



Ocean Grown
Abalone



OCEAN GROWN ABALONE LIMITED ACN 148 155 042

2018 ANNUAL REPORT

For The Year Ended 30 June 2018



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CORPORATE DIRECTORY



Peter Harold

DIRECTORS

Peter Harold (Non-Executive Chairman)
Bradley (Brad) Adams (Managing Director)
Ignazio (Ian) Ricciardi (Executive Director)
Danielle Lee (Non-Executive Director)

COMPANY SECRETARY

Winton Willesee
Erlyn Dale



Brad Adams

REGISTERED OFFICE

Level 3, 3 Cantonment Street
Fremantle WA 6160

Telephone: +61 8 6181 8888
Facsimile: +61 8 6181 8899

Email: investors@oceangrown.com.au

Website: www.oceangrown.com.au

PRINCIPAL PLACE OF BUSINESS

617 Brindley Street
Augusta WA 6290



Ian Ricciardi

AUDITORS

Stantons International
Level 2,
1 Walker Avenue
West Perth WA 6005

AUSTRALIAN SECURITIES EXCHANGE

ASX Code Ordinary Shares: OGA



Danielle Lee

SHARE REGISTRY

Automic Registry Services
Level 2
267 St Georges Terrace
Perth WA 6000

Enquiries (within Australia): 1300 288 664
Enquiries (outside Australia): +61 2 9698 5414
Facsimile: +61 8 9321 2337

Website: www.automic.com.au

DIRECTORS REPORT

The Directors present the financial report for Ocean Grown Abalone Limited (the **Company**) and its subsidiaries (the **Consolidated Group**) for the year ended 30 June 2018. The Company successfully listed on the Australian Securities Exchange on 14 November 2017 after raising \$10 million in an oversubscribed IPO. The capital raising has enabled the Company to accelerate production and further develop its clean, green and sustainable sea ranching model to bring its quality products to domestic and international markets.

The directors of Ocean Grown Abalone Limited submit herewith the annual report of the Company for the financial year ended 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

The following persons were Directors of the Company during or since the end of the financial year:

Peter Harold	Non Executive Chairman
Bradley (Brad) Adams	Managing Director
Ignazio (Ian) Ricciardi	Executive Director
Danielle Lee	Non Executive Director

The qualifications and experience of the Directors and Company Secretaries are as follows:

MR PETER HAROLD

Non-Executive Chairman - Bachelor of Applied Science in Chemistry (Melb Uni), FAICD

Peter is the Managing Director of Panoramic Resources Limited (ASX:PAN) and is a process engineer with over 30 years of corporate experience in the minerals industry, specialising in financing, marketing, project development and operating, business development and general corporate activities. Prior to founding Panoramic Resources in March 2001, Peter held various senior management positions with Shell Australia, Australian Consolidated Minerals Limited, Normandy Mining Limited, MPI Mines Limited and the Gutnick network of companies. Peter is also Non-Executive Chairman of Horizon Gold Limited (ASX:HRN) and a Non-Executive Director of Pacifico Minerals Limited (ASX:PMY). Peter is the immediate past Chairman of Youth Focus, having served on the board for 9.5 years. Youth Focus is a not-for-profit charity working to prevent youth suicide and depression.

Special responsibilities:

- Chairman of the Board
- Member of the Remuneration and Nomination Committee
- Member of the Audit and Risk Committee

Other Public Company Directorships held in the past 3 years:

Company Name and Code	Position/s Held	Dates (month/year)	
Panoramic Resources Limited (ASX:PAN)	Managing Director	Appointed: April 2001	Ceased: N/A
Pacifico Minerals Limited (ASX:PMY)	Non-Executive Director	Appointed: August 2013	Ceased: N/A
Peak Resources Limited (ASX:PEK)	Non-Executive Chairman	Appointed: December 2015	Ceased: December 2017
Horizon Gold Limited (ASX:HRN)	Non-Executive Chairman	Appointed: August 2016	Ceased: N/A

DIRECTORS REPORT cont.

MR BRAD ADAMS

Managing Director - BSc(Biology), G.Dip(Aqua) MBA

Brad is a third-generation fisherman and has worked as a commercial abalone diver along Western Australia's south coast for 12 years. In the 1990's, Brad was involved in setting up one of Tasmania's first abalone farms – Tasmanian Tiger Abalone, which later became Cold Gold Abalone.

Brad has been actively involved in Abalone Aquaculture research and development in Western Australia since 2000. Brad was a director of the Western Australian Fishing Industry Council from 2009 to 2011 and Chairman from 2011 to 2013. He holds an MBA and Bachelor of Applied Science, Biology from Curtin University of Technology and a Graduate Diploma, Aquaculture from the University of Tasmania. Brad has been a Director of and served in an executive capacity for Ocean Grown Abalone Limited since July 2013.

Special responsibilities:

- Member of the Remuneration and Nomination Committee

Other Public Company Directorships held in the past 3 years:

Company Name and Code	Position/s Held	Dates (month/year)
N/A	N/A	N/A

MR IAN RICCIARDI

Executive Director

Ian has been involved in the Western Australian Fishing Industry since 1975. Ian has worked on and operated prawn trawlers in Shark Bay, Gulf of Carpentaria and Kimberly Prawn Fisheries. Ian also has interests in the South West Trawl Fishery, through One Sea Pty Ltd – Rottnest Island Scallop. The Ricciardi Family built and operated an Export Food Processing Facility in North Coogee and holds 50% interest in Fremantle City Coldstores. Ian held the position of President of Shark Bay Prawn Association for 10 years and has significant experience in WA Fisheries-related processes.

Special responsibilities:

- Member of the Audit and Risk Committee

Other Public Company Directorships held in the past 3 years:

Company Name and Code	Position/s Held	Dates (month/year)
N/A	N/A	N/A

MS DANIELLE LEE

Non-Executive Director – B.Ec LLB

Danielle is an experienced corporate lawyer with more than 23 years of experience shared between private law firms and the Australian Securities Exchange. She has a broad range of skills and legal experience in the areas of corporate advisory, governance and equity capital markets. She has advised a range of Australian public and private companies in a range of industries on corporate transactions including capital raisings, ASX listings, business and share acquisitions, shareholder agreements and joint venture agreements.

Special responsibilities:

- Chairman of the Remuneration and Nomination Committee
- Chairman of the Audit and Risk Committee

DIRECTORS REPORT cont.

Other Public Company Directorships held in the past 3 years:

Company Name and Code	Position/s Held	Dates (month/year)	
Hazer Group Limited (ASX:HZR)	Director	Appointed: September 2015	Ceased: N/A

DIRECTORS' INTERESTS

The relevant interests of each director in the securities of the Company at the date of this report are as follows:

Director	Shares	Options	Performance Rights
Peter Harold	120,000	1,500,000 ¹	-
Danielle Lee	-	1,000,000 ¹	-
Brad Adams	3,326,055	-	12,000,000 ²
Ian Ricciardi	14,685,445	-	-

Note:

¹ These Options are Series C Options and have an exercise price of 44 cents and an expiry date of 30 September 2021.

² Refer to KMP Performance Rights for B Adams in the Remuneration Report (Audited) for further detail.

JOINT COMPANY SECRETARIES

WINTON WILLESEE

BBus, DipEd, PGDipBus, MCom, FFin, CPA, GAICD, FGIS/FCIS

Mr Willesee is an experienced company secretary. He brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects.

Mr Willesee holds a Master of Commerce, a Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators/ Chartered Secretary.

ERLYN DALE

BCom, AGIA/ACIS

Miss Dale has a broad range of experience in the efficient administration of companies and corporate governance having been involved with several listed and unlisted public and other companies.

Miss Dale holds a Bachelor of Commerce (Accounting and Finance) and a Graduate Diploma in Applied Corporate Governance. She is a member of the Governance Institute of Australia and is a Chartered Secretary.

DIRECTORS REPORT cont.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were the development of its sea ranching hardware design and processes that allows for near-shore aquaculture (**Ranching**). This included activities in relation to the establishment of its initial abalone Ranching operation in Flinders Bay, Augusta WA. In particular, the continuation of the construction and deployment of Abitat structures (**Abitats**) and the seeding of juvenile abalone stock, for the purposes of undertaking larger scale trials over a three-year growth cycle at both its Flinders Bay 1 and Flinders Bay 2 sites.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Groups major activities for the year were:

- the construction of Flinders Bay 2, which will be completed by the end of Q1FY19 and positions the Company for further increases in production in subsequent years;
- harvesting of abalone from the Flinders Bay 1 ranch;
- maintenance of existing reefs, including re-seeding of juvenile abalone to sustain future harvest production;
- optimisation of existing operations to increase future yields; and
- ranching technology development, for use in future developments and application at existing operating locations.

The sales revenue generated from production was \$2,053,748 for the year ended 30 June 2018, (2017: \$744,713).

Operating loss before tax for the year ended 30 June 2018 amounted to \$3,046,512 (2017: \$1,549,568). The net loss of the Group for the year, after provision for income tax, was \$3,459,754 (2017: \$1,752,502).

Operations

A total of 38.1 tonnes (2017: 17.2 tonnes) of abalone was harvested and the BIOMASS increased by a further 40 tonnes to 162 tonnes at the end of June 2018 (2017: 122 tonnes).

The Company continued the construction of the Flinders Bay 2 project, installing a further 3,277 Abitats. The total Abitats installed over Flinders Bay 1 and Flinders Bay 2 ranches at the end of 30 June 2018 was 9,546 of the total projected 10,000 Abitats the remaining 454 Abitats are on target to be installed by the end of Q1FY19.

Significant insights have been gained from the Flinders Bay 1 project and have been applied in the development of Flinders Bay 2. The ongoing assessment of the Flinders Bay projects provides the company with further optimisation and yield increasing opportunities as the company works towards achieving full-scale commercial production.

The priority for the company in subsequent years is to utilise information and experience it has collected and analysed on items like topographical and tide patterns to further optimise existing ranches and in turn increase growth and production yields. This information is also beneficial in the identification of future development sites.

Corporate

During the financial year, the company listed on the Australian Securities Exchange on 14 November 2017, raising \$10 million in an oversubscribed Initial Public Offering (IPO) of 40 million new shares. The IPO enables the Company to accelerate development of its clean, green and sustainable sea ranching model to bring its quality ocean grown abalone product to domestic and international markets.

DIVIDEND PAID OR RECOMMENDED

During the financial year, the Company did not declare or pay any dividends.

DIRECTORS REPORT cont.

HARVEST: Harvesting the abalone



DIRECTORS REPORT cont.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

Significant matters that have arisen since the end of the financial year are:

- The Company issued a tender to several builders since the end of the financial year, for the construction of a processing facility to service harvest production from its Flinders Bay ranches located in Augusta. The construction of the processing facility will provide the capacity to process higher volumes of abalone and will also provide the capability to supply live abalone, which attract additional returns.
- Mark Wall (Ranch Operations Manager – Augusta) accepted the offer to participate in Ocean Grown Abalone Limited's Employee Incentive Plan. If all performance criteria and conditions are achieved Mr Wall will be eligible to receive up to 1,200,000 Class D Performance Rights.

Other than as disclosed above or in the financial statements, there are no other significant matters sufficiently advanced or at a level of certainty that would require disclosure, arisen since the end of the financial year, which significantly affects the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group will continue to carry on its business plan by:

- continuing to manage its research and development activities in Augusta with the longer term aim of achieving commercial operations;
- developing its export supply chains into Asia; and
- further expanding the current Augusta operations and continue other trial and research programs at other sites around Australia, including Esperance.

OPTIONS

At the date of this report, the unissued ordinary shares of Ocean Grown Abalone Limited under option are as follows:

Grant date	Expiry date	Exercise price	Number of options
1 Aug 2017	28 Dec 2020	\$0.30	8,807,452
1 Aug 2017	30 Sep 2021	\$0.39	10,039,450
1 Aug 2017	30 Sep 2021	\$0.44	2,500,000
Total			21,346,902

DIRECTORS' MEETINGS

The number of Directors' Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

Director's name	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Peter Harold	11	11	2	2	1	1
Danielle Lee	11	11	2	2	1	1
Brad Adams	11	10	-	-	1	1
Ian Ricciardi	11	11	2	2	-	-

Where: column A is the number of meetings the Director was entitled to attend; and column B is the number of meetings the Director attended.

DIRECTORS REPORT cont.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Ocean Grown Abalone Limited's key management personnel for the financial year ended 30 June 2018. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

KEY MANAGEMENT PERSONNEL

The directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

Non-Executive Directors	Position
Peter Harold	Chairman, Non-Executive Director
Danielle Lee	Non-Executive Director
Executive officers	Position
Brad Adams	Managing Director
Ian Ricciardi	Executive Director
Romolo Santoro (appointed 26 October 2017)	Chief Financial Officer
Ian Cunningham (resigned 26 October 2017)	Chief Financial Officer
Mark Wall	Ranch Operations Manager - Augusta

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

REMUNERATION POLICY AND PRINCIPLES

To ensure the executive reward framework is competitive and appropriate for the results delivered the Board has appointed a Remuneration and Nomination Committee to assist the Board by making recommendations on remuneration packages for the Groups KMP's.

The Remuneration and Nomination Committee is responsible for ensuring the KMP's reward framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board seeks to ensure that KMP's reward is consistent with the following:

- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and Company with those of the shareholders.
- The remuneration committee reviews KMP packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of KMPs is measured against criteria agreed with each executive and is focused on increasing shareholder value. All bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, options or performance rights and can recommend changes to the committee's recommendations. The policy is designed to reward executives for performance leading to long-term growth in shareholder wealth.

Performance-based Remuneration

KPIs are set annually, with measures specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold the greatest potential to increase shareholder value, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes.

DIRECTORS REPORT cont.

Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

Ocean Grown Abalone Limited is in the early development phase of its operations and due consideration is made of developing long term shareholder value, the Board has regard to the following indices in respect of the current financial year to facilitate the long-term growth of the Group:

Item	2018	2017
Sales Revenue \$	2,053,748	744,713
BIOMASS (Tonnes)	161.8	121.9
Harvest (Tonnes)	38.1	17.2

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various reward schemes.

The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the Group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

	Short-term employee benefits ¹				Post-employment benefits	Long-term employee benefits	Share Based payments		Performance Rated
2018	Salary & fees \$	Cash ⁴ Bonus \$	Non-mone-tary \$	Other \$	Super-annuation \$	Long Service Leave \$	Options & rights	Total	%
Non-executive directors									
P Harold	54,795	-	-	-	5,205	-	130,943	190,943	69
D Lee	36,530	-	-	-	3,470	-	87,296	127,296	69
Executive officers									
B Adams	250,000	100,000	-	-	20,049	-	913,473	1,283,522	79
I Ricciardi ²	150,000	35,460	-	10,202	18,588	-	-	214,250	17
R Santoro	109,817	-	-	-	10,433	-	-	120,250	-
I Cunningham ³	-	-	-	47,320	-	-	-	47,320	-
M Wall	120,000	2,000	-	-	11,590	-	-	133,590	2
Total	721,142	137,460	-	57,522	69,335	-	1,131,712	2,117,171	60

¹ Short-term employee benefits include consultancy fees paid to Ian Cunningham for services as Chief Financial Officer.

² The amount of \$10,202 disclosed as other benefits for Ian Ricciardi is salary sacrificed superannuation payments and forms part of a total package of \$50,000 cash bonus (inclusive of superannuation).

³ The amount of \$47,320 disclosed as other benefits for Ian Cunningham's consultancy services as Chief Financial Officer. Ian Cunningham resigned on 26 October 2017.

⁴ Cash bonuses are performance related incentives.

DIRECTORS REPORT cont.

	Short-term employee benefits ¹				Post-employment benefits	Long-term employee benefits	Share Based payments	Performance Rated	
	Salary & fees \$	Cash ⁶ Bonus \$	Non-monetary \$	Other \$	Super-annuation \$	Long Service Leave \$	Options & rights	Total	%
2017									
Non-executive directors									
P Harold	6,518	-	-	-	619	-	-	7,137	-
D Lee	4,345	-	-	-	413	-	-	4,758	-
P Kestel ²	-	-	-	-	-	-	-	-	-
C Kestel ²	11,361	-	-	-	512	-	-	11,873	-
Executive officers									
B Adams	197,692	-	-	-	18,781	-	-	216,473	-
I Ricciardi ³	71,538	-	-	-	6,796	-	-	78,334	-
V Ricciardi ⁴	73,384	-	-	-	6,972	-	-	80,356	-
I Cunningham ⁵	-	-	-	34,200	-	-	-	34,200	-
Total	364,838	-	-	34,200	34,093	-	-	433,131	-

¹ Short-term employee benefits include consultancy fees paid to Ian Cunningham for services as Chief Financial Officer.

² Peter and Craig Kestel resigned as directors on 5 August 2016.

³ Commenced full time employment 1 January 2017.

⁴ Commenced part time employment from 5 August 2016 and full time employment from 1 January 2017. Vincenzo Ricciardi resign as director on 19 May 2017.

⁵ Ian Cunningham was appointed as Chief Financial Officer on 15 November 2016. The amount of \$34,200 disclosed as other benefits for Ian Cunningham's consultancy services as Chief Financial Officer.

⁶ Cash bonuses are performance related incentives.



DIRECTORS REPORT cont.

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

Position Held as at 30 June 2018		Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance (Other than Options Issued)		Proportions of Elements of Remuneration Not Re- lated to Performance
2018			Non-salary Cash-based Incentives %	Shares /Units %	Fixed Salary /Fees %
Non-executive directors					
Peter Harold	Chairman	No fixed term.	-	-	31
Danielle Lee	Non-Executive Director	No fixed term.	-	-	31
Executive officers					
B Adams	Managing Director	No fixed term. 12 months' notice.	8	71	21
I Ricciardi	Executive Director	No fixed term. 6 months' notice.	17	-	83
R Santoro	Chief Financial Officer	No fixed term. 3 months' notice.	-	-	100
I Cunningham	Chief Financial Officer	No fixed term.	-	-	100
M Wall	Ranch Operations Manager - Augusta	No fixed term. 4 weeks' notice.	1	-	99

The employment terms and conditions of all KMP are formalised in contracts of employment.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The following table summarises the performance related payments for 2018:

	Remuneration Type	Grant Date	Fair Value \$	Percentage Vested/Paid during Year %	Percentage Forfeited during Year %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment
Peter Harold	Options ¹	1/08/17	130,943	100	-	-	30/09/21
Danielle Lee	Options ¹	1/08/17	87,296	100	-	-	30/09/21
B Adams	Cash ²	23/11/17	50,000	100	-	-	23/11/17
	Cash ²	29/03/18	25,000	100	-	-	29/03/18
	Cash ²	21/06/18	25,000	100	-	-	21/06/18
	Performance Rights ³	1/08/17	800,000	-	-	100	31/12/18
	Performance Rights ³	1/08/17	800,000	-	-	100	14/11/19
	Performance Rights ³	1/08/17	800,000	-	-	100	14/11/22
I Ricciardi	Cash ^{2,5}	1/06/18	50,000	100	-	-	1/06/18
M Wall	Cash ⁴	26/10/17	2,000	100	-	-	26/10/17

¹ Options were granted as part of the engagement of non-executive directors at an exercise price of \$0.44.

² Cash bonus paid in recognition of efforts in readying the Company for its IPO.

³ Performance rights were granted to Brad Adams. Refer to Note 28. Share-based Payments.

⁴ Cash performance bonus paid in recognition of efforts during the financial year.

⁵ The amount of \$10,202 disclosed as other benefits for Ian Ricciardi is salary sacrificed superannuation payments and forms part of a total package of \$50,000 cash bonus (inclusive of superannuation).

DIRECTORS REPORT cont.

KMP Performance Rights

Brad Adams

The Company issued 12,000,000 Performance Rights to Brad Adams, the Managing Director. The Performance Rights have been issued in 3 classes including service and performance conditions as follows:

Number of Performance Rights	Service Condition	Performance Condition
Class A 4,000,000	Brad Adams to remain engaged as an employee for a continuous period until the performance condition is satisfied.	(a) Prior to 31 December 2018, the Company completes its Flinders Bay 2 Project in Augusta, with completion deemed to occur upon the deployment and seeding of 5,000 ABITATS at the Flinders Bay 2 Project site. or (b) Prior to 31 December 2018 a Takeover Event occurs.
Class B 4,000,000	Brad Adams to remain engaged as an employee for a continuous period until the performance condition is satisfied.	(a) Within 2 years from the date the Company is admitted to the Official List of the ASX, the Company recognises revenue from the sale of 100 tonnes of abalone combined from Flinders Bay 1, Flinders Bay 2, Wylie Bay and Port Lincoln Development projects in any 12-month period. or (b) Within 2 years from the date the Company is admitted to the Official List of ASX a Takeover Event occurs.
Class C 4,000,000	Brad Adams to remain engaged as an employee for a continuous period until the performance condition is satisfied.	(a) Within 5 years from the date the Company is admitted to the Official List of the ASX, and subject to the Board determining the success of a material part of the Port Lincoln Development Project, the Company (either on its own or together with an affiliate or joint venture partner) deploys and seeds a cumulative total of 5,000 ABITATS across one or more commercial project sites within South Australia. or (b) Within 5 years from the date the Company is admitted to the Official List of ASX a Takeover Event occurs.

During the reporting period no other KMP were issued Performance Rights.

Description of Options / Rights Issued as Remuneration

Details of the options granted and performance rights as remuneration to those KMP listed in the previous table are as follows:

Security Type	Grant Date	Issuer	Entitlement	Exercise Date	Exercise Price \$	Value at Grant Date \$	Amount Paid / Payable by Recipient \$
Option	01/08/17	OGA Ltd		30/09/21	44c	9c	-
Class A Performance Right	01/08/17	OGA Ltd	1:1 Ordinary Shares in	31/12/18	-	20c	-
Class B Performance Right	01/08/17	OGA Ltd	OGA Limited	14/11/19	-	20c	-
Class C Performance Right	01/08/17	OGA Ltd		14/11/22	-	20c	-

For further details on the outstanding options and performance rights, refer to Note 28 to the financial statements.

DIRECTORS REPORT cont.

KMP Shareholdings

KMP ordinary shares held

The number of ordinary shares held by each of the KMP's in Ocean Grown Abalone Limited at 30 June 2018 is as follows:

2018	Balance at Beginning of Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance At End of Year
P Harold	-	-	120,000	120,000
D Lee	-	-	-	-
B Adams	3,326,055	-	-	3,326,055
I Ricciardi	26,219,225	-	(11,083,780) ¹	15,135,445
R Santoro	-	-	-	-
I Cunningham	-	-	-	-
M Wall	-	-	8,000	8,000
	29,545,280	-	(10,955,780)	18,589,500

¹ I Ricciardi through his family trust, has a 50% interest in Lismar Pty Ltd, which held ordinary shares in Ocean Grown Abalone Limited. The transferred amount represents the proportion of shares, that I Ricciardi was not the ultimate beneficial owner of, which have since been transferred to the holding account of the ultimate beneficial owner.

The number of ordinary shares held by each of the KMP's in Ocean Grown Abalone Ltd at 30 June 2017 is as follows:

2017	Balance at Beginning of Year ¹	Granted as Remuneration During the Year	Other Changes During the Year	Balance At End of Year
P Harold	-	-	-	-
D Lee	-	-	-	-
P Kestel	4,363,512	-	(4,363,512)	-
C Kestel	250,000	-	(250,000)	-
B Adams	715,211	-	2,610,844 ²	3,326,055
I Ricciardi	630,333	-	25,588,892 ²	26,219,225
V Ricciardi	-	-	250,000	250,000
I Cunningham	-	-	-	-
	5,959,056	-	23,836,224	29,795,280

¹ Number of shares held prior to Share Split.

² In addition to movements in shares held, on 11 November 2016 the Company undertook a Share Split on the basis of 5 shares for each existing share.

DIRECTORS REPORT cont.

KMP options held

The number of options held by each of the KMP's in Ocean Grown Abalone Limited at 30 June 2018 is as follows:

2018	Balance at Beginning of Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance At End of Year
P Harold	-	1,500,000	-	1,500,000
D Lee	-	1,000,000	-	1,000,000
B Adams	-	-	-	-
I Ricciardi	-	-	-	-
R Santoro	-	-	-	-
I Cunningham	-	-	-	-
M Wall	-	-	-	-
	-	2,500,000	-	2,500,000

The number of options held by each of the KMP's in Ocean Grown Abalone Ltd at 30 June 2017 is as follows:

2017	Balance at Beginning of Year	Granted as Remuneration During the Year	Other Changes During the Year	Balance At End of Year
P Harold	-	-	-	-
D Lee	-	-	-	-
P Kestel	-	-	-	-
C Kestel	-	-	-	-
B Adams	-	-	-	-
I Ricciardi	-	-	-	-
V Ricciardi	-	-	-	-
I Cunningham	-	-	-	-
	-	-	-	-

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Other Transactions with KMP and/or their Related Parties

There have been no other transactions with KMP and/or their Related parties that is not covered in other sections of this report for the year 30 June 2018. Refer Note 27 for further details.

END OF THE AUDITED REMUNERATION REPORT

DIRECTORS REPORT cont.

ENVIRONMENTAL REGULATIONS

The Company's operations are subject to environmental regulations under Western Australian law. The Group has procedures in place to ensure regulations are adhered to. The Group is not aware of any breaches in relation to environmental matters.

OPTIONS

On 1 August 2017, the existing 7,633,125 options, each with an exercise price of \$0.26 and expiry date of 28 December 2020, were cancelled and replaced with 8,807,452 new options, each with an exercise price of 30 cents and an expiry date of 28 December 2020. The increased number of options being in proportion to the 30/26 increase in the exercise price.

On 1 August 2017, 10,039,450 options, each exercisable at \$0.39 on or before 30 September 2021, were issued as part consideration for corporate advisory services provided in relation to IPO.

On 1 August 2017, 2,500,000 options were issued to non-executive directors, each with an exercise price of \$0.44 and expiry date of 30 September 2021.

All of these options remained outstanding at balance date.

PROCEEDINGS ON BEHALF OF COMPANY

No legal proceedings have been brought against the Company to the date of this report.

CORPORATE GOVERNANCE

The Company's 2018 Corporate Governance Statement is contained in the 'Corporate Governance' section of the Company's website at <https://www.oceangrown.com.au/investors/corporate-governance/>.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Company has made agreements indemnifying all the Directors and Officers of the Group against all losses or liabilities incurred by each Director or Officer in their capacity as Directors or Officers of the Group to the extent permitted by the *Corporations Act 2001*. The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Group. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

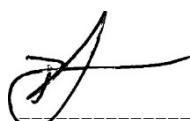
INDEMNIFYING OF AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an Auditor of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16 of this report.

Signed in accordance with a resolution of the Directors.



Bradley Adams
Managing Director

30 August 2018

30 August 2018

Board of Directors
Ocean Grown Abalone Limited
Level 3, 3 Cantonment St
Fremantle WA 6160

Dear Sirs

RE: OCEAN GROWN ABALONE LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Ocean Grown Abalone Limited.

As Audit Director for the audit of the financial statements of Ocean Grown Abalone Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME for the year ended 30 June 2018

	Notes	Consolidated Group	
		2018 \$	2017 \$
Revenue	3	2,053,748	744,713
Other income	4(a)	223,557	101,816
R&D tax incentive	4(b)	1,994,059	1,377,541
TOTAL INCOME		4,271,364	2,224,070
Cost of goods sold		(1,739,274)	(394,546)
Fair value adjustment of biological assets	8	1,502,699	947,049
Selling & distribution		(72,714)	(39,829)
Processing expenses		(91,162)	(199,477)
Employee benefits expense		(3,881,762)	(1,374,231)
Diving, vessels & operations expense		(1,117,679)	(889,132)
Corporate & administration		(1,084,642)	(719,070)
Depreciation & amortisation expense		(554,864)	(393,478)
Net interest received/(paid)		131,568	(597,338)
Other expenses		(410,046)	(113,586)
		(7,317,876)	(3,773,638)
LOSS BEFORE TAX		(3,046,512)	(1,549,568)
Income tax (expense)	5	(413,242)	(202,934)
LOSS AFTER TAX FROM CONTINUING OPERATIONS		(3,459,754)	(1,752,502)
Other comprehensive loss for the year, net of tax:			
- Items that may be reclassified to profit or loss		-	-
- Items that will not be reclassified to profit or loss		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,459,754)	(1,752,502)
LOSS ATTRIBUTABLE TO:			
- Owners of the Company		(3,455,228)	(1,745,455)
- Non-controlling interests		(4,526)	(7,047)
		(3,459,754)	(1,752,502)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
- Owners of the Company		(3,455,228)	(1,745,455)
- Non-controlling interests		(4,526)	(7,047)
		(3,459,754)	(1,752,502)
Basic and diluted loss per share attributable to the Owners of the Company			
Basic and diluted loss per share (cents)	25	(2.19)	(1.85)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2018

		Consolidated Group	
	Notes	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	6	7,415,975	2,990,360
Trade and other receivables	7	2,227,513	1,651,510
Biological assets	8	2,915,743	1,480,000
Inventory	9	297,518	184,346
Other	12	154,543	25,000
TOTAL CURRENT ASSETS		13,011,292	6,331,216
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,615,543	1,718,900
Biological assets	8	2,971,817	2,249,337
Intangible assets	11	88,568	72,263
Other assets	12	408,665	126,464
TOTAL NON-CURRENT ASSETS		5,084,593	4,166,964
TOTAL ASSETS		18,095,885	10,498,180
CURRENT LIABILITIES			
Trade and other payables	13	1,026,112	631,964
Unearned revenue	14	-	205,642
Interest bearing liabilities	15	101,863	105,009
Provisions	16	132,609	53,693
Current tax liability	17	114,333	114,333
TOTAL CURRENT LIABILITIES		1,374,917	1,110,641
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	132,606	255,730
Deferred tax liabilities	18	627,032	213,790
TOTAL NON-CURRENT LIABILITIES		759,638	469,520
TOTAL LIABILITIES		2,134,555	1,580,161
NET ASSETS		15,961,330	8,918,019
EQUITY			
Contributed equity	19	23,408,139	14,046,786
Share based payment reserve	20	1,965,372	823,660
Accumulated losses	21	(9,401,508)	(5,946,280)
Equity attributable to owners of the Company		15,972,003	8,924,166
Non-controlling interests		(10,673)	(6,147)
TOTAL EQUITY		15,961,330	8,918,019

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2018

Consolidated Group	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2016	1,675,446	-	(4,200,825)	(2,525,379)	900	(2,524,479)
Loss after income tax expense for the year	-	-	(1,745,455)	(1,745,455)	(7,047)	(1,752,502)
Other comprehensive loss for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	(1,745,455)	(1,745,455)	(7,047)	(1,752,502)
Transactions with owners recorded directly in equity						
Shares issued	13,555,000	-	-	13,555,000	-	13,555,000
Share issue costs	(1,183,660)	-	-	(1,183,660)	-	(1,183,660)
Share based payment expense	-	823,660	-	823,660	-	823,660
Non-controlling interest	-	-	-	-	-	-
Total transactions with owners recorded directly in equity	12,371,340	823,660	-	13,195,000	-	13,195,000
Balance as at 30 June 2017	14,046,786	823,660	(5,946,280)	8,924,166	(6,147)	8,918,019
Balance as at 1 July 2017	14,046,786	823,660	(5,946,280)	8,924,166	(6,147)	8,918,019
Loss after income tax expense for the year	-	-	(3,455,228)	(3,455,228)	(4,526)	(3,459,754)
Other comprehensive loss for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	(3,455,228)	(3,455,228)	(4,526)	(3,459,754)
Transactions with owners recorded directly in equity						
Shares issued	11,722,877	-	-	11,722,877	-	11,722,877
Share issue costs	(2,361,524)	-	-	(2,361,524)	-	(2,361,524)
Share based payment expense	-	1,141,712	-	1,141,712	-	1,141,712
Total transactions with owners recorded directly in equity	9,361,353	1,141,712	-	10,503,065	-	10,503,065
Balance as at 30 June 2018	23,408,139	1,965,372	(9,401,508)	15,972,003	(10,673)	15,961,330

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 30 June 2018

		Consolidated Group	
	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		1,698,380	949,917
Other income		399,509	100,771
Payments to suppliers and employees		(7,680,378)	(3,928,990)
R&D tax incentive		1,377,541	1,435,659
Net cash (used in) operating activities	30	(4,204,948)	(1,442,643)
Cash flows from investing activities			
Purchases of plant, equipment and intangible assets		(702,132)	(1,091,127)
Proceeds from disposals of plant, equipment and intangible assets		20,000	-
Payment of lease deposits		(49,119)	1,936
Interest received		130,974	31,148
Net cash (used in) investing activities		(600,277)	(1,058,043)
Cash flows from financing activities			
Proceeds from borrowings		4,000	257,179
Repayment of borrowings		(126,270)	(245,040)
Interest paid		(18,243)	(628,486)
Proceeds from issue of shares		10,000,000	6,000,000
Capital raising costs		(628,647)	(360,000)
Net cash from financing activities		9,230,840	5,023,653
Net increase in cash and cash equivalents		4,425,615	2,522,967
Cash and cash equivalents at the beginning of the financial year		2,990,360	467,393
Cash and cash equivalents at the end of the financial year	6	7,415,975	2,990,360

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018

NOTE 1. NATURE OF OPERATIONS OF OCEAN GROWN ABALONE LIMITED

Ocean Grown Abalone Limited (the **Company**) and its wholly owned subsidiaries' (the **Group**) principal activities during the year were the ongoing development of its sea ranching hardware design and processes that allows for near-shore aquaculture. This included activities in relation to the establishment of its initial Ranching operation in Flinders Bay, Augusta Western Australia for the purposes of undertaking larger scale trials over a three year growth cycle.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. These consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

b) Basis of measurement

The financial report is prepared on the accruals basis and the historical cost basis, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

c) Basis of preparation

(i) General purpose financial report

The consolidated general purpose financial report of the Group has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards result in full compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board. Ocean Grown Abalone Limited is the Group's ultimate parent company and is a for-profit entity for the purpose of preparing the financial statements. The Company is a public company limited by shares, incorporated and domiciled in Australia.

The consolidated financial statements for the financial year ended 30 June 2018 were approved and authorised for issue by the Board of Directors on 30 August 2018.

The financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

(ii) New and amended standards adopted by the Company

The Company has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

(iii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Company have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

- AASB 9 *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, the Standard includes revised requirements for the classification and measurement of financial instruments and simplified requirements for hedge accounting. The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

- AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

The main changes introduced by the new Standard are as follows:

- recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciating the right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The directors anticipate that the adoption of AASB 16 will not have a material impact on the Company's revenue recognition and disclosures.

- *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

d) Basis of Consolidation

The Group financial statements consolidate those of the parent company and its subsidiaries. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A list of subsidiaries is provided in Note 34. All subsidiaries have a reporting date of 30 June.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interest are attributed their share of profit or loss and each component of comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 cont.

e) Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interest issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (i) the fair value of consideration transferred; (ii) the recognised amount of any non-controlling interest in the acquiree; and (iii) the acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair value of identifiable net assets exceeds the sum calculated above, the excess is recognised directly in profit and loss as a bargain purchase.

f) Foreign currency translation

Foreign currency transactions during the period are converted to Australian currency using the exchange rates prevailing at the dates of the transactions. Amounts receivable and payable in foreign currency at balance date are also converted at the spot rate at each reporting date.

Realised exchange gains and losses during the period are included in the operating profit before income tax as they arise. Unrealised exchange gains and losses at balance date are included in the operating profit before income tax to the extent that their realisation is certain.

g) Revenue recognition

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

Interest income and expenses are reported on an accrual basis.

h) Research and development tax refund

Refund amounts received or receivable under the Federal Government's Research and Development Tax Incentive are recognised on an accrual basis.

i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

j) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

k) Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of an asset below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss and other comprehensive income – is removed from equity and recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments classified as available for sale are not reversed through the statement of profit or loss and other comprehensive income.

l) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The Group is not consolidated for tax purposes.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

m) Good and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

n) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash on hand, deposits held at call with banks and other highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents are as described above.

o) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

p) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs include all expenses directly attributable to the manufacturing process. Costs are assigned on the basis of weighted average costs. In the case of abalone stock, upon harvest the stock is transferred from Biological Assets to Inventory at a revised cost value, being the carrying value previously determined for that stock in accordance with the AASB 141 (refer Note 2(q) below).

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expense.

q) Biological Assets

Biological assets comprise abalone stock located on Abitats.

The abalone stock are valued at their fair value less costs to sell in accordance with the AASB 141 Agriculture Standard. Where fair value cannot be reliably measured biological assets are measured at cost less impairment losses.

For abalone stock below 90mm (~120g whole weight), these biological assets are measured at cost as the Company considers that the fair value for this stock cannot be reliably measured on the basis that its commercial sales are only for product above this size threshold.

Abalone stock above 90mm (~120g whole weight) are measured at fair value less cost to sell. The valuation takes into consideration estimated growth rates and mortality (refer Note 2(x) for a description of the methodology used for the estimation of growth rates and mortality rates). The market prices are derived from observable market prices (when available) and realised prices. The prices are reduced for estimated harvesting costs, processing costs, freight costs and other selling costs, to determine the net fair value.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

Derecognition

Additions of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the Profit or Loss.

Impairment

Carrying values of plant and equipment are reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may be impaired.

t) Intangible assets

Trademarks, patents leases and licenses are initially recorded at cost incurred to acquire. Intangible assets which are deemed to have an indefinite life are tested annually for impairment and carried at cost less accumulated impairment losses. Assets deemed for have a finite life are amortised over their expected economic life to the Company and then recorded at cost less accumulated amortisation and impairment losses.

u) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

v) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

w) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

x) Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Biological Assets

Biological assets are measured at fair value less cost to sell in accordance with AASB 141. Abalone stock below 90mm (~120g) are measured at the same rate per mm as the rate charged to the Company by the supplier. Management estimates this is a more accurate reflection of fair value as it takes into consideration growth rates from approximately 40mm to 90mm. Historically, abalone stock below 90mm (~120g) were measured at cost. The basis for the change in methodology is consistent with improvements in the analysis of growth data of juvenile abalone.

Abalone stock above 90mm (120g) is measured at fair value in accordance with AASB 141. Management estimates the fair value of biological assets, taking into account the most reliable evidence available at each reporting date in relation to the underlying assumptions, including mortality rates, growth rates, calculation of biomass, harvest costs, processing costs, selling costs and market prices.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

Biomass is calculated using a size/weight algorithm derived from industry reports. In relation to the assumptions underlying mortality rates and growth rates, from which the stock estimates are extrapolated, including biomass, these are updated following each six monthly survival count and size class measurements. The bi-annual stock counts and measurements are taken over approximately 6% of the entire ranch, which has been determined to be a statistically relevant sample size.

The future realisation of these biological assets may be affected by any variance between actual results and the assumptions relied upon.

Deferred Tax Assets and Liabilities

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the tax benefit can be utilised. Deferred tax assets are reviewed at each reporting date to assess the probability that the related tax benefit will be realised. Assumptions about the generation of future taxable profits depends on the Group's estimates of future cash flows, which in turn depend on estimates of future sales volumes and pricing, operational costs, capital expenditure and capital management transactions.

The Group recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due, which requires judgement. Amounts are accrued based on management's interpretation of applicable tax law and the likelihood of settlement. Where the final tax position is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax balances in the period in which such determination is made, resulting in an adjustment to prior years.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them (where applicable). Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (if applicable).

Useful life of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected useful life of the assets. Uncertainties in these estimates include assessing the impact of the Company's operating environment and technical and other forms of obsolescence.

y) Going concern

The consolidated financial statements have been prepared on a going concern basis. At 30 June 2018 the Group had cash and cash equivalents totalling \$7,415,975, working capital of \$11,636,375 and had incurred a loss before tax for the year of \$3,046,512.

The Group's ability to continue as a going concern is dependent upon its ability to generate cash flow through its business operations and the recoverability of trade receivables. The Directors continue to be focused on meeting the Group's business objectives and are mindful of the funding requirements to meet these objectives.

NOTE 3. REVENUE

Revenue for the reporting period consisted of the following:

	2018	2017
	\$	\$
Sale of abalone product	1,853,225	514,576
Processing revenue	200,523	230,137
	2,053,748	744,713

During the financial year, product sold comprised individual quick frozen (IQF) meat product, retail pack meat products, live abalone and whole frozen abalone. The abalone product sold was sourced from the Company's larger scale harvest, seeding for which initially commenced during the 2015 financial year.

Processing revenue relates to processing activities undertaken for third parties customers.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 4. OTHER INCOME

	2018 \$	2017 \$
(a) Other revenue for the reporting period consisted of the following:		
Government grants	160,000	40,000
Facility use	8,400	8,400
Foreign exchange gain on sales	5,792	2,295
Miscellaneous	49,365	51,121
	223,557	101,816
(b) R&D Tax Incentive		
Accrued during the year (refer also Note 7)	1,994,059	1,377,541
	1,994,059	1,377,541



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 5. INCOME TAX

A reconciliation between income tax benefit / (expense) and the product of accounting (loss) / profit before income tax multiplied by the Company's applicable income tax rate is as follows:

	2018 \$	2017 \$
(Loss) before income tax	(3,046,512)	(1,549,568)
At statutory income tax rate of 27.5%	(837,791)	(426,131)
Other non deductible expenditure for income tax purposes:		
R&D tax rebate	(548,366)	(378,824)
Other non-deductible expenses	584,443	134,372
Expenditure subject to R&D tax incentive claim	1,260,612	870,859
Other adjustment	(274,652)	34,384
Unrecognised tax losses carried forward	269,266	-
Recognised tax losses	(40,270)	(31,726)
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	413,242	202,934
The components of income tax expense comprise:		
Current income (refund) / tax payable	-	(57,505)
Deferred income tax expense	413,242	260,439
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	413,242	202,934
The following deferred tax balances have not been brought to account:		
Deferred tax assets		
Carried forward revenue losses – Two Oceans Abalone Pty Ltd	269,266	-
Carried forward revenue losses – Ocean Grown Abalone Ltd	113,857	154,127
Carried forward capital losses – Two Oceans Abalone Pty Ltd	2,791	2,791
Carried forward revenue losses – OGA Operations Pty Ltd	1,449	-
Carried forward revenue losses – Wylie Bay Abalone Pty Ltd	9,631	5,897
Deferred tax assets not recognised	396,994	162,815

Due to uncertainty regarding the utilisation of prior year tax losses in future years, the tax losses have not been recognised as an asset.

NOTE 6. CASH AND CASH EQUIVALENT

	2018 \$	2017 \$
Cash at bank and in hand	7,415,975	2,990,360
	7,415,975	2,990,360

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 7. TRADE AND OTHER RECEIVABLES

	2018 \$	2017 \$
Trade debtors	39,881	86,107
Sundry & other debtors	1,994,059	1,377,541
GST receivable	193,573	187,862
	2,227,513	1,651,510

At the reporting date, none of the trade and other receivables were past due or impaired.

Sundry & other debtors for the 2018 financial year represents the R&D refund for the period of \$1,994,059 (2017: 1,377,541).

NOTE 8. BIOLOGICAL ASSETS

	2018 \$	2017 \$
CURRENT		
Abalone on Abitats	2,915,743	1,480,000
	2,915,743	1,480,000
NON-CURRENT		
Abalone on Abitats	2,971,817	2,249,337
	2,971,817	2,249,337
The carrying value of abalone on hand at year end was calculated as follows:		
Opening balance	3,729,337	2,218,417
Increases due to purchases	2,113,870	1,077,021
Decreases due to harvest for processing to inventory	(1,458,346)	(513,150)
Fair value adjustment at year end recognised in profit and loss	1,502,699	947,049
Closing balance	5,887,560	3,729,337

The classification of the closing biological stock between current and non-current is based on the estimated harvest potential for the following 12 month period, which will be sourced from within the closing stock above 90mm.

Abalone stock below 90mm (~120g) are valued at a per mm rate. Management estimates this is a more accurate reflection of fair value as it takes into consideration growth rates from approximately 40mm to 90mm. Historically, abalone stock below 90mm (~120g) were measured at cost and did not reflect the increase in value associated with growth of the abalone. The basis for the change in methodology is consistent with improvements in the analysis of growth data of juvenile abalone.

Stock above 90mm is measured at fair market value less costs to sell. The fair value assessment also assumes a further 10% mortality rate between balance date and harvest date. As these valuation variables are unobservable, they are deemed Level 3 inputs.

There is inherent uncertainty in the estimate of the closing number of abalone and biomass and hence the resultant fair value estimate for closing stock. As detailed in Note 2(x), the number of abalone and biomass is estimated using a model that factors in projected growth and mortality rates, which in turn are based on the results of survival counts and size class measurements taken during the Company's trial phase and subsequent six monthly stock counts (based upon a 6% statistically relevant sample). Actual growth and mortality rates will invariably differ to some extent across the ranch.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 9. INVENTORY

	2018 \$	2017 \$
Finished goods	297,518	184,346
	297,518	184,346

Processed abalone inventory is stated at the lower of cost or net realisable value. The inventory balance includes an allocation of harvest and processing costs (deferred cost of production). These costs are capitalised and carried forward to finished goods and subsequently cost of goods sold when the product is eventually sold.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

	2018 \$	2017 \$
Plant & equipment, at cost	3,028,623	2,629,673
less : Accumulated depreciation	(1,491,496)	(974,739)
	1,537,127	1,654,934
Leasehold improvements, at cost	112,769	103,908
less : Accumulated depreciation	(71,137)	(61,394)
	41,632	42,514
Office equipment, at cost	56,199	26,198
less : Accumulated depreciation	(19,415)	(4,746)
	36,784	21,452
Net carrying amount	1,615,543	1,718,900
A reconciliation of the movement in the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial years:		
Plant & equipment		
Carrying amount at beginning of year	1,654,934	986,977
Additions	398,950	995,064
Depreciation charges	(516,757)	(327,107)
Disposals	-	-
Carrying amount at the end of the year	1,537,127	1,654,934
Leasehold Improvements		
Carrying amount at beginning of year	42,514	-
Additions	8,861	43,225
Depreciation charges	(9,743)	(711)
Disposals	-	-
Carrying amount at the end of the year	41,632	42,514
Office Equipment		
Carrying amount at beginning of year	21,452	3,195
Additions	30,001	20,504
Depreciation charges	(14,669)	(1,142)
Disposals	-	(1,105)
Carrying amount at the end of the year	36,784	21,452
Net carrying amount	1,615,543	1,718,900

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 11. INTANGIBLE ASSETS

	2018 \$	2017 \$
Artificial reef technology, at cost	62,650	62,650
less accumulated amortisation	(18,918)	(15,786)
	43,732	46,864
Patents & trademarks, at cost	31,095	31,095
less accumulated amortisation	(7,251)	(5,696)
	23,844	25,399
Software, at cost	30,000	-
Less accumulated depreciation	(9,008)	-
	20,992	-
	88,568	72,263

Artificial reef technology and patents & trademarks are amortised over a period of 20 years which is commensurate with the life of Australian patent.

Software is depreciated over a period of 5 years.

NOTE 12. OTHER ASSETS

	2018 \$	2017 \$
CURRENT		
Prepayments	135,706	25,000
Accrued Interest	18,837	-
	154,543	25,000
NON-CURRENT		
Capital WIP - Augusta Boat Harbour Marina Development	284,945	50,626
Corporate & financing costs	1,323	2,560
Deposits	120,197	71,078
Other	2,200	2,200
	408,665	126,464

Prepayments relate to advance payments for insurance and rent.

Expenses attributable to the Augusta Boat Harbour Marina Development include architectural, engineering and other consultants, which is due to commence construction in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 13. TRADE AND OTHER PAYABLES

	2018 \$	2017 \$
Trade payables	748,901	386,709
Accrued expenses	277,211	245,255
	1,026,112	631,964

Trade payables are not past due and are non-interest bearing. They are normally on average settled between 30 and 45 days terms.

NOTE 14. UNEARNED REVENUE

	2018 \$	2017 \$
Finished goods	-	205,642
	-	205,642

Unearned revenue relates to payments received for abalone product that had not been delivered to the customer at balance date.

NOTE 15. INTEREST BEARING LIABILITIES

	2018 \$	2017 \$
CURRENT		
Equipment loans	101,863	105,009
	101,863	105,009
NON-CURRENT		
Equipment loans	132,606	255,730
	132,606	255,730

Equipment Loans

The equipment loans have been provided to Ocean Grown Abalone Operations Pty Ltd (OGA Operations) by National Australia Bank Limited, pursuant to a master asset finance agreement with a facility limit of \$750,000. 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 Operations and the Company. The Company has also provided a guarantee and indemnity to the loan provider for the full facility limit.

The equipment loans at reporting date comprised:

- \$121,529 which commenced in July 2015, with 60 monthly repayments (final payment date of 10 July 2020) and an annual interest rate of 5.2%; and
- \$112,940 which commenced in November 2015, with 60 monthly repayments (final payment date 15 November 2020) and an annual interest rate of 4.82%.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 16. PROVISIONS

	2018 \$	2017 \$
CURRENT		
Employee entitlements – annual leave	92,814	53,693
Employee entitlements – long service leave	39,795	-
	132,609	53,693

NOTE 17. TAXATION

	2018 \$	2017 \$
CURRENT		
Current income tax payable	114,333	114,333

NOTE 18. DEFERRED TAX LIABILITIES

	2018 \$	2017 \$
Deferred income tax liability	627,032	213,790

The movement in the deferred income tax liability benefit arises from the tax effect of the fair value adjustment at balance date to the carrying value of Biological Assets of \$413,242, the tax liability for which is expected to be realised in future periods when the assets are sold, offset by applicable deferred tax assets arising in the period of \$269,266.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 19. CONTRIBUTED EQUITY

	2018	2017
	No.	No.
CONTRIBUTED EQUITY		
(a) Issued and paid up capital		
No. fully paid ordinary shares	174,110,260	127,218,750
	\$	\$
Balance at beginning of year	14,046,786	1,675,446
Conversion of convertible notes (\$0.16 on 18 November 2016) ²	-	7,555,000
Private placement (\$0.20 on 28 December 2016) ³	-	6,000,000
Initial Public Offer (\$0.25 on 14 November 2017) ⁴	10,000,000	-
Corporate advisor shares ⁵	1,722,877	-
Share issue costs	(2,361,524)	(1,183,660)
Balance at end of year	23,408,139	14,046,786
(b) Movement in ordinary shares	No.	No.
Balance at the beginning of year	127,218,750	10,000,000
Share split ¹	-	40,000,000
Conversion of convertible notes (\$0.16 on 18 November 2016) ²	-	47,218,750
Private placement (\$0.20 on 28 December 2016) ³	-	30,000,000
Public Offer (\$0.25 on 14 November 2017) ⁴	40,000,000	-
Corporate advisor shares ⁵	6,891,510	-
Balance at end of year	174,110,260	127,218,750

¹ On 11 November 2016, the Company undertook a share split on the basis of 5 Shares for each existing Share (Share Split), resulting in the number of Shares on issue increasing by 40,000,000. The Company received no consideration in relation to the Share Split and hence there was no increase in the nominal value of the Company's issued capital.

² On 18 November 2016, the Company issued 47,218,650 new Shares (on a post Share Split basis) pursuant to the conversion of all outstanding convertible notes totalling \$7,555,000, at a conversion price of \$0.16 per Share.

³ On 28 December 2016, the Company completed a share placement consisting of 30,000,000 new Shares (on a post Share Split basis) at an issue price of \$0.20 per Shares for gross proceeds of \$6,000,000.

⁴ On 14 November 2017, the Company completed an IPO consisting of 40,000,000 new Shares at an issue price of \$0.25 per Share for gross proceeds of \$10,000,000.

⁵ On 14 November 2017, the Company, issued 6,891,510 shares at the issue price of \$0.25 per Share as part consideration for corporate advisory services provided in relation to the IPO.

(c) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At share-holders meetings, each ordinary share is entitled to one vote when a poll is called.

(d) Share options

During the previous financial year, 7,633,125 options, each exercisable at \$0.26 on or before 28 December 2020, were issued as part consideration for corporate advisory services provided in relation to the December 2016 share placement.

In view of the proposed IPO and ASX listing in the second half of 2017, it was subsequently determined that the minimum exercise price for any existing options should be 30 cents. Hence the Board resolved to cancel the existing 7,633,125 Series A Options and replaced them with 8,807,452

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

new options, each with an exercise price of \$0.30 and an expiry date of 28 December 2020. The increased number of Series A options was in proportion to the 30/26 increase in the exercise price.

During the financial year 10,039,450 options each exercisable at \$0.39 on or before 30 September 2021 were issued as part consideration for advisory services provided to the IPO and ASX Listing.

During the financial year, 2,500,000 options, each exercisable at \$0.44 on or before 30 September 2021 were issued as part of the remuneration packages for Peter Harold (Non-Executive Chairman) and Danielle Lee (Non-Executive Director).

All of these options remained outstanding at balance date.

NOTE 20. RESERVES

	2018 \$	2017 \$
Share based payment reserve	1,965,372	823,660
The share-based payment reserve is used to record the value of equity benefits (options and performance rights) provided to directors, executives and employees as part of their remuneration and consultants / advisers for their services. Refer to Note 28 for details of share-based payments during the financial year.		
Movement in reserves:		
<i>Share based payments reserve</i>		
Balance at beginning of the year	823,660	-
Options issued to advisers (charged to share issue costs)	10,000	823,660
Options issued to directors	218,239	-
Performance rights issued to managing director	913,473	-
Balance at the end of the year	1,965,372	823,660

Share options

On 1 August 2017, in anticipation of a proposed ASX listing, the existing 7,633,125 adviser options, each with an exercise price of \$0.26 and expiry date of 28 December 2020, were cancelled and replaced with 8,807,452 new options, each with an exercise price of 30 cents and an expiry date of 28 December 2020. The increased number of options being in proportion to the 30/26 increase in the exercise price.

On 1 August 2017, 10,039,450 options, each exercisable at \$0.39 on or before 30 September 2021, were issued as part consideration for corporate advisory services provided in relation to IPO.

On 1 August 2017, 2,500,000 options were issued to non-executive directors, each with an exercise price of \$0.44 and expiry date of 30 September 2021.

All of these options remained outstanding at balance date.

NOTE 21. ACCUMULATED LOSSES

	2018 \$	2017 \$
Retained losses at beginning of year	(5,946,280)	(4,200,825)
Loss attributable to Owners of the Company	(3,455,228)	(1,745,455)
Retained losses at end of year	(9,401,508)	(5,946,280)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 22. SUBSEQUENT EVENTS

Significant matters that have arisen since the end of the financial year are:

- The Company issued a tender to several builders since the end of the financial year, for the construction of a processing facility to service harvest production from its Flinders Bay ranches located in Augusta. The construction of the processing facility will provide the capacity to process higher volumes of abalone and will also provide the capability to supply live abalone, which attract additional returns.
- Mark Wall (Ranch Operations Manager – Augusta) accepted the offer to participate in Ocean Grown Abalone Limited's Employee Incentive Plan. If all performance criteria and conditions are achieved Mr Wall will be eligible to receive up to 1,200,000 Performance Rights.

Other than as disclosed above or in the financial statements, no significant matters have arisen since the end of the financial year which significantly affects the operations of the Company, the results of those operations or the state of affairs of the Company for the in future financial years.

NOTE 23. COMMITMENTS AND CONTINGENCIES

The Group had the following operating lease commitments as at 30 June 2018

Within one year	107,429	101,190
After one year but not more than five years	389,505	460,720
More than five years	383,519	412,463
	880,453	974,373

The Group had the following aquaculture lease commitments as at 30 June 2018

Within one year	18,450	15,950
After one year but not more than five years	73,800	63,800
More than five years	221,400	207,350
	313,650	287,100

The Group had the following supplier purchase commitments as at 30 June 2018

Within one year	1,539,660	1,592,036
After one year but not more than five years	725,004	-
More than five years	-	-
	2,264,664	1,592,036

The Group had the following capital purchase commitments as at 30 June 2018

Within one year	-	195,669
After one year but not more than five years	-	-
More than five years	-	-
	-	195,669

The Company estimates approximately \$60,000 will be required for Port Lincoln trial rehabilitation which is required once the trial lease period ceases on 30 September 2018.

Other than as disclosed in the financial statements, the Company does not have any contingent liabilities at balance sheet date and none have arisen since balance sheet date to the date of signing the Directors' report.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 24. AUDITORS REMUNERATION

	2018 \$	2017 \$
Audit fees - current year	75,200	15,000

NOTE 25. LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following:

	2018 \$	2017 \$
Net loss for the year attributable to owners of the Company	(3,455,228)	(1,745,455)
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share (on a post Share Split basis)	157,923,054	94,101,370
Effect of dilution:		
Share options	-	-
Convertible loans	n/a	n/a
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share (on a post Share Split basis)	157,923,054	94,101,370
Basic and diluted loss per share (cents per share)	(2.19)	(1.85)

There is no impact from the 21,346,902 options outstanding at 30 June 2018 (2017: 7,633,125 options) on the loss per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future.

NOTE 26. KEY MANAGEMENT PERSONNEL DISCLOSURES

Names and positions held by Directors and other members of Key Management Personnel ("KMP") in office at any time during the financial year are set out below:

Name	Position Held
Peter Harold	Non-Executive Chairman
Brad Adams	Managing Director
Ian Ricciardi	Executive Director
Danielle Lee	Non-Executive Director
Romolo Santoro	Chief Financial Officer (appointed 26 October 2017)
Ian Cunningham	Chief Financial Officer (resigned 26 October 2017)
Mark Wall	Augusta Ranch Manager

The aggregate compensation made to Directors and other KMP of the Group during the financial year is set out below:

	\$	\$
Short-term employee benefits	916,124	399,038
Post-employment benefits	69,335	34,093
Share-based payments	1,131,712	-
	2,117,171	433,131

Short-term employee benefits include consultancy fees paid to Ian Cunningham for services as Chief Financial Officer.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 27. RELATED PARTY TRANSACTIONS

The ultimate parent entity is Ocean Grown Abalone Limited. Refer to Note 34 for a list of all controlled entities.

In each of the following related party transactions normal commercial terms and conditions applied. Terms and conditions were no more favourable than those available or which might reasonably be expected to be available for a similar transaction or service to unrelated parties on arms-length basis.

Frichot & Frichot Lawyers, of whom Ian Ricciardi's son is a director, were paid legal fees of \$10,509 during the financial year (FY2017: \$12,535).

Bigstreet Pty Ltd, of whom Ian Ricciardi is a director and in which he holds a beneficial ownership interest, was paid \$33 during the financial year (FY2017: \$106) for the provision of cold storage and handling services.

Vincenzo Ricciardi, son of Ian Ricciardi, is an employee of the Company. He received total remuneration during the financial year of \$133,590 (FY2017: \$80,356) as the Group Financial Controller.

Jodee Adams, wife of Brad Adams, is an employee of the Company and received total remuneration during the financial year of \$27,375 (FY2017: \$29,481) for the provision of office administration and marketing services.

NOTE 28. SHARE-BASED PAYMENTS

The Company makes share based payments, in the form of options, to directors, executives and employees as part of their remuneration and to consultants / advisers for their services.

Set out below is a summary of unlisted option movements during the financial year.

	2018		2017	
	Weighted average exercise price per Option	Number of options	Weighted average exercise price per Option	Number of options
Balance at the start of the period	\$0.26	7,633,125	-	-
Cancelled during the period	-	(7,633,125)	-	-
Granted during the period – Replacement Advisor Options	\$0.30	8,807,452	\$0.26	7,633,125
Granted during the period – Advisor Options	\$0.39	10,039,450	-	-
Granted during the period – Director Options	\$0.44	2,500,000	-	-
Balance at the end of the period	\$0.36	21,346,902	\$0.26	7,633,125

Outstanding listed options at the end of the financial year, which were granted as share base payments, are summarised as follows:

Grant date	Expiry date	Exercise price	Number of options
1 Aug 2017	28 Dec 2020	\$0.30	8,807,452
1 Aug 2017	30 Sep 2021	\$0.39	10,039,450
1 Aug 2017	30 Sep 2021	\$0.44	2,500,000
Total			21,346,902

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

Fair value of options granted during the year

The estimated fair value at grant date of options issued during the financial year, was determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following options were issued during the 2018 financial year:

Series	Grant date	Number of options	Expiry date	Exercise price	Fair value per option	Total fair value
A	1 Aug 2017	8,807,452	28 Dec 2020	\$0.30	\$0.0923	\$812,908
B	1 Aug 2017	10,039,450	30 Sep 2021	\$0.39	\$0.00099	\$10,000
C	1 Aug 2017	2,500,000	30 Sep 2021	\$0.44	\$0.0873	\$218,239

The Black & Scholes model inputs for the options granted during the 2018 financial year were:

Series A Options	
Number of options	8,807,452
Grant date	1 Aug 2017
Expiry Date	28 Dec 2020
Grant date share price	\$ 0.20
Exercise price	\$ 0.30
Expected volatility	80%
Option life (years)	3.14
Expected dividend yield	-
Risk free rate at grant date	2.01%

The cost of the issue of the original Series A Options \$823,660 was recorded in 30 June 2017 financial statements as share issue costs on the basis that the options were issued as part consideration for advisory services provided in relation to the December 2016 financing and were contingent on the completion of that financing.

In view of the proposed IPO and ASX listing in the second half of 2017, it was subsequently determined that the minimum exercise price for any existing options should be 30 cents. Hence the Board resolved to cancel the existing 7,633,125 Series A Options and replaced them with 8,807,452 new options, each with an exercise price of 30 cents and an expiry date of 28 December 2020. The increased number of Series A options was in proportion to the 30/26 increase in the exercise price.

On the basis that the Board identified the new advisor options as a replacement for the original options, the Company has accounted for the grant of the replacement Series A options as a modification of rather than cancellation of the original grant. Accordingly, as the fair value of the replacement options is less than the original fair value calculation, no adjustment is required to the existing accounting treatment.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

Series B Options

The Series B Options, were issued during the financial year as part consideration for advisory services provided in relation to the IPO and ASX Listing. Accordingly, the fair value of the options of \$10,000 was recorded during the 2018 financial year, which represents the additional fees that would have been charged.

Series C Options

Number of options	2,500,000
Grant date	1 Aug 2017
Expiry Date	30 Sep 2021
Grant date share price	\$ 0.20
Exercise price	\$ 0.44
Expected volatility	80%
Option life (years)	4.17
Expected dividend yield	-
Risk free rate at grant date	2.14%

The fair value of the Series C Options if \$218,239 was recorded in the 2018 financial year. These options form part of the remuneration packages for Peter Harold (Non-Executive Chairman) and Danielle Lee (Non-Executive Director).

Fair value of performance rights during the year

The following performance rights were issued during the financial year:

Class	Grant date	Number of Performance Rights	Value per Share	Fair Value	Expense for the Year
A	1 Aug 2017	4,000,000	\$0.20	\$800,000	\$492,693
B	1 Aug 2017	4,000,000	\$0.20	\$800,000	\$296,110
C	1 Aug 2017	4,000,000	\$0.20	\$800,000	\$124,670

During the financial year, the Company issued 12,000,000 Performance Rights to Brad Adams, the Managing Director. The Performance Rights have been issued in 3 classes, with 4,000,000 shares in each class and subject to separate service and performance conditions as detailed below:

- Class A – *Service Condition:* remain engaged as an employee for a continuous period until the performance condition is satisfied; and

Performance Condition: Prior to 31 December 2018, the Company completes its Flinders Bay 2 Project in Augusta, with completion deemed to occur upon the deployment and seeding of 5,000 Abitats at the Flinders Bay 2 Project site.

- Class B – *Service Condition:* remain engaged as an employee for a continuous period until the performance condition is satisfied; and

Performance Condition: Prior to 14 November 2019, the Company recognises revenue from the sale of 100 tonnes of abalone combined from Flinders Bay 1, Flinders Bay 2, Wylie Bay and Port Lincoln Development projects in any 12 month period.

- Class C – *Service Condition:* remain engaged as an employee for a continuous period until the performance condition is satisfied; and

Performance Condition: Prior to 14 November 2022, subject to the Board determining the success of a material part of the Port Lincoln Development Project, the Company (either on its own or together with an affiliate or joint venture partner) deploys and seeds a cumulative total of 5,000 Abitats across one or more commercial project sites within South Australia.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

For the purposes of the financial statements, where the assessed probability of the relevant performance conditions is 50% or greater, the Company recognised the resulting share based payment expense over the relevant performance period. Support for a greater than 50% probability assessment of the respective performance conditions, are set out below:

(i) Class A – based on the deployment and seeding rates as at grant date and projected rates for the balance of 2017 and 2018, the probability of achieving the applicable performance condition was considered to be greater than 50%.

(ii) Class B – based on the projected FY2018 annual harvest of ~40T and current stock estimates, production and harvest capacity, the probability of achieving the applicable performance condition was considered to be greater than 50%.

(iii) Class C – based on the Company's assessment that by 2019 it would have (i) completed its SA trials, noting that trial approvals were granted in 2017; and (ii) completed the deployment of the Augusta 2 project and hence gained the requisite operational experience, technical know-how and efficiencies that would facilitate a similar roll-out in SA, the probability of achieving the applicable performance condition was considered to be greater than 50%.

NOTE 29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Board monitors and manages the financial risk relating to the operations of the Group. Exposure to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate and currency risk) arises in the normal course of the Group's business. The risk management policies are designed to minimise potential adverse effects on the Group's financial performance.

The Group holds the following financial instruments as at the reporting date:

	2018 \$	2017 \$
Financial assets		
Cash and cash equivalents	7,415,975	2,990,360
Trade & other receivables	2,227,513	1,651,510
Deposits	120,197	71,078
	9,763,685	4,712,948
Financial liabilities		
Trade and other payables	748,901	386,709
Interest bearing liabilities	234,469	360,739
Current tax (refund) / liability	114,333	114,333
	1,097,703	861,781

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments. The Group's objective is to manage and control market risk exposures within acceptable parameters, whilst optimising returns.

Currency risk

The Group is exposed to currency risk on overseas sales of abalone product and associated selling costs that are denominated in US dollars and cash holdings that are held in the Company's US dollar account. The Group does not have any overseas borrowings. The Company does not currently hedge any of its estimated foreign currency exposure in respect of forecast sales.

The table below summarises the effect on the Group's comprehensive loss (movement in average rate) and cash and cash equivalents (movement at balance date) if the AUD / USD exchange rates moved by +10%:

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

	2018 \$	2017 \$
Percentage shift in AUD / USD exchange rate	10%	10%
Total effect on cash and cash equivalents of +ve movement	-	32,490
Total effect on cash and cash equivalents of -ve movement	-	(26,583)
Total effect on comprehensive loss of +ve movement	140,248	52,329
Total effect on comprehensive loss of -ve movement	(114,748)	(42,815)

Interest rate risk

The following table sets out the interest rates applicable to financial instruments that are exposed to interest rate risk:

	Interest bearing	Non-interest bearing	Total	Weighted average interest rate
	2018 \$	2018 \$	2018 \$	2018 \$
Consolidated				
Financial assets				
Cash and cash equivalents	7,384,505	31,470	7,415,975	2.49
Trade & other receivables	-	2,227,513	2,227,513	-
Deposits	120,197	-	120,197	2.49
Total financial assets	7,504,702	2,258,983	9,763,685	
Financial liabilities				
Trade & other payables	7,631	741,270	748,901	15.50
Loans and borrowings	234,469	-	234,469	4.98
Current tax liability	-	114,333	114,333	-
Total financial liabilities	242,100	855,603	1,097,703	

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 cont.

	Interest bearing	Non-interest bearing	Total	Weighted average interest rate
	2017	2017	2017	2017
	\$	\$	\$	\$
Consolidated				
Financial assets				
Cash and cash equivalents	2,664,973	325,387	2,990,360	1.25
Trade & other receivables	-	1,651,510	1,651,510	-
Deposits	71,078	-	71,078	2.42
Total financial assets	2,736,051	1,976,897	4,712,948	
Financial liabilities				
Trade & other payables	7,741	378,968	386,701	15.50
Loans and borrowings	360,739	-	360,739	4.97
Current tax liability	-	114,333	114,333	-
Total financial liabilities	368,480	439,301	861,781	

The Group receives interest on its cash management deposits based on daily balances and at balance date was exposed to a weighted average variable interest rate of 2.49%. The Group's US dollar account does not attract interest.

The Group receives interest on its Deposits and at balance date was exposed to a weighted average fixed interest rate of 2.49%.

Interest payable on trade and other payables relates to the Group credit card balances at balance date.

Credit Risk

Credit risk represents the risk of financial loss to the Group if a customer or counterparty to the financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. This in turn is influenced by the characteristics of each customer and the Group regularly assesses the creditworthiness of its customers.

The Group's maximum exposure to credit risk at the reporting date was:

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	7,415,975	2,990,360
Trade & other receivables	2,227,513	1,651,510
Deposits	120,197	71,078
Total financial assets	9,763,685	4,712,948

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

The credit quality is assessed and monitored as follows:

Credit quality of financial assets	Equivalent S&P rating ¹	Internally rated No default	Total
At 30 June 2018			
Financial assets			
Cash and cash equivalents	7,415,975	-	7,415,975
Trade debtors & other receivables ²	-	2,227,513	2,227,513
Deposits	120,197	-	120,197
Total financial assets	7,536,172	2,227,513	9,763,685
At 30 June 2017			
Financial assets			
Cash and cash equivalents	2,990,360	-	2,990,360
Trade debtors & other receivables ²	-	1,651,510	1,651,510
Deposits	71,078	-	71,078
Total financial assets	3,061,438	1,651,510	4,712,948

¹ The equivalent S&P rating of the financial assets and deposits represents the rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself. NAB has a rating of A-1+ (short-term) and AA- (long-term). CBA has a credit rating of A-1+ (short-term) and AA- (long-term).

² Includes trade receivables of \$39,881 (FY2017: \$86,107). Other receivables include net amounts owing from Government institutions of \$2,187,632 (FY2017: \$1,565,403).

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and its ability to meet their obligations to repay their financial liabilities as and when they fall due. The Group manages liquidity risk by maintaining adequate reserves and monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

Impairment

The Group regularly reviews its trade and other receivables balances for impairment. At the reporting date, none of the trade and other receivables were past due or impaired.

Fair Value Measurement of financial instruments

Note 2 summarises the Group's approach to fair value assessment of its assets and liabilities. The carrying amount of the Group's financial instruments are assumed to approximate their fair value due to either the short term nature or their terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 30. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2018 \$	2017 \$
Reconciliation of net Cash provided by Operating Activities to Operating Profit after Income Tax		
Loss after income tax for the year	(3,459,754)	(1,752,502)
Depreciation and amortisation	554,864	393,478
Fair value (FV) adjustment – biological assets	(1,502,699)	(947,049)
Net interest (received) / paid	(131,568)	597,338
Proceeds from sale of assets	(20,000)	-
Performance rights and director options issued	1,131,712	-
Change in assets and liabilities		
(Increase) in biological assets and inventory (excluding FV adjustment)	(768,696)	(748,217)
Decrease in trade and other receivables	40,515	73,522
(Increase) / Decrease in R&D tax refund receivable	(616,518)	58,118
Increase in deferred tax liabilities	413,242	182,838
Increase in trade and other payables	280,680	437,255
Increase in income tax payable	-	20,096
(Decrease) / Increase in unearned revenue	(205,642)	205,642
Increase in provisions	78,916	36,838
Net cash (used in) operating activities	(4,204,948)	(1,442,643)

NOTE 31. OPERATING SEGMENT

For management purposes, the Group is organised into one main operating segment, which involves its abalone ranching operations, inclusive of its seeding, ranching and processing activities. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. The Group operates only in Australia.

NOTE 32. DIVIDENDS

No dividend was paid or declared by the Company in the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2018 (2018: Nil). The balance of the franking account as at 30 June 2018 is Nil (2017: Nil).

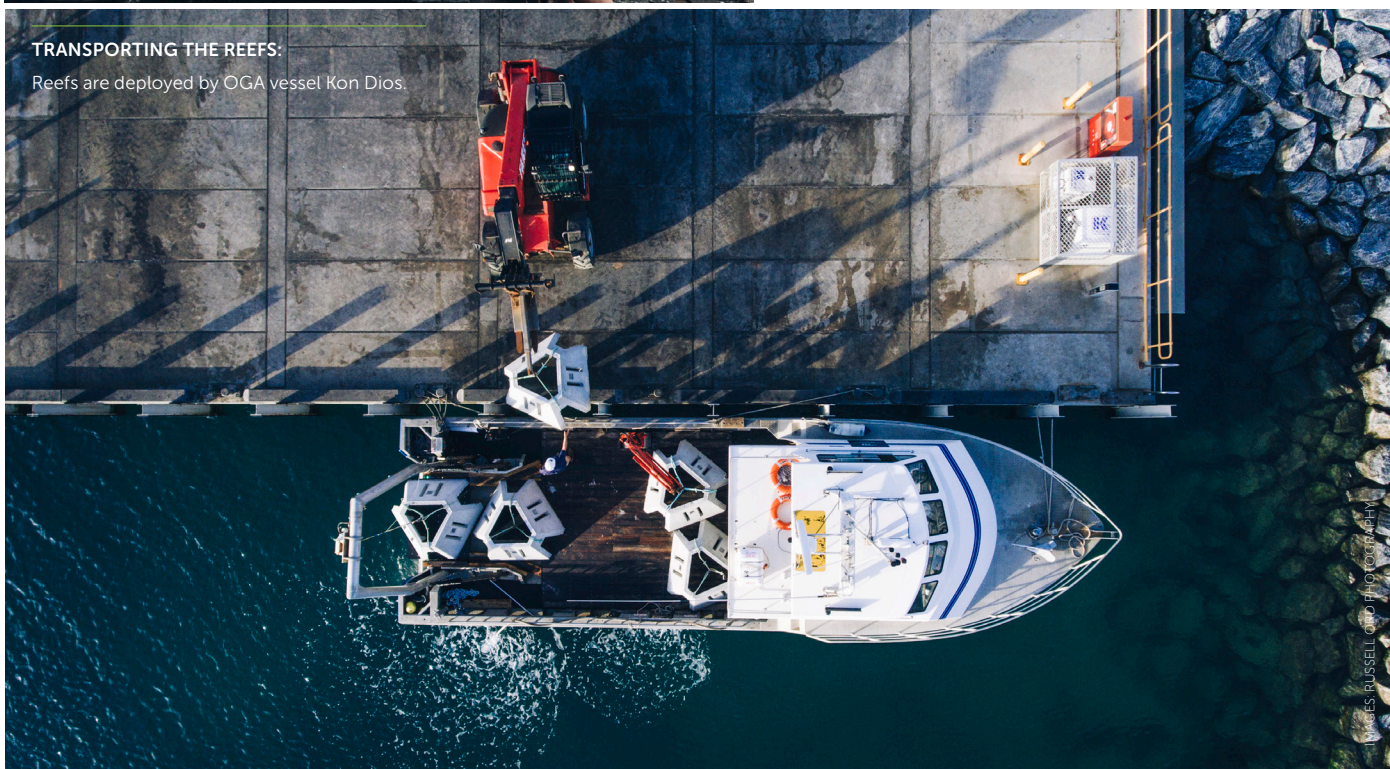
NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.



MAKING THE ABITATS: Pouring cement into our custom built abitats - specifically designed and tested as a habitat for the greenlip abalones.

TRANSPORTING THE REEFS:

Reefs are deployed by OGA vessel Kon Dios.



JAMES RUSSELL ORO PHOTOGRAPHY

BUILDING THE ARTIFICIAL REEFS:

We lower the OGA custom built and tested artificial reefs or abitats into the ocean. The abitats provide a habitat for the abalone where seaweed grows and the abalone thrive.



NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2018 cont.

NOTE 33. PARENT ENTITY INFORMATION

	2018 \$	2017 \$
Total assets	17,867,772	10,399,068
Total liabilities	(1,538,203)	(902,167)
Net assets	16,329,569	9,496,901
Issued capital	23,408,139	14,046,786
Share based payment reserve	1,965,372	823,660
Accumulated losses	(9,043,942)	(5,373,545)
Total shareholders' equity	16,329,569	9,496,901
Loss of the parent entity	3,670,397	1,827,287
Total comprehensive loss of the parent entity	3,670,397	1,827,287

(a) Guarantees entered into by the parent entity

Refer to Refer Note 15 for information on the guarantee and other security provided by the Company in relation to the debts of its subsidiaries.

(b) Contingent liabilities of the parent entity

Refer to Refer Note 23 for information on the contingent liabilities of the Company in relation to the Group's aquaculture leases.

(c) Contractual commitments for capital expenditure

Refer Note 23 for information on the Company's commitment in relation to the construction of a processing facility at Augusta Harbour. The Company did not have any other commitments in relation to capital expenditure contracted but not recognised as liabilities at balance date.

NOTE 34. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(c).

Name	Country of Incorporation	Percentage Owned	
		2018	2017
Ocean Grown Abalone Operations Pty Ltd	Australia	100%	100%
Two Oceans Abalone Pty Ltd	Australia	100%	100%
Wylie Bay Abalone Pty Ltd	Australia	66.67%	66.67%
Ocean Grown Abalone Wylie Bay Pty Ltd	Australia	100%	100%*

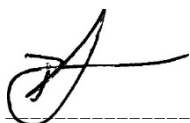
*Note: Incorporated on 30 May 2017

DIRECTORS DECLARATION for the year ended 30 June 2018

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 18 to 50 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standards as described in Note 2, the *Corporations Act 2001* and with International Financial Reporting Standards; and
 - b) giving a true and fair view of the consolidated Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



Bradley Adams
Managing Director

30 August 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCEAN GROWN ABALONE LIMITED

Report on the Audit of the Financial Report

Our Opinion

We have audited the financial report of Ocean Grown Abalone Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cashflows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- (a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Material uncertainty regarding valuation of inventory of biological assets and harvested abalone

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As referred to in Note 8 to the financial statements, the financial statements include biological assets with a carrying value of \$5,887,560 (Current biological assets: \$2,915,743; Non-current biological assets: \$2,971,817). The Group's biological assets include live abalone on Abitats, which are measured at fair value less costs to sell. Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs (refer to Note 2(x)). Because of the uncertainty associated with the valuation of the biological assets due to the estimates of the number of abalone, size, mortality, the sample size selected and absence of an active market during the growth phase, their carrying value may differ from their realisable value.

Similarly, as the valuation of the harvested abalone is derived from the valuation model noted above, their carrying value may differ from the realisable value.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other than as noted in the Emphasis of Matter paragraph above, the following matter has been identified as a key audit matter.

Key Audit Matters	How the matter was addressed in the audit
<p>Going concern assumption (refer to Note 2(y))</p> <p>As referred to in Note 2(y) to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. At 30 June 2018 the Group had cash and cash equivalents totalling \$7,415,975, working capital of \$11,636,375 and had incurred a loss before tax for the year of \$3,046,512.</p> <p>The ability of the Company and Group to continue as going concerns is subject to the Group generating sufficient profits and cashflows, the recoverability of trade receivables of the Group and future capital raisings.</p> <p>Going concern is considered a key audit matter due to the following:</p> <ul style="list-style-type: none"> i. future operations of the Group are dependent on the Group becoming profitable and generating sufficient cashflows to fund operations; and ii. The Group continuing to generate operating losses and negative operating cashflows. 	<p>Our audit procedures included, inter alia, the following:</p> <ul style="list-style-type: none"> i. Discussing with management the going concern basis of preparation of the financial report and the Group's future plans; ii. Auditing the cashflow budgets prepared by management covering the period to September 2019 to obtain reasonable assurance that the Group has the resources to continue operations; and iii. Assessing the financial statement disclosures to ensure going concern basis of preparation is appropriately disclosed.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Ocean Grown Abalone Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
30 August 2018

ADDITIONAL SECURITIES EXCHANGE INFORMATION for the year ended 30 June 2018

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 13 August 2018.

1. Quotation

Listed securities in Ocean Grown Abalone Limited are quoted on the Australian Securities Exchange under ASX code OGA (Fully Paid Ordinary Shares).

2. Voting Rights

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

- (a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- (b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any Options or Performance Rights on issue.

3. Distribution of Shareholders

(i) Fully Paid Ordinary Shares

Shares Range	Holders	Units	%
1 – 1,000	7	3,770	0.00
1,001 – 5,000	167	585,228	0.34
5,001 – 10,000	273	2,239,530	1.29
10,001 – 100,000	518	20,653,512	11.86
100,001 and above	146	150,628,220	86.51
Total	1,111	174,110,260	100.00%

On 13 August 2018, there were 90 holders of unmarketable parcels of less than 216,218 ordinary shares (based on the closing share price of \$0.1500).

(ii) Unlisted Class A Options exercisable at \$0.30 on or before 28 December 2020

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	4	8,807,452 ¹	100.00
Total	4	8,807,452	100.00%

¹ Holders who hold more than 20% of securities are:

Ainsley Gae Andrew	- 2,300,000 options
Tejiman Holdings Pty Ltd <The Tejiman A/C>	- 2,300,000 options
Jaek Holdings Pty Ltd <Hannaford Family A/C>	- 2,300,000 options
View Street Partners Pty Ltd <Staff A/C>	- 1,907,452 options

ADDITIONAL SECURITIES EXCHANGE INFORMATION for the year ended 30 June 2018 cont.

(iii) Unlisted Class B Options exercisable at \$0.39 on or before 30 September 2021

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	4	10,039,450 ¹	100.00
Total	4	10,039,450	100.00%

¹Holders who hold more than 20% of securities are:

Tejiman Holdings Pty Ltd <The Tejiman A/C>	- 4,394,725 options
Jaek Holdings Pty Ltd <Hannaford Family A/C>	- 4,394,725 options

(iv) Unlisted Class C Options exercisable at \$0.44 on or before 30 September 2021

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	2,500,000 ¹	100.00
Total	2	2,500,000	100.00%

¹Holders who hold more than 20% of securities are:

Springway Investments Pty Ltd <Allnutt Ventures A/C>	- 1,500,000 options
Danielle Marguerite Lee	- 1,000,000 options

(v) Class A Performance Rights

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	4,000,000 ¹	100.00
Total	1	4,000,000	100.00%

¹Holders who hold more than 20% of securities are:

Bradley Adams – 4,000,000 performance rights
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ADDITIONAL SECURITIES EXCHANGE INFORMATION for the year ended 30 June 2018 cont.

(vi) Class B Performance Rights

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	4,000,000 ¹	100.00
Total	1	4,000,000	100.00%

¹Holders who hold more than 20% of securities are:

Bradley Adams – 4,000,000 performance rights

(vii) Class C Performance Rights

Shares Range	Holders	Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	1	4,000,000 ¹	100.00
Total	1	4,000,000	100.00%

¹Holders who hold more than 20% of securities are:

Bradley Adams – 4,000,000 performance rights

4. Substantial Shareholders

As at 13 August 2018, the Company's register showed the following substantial shareholders:

Name		No. of Shares	%
Mr Ignazio Peter Ricciardi & Mrs Silvana Ricciardi	<IP & S Ricciardi Family A/C>	13,562,290	7.79
Calogero Paul Ricciardi	<C P Ricciardi Family A/C>	11,633,780	6.68
Frewin Corporation Pty Ltd		11,066,250	6.36
NE & HJ Soulos Pty Ltd	<NE&HJ Soulos Super Fund A/C>	9,131,930	5.24

ADDITIONAL SECURITIES EXCHANGE INFORMATION for the year ended 30 June 2018 cont.

5. Restricted Securities

The following restricted securities are subject to escrow until 14 November 2019:

- 19,752,567 Fully Paid Ordinary Shares
- 8,807,452 Class A Options (\$0.30, 28 December 2020)
- 10,039,450 Class B Options (\$0.39, 30 September 2021)
- 2,500,000 Class C Options (\$0.44, 30 September 2021)
- 4,000,000 Class A Performance Rights
- 4,000,000 Class B Performance Rights
- 4,000,000 Class C Performance Rights

6. On market buy-back

There is currently no on market buy back in place.

7. Application of funds

The Company has applied its cash and assets readily convertible to cash in a way that is consistent with its business objectives detailed in its IPO prospectus.

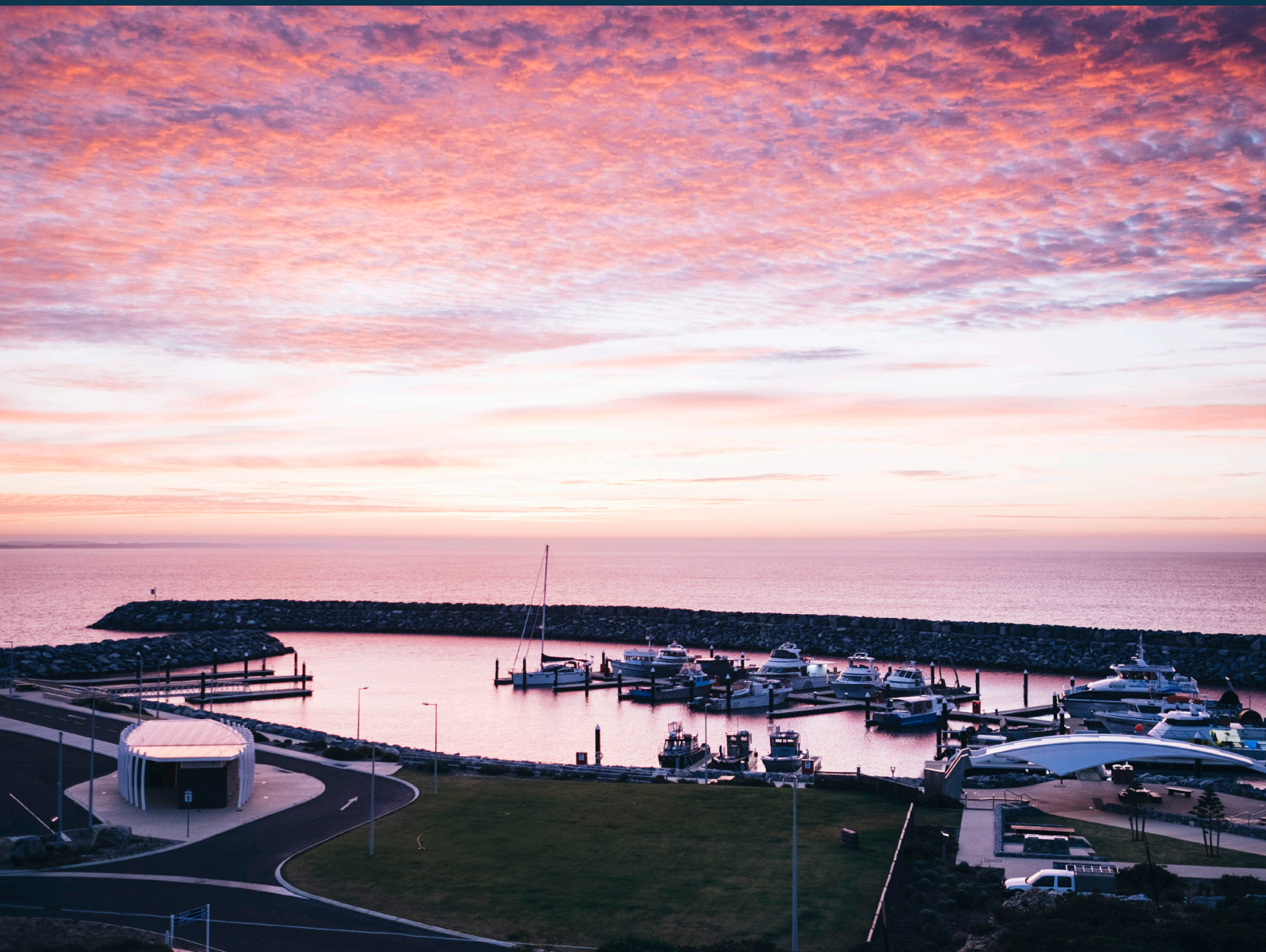
ADDITIONAL SECURITIES EXCHANGE INFORMATION for the year ended 30 June 2018 cont.

8. Twenty Largest Shareholders

The twenty largest shareholders of the Company's quoted securities as at 13 August 2018 are as follows:

	Name	No. of Shares	%
1	Mr Ignazio Peter Ricciardi & Mrs Silvana Ricciardi <IP & S Ricciardi Family A/C>	13,562,290	7.79
2	Calogero Paul Ricciardi <C P Ricciardi Family A/C>	11,633,780	6.68
3	Frewin Corporation Pty Ltd	11,066,250	6.36
4	NE & HJ Soulos Pty Ltd <NE&HJ Soulos Super Fund A/C>	9,131,930	5.24
5	Tomba Nominees Pty Ltd <V&N Tomba Family A/C>	6,818,960	3.92
6	BNP Paribas Noms Pty Ltd <Drp>	5,946,936	3.42
7	Mr Michael Kelsey Cross	5,600,000	3.22
8	HSBC Custody Nominees (Australia) Limited	4,700,000	2.7
9	UBS Nominees Pty Ltd	4,300,000	2.47
10	J P Morgan Nominees Australia Limited	3,309,174	1.9
11	Sylvia Ricciardi	3,250,000	1.87
12	Jaek Holdings Pty Ltd <Hannaford Family A/C>	2,533,255	1.46
13	Tejiman Holdings Pty Ltd <The Tejiman A/C>	2,500,000	1.44
13	Montrose Investments (WA) Pty Ltd <Fraunschiel Family Account>	2,500,000	1.44
13	Teakdale Investments Pty Ltd	2,500,000	1.44
13	Mrs Sylvia Ricciardi	2,500,000	1.44
13	Tiga Trading Pty Ltd	2,500,000	1.44
14	Makaba Pty Ltd <The Rickerby Spouse A/C>	2,370,000	1.36
15	Reay Corporation Pty Ltd	2,187,500	1.26
16	National Nominees Limited	2,150,196	1.24
17	Abracadabra Fishing Company Pty Ltd <Adams Family A/C>	1,951,055	1.12
18	Skycrest Investments Pty Ltd	1,609,725	0.92
19	Raluh Pty Ltd <Monkey A/C>	1,578,240	0.91
20	Blair House Pty Ltd <Robert Stork SF A/C>	1,387,078	0.8
	Total	107,586,369	61.79%





OCEAN GROWN ABALONE LIMITED ACN 148 155 042