



## Quarterly Update and Appendix 4C for the period ending 31 December 2017

### HIGHLIGHTS

- **Successful ASX listing** in November 2017, following heavily oversubscribed \$10m capital raising
- **Sales - up 161% to 24.3 tonnes in H1FY18** compared to 9.3 tonnes in H1FY17
- **Abitat deployment** - 7,026 Abitats deployed at Flinders Bay. On target to have a total of 10,000 Abitats deployed at the Flinders Bay ranches by Q1FY19
- **Seeding** - 833,000 juvenile abalone seeded in H1FY18, with 1.0 million to be seeded in H2FY18
- **Production** - up 114% to 21.0 tonnes in H1FY18 compared to 9.8 tonnes in H1FY17
- **BIOMASS** – up 57% to 137 tonnes in H1FY18 compared to H1FY17 of 87 tonnes
- **Export processing facility** - discussions with potential builders in progress, construction planned to commence Q4FY18
- **R&D Tax Refund** - Tax Incentive Refund of \$1.4 million received November 2017

### DETAILS

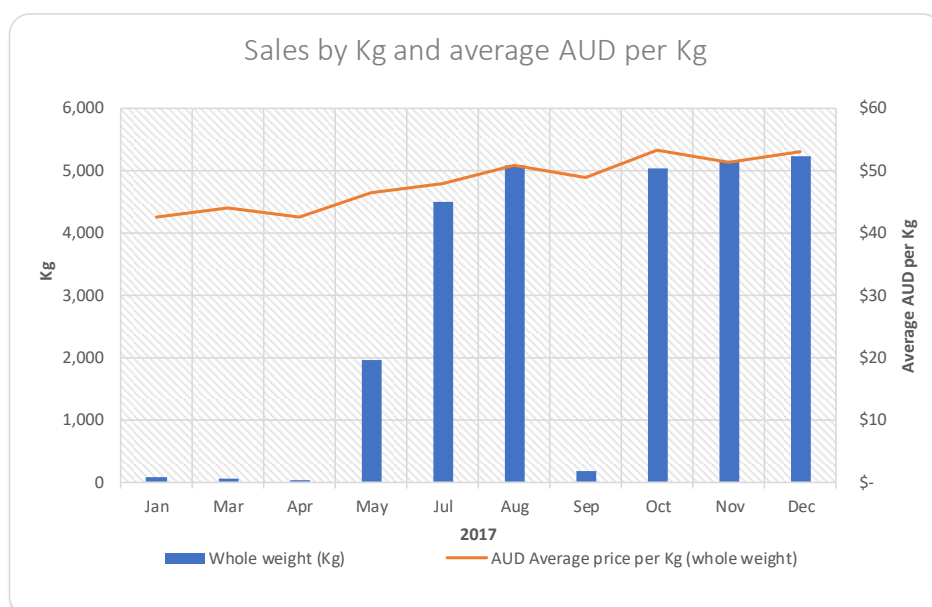
Ocean Grown Abalone Limited (**ASX: OGA, the Company**) is pleased to provide the following operations update and Appendix 4C Cashflow Statement for the quarter ended 31 December 2017.

#### ASX listing

Ocean Grown Abalone Limited successfully listed on the Australian Securities Exchange in November 2017 after raising \$10 million in an oversubscribed IPO. The Company is now well positioned 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.

#### Sales

Sales in H1FY18 were 24.3 tonnes, 161% higher than the 9.3 tonnes in H1FY17. Sales were mostly to Asian markets, with sales to the Australian market representing 7% of the total. OGA remains focused on increasing sales to Asian and Australian markets in H2FY18 and beyond.



## Operations

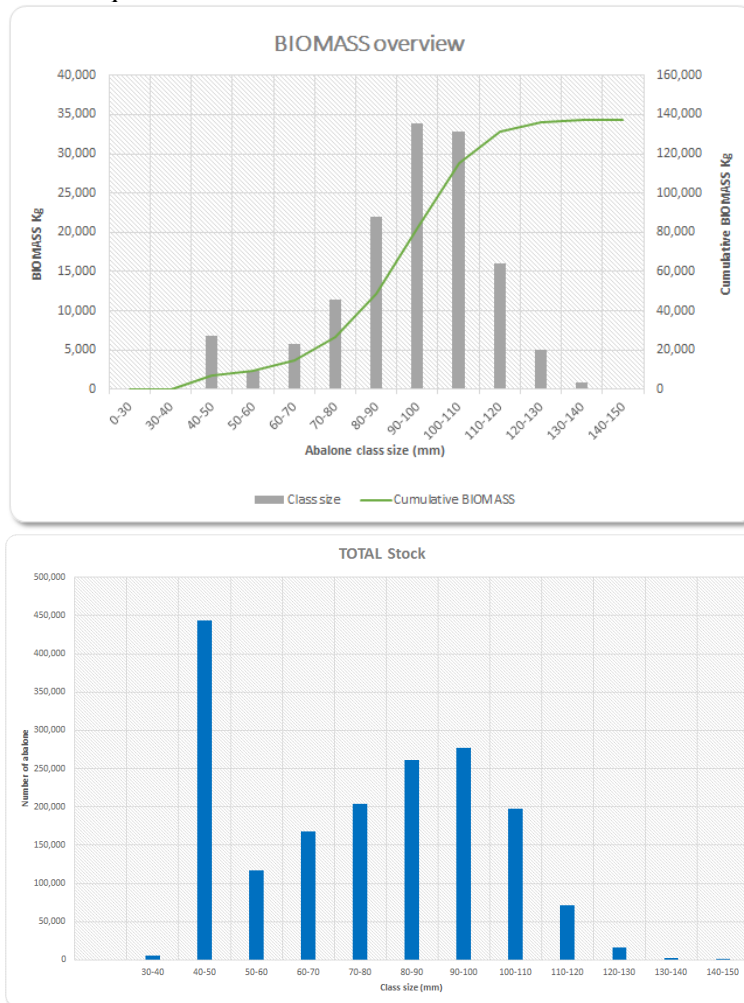
At H1FY18 there were a total of 7,026 Abitats deployed at the Flinders Bay ranches located in Augusta Western Australia. The Flinders Bay 2 ranch is planned to have a further 1,100 Abitats deployed in Q3 FY18, followed by 1,350 Abitats in Q4 FY18. The Abitad deployment phase for Flinders Bay 2 is on target to be completed by Q1FY19 and will result in a combined target total of 10,000 Abitats at the Flinders Bay 1 and Flinders Bay 2 ranches.

833,000 juvenile abalone were seeded in H1FY18, further juvenile seeding to recommence in March 2018 with 1.0 million juvenile abalone planned to be seeded in H2FY18.

## Production

Harvest for H1FY18 was 21.0 tonnes, 114% higher than the 9.8 tonnes in H1FY17, while the BIOMASS measured at December 2017 was 137 tonnes, 57% higher than the 87 tonnes in H1FY17.

The BIOMASS above OGA's saleable market size of 90mm from the Flinders Bay 1 ranch was 88.4 tonnes at H1FY18, 169% higher than the equivalent H1FY17 of 32.9 tonnes.



## Business Development

**Port Lincoln** –South Australian Research and Development Institute (SARDI) scientists, in co-operation with OGA commenced trials in Q1FY18 to assess the survival and growth rates of ranched abalone off South Australia. These trials are planned to be completed by Q4FY19.

Four trial sites chosen with 10 Abitats were deployed and seeded with 16,000 juvenile abalone in H1FY17.

**Wylie Bay** – Commercial trials continuing through partnership with Ocean King Fishing, with 400 Abitats deployed and 160,000 juvenile abalone seeded in H1FY18.

**Export processing facility** –planning continues with architects and engineers for the processing facility to be located in Augusta Western Australia, with construction planned to commence in Q4FY18.

## R&D Tax Incentive Cash Refund

# ASX RELEASE

The FY17 R&D Tax Incentive Refund of \$1.4 million was received in November 2017.

## Planned activities for the next quarter

- **Trials**
  - Continued monitoring and assessment of trials for survival and growth rates of ranched abalone off Port Lincoln, South Australia in Q3FY18.
  - Esperance - continue monitoring and providing advice and assistance to Ocean King Fishing's commercial ranching operations in Wylie Bay.
- **Abitat production** – at 31 December 2017 there were 1,184 Abitats in stock, with 770 Abitats to be constructed in Q3FY18, with a further 840 Abitats to be constructed in Q4FY18.
- **Abitat deployments** - 1,100 Abitats deployed in Q3 FY18, followed by 1,350 Abitats in Q4 FY18.
- **Juvenile seeding** - 185,000 in Q3FY18, followed up by 850,000 in Q4FY18.
- **Marketing** - work in progress on brand and product development for Asian markets
- **Operations** - harvesting to recommence in Q3FY18 and continuing in Q4FY18.

## Half-Year Results

The Company is on schedule to release its half-year results in the last week of February.

### **For investor and media enquiries, please contact:**

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## About the Company

Ocean Grown Abalone Limited (**ASX: OGA**) has developed the world's first commercial greenlip abalone sea ranching business in the pristine waters of Flinders Bay, Western Australia. Through the construction of proprietary, purpose-built artificial abalone reefs (called "Abitats"), OGA is able to supply commercial quantities of its premium, 'wild-harvested', greenlip abalone at sizes not otherwise available in the Australian abalone market today.

For more information visit <https://www.oceangrown.com.au>

## Forward Looking Statements

This announcement may contain certain "forward-looking statements" which may not have been based solely on historical facts, but rather may be based on the Company's current expectations about future events and results. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, currency fluctuations, increased production costs and variances in recovery rates from those assumed, as well as political and operational risks in the Countries and States in which we operate or sell product to, and governmental regulation and judicial outcomes. The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Ocean Grown Abalone Limited

**ABN**

52 148 155 042

**Quarter ended ("current quarter")**

31 December 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	930	1,314
1.2 Payments for		
(a) research and development <sup>1,2</sup>	(42)	(135)
(b) product manufacturing and operating <sup>2</sup> costs	(1,088)	(2,236)
(c) advertising and marketing	(70)	(104)
(d) leased assets	-	-
(e) staff costs <sup>2</sup>	(713)	(1,207)
(f) administration and corporate costs	(359)	(655)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	16
1.5 Interest and other costs of finance paid	(5)	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,378	1,378
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>42</b>	<b>(1,639)</b>
<sup>1</sup> Includes cash outflows related to Port Lincoln trial <sup>2</sup> An apportion of cash outflows included in 1.2 (b) and (e) are also eligible for R&D tax incentive.		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(128)	(396)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material) <sup>3</sup>	(94)	(174)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(222)</b>	<b>(570)</b>
<sup>3</sup> Includes cash outflows for the development of the Abalone Processing Facility in Augusta of \$80,805 (\$125,905 YTD) and bank guarantees for leases held of \$14,667 less inflow of \$1,078 (\$48,589 YTD)		

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	10,000	10,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(624)	(628)
3.5 Proceeds from borrowings	2	3
3.6 Repayment of borrowings	(26)	(52)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>9,352</b>	<b>9,323</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	932	2,990
4.2 Net cash from / (used in) operating activities (item 1.9 above)	42	(1,639)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(222)	(570)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	9,352	9,323
4.5 Effect of movement in exchange rates on cash held	2	2
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>10,106</b>	<b>10,106</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	886	932
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Term deposits	9,220	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>10,106</b>	<b>932</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2 <sup>4</sup>	176
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

<sup>4</sup> Item 6.1 relates to payments for Directors services and fees for the current quarter ended 31 December 2017

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
-	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities <sup>5</sup>	750	309
8.2 Credit standby arrangements	-	-
8.3 Other (Credit card) <sup>5</sup>	45	8
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

<sup>5</sup> The equipment loans have been provided 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. The Company has also provided a guarantee and indemnity to the loan provider for the full facility limit.

The equipment loans balance at quarter end totalled \$308,886, with applicable annual interest rates of (i) 5.2% for \$148,815; and (ii) 4.82% for \$160,071.

Credit card limit at quarter end totalled \$45,000 with a balance drawn of \$8,327


<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development <sup>6</sup>	130
9.2 Product manufacturing and operating costs <sup>6</sup>	679
9.3 Advertising and marketing	88
9.4 Leased assets	30
9.5 Staff costs <sup>6</sup>	761
9.6 Administration and corporate costs	113
9.7 Other (provide details if material)	76
<b>9.8 Total estimated cash outflows</b>	<b>1,877</b>

<sup>6</sup> An apportion of cash outflows included in 9.2 and 9.5 is anticipated to also be eligible for R&D tax incentive.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  ..... Date: 31 January 2018 .....

(Company secretary)

Erlyn Dale

Print name: .....

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.