



## Quarterly Update and Appendix 4C for the period ending 31 March 2018

### HIGHLIGHTS

- **Sales - up 231% to 30.8 tonnes Q3FY18YTD** compared to 9.4 tonnes in Q3FY17YTD
- **Abitat deployment** - 8,205 Abitats deployed at Flinders Bay. On target to have a total of 10,000 Abitats deployed at the Flinders Bay ranches by Q1FY19
- **Seeding - 150,000 juvenile abalone seeded in Q3FY18**, with 0.85 million to be seeded in Q4FY18
- **Production - up 201% to 29.5 tonnes in Q3FY18YTD** compared to 9.8 tonnes in Q3FY17YTD
- **Business Development** - OGA's Two Oceans Brand to be promoted at Asia's leading Food & Hospitality Show the Food & Hotel Asia Expo FHA 2018.
- **Export processing facility** - discussions with potential builders in progress, construction planned to commence Q2FY19

### 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 March 2018.

#### Sales

Sales in Q3FY18 YTD were 30.8 tonnes, 231% higher than the 9.4 tonnes in Q3FY17 YTD. Sales were mostly to Asian markets, with sales to the Australian market representing 6% of the total. OGA remains focused on increasing sales to Asian and Australian markets in Q4FY18 and beyond.

Bulk of the sales are Individually Quick Frozen (IQF), however there has been growing interest in whole in-shell products, vacuum pack trays and retort pouch gift packs.

#### Operations

At Q3FY18 there were a total of 8,205 Abitats deployed at the Flinders Bay ranches located in Augusta, Western Australia. The Flinders Bay 2 ranch is planned to have a further 1,350 Abitats deployed in Q4FY18, followed by 511 Abitats in Q1FY19. The Abitat deployment phase for Flinders Bay 2 is on target to be completed by Q1FY19 and will result in a combined total of 10,000 Abitats at the Flinders Bay 1 and Flinders Bay 2 ranches.

Juvenile seeding recommenced in March 2018 with more than 150,000 juvenile abalone seeded in Q3FY18. 0.85 million juvenile abalone are planned to be seeded in Q4FY18.

#### Production

The third quarters primary activity was optimisation of the Abitats for the winter and autumn growing seasons and included harvesting focused on thinning of abalone numbers to allow space for the remaining abalone to grow during high growth periods.

Harvest for Q3FY18 YTD was 29.5 tonnes, 201% higher than the 9.8 tonnes in Q3FY17 YTD.

## Business Development



Gift pack for Asian markets



Supermarket blister packs

**Product Development** – Trade show attendances in Singapore and China have been scheduled for Q4FY18 to showcase OGA products and gauge feedback for new product lines. OGA continues to explore new markets and engage with potential distributors throughout Asia.

OGA has secured a position and understanding with one Singapore’s largest frozen seafood importers “The Seafood Company” to display and promote OGA’s Two Oceans Brand products at the Food & Hotel Asia Expo FHA 2018, which is Asia’s leading Food & Hospitality Show.

OGA is looking forward to showcasing their product range with “The Seafood Company” at FHA 2018 and fostering a long-term business relationship.

Product development continues (value adding) including utilising by products from processing exported, with abalone gut being used in food stock and soups, shells used for medicinal purposes and polished shells used for gifts.

## Planned activities for the next quarter

- **Trials**
  - Esperance - continue monitoring and providing advice and assistance to Ocean King Fishing’s commercial ranching operations in Wylie Bay.
  - Preliminary research into potential suitable locations in Flinders Aquaculture zone, Victoria and Cape Jaffa, Wardang Island and Elliston in South Australia.
- **Abitat deployments** – 1,350 Abitats deployed in Q4FY18, followed by 511 Abitats in Q1FY19.
- **Juvenile seeding** - 850,000 in Q4FY18, followed up by 350,000 in Q1FY19.
- **Marketing** - work in progress on brand and product development for Asian markets.
- **Operations** - harvesting continuing in Q4FY18 and beyond as per harvest strategy.

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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 March 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	313	1,627
1.2 Payments for		
(a) research and development <sup>1,2</sup>	(12)	(147)
(b) product manufacturing and operating <sup>2</sup> costs	(491)	(2,727)
(c) advertising and marketing	(57)	(161)
(d) leased assets	-	-
(e) staff costs <sup>2</sup>	(576)	(1,783)
(f) administration and corporate costs	(90)	(745)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	58	74
1.5 Interest and other costs of finance paid	(4)	(14)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,378
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(859)</b>	<b>(2,498)</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 (9 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(62)	(457)
(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	20	20
(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>	(99)	(274)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(141)</b>	<b>(711)</b>

<sup>3</sup> Includes cash outflows for the development of the Abalone Processing Facility in Augusta of \$99,135 (\$225,040 YTD) and bank guarantees for leases held of (\$48,589 YTD)

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	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	-	(628)
3.5 Proceeds from borrowings	-	3
3.6 Repayment of borrowings	(50)	(102)
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>(50)</b>	<b>9,273</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 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	10,106	2,990
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(859)	(2,498)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(141)	(711)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(50)	9,273
4.5 Effect of movement in exchange rates on cash held	1	3
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>9,057</b>	<b>9,057</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	437	886
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Term deposits	8,620	9,220
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,057</b>	<b>10,106</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>	168
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	259
8.2 Credit standby arrangements	-	-
8.3 Other (Credit card) <sup>5</sup>	45	13
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 \$259,152, with applicable annual interest rates of (i) 5.2% for \$135,260; and (ii) 4.82% for \$123,892.

Credit card limit at quarter end totalled \$45,000 with a balance drawn of \$13,135

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development <sup>6</sup>	-
9.2 Product manufacturing and operating costs <sup>6</sup>	1,567
9.3 Advertising and marketing	87
9.4 Leased assets	-
9.5 Staff costs <sup>6</sup>	693
9.6 Administration and corporate costs	162
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>2,509</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.

