risk our core business.
- Marine Stewardship Council certification assessment process officially commenced in Q1, aiming for certification milestone during Q4 of FY22
- The Esperance Project Feasibility Study on schedule.

DETAILS

Ocean Grown Abalone Ltd (**ASX Code: 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 30 September 2021.

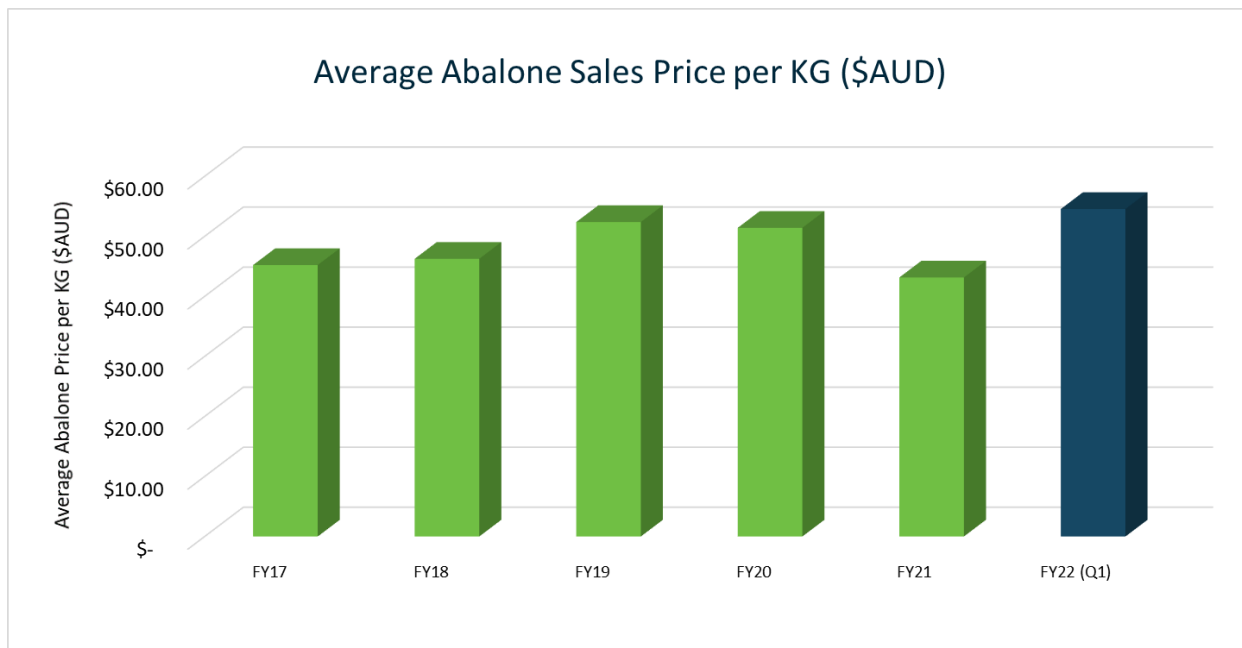
Sales & Marketing Update

During the quarter, the Company has continued the implementation of its sales and marketing strategy, developing the foundations to sell directly to high-end domestic clients and develop a retail and tourism offering. As announced to the ASX on 14 October 2021, to pursue a diversified product portfolio we have commenced our rebranding transition to Rare Foods Australia for launch in the December quarter.

Strategic sales partnerships introduced in H2 of FY21 have gathered momentum and are helping to diversify our customer base, opening new direct bulk distribution opportunities into China in Q1 of FY22.

Sales and marketing highlights for the quarter include:

- ✓ Average abalone price per KG achieved has increased **26%** on the FY21 average price per KG received, returning to pre-COVID levels.
- ✓ Sales volumes of 18.6T was achieved for Q1 FY22, representing a **5%** improvement on the same period in FY21.
- ✓ The YTD sales to 30 September 2021 and FY22 forward orders, represents **68%** of the record FY21 annual sales volume.



During the quarter, the Board approved a new sales and marketing strategy that is focused on developing a pathway, and building a capability, to sell our unique premium product to high-end domestic clientele. Significant progress has been made towards developing a new website which will be launched in Q2 FY22, with an ecommerce platform to follow, expected to be in Q3 FY22.

In addition, we commenced the development of a retail and tourism offering at the Augusta Boat Harbour, called the Ocean Pantry. The Ocean Pantry will showcase our unique world first ranching operation, provide a hub for regional collaboration and food education, and be the first direct retail access to the Rare Foods Australia product range. We are targeting a Q3 launch of the Ocean Pantry, pending development approvals and construction lead time.



Ocean Pantry Concept Design – subject to relevant approvals

Operations & Growth

Our focus is to continually de-risk our core business and pursue value adding growth initiatives.

During Q1, we aligned the support efforts provided by DPIRD's highly experienced fisheries team, to focus their annual scientific analysis on lowering our juvenile mortality and lifting product growth rates of our ranched product. The outcome of this research combined with our ongoing development of the computer-based simulation of the Ranch, will support decision making to lower costs, grow the current biomass and underpin plans for the future expansion of the Flinders Bay ranch.

The Marine Stewardship Council ("MSC") certification assessment process has officially commenced in Q1 and will progress through a consultation, site visit and peer review process through Q2 and Q3, towards a certification milestone target in Q4 of FY22.

Work has continued on the Esperance Project during the quarter including the Bankable Feasibility Study (BFS) with Yumbah Aquaculture Ltd (Yumbah) and stakeholder engagement in the Esperance region. The BFS remains on track for delivery in Q2 FY22.

We continue to pursue growth opportunities for OGA, focused on maximising asset utilisation where possible and scaling up operations to achieve higher margins.

The business currently owns a world class processing facility, a unique 413-hectare seabed ocean lease, and a soon to be established, sales and marketing direct route to high-end customers for other products and strategic partnerships. Every potential opportunity to exploit these will further de-risk our core ranching business and provide revenue growth opportunities.

Cashflow & Outlook

OGA had operating net cash outflow for Q1 of \$454k, including \$1.08M of customer receipts, a \$10k Access Asia Grant received, \$4k of interest received and operating cash outflows totalling \$1.55M.

Payments to related parties for the quarter ended 30 September 2021 totalled \$201k, including Directors, employees, and cold storage fees.

OGA commenced the FY22 year with cash reserves of \$2.71M and concluded the first quarter of operation with \$2.18M.

The Company's research and development application will be submitted with the annual tax return, resulting in an expected cash reimbursement in Q2 of FY22 for the permitted portion of FY21 R&D funds invested.

The strategic choices adopted by the OGA executive and management team for FY22 & FY23, remain firmly focused on demonstrating a self-sustaining working capital position from the core business.

We are focused on exploring financing solutions for our proposed Esperance Abalone farm joint venture with Yumbah, monitoring and where relevant, applying for government grants whilst utilising our existing financing facilities to ensure we can fund our objectives.

END

This announcement was authorised to be given to the ASX by:

The Board of Ocean Grown Abalone Limited.

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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. 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")

30 September 2021

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	1,081	1,081
1.2 Payments for		
(a) research and development ¹	-	-
(b) product manufacturing and operating costs ¹	(526)	(526)
(c) advertising and marketing	(30)	(30)
(d) leased assets	-	-
(e) staff costs ¹	(751)	(751)
(f) administration and corporate costs	(234)	(234)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(6)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	10	10
1.8 Other (provide details if material) ²	(2)	(2)
1.9 Net cash from / (used in) operating activities	(454)	(454)

1. A portion of cash outflows included in 1.2 (b) and (e) are also eligible for FY2022 R&D tax incentive.

2. Other cash inflows of \$316k and cash outflows of \$318k costs associated with Esperance Project development.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(53)	(53)
(d) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	1	1
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(30)	(30)
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(82)	(82)

3.	Cash flows from financing activities		
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	34	34
3.6	Repayment of borrowings	(2)	(2)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (leased assets)	(27)	(27)
3.10	Net cash from / (used in) financing activities	5	5

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 period	2,713	2,713
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(454)	(454)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(82)	(82)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5	5
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,182	2,182

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	2,182	2,713
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Term deposits	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,182	2,713

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

**Current quarter
\$A'000**

201

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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

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 ³	2,500	57
7.2 Credit standby arrangements	-	-
7.3 Other (Credit Card) ⁴	45	19
7.4 Total financing facilities	2,545	76

7.5 **Unused financing facilities available at quarter end** 2,469

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 loans balance at quarter end totalled \$57,053, with applicable annual interest rates of (i) 3.99% for \$23,181; and (ii) 3.89% for \$33,872.

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 \$18,518.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(454)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,182
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,469
8.4 Total available funding (Item 8.2 + Item 8.3)	4,651
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	10.24

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: 29 October 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.