Ocean Grown Abalone

27 October 2020 **ASX RELEASE** ASX: OGA

Quarterly Update and Appendix 4C for the period ending 30 September 2020

For personal use only

KEY POINTS

- **Abalone sales volumes – up 54% to 17.7 tonnes in Q1FY21YTD** compared to 11.5 tonnes in Q1FY20YTD
- **Abalone sales revenue – up 23% in Q1FY21YTD** compared to Q1FY20YTD
- **Abalone average sales prices – down 20% in Q1FY21YTD** compared to Q1FY20YTD
- **Production volumes – up 14.3% to 16.8 tonnes in Q1FY21YTD** compared to 14.7 tonnes in Q1FY20YTD.

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 30 September 2020.

Sales

Ocean Grown Abalone, Western Australia's largest oceanic harvested greenlip abalone producer, sold 17.7 tonnes of abalone, an increase of 54% compared to Q1FY19 sales of 11.5 tonnes, revenue from abalone product sales increased by 23%. In contrast, the average sales price per kg of abalone declined in the quarter by approximately 20%, compared to Q1FY19. The decline in average price is consistent with other seafood industry participants during the COVID-19 pandemic.

OGA continues to actively explore opportunities to increase its sales, from collaborating with other seafood industry players and developing new domestic markets for OGA's products. The stronger sales position coincides with the Company's efforts promoting its products to the domestic market, with 24% of abalone sales to the local market. In the longer term, OGA remains focused on export markets where the Company has maintained its relationships with its key overseas customers.



Virtual Agrifood and Beverage China Event Showcasing OGA Greenlip Abalone



Two Oceans Abalone Brand Products

The Company is working on opportunities to increase sales from new distribution chains to participating in virtual events such as the Department of Primary Industry and Regional Development (DPIRD) Hangzhou City, Zhejiang, China event in September showcasing OGA's various product lines, in anticipation of being well positioned for future demand increases.

Operating Cashflow

Cash inflows for Q1FY2020 included $620k in cash receipts from customers, $230k in JobKeeper and other COVID-19 support payments including Cashflow Boost of $87k. OGA and its subsidiary entities will continue to be eligible for JobKeeper payments in Q2FY2021.

Operating cash outflows totalled $1.09 million, comprised of staff costs; juvenile abalone purchases; advertising and marketing; administration and corporate costs, costs associated with the continuation of the Esperance Project (land-based farm and hatchery). Payments included in the operating cash outflows to related parties for Q1FY21 totalled $141,683.

Operations

Harvest for Q1FY20 YTD was 17.7 tonnes, 14.3% higher than the 11.5 tonnes in Q1FY20 YTD although there are some constraints during this time of year due to unfavourable weather conditions which limits the number of days available for harvesting. OGA has been gradually building up its inventory in anticipation of the increased demand during Chinese New Year festivities.



Ocean Grown Abalone Harvested Greenlip Abalone Processed to Abalone Meat Products

Outlook

JobKeeper – The Company and it is subsidiaries remain eligible for the JobKeeper payments for Q2FY2021. The JobKeeper payment has allowed the Company to keep the majority of its permanent and casual positions. There continues to be steady job growth in the processing facility as harvesting and processing grow in the future.

Ocean Grown Abalone has received its Research and Development Tax Incentive of $1.4 million in Q2FY2021.

The Company has announced its Annual General Meeting (AGM) for Friday, 27 November 2020 at 10:00am (WST). Due to the COVID-19 Pandemic, the AGM will be held as a hybrid meeting. If you are a shareholder and you wish to virtually attend the AGM, please pre-register in advance for the virtual meeting here:
https://us02web.zoom.us/webinar/register/WN__dSzwM1qRS2d6t2VOmrJUg

END

This announcement was authorised to be given to the ASX by:
The Board of Ocean Grown Abalone Limited.

For investor and media enquiries, please contact:

Romolo Santoro – Chief Financial Officer
Email: romolo@oceangrown.com.au
Mobile: +61 8 6181 8888

Kate Sutton - Media
Email: kate@suttonsolutions.com.au
Mobile: +61418 202 546

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 can 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 the product to, and governmental regulation and judicial outcomes. The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

For personal use only

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

For personal use only

Name of entity	
Ocean Grown Abalone Limited	
ABN	**Quarter ended ("current quarter")**
52 148 155 042	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	620	620
1.2	Payments for		
	(a) research and development[1]	-	-
	(b) product manufacturing and operating costs[1]	(331)	(331)
	(c) advertising and marketing	(29)	(29)
	(d) leased assets	-	-
	(e) staff costs[1]	(496)	(496)
	(f) administration and corporate costs	(188)	(188)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	7	7
1.5	Interest and other costs of finance paid	(8)	(8)
1.6	Income taxes paid	-	137
1.7	Government grants and tax incentives[2]	317	317
1.8	Other (provide details if material)[3]	(42)	(42)
1.9	**Net cash from / (used in) operating activities**	**(150)**	**(150)**

[1] An apportion of cash outflows included in 1.2 (b) and (e) are also eligible for R&D tax incentive.

[2] Cash inflows are associated with: Government COVID-19 relief measures: $230k of JobKeeper and $87k for Cashflow Boost.

[3] Cash outflows are costs associated with Esperance Project development.

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(c) property, plant and equipment	(13)	(13)
	(d) investments	-	-
	(e) intellectual property[4]	(14)	(14)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(27)**	**(27)**

[4] Includes cash (outflows) for trademark registrations.

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(19)	(19)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (leased assets)	(25)	(25)
3.10	**Net cash from / (used in) financing activities**	**(44)**	**(44)**

For personal use only

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,779	2,779
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(150)	(150)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(27)	(27)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(44)	(44)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**2,558**	**2,558**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	2,538	2,759
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Term deposits	20	20
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,558**	**2,779**

6.	**Payments to related parties of the entity and their associates**	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1[5]	142
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

[5] Item 6.1 relates to Directors services and fees, salaries and other payments to related parties for the current quarter ended 30 September 2020.

For personal use only

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities[6]	2,500	40
7.2	Credit standby arrangements	-	-
7.3	Other (Credit Card)[7]	45	11
7.4	**Total financing facilities**	**2,545**	**51**

7.5	**Unused financing facilities available at quarter end**	**2,494**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

[6] The equipment loans have been provided by National Australia Bank Limited, pursuant to a master asset finance agreement with a facility limit of $1,500,000. 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 $40,062, with applicable annual interest rates of (i) 4.82% for $8,217; and (ii) 3.99% for $31,845.

A business overdraft facility has been provided by National Australia Bank Limited with a facility of $1,000,000 with an annual rate of 4.5%. The facility expires on 30 November 2020. There was a nil balance drawn at quarter-end.

[7] Credit card facility limit at quarter-end totalled $45,000 with an applicable annual interest rate of 15.5% The balance drawn at quarter-end was $10,773.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(150)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,558
8.3	Unused finance facilities available at quarter end (Item 7.5)	2,494
8.4	Total available funding (Item 8.2 + Item 8.3)	5,052
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**34**

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

For personal use only

3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A	

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2020

Authorised by: By the board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

For personal use only