

Information Memorandum 2013

# Ranching of Greenlip Abalone

FLINDERS BAY – WESTERN AUSTRALIA



Ocean Grown  
Abalone

**Ocean Grown Abalone**  
ACN 148 155 042  
("Company")

“The team has been in aquaculture for over 15 years now and is now ready to prove that our aquaculture model works.”

#### Dear Investor

The board of directors of Ocean Grown Abalone Pty Ltd are excited to offer you the opportunity to invest in our company. We have completed successful trials of sea ranching of greenlip abalone in Flinders Bay, Western Australia, and there is a huge global market for our product.

Sea ranching is going to change abalone aquaculture in Australia very quickly.

There have been no new investments in traditional land based abalone farms in Australia for a number of years due to the high start-up costs, high operating costs and increasing energy costs. The established players are going to have to get involved or lose out to young upstart sea ranching companies.

The Company works with entrepreneurs to build the next generation of aquaculture companies. The team has been in aquaculture for over 15 years now and is now ready to prove that our aquaculture model works.

We share a vision to create more sea ranches by bringing our science together with the passion of other aquaculturalists. We believe that this makes our company unique in Australia.

To support the commercialisation of our science, Ocean Grown Abalone Pty Ltd is raising up to \$8 million by issuing 1,600 Convertible Notes at \$5,000 each. Detailed information on the Company and their proposed Investment Opportunity is contained in this Information Memorandum. Please study this Information Memorandum and decide if this is right for you.

We hope that you will decide to become a Noteholder and join us in a very exciting journey.



**Peter S Kestel**  
Chairman  
9 September 2013



## Summary of Investment Opportunity

### Key Terms

Issuer	Ocean Grown Abalone Pty Ltd
Price per Note	\$5,000.00
Minimum subscription per Noteholder (\$)	\$50,000.00
Minimum parcel of Notes per Noteholder (Notes)	10 Notes
Minimum additional investment (\$)	\$5,000
Minimum additional investment (Notes)	1 Note
Maximum total subscription (\$)	\$8 million
Maximum total subscription (Notes)	1,600 Notes
Interest rate payable	8% per annum

### Indicative Timetable

Date of IM	9 September 2013
Closing Date	29 November 2013

The Closing Date may be extended by the Company in its absolute discretion, without notice. The Company also reserves the right to bring forward the Closing Date and to end this Investment Opportunity early.

# Application Process

Applicants wishing to apply for Notes should read this document in its entirety, consider section 10 of this Information Memorandum (IM), obtain professional investment advice, and then complete Application Form.

## Action required by Applicants to invest

Persons who receive an electronic version of this IM and wish to apply for Notes should go to [oceangrownabalone.com.au/investors](http://oceangrownabalone.com.au/investors) and follow the instructions on how to apply for Notes.

## Electronic Funds Transfer

You can transfer funds via electronic direct credit to the account below. You MUST include your Surname or Company Name as the payment reference when submitting your payment. Failure to do so may result in your application not being processed.

When you have completed your payment, please send a copy (scan) of your transfer receipt via email to invest at [oceangrownabalone.com.au](mailto:invest@oceangrownabalone.com.au) to confirm that your payment has been made.

<b>Account Name</b>	<b>Ocean Grown Abalone Pty Ltd Offer Account</b>
<b>Bank</b>	<b>Commonwealth Bank</b>
<b>Account BSB</b>	<b>066-102</b>
<b>Account Number</b>	<b>10191966</b>
<b>Payment Reference</b>	<b>Surname or Company Name</b>

Your payment must be received into the above Ocean Grown Abalone Pty Ltd Offer Account by 5pm (Perth time), on or before the Closing Date.

If you are unable to view the IM at [oceangrownabalone.com.au/investors](http://oceangrownabalone.com.au/investors) complete the paper copy of the IM and the Paper Application Form which may be obtained by emailing [investors@oceangrownabalone.com.au](mailto:investors@oceangrownabalone.com.au)

## Cheque Payment

You can complete the Paper Application Form and return it with your cheque attached to the address below. Cheque(s) must be crossed 'Not Negotiable' and made out to 'Ocean Grown Abalone Pty Ltd'

**Ocean Grown Abalone Offer**  
**C/- Rapattoni Certified Practising Accountants**  
**PO Box 670**  
**Victoria Park WA 6979**  
**Australia**

Your completed Paper Application Form and your cheque must be received by 5pm (Perth time), on or before the Closing Date.

For further assistance:

If you are unsure about any of the above, please email [investors@oceangrownabalone.com.au](mailto:investors@oceangrownabalone.com.au) or phone **+61 8 6254 8000** and ask to speak to the Ocean Grown Abalone Capital Raising manager.

Applications must be received prior to 5pm (Perth time), on or before the Closing Date.

## Important Information

Sophisticated or Professional Investors only

This IM is being provided to potential investors on the basis that they are a sophisticated investor or a professional investor for the purposes of Section 708 of the Corporations Act. If you are not a sophisticated investor or professional investor for the purposes of Section 708 of the Corporations Act, any application that you make to acquire Notes in the Company shall not be accepted by the Company. You must provide a certificate certifying that you are a sophisticated investor pursuant to section 708(8) of the Corporations Act or a professional investor for the purposes of Section 708(11)(a) of the Corporations Act or otherwise satisfy the criteria in s708(11)(b) of the Corporations Act, before any such application will be considered. Samples of these certificates may be obtained from [www.oceangrownabalone.com.au/investors](http://www.oceangrownabalone.com.au/investors) under the section titled "About The Offer". Once completed, you can email the certificate to [investors@oceangrownabalone.com.au](mailto:investors@oceangrownabalone.com.au) or post the certificate to Ocean Grown Abalone Offer, PO Box 670, Victoria Park WA 6979, Australia.

## Disclaimer

This IM and all information (whether in writing or otherwise) which may subsequently be made available to you (Subsequent Information) are provided on the terms and conditions set out in this "Important Information" section. If the terms and conditions set out in this Important Information section are not acceptable to you, then this IM and any Subsequent Information must be returned immediately to the Company. Retention of this IM and any Subsequent Information will be deemed to constitute acceptance by you of the terms and conditions set out in this Important Information section.

## No Representations

You warrant that you do not (and agree that you will not) rely on this IM or any Subsequent Information or any other statement, warranty, representation, express or implied, made by the Company or any of its officers, employees, agents, advisers, consultants or other representatives (Representatives) in connection with making a decision about whether or not to invest in the Company.

## Forward Looking Statements

Any statements of opinion, belief, projections, forecasts or statements relating to expectations in this IM that constitute statements relating to future acts, events and circumstances are for example only and do not assure the current or future performance of the Company. The Company offers no assurance or guarantee or warranty that those acts, events and circumstances will occur or arise in the manner in which they are portrayed in this document, and investors must be aware that they may not occur or arise in the way in which they are portrayed. No representation is made or assurance given that such statements, views, projections or forecasts are reasonable or correct.

## No ASX Listing

The Company is not currently listed on any stock exchange. The Company does not have any intention at the date of the IM to apply for the listing on the Australian Securities Exchange, or any other exchange.

## Risk

Investment in the Company is speculative and will involve significant risks, due to the nature of the business of the Company and, in particular, the nature of the investment the Company will make in aquaculture. The Company is not a suitable investment for persons unable to sustain a loss of all or part of the sum invested or who require certain or predictable income flows. Investors should have financial ability and willingness to accept the risks and lack of liquidity that are characteristic of the investments described in this IM. Prospective investors should carefully review section 10 of this IM (Investment Risk).

Neither the Company, nor its Representatives, guarantee the performance of the Company, the return of investment of capital, the payment of any particular return or the increase in value for the Company, its assets or your investment. An investment in the Company should be considered speculative in nature.

The Company and its respective directors, employees, agents and consultants shall have no liability (including liability to you by reason of negligence or misstatement) for any statements, opinion, information or matters (express or implied) arising out of, contained in or derived from, or for any omissions from the IM, except liability under statute that cannot be excluded.

## Taxation

The acquisition of Notes under this IM may have taxation consequences depending on the personal circumstances of applicants. Applicants should seek professional advice on their taxation position with regard to any prospective investment.

## Professional Advice

Investors should obtain professional investment advice before accepting any offer contained in this IM. This IM does not contain all information you may require before deciding whether to invest in the Company. In preparing this IM, the Company has taken no account of the investment objectives, financial situation and particular needs of any particular person, and prospective investors must not construe the contents of this IM as tax, legal or financial product advice. Before making any investment decision, prospective investors should seek and rely on their own professional advice, in particular by obtaining appropriate tax, legal, financial and investment advice in light of their own circumstances and conduct of their own independent investigation and analysis regarding any information contained in this IM. This IM is not, and should not be construed as, a recommendation or advice from the Company or any of its Representatives to consider investing, or to invest, in the Company now or at any time in the future.

## Privacy Statement

If you complete an application for Notes, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Noteholder and to facilitate distribution of payments and corporate communications and notification of meetings (via postal service, fax or electronic means) to you as a Noteholder. The information may also be used from time to time and disclosed to persons inspecting the register, such as regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers and mail houses.

By submitting an Application Form, you agree that the Company may use the information in the Application Form for the purposes set out in this IM and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, (including mailing houses), the ASX, ASIC and other regulatory authorities.

If you become a security holder of the Company, the Corporations Act requires the Company to include information about you (name, address and details of the securities held) in its public register. This information must remain in the register even if you cease to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company and legal and regulatory requirements.

Your personal information may be provided to agents or service providers on the basis that they deal with such information in accordance with our privacy policy. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be disclosed are:

- a. Professional service providers such as lawyers, accountants, auditors, consultants, and other professional advisers for the purpose of administering, and advising on, the Investment Opportunity and for any associated action; and
- b. Other companies where we believe it is more efficient to out source services or functions to those companies.

You have the right to gain access to your personal information held by, or on behalf of us, subject to certain exemptions under the law. A reasonable payment may be charged for providing access to personal information. You can request access to your personal information by writing to our Privacy Officer.

We aim to ensure that the personal information we hold about you is accurate, complete and up to date. To assist us with this, please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) and the Corporations Act. You should note that if you do not provide the information required on the application for Notes, the Company may not be able to accept or process your application.

## Confidentiality

This IM has been provided to selected parties. You acknowledge and agree that the information contained in this IM is confidential in nature, other than information which is in the public domain through other means, and that any disclosure or use of such information by you may cause serious harm or damage to the Company. You agree not to reproduce or disclose any information contained in this IM (or any part of it) to any party, other than to your professional advisers for the purpose of obtaining advice in connection with the Investment Opportunity contained in this IM, without approval in writing from the Company (which may be withheld by the Company in its absolute discretion).

## Other Important Information

1. This IM has been issued by, and contains information concerning the Company and the Investment Opportunity. It is provided on a non-transferable basis for your confidential use only.
2. No part of this IM or any Subsequent Information may be reproduced or used for any other purpose.
3. Neither the Company, nor any of its Representatives (which also includes but is not limited to the persons named or described in this IM) warrant or represent, either expressly or by implication, that this IM or any Subsequent Information is complete or has been subject to any audit, examination or verification to confirm its accuracy.
4. If you proceed with an investment in the Company, you must rely solely on your own independent review, investigation and analysis. You agree you will not hold the company or its Representatives liable in any way whatsoever (whether in contract, negligence, equity or otherwise) as a result or by reason of the provision of this IM or any Subsequent Information to you or any other person.
5. This IM is not a Product Disclosure Statement or Prospectus; it has not been lodged with ASIC; and is not regulated by Chapter 6D or Part 7.9 of the Corporations Act. This IM is intended for, and available only to, sophisticated investors and professional investors being those investors to whom the Company is not required to provide disclosure concerning the Investment Opportunity or any subsequent note/share issue, as a result of the operation of sub-sections 708(8) and (ii) of the Corporations Act.

## Glossary

Certain terms used in this IM are defined in the Glossary in section 14 of this IM.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY BEFORE DECIDING TO INVEST

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## 1 | Directory

### DIRECTORS

Peter Steven Kestel – Chairman

Bradley Darren Adams – Managing Director

Ignazio Peter Ricciardi – Non-Executive Director

Craig Cameron Kestel – Non-Executive Director

### REGISTERED OFFICE

Suite 6, 20 Twickenham Road, Burswood WA 6100

### PRINCIPAL PLACE OF BUSINESS

617 Brindley Street, Augusta WA 6290

### ACCOUNTANTS

Rapattoni

Suite 6, 20 Twickenham Road, Burswood WA 6100, Australia

Telephone +61 8 6254 8000

Email reception@rapattoni.com.au

### SOLICITORS

Frichot & Frichot

6 Norfolk Street, Fremantle WA 6160, Australia

Telephone +61 9 335 9877

Email reception@frichot.com.au

### CORPORATE ADVISOR

Sandgate Capital Partners Pty Ltd

Suite 2302, 23F Seaview Commercial Building,  
21 Connaught Road West, Sheung Wan, Hong Kong

Telephone +852 9480 8766

Email joe@rapattoni.com.hk

## 2 | Investment Overview



### NOTICE

This section is an overview only and is not intended to provide full information for investors intending to invest in the Company. This IM should be read and considered in its entirety.

### 2.1 | Business Of Ocean Grown Abalone Pty Ltd



Abalone is a premium Australian seafood product that is held in very high esteem by Asian consumers. The demand for high quality Australian seafood products by our Asian neighbours continues to outstrip supply as these economies continue to grow at astonishing rates.

Greenlip abalone is a species of abalone that is favoured by Chinese consumers due to its pearly white flesh and green coloured mantle. It commands very high prices relative to many other abalone species in the market.

Ocean Grown Abalone Pty Ltd is an innovative company that has developed sea ranching science for Greenlip abalone in Flinders Bay, Western Australia. The sheltered waters of Flinders Bay provide the ideal environment for abalone growth.

Sea ranching is an aquaculture science where we place hatchery bred juvenile abalone on artificial reefs that the Company has positioned on its Flinders Bay ocean leases. The juvenile abalones are then left for nature to grow for 2-3 years until they reach a marketable size. The location of the ocean leases have been carefully selected such that the reefs are self-sustaining – seaweed, the preferred feed of abalone is in abundance. Our divers tend the reefs by acting as gardeners – preparing the plot (building the reef), planting the crop (seeding reef with juvenile abalone), servicing (predator removal) and harvesting.

The abalone produced from our sea ranch is identical to the highly sought after wild catch product, but has the competitive advantages that only aquaculture can provide. Wild catch product is seasonal, limited by strict quotas and has minimum size limits to prevent over-fishing. We have the ability to harvest according to the markets specifications.

1. All year round;
2. At any size specification;
3. Not volume constrained; and
4. Have ability to develop direct farm to end consumer supply lines.

The Company has recently completed a 12-month commercial research & development trial that was an outstanding success. We seeded over 25,000 hatchery-reared juvenile abalones onto our reefs to assess:

1. Reef designs;
2. Reef location;
3. % Survival;
4. Growth rate;
5. Ecosystem interactions;
6. Feed availability; and
7. Environmental conditions.

Marine Biologists at Curtin University independently verified the results of the trials and compiled a comprehensive scientific analysis and report on the outcomes of the trial (refer: FRDC – Sea Ranching Trials for Commercial Production of Greenlip Abalone in Western Australia – PROJECT No. 2012/220).

It is the Company's intention to commence commercialisation of the first Australia sea ranch in Flinders Bay, Western Australia, whilst undertaking further trials of the sea ranch science in Port Lincoln, South Australia.

### 2.2 | Use Of Funds Raised

The Company intends to use the proceeds from the funds raised to:

- a. Develop a sea ranch at Flinders Bay, Western Australia;
- b. Undertake sea ranching trials in Port Lincoln, South Australia;

- c. Provide working capital to meet ongoing costs of the Company;
- d. Provide funds for the cost of this IM; and
- e. Pay interest to Noteholders for the first 3 years.

Further details on the use of funds raised are set out in section 3.6 of this IM.

### 2.3 | Key Risks

Investment in the Company is speculative and will involve significant risks. Key risks include:

- a. Aquaculture - The key investment of Ocean Grown Abalone is in aquaculture. Aquaculture is, by its nature, an inherently speculative investment;
- b. No market for Notes - There is no established market for trading the Notes or the shares in the Company and investors of the Company may find it difficult to dispose of their noteholding or shares in the Company at a particular time;
- c. No dividends may be declared - Dividends may not be declared by the Company. Any dividend payment will be subject to the Company's ability to meet any of its then cash funding requirements for growth taking into account the capital and trading requirements at that time and any overriding discretion of the directors as to whether to pay a dividend. The Company is not in a position to predict when or if it will pay a dividend; and
- d. Additional capital requirements - The Company may require additional capital from time to time.

Prospective investors should carefully review section 10 of this IM, which sets out further information on these risks and other risks for the business and investors in the Company.

### 2.4 | Directors

The Company has appointed the following 4 directors:

- a. Peter Steven Kestel;
- b. Bradley Darren Adams;
- c. Ignazio Peter Ricciardi; and
- d. Craig Cameron Kestel.

Each have significant experience, which is detailed in section 7 of this IM.

# 3 | Details of the Investment Opportunity

## 3.1 | Investment Opportunity

The Directors are pleased to offer investors an opportunity to acquire Notes in the Company in accordance with this IM.

The Company is seeking to raise up to \$8 million and is providing an opportunity to investors to apply for a maximum of 1,600 fully paid Convertible Notes in the Company at an issue price of \$5,000 per Note. The Company may accept oversubscriptions for Notes and may raise greater than \$8 million at its absolute discretion.

## 3.2 | Minimum Subscriptions For The Investors

The minimum subscription for Notes will be \$50,000 (10 Notes).

## 3.3 | Additional Subscriptions For The Investors

If an investor wishes to subscribe for more than the minimum number of Notes, such subscriptions must be made in \$5,000 (1 Note) increments.

## 3.4 | Accepting An Application

The Company is under no obligation to accept any application for Notes. The Directors may, in their absolute discretion, reject or scale back any application for Notes, without assigning any reasons for their decision.

## 3.5 | Application Monies

### a. Deposit of Subscription Monies

The Subscription Monies will be deposited in the Ocean Grown Abalone Pty Ltd Offer Account.

### Refunds of Subscription Monies

If all or any part of an application is not successful, the Subscription Monies (or a proportion of it, if applicable) will be refunded out of the Ocean Grown Abalone Pty Ltd Offer Account. Interest will not be paid on any Subscription Monies which are refunded. Any refund due to an applicant will be refunded by either (at the Company's election):

- i. Depositing it into the applicant's designated bank account, as specified in the Online Application Form or Paper Application Form; or
- ii. Paying it by cheque payable to the applicant's name and posted to the address specified on the Online Application Form or Paper Application Form.

### c. Interest

The Company is entitled to retain any interest accrued on the Subscription Monies, whether or not Notes (the subject of those Subscription Monies) are allotted and issued.

## 3.6 | Use Of Funds Raised

The purpose of the Investment Opportunity is to raise capital for the Company to:

- a. Develop a sea ranch at Flinders Bay, Western Australia;
- b. Undertake sea ranching trials in Port Lincoln, South Australia;
- c. Provide working capital to meet ongoing costs of the Company;
- d. Provide funds for the cost of this IM; and
- e. Pay interest to Noteholders for the first 3 years.

Depending on the amount of capital that is raised, the Board intends that the funds raised will be used for the purposes set out in this section. The table in this section depicts the proposed use of funds if the Company raises a subscription of \$8 million.

The investor must be aware that the following fund allocation amounts are estimates only, based on information currently available to the Company and the Board.

Purpose		Use of Funds
Estimated Abalone Habitat Artificial Reefs	3,350	\$1,675,000
Port Lincoln, South Australia sea ranching trials		\$255,000
Working Capital	36 months	
Plant & Equipment	\$832,000	
Employee & contractor expenses	\$2,033,000	
Professional services	\$118,000	
Operating expenses	\$1,628,000	
Total Working Capital		\$4,611,000
IM related costs		\$450,000
Interest Payable to Noteholders	36 months	\$1,009,000
<b>Total</b>		<b>\$8,000,000</b>

## Time Frame

The \$8 million raised is expected to meet the investment and working capital requirements of the Company until approximately June 2016.

## Purpose and Effect of the Offer on the Company

The principal effects on the Company of the Investment Opportunity are dependent on its success. However, assuming the Notes are fully taken up (i.e. 1600 Notes are issued) the principal effects are as follows:

- a. The Company will issue 1600 Notes;
- b. Following the issue of the Notes, the cash reserves of the Company will increase by \$8 million less expenses of the Offer which are estimated to be approximately \$450,000.00 and;
- c. If the Notes are not redeemed and instead converted into Shares, the number of Shares on issue will increase from 5,000,000 to 15,000,000.

## Investment

Capital will be invested into manufacturing and deploying 3,350 abalone habitat reefs to Flinders Bay, Western Australia. The cost per reef is \$400 to \$500 and deployment will commence in the 4th quarter of 2013 with an average manufacture/deployment of 335 reefs per quarter.

## Working Capital

As depicted by the table above, funds raised as a result of this IM will also form part of the Company's working capital and may be used for purposes that will include costs that support the development of the sea ranching 'science' to increase the success rate of its businesses. It also includes employee salaries, contractor fees, insurance, financial and legal advisory fees, rent expenses, plant and equipment, etc., expenses related to staff training, welfare and development and other operating and administrative expenses that the Company will incur or is expected to incur from time to time in the ordinary course of its business.

## Surplus Funds

If the Directors accept additional applications for Notes above the maximum subscription amount, it is intended to apply the surplus funds to additional potential ocean leases that show promise of success. The Company may also increase working capital expenditure with the aim of adding value to the business of the Company.

Investors should be aware that if circumstances change or better opportunities arise, the Directors reserve the right to vary the proposed use of the proceeds to maximise the benefit to the Company.

The Company is also free to engage in further capital raising in the future if it is determined to be in the best interests of the Company or its business.

## IM Related Costs

The IM related costs referred to in the table above, are the total estimated costs of raising capital including fees and commissions, advisory and miscellaneous expenses and charges.

## Interest Payable to Noteholders:

As depicted by the table, part of funds raised as a result of this IM will be used to pay interest to the Noteholders who have subscribed to this offer in the amount due on their Notes.

## 3.7 | Capital Structure

The share capital structure of the Company currently and upon completion of the Investment Opportunity, assuming the maximum total subscription is achieved and converted to ordinary shares on 30 June 2016, will be as follows:

Details	No of Shares
Shares on issue at the date of this IM	5,000,000
Shares to be issued to the Noteholders upon conversion (assuming all Notes are converted)	10,000,000
<b>Total Shares</b>	<b>15,000,000</b>

As at the date of this IM, the company has the following existing options;

Details	No of Existing Options
Existing Options on Issue	5,000,000
<b>Total Existing Options</b>	<b>5,000,000</b>

For further information in regards to existing options, please refer Section 11.4 of this IM.

The total diluted capital structure (assuming full allocation of Convertible Notes on offer in this IM are converted into shares) on exercise of all existing options will be as follows:

<b>Total Diluted Shares and Options</b>	<b>20,000,000</b>
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# 4 | Overview of the Business



## 4.1 | History of Ocean Grown Abalone Pty Ltd

On 11 January 2011, the Company was incorporated pursuant to a joint venture between Two Oceans Abalone Pty Ltd and 888 Abalone Pty Ltd with an aim to develop a sea ranch science.

Two Oceans Abalone Pty Ltd first started to develop the culture of abalone in Albany, Western Australia back in 1999. It also established an abalone & seafood processing business located in Augusta, Western Australia.

888 Abalone Pty Ltd is an established land based abalone hatchery and grow-out facility in Bremer Bay, Western Australia.

On 1 April 2011, the Company obtained a sub-lease 40 hectares of ocean seabed lease situated in Flinders Bay, Western Australia from Two Oceans Abalone Pty Ltd.

On 27 June 2011, the Company acquired the Artificial Reef Technology for growing greenlip abalone from Two Oceans Abalone Pty Ltd.

On 21 December 2011, the Company acquired 10 hectares of ocean seabed lease situated in Port Lincoln, South Australia.

On 1 January 2013, the Company completed its sea ranch trials in Flinders Bay, Western Australia. The trials were independently verified and validated by Curtin University of Technology, Western Australia, with the final report being issued by the University on 13 May 2013.

On 1 July 2013, the Company entered into an Option Agreement to acquire an interest in 888 Abalone Pty Ltd, subject to an independent valuation, on or before 30 June 2016.

On 1 July 2013, the Company entered into an Option Agreement to acquire 100% of the share capital of Two Oceans Abalone Pty Ltd, subject to independent valuation on or before 30 June 2016.



## 4.2 | Business Of Ocean Grown Abalone Pty Ltd

The Company has developed unique ocean ranching technology for the culture of Greenlip Abalone. The Company has a proven ocean lease in Flinders Bay, Western Australia, that is located in an area that nature provides all the requirements for growth of abalone, except for one key ingredient – habitat. We provide that habitat in the form of

our purpose-built abalone artificial reef designs, which we carefully position on the sea-bed, then seed with juvenile hatchery reared abalone cultured by our partners at 888 Abalone Pty Ltd in Bremer Bay, Western Australia. We are the first company in Australia to successfully demonstrate the commercial viability of ocean ranching of abalone.

We then leave it to nature to grow them from the juvenile release size of 40mm to a market size of up to 140mm, a process that takes 2.5 to 3 years. There are no feed costs, no power costs, only the labour cost of our trained divers who act as gardeners tending the plot – building the reefs, seeding the reefs, weeding the plot (keeping out predators such as octopus) and then harvesting the plot.

The Company has the ability to occupy a unique place in the abalone market. We are able to produce a product that started out as an aquaculture product yet can be identified and marketed as ‘wild-caught’ as the abalone have been grown on our reefs with no inputs of feed – nature has provided for the growth of ranched abalone exactly as for wild catch product and the harvested ranched product is indistinguishable from wild catch. We believe it is important to differentiate ourselves from the aquaculture market.

Wild catch product is seen in many markets as the premium abalone product to purchase and as such generally commands higher prices compared to aquaculture product. They are generally marketed into separate markets. This is due to a variety of reasons such as:

### Taste

Many abalone aquaculture products are fed artificial pellets and can have a different taste and texture compared to wild-catch product.

### Size

Aquaculture product is harvested at a smaller size than (>110mm) wild catch due to the time and cost it takes to reach a large size (150mm takes up to 6 years) in tanks.

### Species

Greenlip abalone is seen by Chinese consumers as a premium abalone product in the market due to its white flesh, green coloured mantle and the fact it is an Australian product - which is seen as having a pristine, unpolluted environment and a producer of safe to eat, premium foods.

### Exclusivity

The supply from most wild catch fisheries is either stable or in decline. The total world fisheries legal landings have declined from 10,146 tons in 2002 to 7,482 tons in 2012 (figure 1). In comparison aquaculture production in the same period has increased from 1,220 tons in 2002 to 85,000 tons in 2012. There are unlikely to be any increases in supply of premium wild catch in the future from fisheries, perhaps only a continued decline. The growing Asian market is likely to continue to demand at the premium end of the market a wild catch product and the Company’s positioning itself to be able to take advantage of that demand with our ranched product.

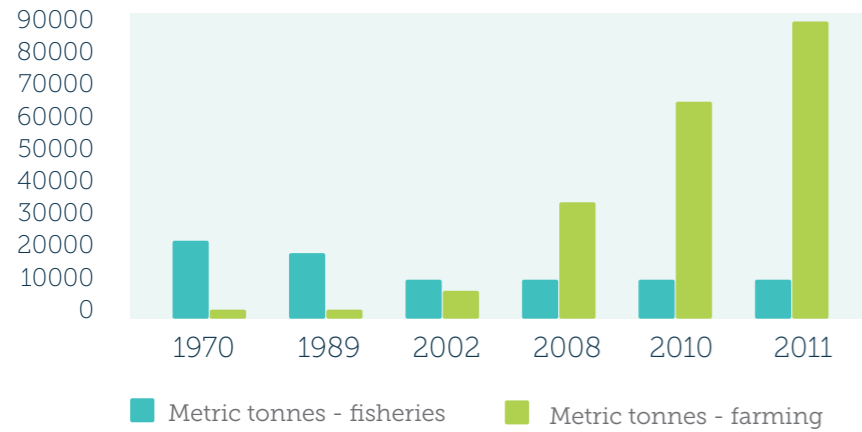


Figure 1. Total global production of abalone from legal fisheries and from farms. (note: 2011 farm production is estimated)

## Food Safety

China produces over 80% of the world's aquaculture abalone product in farms along its Southern coast (Fujian and Guangdong). There is no wild catch fishery in China. All of its production is consumed locally. Many Chinese see domestically produced food products as inferior to imported food products due to the problems China has with pollution and lax regulations on food production, processing and the supply chain. Australian seafood products are well regarded for their quality and safety in China.

The Company also has the competitive advantage that only aquaculture can provide. The wild catch fishery is tightly regulated in Australia to ensure continued sustainability of the abalone fisheries. There are restrictions on minimum harvest size and annual catch quotas. The supply from wild catch fisheries is highly variable due to weather, market price and available quota. **The Company will be able to provide its customers with:**



The Company has the ability to treat the abalone ranch as a bank and only make withdrawals when the market requires. We will be able to take maximum advantage of peak price periods such as Chinese New Year. With this market advantage the Company will have the capacity to also develop direct supply contracts with purchasers, and thus reducing the commissions that are added to the wild catch supply chain.

The Company also envisages developing a significant domestic market for our products. Australian consumers have the ever-increasing discretionary spending power to pay high prices for seafood products when eating out. Abalone is an item that is seen on more and more on local menus. Prices of + \$60/kg whole weight are achievable in the domestic market for live product. The Company will also have many opportunities to promote its products in the media through its future association with the restaurant in the yet to be developed Augusta Marina and its location in the Margaret River tourism precinct – an area of world renown for quality food produce and fine wines.

## Third Party Certification



The Western Australian government has committed \$14.5 million to fund third party certification of Fisheries and Aquaculture businesses. Third party certification is credible, peer reviewed, independent certification of the sustainability credentials and sustainable business practices of a fishery or aquaculture business. Many markets are now demanding certified product due to pressure from consumers and commercial seafood buyers who are concerned about where their food comes from and wish to make responsible choices. As a clean, green responsible aquaculture business the Company will be seeking Aquaculture Stewardship Council (ASC) certification of its business. ASC is the premium global standard for sustainable aquaculture certification and has strong market acceptance. ASC certification may give us an edge over other producers in some markets.

## Growth

Our plan is to raise capital to build enough reef on our leases, capable of growing to harvest 100 tonnes per year of abalone in Flinders Bay, Western Australia. The Company will have the ability to supply these abalone live to markets within Australia and around the world, with a significant focus on Asia where abalone is in high demand as a seafood luxury item.

At the same time as developing the sea ranching business model in Flinders Bay, Western Australia, we will be seeking growth opportunities in other areas for future expansion of the business. The sea ranching of abalone has very specific natural and geographical requirements to be a success. There are very few locations around Southern Australia that are suitable for sea ranching of abalone. The Company has developed the expertise to identify those locations, trial those locations, and has the ability to successfully apply to local authorities for leases in those areas for future development. Those leases have the potential to become a very valuable and tradeable commodity.

The Company has an exciting story to tell. We have the ability to provide an ultra-premium, quality seafood product to a rapidly expanding market – Asia's wealthy & middle class population. Australia has a reputation for safe, high quality seafood products that is forecast to see a doubling in demand by Asian consumers with the growth of those economies in the next few years. We are well positioned to take advantage of that demand.

The Company plans to develop the business to a size where it can be taken to the next level, that being an IPO (listing on the stock exchange) or industry buyout. By that stage we hope to have:

1. Developed abalone ranches in at least 3 locations, with leases in other locations that have met our strict selection criteria under the Company's control for future development;
2. An established world-wide seafood distribution and marketing network;
3. Partnerships with several land-based hatcheries with long term juvenile supply agreements; and
4. Acquire the balance of 888 Abalone Pty Ltd's hatchery and grow-out business

## 4.3 | Success Of Ocean Grown Abalone Pty Ltd

### 1) Cost of Production

Low cost of production compared to traditional land-based aquaculture.

- No feed costs.
- Negligible power costs.
- Low infrastructure costs.
- Low cost of real estate

### 2) Location

#### Environmental:

- Flinders Bay is a large sheltered bay with large areas available for abalone ranching.
- Pristine, unpolluted oceanic water. The nearest city is Bunbury, 150kms to the north.
- The site is protected from large oceanic swells.
- Unlimited natural food supply. Location is surrounded by thousands of hectares of seagrass beds that act as substrate for the abundant epiphytic red weeds that are the preferred feed source of greenlip abalone. These weeds break off, drift around in the bay and feed the abalone on our artificial reefs.
- Suitable water temperatures. (average 16-22oC).
- Depths of 19-14m.

#### Geographical:

- Dive site is protected from winter storms – divers will be able to access ranch for seeding, servicing and harvesting over 300 days per year.
- New Marina due to be completed 2014. It is located directly adjacent to the abalone ranch. This will be of great assistance when building the reefs (loading onto barge). Safe anchorage for barge and dive boats. Close to ranch from a dive safety perspective in case of any workplace accidents. Live tanks at the Marina for storing of harvested product and for tanking juvenile abalone from Bremer Bay prior to release on the ranch. Processing facility to be located at the Marina for any value-adding activities. Will assist in protecting our reefs from potential theft. The Company intends to have radar with alarms monitoring our leases. Planned restaurant will be invaluable as a marketing tool.

#### Economic:

- Town of Augusta, Western Australia is a tourist town that is a desirable place to live. Will be able to attract and retain quality staff at reasonable rates.

### 3) Research & Development

The Company has conducted extensive research into the effective abalone ranching science. We have spent considerable time and capital getting this science developed to this stage. The Company has the 'runs on the board' and has proven that it has the technology to develop a highly profitable business.

The results we have achieved from our trials are without peer. The research has also been independently validated by Marine Biologists from Curtin University.

### 4) Hybrid Aquaculture Technique

Ability to produce a 'wild-catch' product using a hybrid aquaculture technique.

The volumes of global wild-catch abalone products are stable, even declining. The market is prepared to pay a premium for wild-catch products. Greenlip abalone is in the premium end of prices received for wild catch products.

### 5) Competition

Competitive advantage of aquaculture production processes:

- Have ability to supply markets on demand.
- Supply product specifications on demand.
- Ability to develop forward supply contracts at locked in prices.

### 6) Technology

New technology that has limited locations available for expansion by new entrants.

The Company has first mover advantage in developing abalone sea ranching business in Australia. We know the specific environmental, geographical, financial, technological and regulatory requirements that are needed to develop a successful abalone ranch.

We will identify, assess and apply for leases in the most suitable locations in Southern Australia for future expansion.

### 7) Market

A product that has significant market demand.

- Target premium end of global abalone market.
- Growing economic base in developing Asian economies that aspire to consume premium seafood products. Abalone is particularly revered.
- A growing domestic market.

### (8) Management

An experienced management team capable of driving this business forward according to the objectives of the Company.

# 5 | The Science of Sea Ranching



## 5.1 | What Is Abalone Ranching?

<p><b>It's a Building a Garden –</b> Our divers then act as Gardeners:</p>	<p><b>It's Planting</b> (out-planting juveniles)</p>	<p><b>It's Pest Control</b> (octopus removal)</p>	<p><b>It's Harvesting</b></p>

Abalone ranching has advantages over land-based farms:

- ◆ Negligible power costs
- ◆ No feed costs
- ◆ Lower capital costs
- ◆ Lower operating cost
- ◆ High quality product - can be marketed as 'wild-catch'
- ◆ Higher profit margins

## Location of the Abalone Ranch

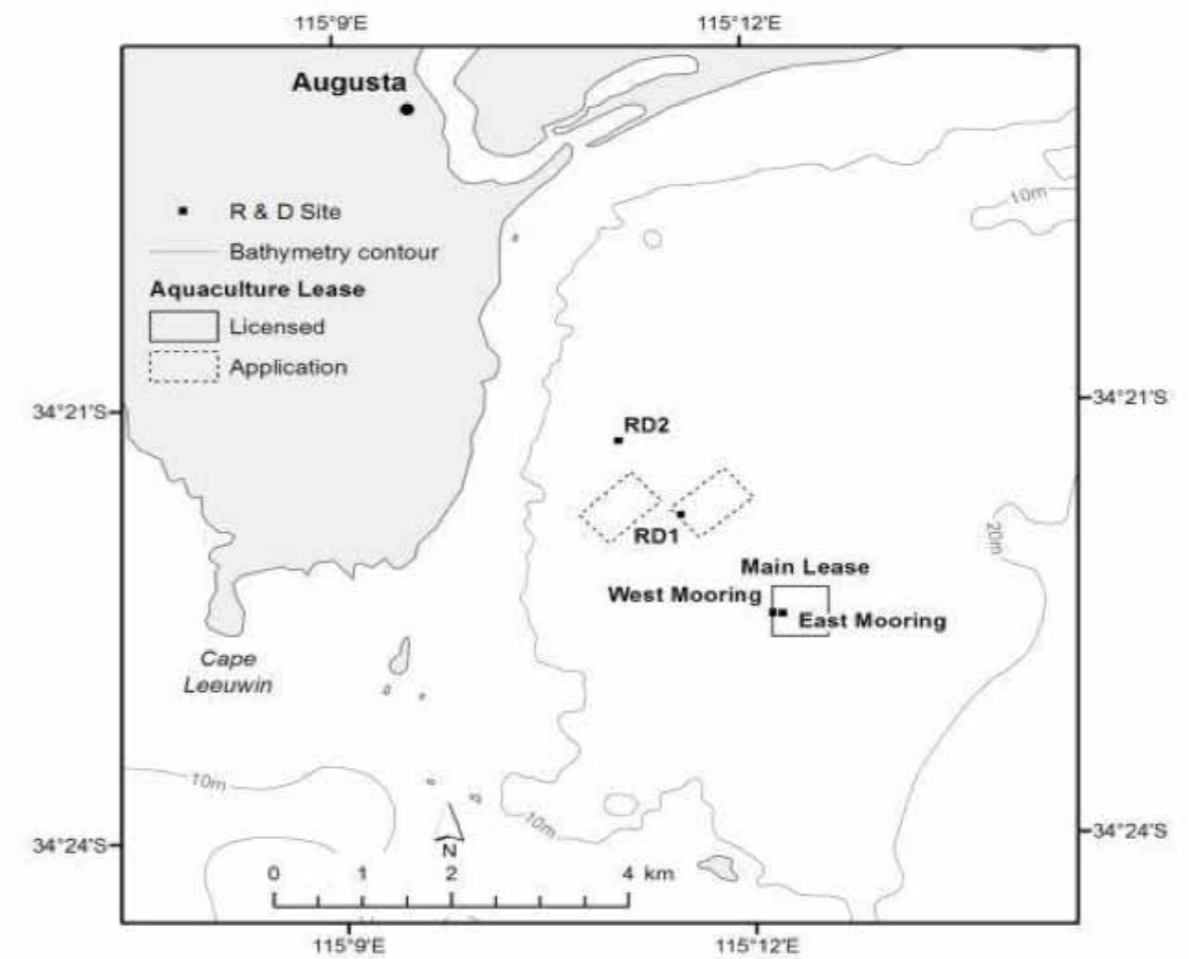
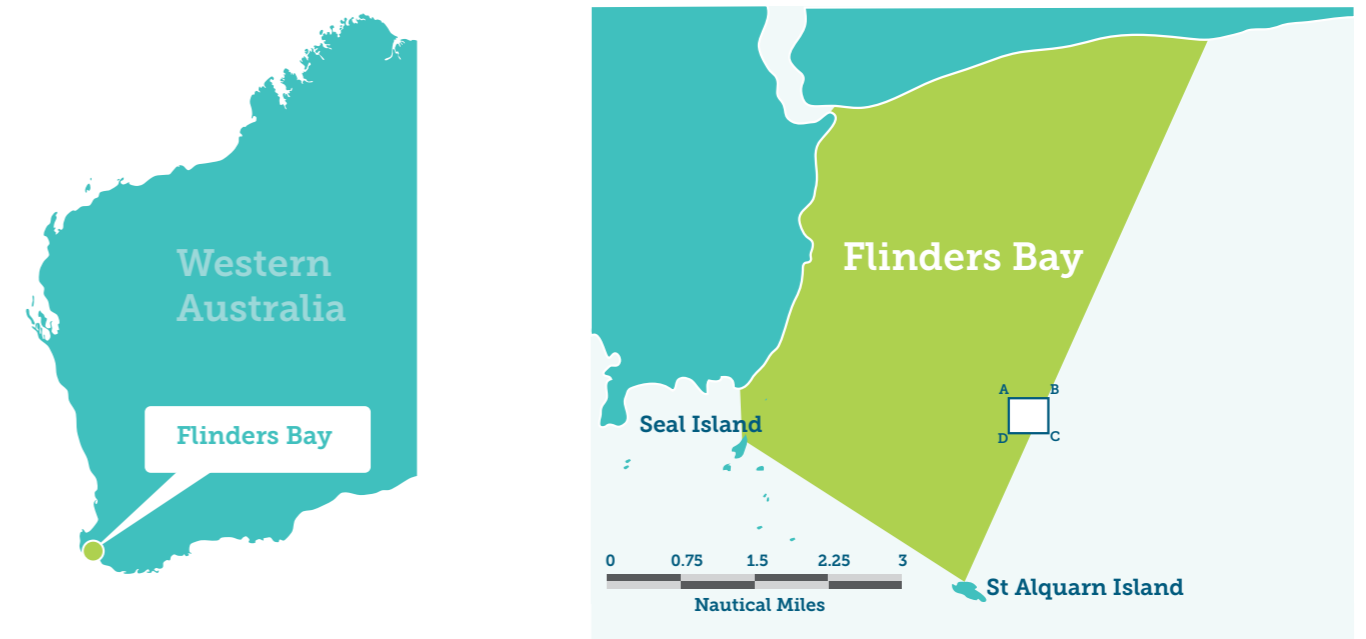


Figure 1. Map showing boundaries of the Company's abalone ranching lease in Flinders Bay, offshore from Augusta, Western Australia and two additional sites for which application has been made to the Department of Fisheries.

## Commercial R&D Trial - Verified by



January 2013 – The Company completed a 12 month commercial research and development trial on the ranching of Greenlip Abalone in Flinders Bay. The results of this trial have been verified by Curtin University.

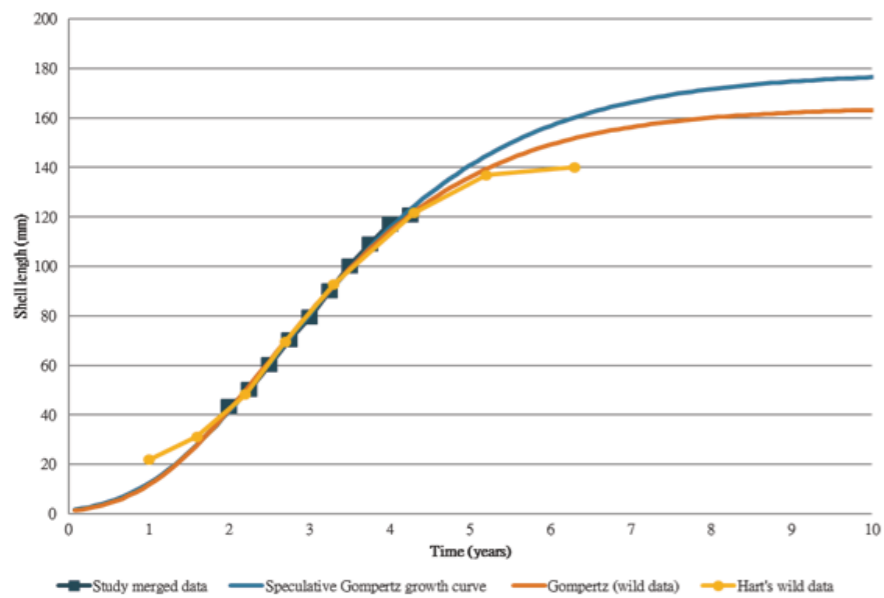
We have learnt a great deal about:

- Suitable reef design parameters;
- Juvenile placement techniques (introduction of hatchery reared juveniles to the habitat modules);
- Reef placement;
- Predators;
- Feed species, availability and seasonal patterns;
- Suitable stocking density

A general summary of the results is set out below.

### Results - Growth

YEAR 1 - 35mm/year : 40-75mm (10g – 60g)  
 YEAR 2 - 35mm/year : 75-110mm (150g)  
 YEAR 3 - 25mm/year : 110-135mm (350g)



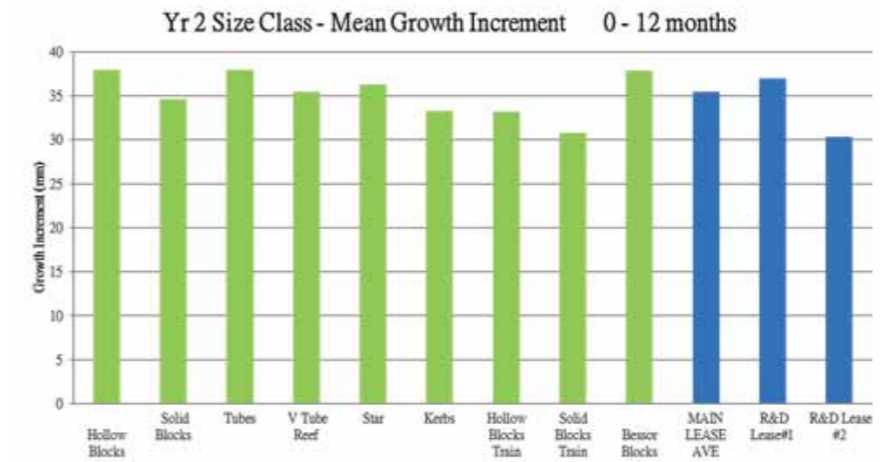
Speculative Gompertz growth curve created using growth data for the three size classes in the *H. laevigata* sea ranching trial at Flinders Bay, Western Australia merged by length:

(a) quarterly data and fitted curve and

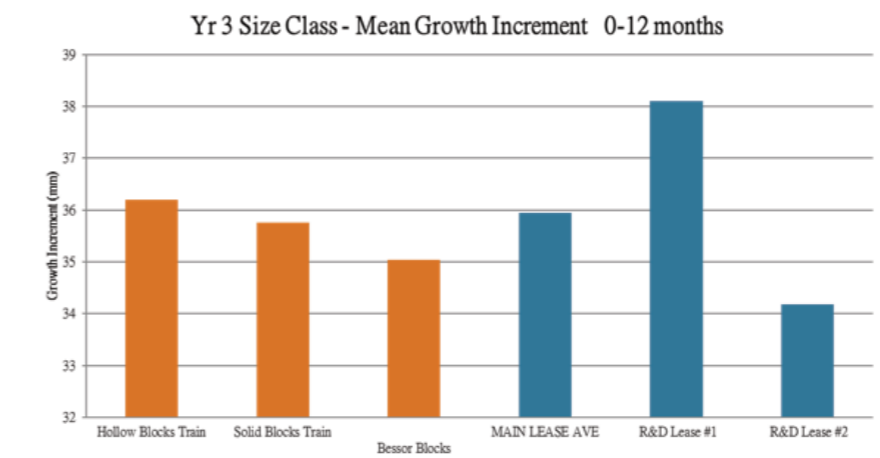
(b) compared to wild enhancement raw data Hart et al. (in press a) and fitted curves.



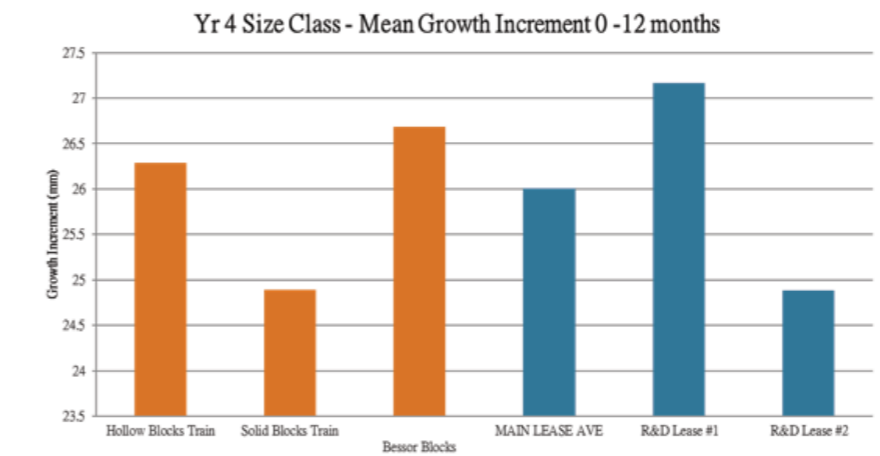
### 35mm/year growth: 40-75mm



### 35mm/year growth: 75-110mm

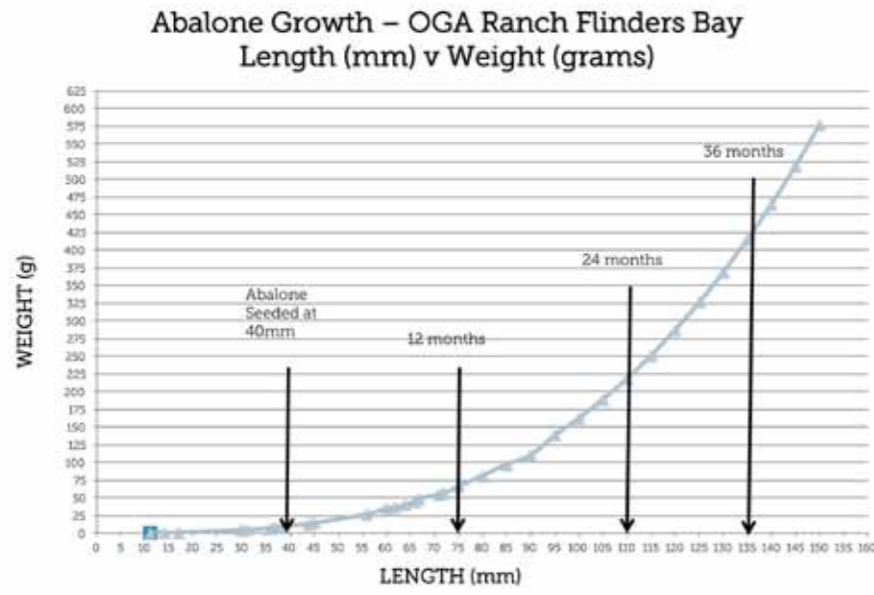


### 25mm/year growth: 110-135mm



## Graph : 3 Years Ocean Ranching To Grow An Abalone To Market.

10grams to 350grams



We would market anywhere between 125mm (300g) to 150mm (500g), sizes not seen in aquaculture anywhere.

## RESULTS – Survival

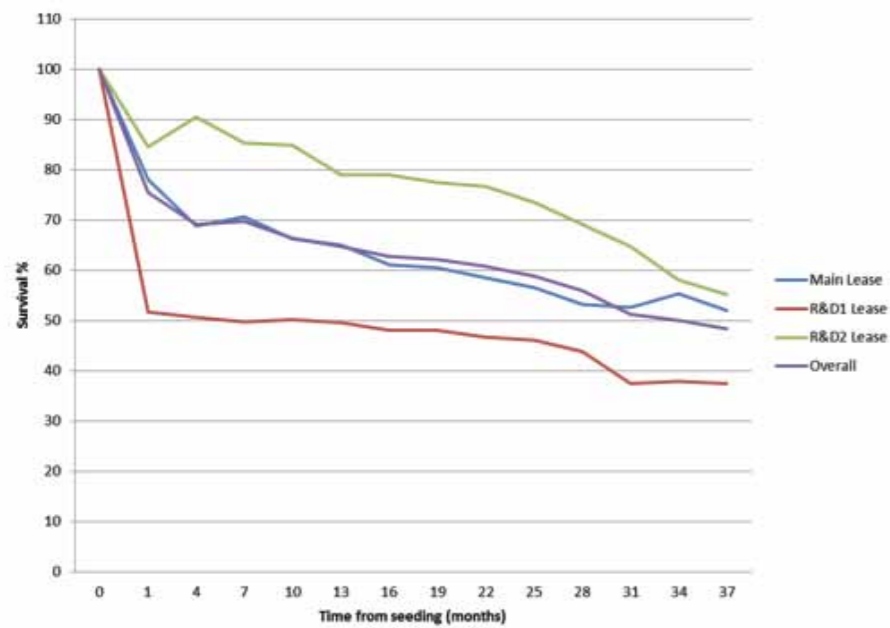
Much better than the Company expected.

- Year 1 – 20% Mortality
- Year 2 – 10% Mortality
- Year 3 – 10% Mortality
- **TOTAL = 40% Mortality over 3 year growth cycle.**

Why?

- Release modules – this is where improvements can be made to improve survival to harvest
- Predator control
- Large quantities of suitable feed available (at no cost!)

The projected survival of *H. laevigata*, overall and separately for the three R&D leases, using integrated survival data for the three year classes in the sea ranching trial at Flinders Bay, Augusta, Western Australia.



*Ocean ranching technology produces a very high quality product indistinguishable from wild catch abalone.*

### Advantages

Quality abalone products from Australia are in high demand in Asia.

Ability to harvest any size, but focus on 110-140mm which is a size not currently seen in the market due to minimum size limits in traditional fisheries and is too costly to produce in traditional land-based aquaculture systems.

Ability to meet market specifications on demand.

Ability to develop high margin niche markets.

**Low cost of production compared to traditional intensive land-based abalone aquaculture systems:**

- **No feed costs.**
- **Negligible power costs**
- **Low infrastructure costs**
- **Low cost of real estate**
- **Above advantages = higher margins**

A management team with the skills and experience to execute the growth strategy over the next several years.

A well-defined plan for the use of investment funds which is directly linked to clear and measurable targets.



## Advantages Continued

### Excellent Location:

- Augusta has a new marina being built within sight of our leases. The marina will be the new base for reef module storage and loading, live holding tanks, processing, offices, boat servicing and diver base.
- Flinders Bay is very protected from winter storms and large swell by an island chain to the west. Divers can service the ranch at least 300 days per year from their nearby base at the Augusta marina.
- Such close regular access to leases and the marina base provides security from potential theft. Technical assumptions (growth rate, survival %) used in the business forecasts are based on independently verified research.

### Business model is scalable:

The Company is identifying other suitable locations for future expansion in Southern Australia. We have budgeted to identify trial and then apply for leases in those locations that meet our very select criteria. We have a Heads of Agreement with a South Australian firm Dive Connect to assist in the development of abalone ranching in South Australia. We have a long history with the proprietor of Dive Connect, Mr Darren Tressider, who is very experienced in abalone culture and also has extensive commercial dive experience.

### Barriers to Entry:

- Technology is suited to only a very few select locations around Australia. The Company will identify those potential locations, conduct due diligence, then apply to relevant authorities for leases in those locations for future expansion.
- Long lead times to acquire and develop new leases.
- The Company has developed strategic alliances with key abalone hatcheries to secure supply of juvenile abalone. Due to the high cost and long lead times of developing land-based abalone hatcheries it is unlikely that a new hatchery would be developed by a new entrant to abalone ranching.
- Tasmanian authorities prohibit abalone ranching. Western Australia, South Australia and Victoria permit abalone ranching.

- The Company has assessed a number of reef designs and understand key requirements of successful reef design.
- The Company has developed in-house knowledge that is key to successful abalone ranching.

### Premium product with its own niche market to develop and exploit. Why?

- Land-based farms cannot compete on quality or size. The average harvest size from a land-based farm is 90-110mm. We are targeting 125-135mm.
- The wild-caught legal minimum length is 140mm.
- Develop supply chains direct to consumer.



# 7 | Directors and Management Team

## 7.1 | Directors

### a) Peter Steven Kestel, Chairman

Mr Kestel is 64 years of age and is Non-Executive Director of 888 Abalone Pty Ltd and Chairman of Ocean Grown Abalone Pty Ltd. Mr Kestel has been a successful business man with over 44 years of experience and has developed and operated a number of businesses in the tourism and agriculture sectors. Mr Kestel has also found and developed a number of gold mines and has been on the board of a number of mining companies.

### b) Bradley Darren Adams, Managing Director

44 year old Brad is a third generation fisherman who has been involved in the abalone industry all his life. Brad's father Terry founded the Western Australian commercial abalone diving industry in Augusta in the late 1960's. Brad worked as commercial abalone diver along Western Australia's rugged south coast for 12 years. He has two younger brothers who still dive the family's abalone licence. The Adams family passion is all about abalone.

Brad not only has a great deal of knowledge about how abalone live in the wild, but has extensive abalone aquaculture experience. Brad worked in Tasmania for a number of years after completing his Post Graduate degree in Aquaculture where he conducted a lot of the early research on growing abalone in the sea. He was involved in setting up one of Tasmania's first abalone farms – Tasmanian Tiger Abalone, which later became Cold Gold Abalone, a successful Tasmanian Abalone Aquaculture business. Brad has been actively involved in Abalone Aquaculture Research & Development in Western Australia since 2000.

Brad's practical abalone fishing and aquaculture background and formal science training is further complemented, adding formal business training to his skill base with the completion of an MBA in 2010. He is also the current Chairman of the Western Australian Fishing Industry Council, the peak industry body representing the interests of the Western Australian commercial fishing, pearling and aquaculture industries.

### c) Ignazio Peter Ricciardi, Non-Executive Director

57 year old Ian has been actively involved in the WA Fishing Industry since 1975. With vested interests in Shark Bay prawn trawlers, Ian was the President of Shark Bay Prawn Association for 10 years. Ian has been operating trawlers in Shark Bay, Gulf of Carpentaria and the Kimberly and more recently South West Trawl, through One Sea Pty Ltd - Rottneest Island Scallop. The Ricciardi Family also holds a 50% interest in Fremantle City Coldstores, an export accredited facility.

Ian has significant experience in WA Fisheries related processes and has built and operated AQIS and DAFF approved seafood processing facility, currently exporting as well as nationally marketing 'the catch'.

### d) Craig Cameron Kestel, Non-Executive Director

35 year old Craig has been the Managing Director of 888 Abalone Pty Ltd for 3 years. He brings knowledge of the daily running of a producing abalone aquaculture business as well as project management experience. His previous experience includes managing small business and the corporate world with BlueScope steel. Formal Qualifications include a Business Degree with a double major in Management and Marketing. Craig is also an active committee member of the Aquaculture Council of Western Australia and a board member of the Abalone Growers Association of Australia.

## 7.2 | Management Team

### a) Bradley Darren Adams – Chief Executive Officer

Refer to 7.1 b) above

### b) Joe Rapattoni – Chief Financial Officer

Joe is a Certified Practising Accountant with over 22 years' experience in public practice. He is a founding director of the accounting firm Rapattoni & Company Pty Ltd and international corporate advisory firm Sandgate Capital Partners Ltd, where he continues to provide client support across a wide range of industries including mining, fishing, research & development, construction and manufacturing. Joe's primary areas of expertise include taxation consulting, taxation compliance, corporate restructuring, financial reporting, and company secretarial requirements. Joe has hands on approach in directing the financial affairs for a number of clients acting as their external chief financial officer.

## 7.3 | Directors Holding

The Directors do not hold any shares directly in the Company.

Peter Steven Kestel and Craig Cameron Kestel, via related entities, hold 100.00% of the share capital of 888 Abalone Pty Ltd.

Bradley Darren Adams, via a related entity, holds 9.78% of the share capital of Two Oceans Abalone Pty Ltd.

Ignazio Peter Ricciardi, via related entities, holds 8.45% of the share capital of Two Oceans Abalone Pty Ltd.

## 7.4 | Remuneration of Directors

For the year ending 30 June 2014, it is proposed the Directors be remunerated as follows:

Director	Remuneration
Peter Steven Kestel	\$7,500
Bradley Darren Adams	\$135,000
Ignazio Peter Ricciardi	\$7,500
Craig Cameron Kestel	\$15,000

## 7.5 | Directors Indemnity

The Company has entered into a Deed of Indemnity, Access and Insurance with each of its directors. This Deed essentially provides for:

- a. The Company indemnifying each of its directors incurred in their capacity as a director of the Company to the maximum extent permitted by law;
- b. The directors being able to access Company Documents to the extent necessary to defend themselves in relation to proceedings against them arising out of 7(a) above, provided that appropriate confidentiality is maintained;
- c. The Company taking out an insurance policy insuring each director against liability as a director or officer of the Company.

# 8 | Corporate Governance

## a) Summary

The Board is responsible for the overall governance of the Company. This includes setting the strategic direction of the Company within the context of its objectives. In addition to their role of pursuing the objectives of the Company, the Directors monitor the business affairs of the Company on behalf of Noteholders and have adopted corporate governance policies which are designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

## b) The Board of Directors

The constitution of the Company provides that the Company must have at least three directors at all times. Each of Peter Steven Kestel, Bradley Darren Adams, Ignazio Peter Ricciardi, and Craig Cameron Kestel have a right to appoint a director for so long as they hold no less than 2.5% of the total issued capital of the Company. If the Company's activities increase in size, nature and scope, the size of the Board may be reviewed and the optimum number of Directors required to adequately supervise the Company's activities will be determined within the limitations imposed by the constitution and as circumstances demand. The membership of the Board, its activities and its composition are subject to periodic review. The criteria for determining the identification and appointment of suitable candidates for the Board include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to the Board's duties and physical ability to undertake the Board's duties and responsibilities. The Board proposes to implement an Audit, Risk Committee and an Investment Committee. The Directors consider that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of these committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

## c) Continuous Review Of Corporate Governance

The Directors consider on an ongoing basis how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as Directors of the Company. The corporate governance policies of the Company require that such information must be sufficient to enable the Directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and

economic conditions. The Directors recognise that involvement in the aquaculture sector is an inherently risky business and that operational strategies adopted should, notwithstanding this risk, be directed towards improving or maintaining the net worth of the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the development of governance practices will be given further consideration.

# 9 | Financial Accounts

Attached as Annexure A is the unaudited financial report for the year ended 30 June 2013.

# 10 | Investment Risks

The directors of the Company strongly recommend that investors examine the entire contents of this IM and consult their professional advisers before deciding whether to participate in this investment. Investors should consider the risk factors associated with an investment in the Company including but not limited to the following:

## 10.1 | Business Specific Risk

The Company is involved in the aquaculture industry. It is in its early stage of commercialisation, does not have fully developed businesses, customer bases and management and operation processes in place. Certain statements in this IM constitute forward-looking statements that are subject to risks and uncertainties which may cause the actual income and expenditure of the Company to be different from expectations both express and implied.

Other inherent risks include, but not limited to:

### (a) Disease

No significant disease events have been recorded in the commercial abalone fishery in Flinders Bay or other areas in Western Australia over the past 45 years since the abalone industry was established in this location. The juvenile abalones are placed in low densities on our reefs, comparable to densities observed on local reefs.

The abalone virus AVG was identified as the causative agent of an abalone kill in Victoria in 2006. It is suspected the viral disease was brought into the abalone hatchery in Victoria from Tasmanian broodstock as part of a National Abalone breeding program. The disease amplified in the abalone farm over a 6 month period, eventually escaping into adjacent wild abalone populations and causing mortality rates of 40-95% in the affected areas (J.Prince 2007)

Much has since been learned since this very unfortunate incident. At the time (2006) very little attention was paid to biosecurity. A report on the incident by Handlinger (2007) warned "there is a need to markedly increase biosecurity awareness across both industries (aquaculture and wild-caught) and to change the culture and embrace biosecurity". The aquaculture industry certainly stood up and took notice of this threat to their existence. Stringent biosecurity measures are now standard practice on all abalone hatcheries and farms. These are regularly independently reviewed, examined and have significant penalties for any farm found to be in breach of biosecurity procedures.

Further measures have been introduced in Western Australia with the banning of the use of any abalone products as bait. There is also a closed border policy with no intrastate or international live abalone imports allowed. Abalone hatcheries dealing with wild catch broodstock for breeding purposes have a closed quarantine system with no broodstock water being able to enter the ocean. The Bremer Bay abalone hatchery is also located in an area where there are few viable abalone populations, particularly in Dillon Bay where the 888 farm is located - so the risk of disease transmission from local abalone populations is greatly reduced. The record in WA is unblemished – there have been no disease incidents at any WA Abalone Aquaculture facility at any time in its 20 year history.

Juvenile abalones at the Bremer Bay farm destined for the Augusta Abalone ranch are constantly monitored for health. Abalone destined for stocking at the Flinders Bay sea ranch are also required by Department of Fisheries policy to be kept in a quarantine area (where all incoming water is sterilised) at the Bremer Bay farm for 2 weeks prior to release. Regular statistically relevant samples are sent to the WA Fish Health laboratories for health clearance. Batches are also sent for examination just prior to release and cannot be transported to Augusta without the required health certificate. Whilst every activity in life carries a certain level of risk, two Risk Assessments, one by Department of Fisheries and one by WAFIC (Western Australian Fishing Industry Council) has determined that the level of risk, given the risk mitigation factors in place is deemed to be at an appropriately low level.

#### **b) Theft**

There are no fences around the Flinders Bay abalone sea ranch. Recreational angling is a permitted activity that the Company does not discourage on its ocean leases. Abalone is a highly valuable product - the question of poaching is regularly asked.

Our response is firstly, the abalone are under legal minimum length and there are significant penalties for being in the unauthorised possession of undersized abalone, and these would also attract attention if they were tried to be sold on the black market.

Secondly, the abalone on the seabed ocean leases are the legal property of the Company. The penalties for theft are significant, including jail. There are also plenty of natural abalone reefs in the local area that we consider are more at risk from poaching than our leases.

Thirdly, our divers will be working the ranch whenever diving conditions permit - the opportunity to dive on the reefs and steal product will be minimised due to presence of our divers. Further, the recreational abalone season is regulated by time. Recreational Divers can only harvest abalone from October 1 to May 15. For the other 5 months the season is closed.

Finally, our proposed base at the Augusta Marina is adjacent to our leases and the Marina will contain the only boat ramp. We plan to have radar at our base with an alarm system for any vessel that enters the leases and stays there for a prolonged period outside of working hours. Suspicious vessels with dive equipment will be stopped at the ramp and searched.

Because of all the above reasons we consider the overall risk to our business from theft to be minimal.

### **10.2 | Illiquidity Of Notes Or Shares In The Company**

Since the Notes and the Company shares are not listed on any stock exchange, Investors may find it difficult to dispose their noteholding or shareholding in the Company. It is not presently intended that the Notes or the Company itself will be listed on a stock exchange.

### **10.3 | Medium To Long-Term Investment**

The nature of investing in aquaculture demands that there be a significant length of time between initial investment and realisation of gains. Early stage investments take time to reach maturity and liquidity where exits are possible. Investment in the Company is to be considered a medium to long-term investment.

### **10.4 | Risk On Return On Investment**

For investors, the return on investment will depend on the success of the sea ranch. The Company provides no assurance that the sea ranch will generate income or produce returns. Neither the affiliates of the Company nor the Directors guarantee any specific rate of return on the investments made by investors. Additionally, there is no assurance by the Company of distribution of returns to investors at any time.

### **10.5 | Additional Requirements Of The Company For Capital**

The Company's capital requirements depend on numerous factors. The Company may require further funding in addition to amounts raised under the IM. Any additional equity financing may dilute shareholdings. Debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and may adversely affect the capacity of the Company to achieve its goals.

### **10.6 | Absence Of Dividends**

The Directors make no forecasts about any profits, dividends or distributions that the Company may make. It is not anticipated that the Company will be able to pay dividends, in the foreseeable future. If the Company does derive profits it is possible that these will be reinvested to further the objectives of the Company.

### **10.7 | Limited Operating History**

The Company has a limited operating history.

### **10.8 | Economic Climate Risk**

The investor must be aware that the success of the Company is dependent to some extent on the global economic environment and therefore growth of the Company may be impacted from time to time on account of market conditions.

### **10.9 | Legislative Change**

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, as well as changes in government policy, could all impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its securities.

## 10.10 | Unforeseen Expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, this would have a negative effect on the financial position of the Company.

## 10.11 | Key Employee Risks

The Company is heavily reliant on its ability to attract new key personnel and retain existing key personnel. The Company heavily relies on existing key personnel to maintain business and client relationships. If the Company is unable to retain and motivate these key employees, it may have a detrimental impact on the Company.

## 10.12 | Exchange Rate

The revenues, earnings, assets and liabilities of the Company may be exposed adversely to exchange rate fluctuations.

## 10.13 | Legal Action Against The Company

There is a general risk that legal action may be taken against the Company. The Company has no knowledge of any circumstances that may give rise to such action or any threat of such action.

## 10.14 | Effect Of Competition

The advent of increased competition may result in lower than expected market share and impact negatively on the business of the Company.

## 10.15 | War and Terrorist Attacks

War and terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region. There could also be a resultant material adverse effect on the business, financial condition and financial performance of the Company.

# 11 | Other Material Information

## 11.1 | Main Terms Of Convertible Notes

The main terms of each of the Convertible Notes are as follows:

- a. A loan to the Company of \$5,000.00;
- b. A term having an expiry date of 30 June 2016;
- c. Eight percent (8%) interest is payable during the Term monthly in arrears;
- d. The Company may pre-pay the Note in full or in part at any time during the Term at its absolute discretion;
- e. The Investor has the right to make a written election to convert the loan to ordinary shares in the Company at the rate of \$0.80 per ordinary Share and the loan shall be redeemed upon such conversion, such election can only be made between 90 days prior and 14 days prior to the expiry date of the Note;

- f. If the written notice to convert is received in accordance with the terms of the agreement, then the shares shall be issued as soon as practicable after the expiry date; and
- g. It is a condition precedent to such conversion that all necessary approvals are obtained.

## 11.2 | Rights Attaching To Shares

The Shares issued shall be ordinary shares. A copy of the Constitution of the Company will be provided on request. A general summary of the rights attaching to the Shares issued if the Notes are converted to Shares are set out below. This summary does not purport to be an exhaustive or definitive statement of the rights and liabilities of the Company's Shareholders.

### a) Voting

At a general meeting of the Company, on a show of hands, every member present in person or by proxy, attorney or representative has one vote and upon a poll, every member present in person or by proxy, attorney or representative has one vote for every Share held by them. The Shares entitle you to be notified and be present at any general meeting of the Company.

### b) Dividends

The Shares will rank equally with all other issued shares in the Company and will participate in dividends out of profits earned by the Company from time to time. Subject to the rights of holders of shares with any preferential rights, the profits of the Company are divisible amongst the holders of Shares in proportion to the Shares held by them, irrespective of the amount paid up or credited as paid on them. The Directors may from time to time pay to Shareholders such interim dividends as in their judgment the position of the Company justifies.

### c) Winding up

Once an applicant has paid the Subscription Monies, they will have no further liability to make payments to the Company if the Company is wound up under the Corporations Act. Subject to the rights of holders of shares with any preferential rights, the capital of the Company is divisible amongst the holders of Shares in proportion to the Shares held by them.

### d) Transfer of Shares

Generally, the Shares will be freely transferable, subject to satisfying the usual requirements for the transfer of Shares under the Company's constitution. The Directors may refuse to register any transfer of Shares.

It needs to be noted that the Shares will be a relatively illiquid asset for investors as the Shares are not listed on any exchange.

As mentioned previously, the Shares will be a relatively illiquid asset for investors as the Shares are not listed on any stock exchange.

### e) Creation and Issue of Further Shares

Subject to restrictions on the allotment of shares to Directors and their associates, the Constitution and the Corporations Act, the allotment and issue of any shares is under the control of the Directors. The Directors may allot, issue and grant options on such terms and conditions as they in their absolute discretion determine.

### f) Preemptive Rights

Not Applicable.

### 11.3 | Material Contracts

The Directors consider that the contracts and documents mentioned below and summarised in this IM are material in terms of the Investment Opportunity ("Material Contracts") and, as such, may be relevant to a potential investor in the Company. Any intending investor may read the Material Contracts upon prior request to the Company. The Material Contracts are:

1. Option Agreement between Two Oceans Abalone Pty Ltd as Grantor and the Company as Grantee dated 1 July 2013.
2. Option Agreement between 888 Abalone Pty Ltd as Granter and the Company of Grantee dated 1 July 2013.
3. The Constitution of the Company; and
4. This IM.

### 11.4 | Existing Options

At the date of this IM, there are the following options on issue in the Company.

Details	No. of Options
Employees, Directors or their Nominees	1,000,000
The Shareholding of Two Oceans Abalone Pty Ltd	2,000,000
The Shareholding of 888 Abalone Pty Ltd	2,000,000
<b>Total Options Issued</b>	<b>5,000,000</b>

### 11.5 | Convertible Notes

As at the date of this IM, there are no investors in the Company holding Existing Convertible Notes.

### 11.6 | Dividend Policy

Subject to compliance with the Corporations Act and any other applicable laws, the Board has absolute discretion to declare and pay dividends. It will only do so if it considers that it is prudent and tax effective to do so.

The Directors may determine the quantum of dividends, if any, from year to year having regard to matters such as current and expected financial performance in the succeeding years, retained profit and available cash.

### 11.7 | Future Funding

#### (a) Borrowings

As determined by the Board, the Company may in certain circumstances obtain debt financing, as required.

#### (b) Future Capital Raisings

The requirements for future capital depend on market opportunity. There may be a requirement for funding in addition to the capital raised under this Investment Opportunity. In such an event, the investors need to be aware that any future capital raisings may dilute shareholding.

## 12 | Copyright Material

This IM, including the diagrams and graphs contained in it, are the copyright of the Company.

## 13 | Consents

Each of the Directors have given, and at the date of this IM have not withdrawn, their consent to the issue of this IM and have authorised Peter Steven Kestel, Bradley Darren Adams, Ignazio Peter Ricciardi, and Craig Cameron Kestel to sign it.

Rapattoni has given, and at the date of this IM has not withdrawn, its consent to be named in this IM as Accountants for the Company. Rapattoni takes no responsibility for any part of the IM other than the references to its name.

Frichot & Frichot has given, and at the date of this IM has not withdrawn, its consent to be named in this IM as Solicitors for the Company. Frichot & Frichot takes no responsibility for any part of the IM other than the references to its name.

Sandgate Capital Partners has given, and at the date of this IM has not withdrawn, its consent to be named in this IM as Financial Advisors for the Company. Sandgate Capital Partners takes no responsibility for any part of this IM other than the references to its name.

# 14 | Glossary

**\$** means Australian dollars. All amounts in this IM are in Australian dollars unless otherwise stated.

**ASIC** means Australian Securities and Investments Commission

**ASX** means Australian Securities Exchange

**Board** means the board of directors of the Company.

**Closing Date** means 29 November 2013, or such later period determined by the Board in its absolute discretion.

**Company** means Ocean Grown Abalone Pty Ltd, ACN 148 155 042.

**Corporations Act** means the Corporations Act 2001 (Cth) as amended from time to time.

**Directors** mean the directors of the Company.

**Existing Options** means all existing options to subscribe for Shares currently on issue as at the date of this IM.

**Existing Convertible Notes** means all existing convertible notes on issue as at the date of this IM.

**Financial Report** means the financial report for the year ended 30 June 2013.

**IM** means this Information Memorandum

**Investment Opportunity** means the opportunity for investors to apply for a maximum of \$8 million by issuing 1,600 Convertible Notes at \$5,000 each pursuant to this IM.

**IPO** means an Initial Public Offering of an IPO entity to the official list of the ASX Limited or any other recognised stock exchange.

**Noteholder** means a noteholder of the Company.

**Notes** means convertible notes in the Company.

**Online Application Form** means the application form, which may be downloaded from [www.oceangrownabalone.com.au/investors](http://www.oceangrownabalone.com.au/investors).

**Paper Application Form** means the paper application form, which may be obtained (free of charge) by emailing [investors@oceangrownabalone.com.au](mailto:investors@oceangrownabalone.com.au)

**Ocean Grown Abalone Pty Ltd** means the Company and/or Ocean Grown Abalone Pty Ltd.

**Shares** mean ordinary shares of the Company.

**Shareholder** means a shareholder of the Company.

**Subscription Monies** means an amount equal to the offer price per Note multiplied by the amount of Notes applied for in the Online Application Form or the Paper Application Form.

Dated this 9th day of September, 2013



Peter S Kestel  
Chairman



Bradley Darren Adams  
Managing Director



Ignazio P Ricciardi  
Director



Craig C Kestel  
Director

**A signature is not required**

**Guide to the Application Form**

This Application Form relates to the offer of Notes in the Company pursuant to the IM. The expiry date of the application for Notes is 29 November 2013 or any other date as decided by the Company in its absolute discretion. The IM contains information about investing in the Notes and it is advisable to read the IM before applying for Notes. You must not give any other person access to this Application Form.

Please complete the all relevant sections of the Application Form using BLOCK LETTERS. Note the directions below.

- A Insert the number of Notes you wish to apply for. The Application must be for a minimum of 1 Note to a maximum of 1600 Notes.
- B Provide the relevant Application Monies. To calculate your Application Monies, multiply the number of Notes applied for by \$5,000.00.
- C Write the full name you wish to appear on the Note. This must be either your own name, joint names, or the name of a Company as well as details of any trust. Applicants using the wrong form of title may be rejected.
- D Please enter your postal address and email address for all correspondence. All communications to you from the Company will be mailed or emailed to the person(s) shown. For Joint Applicants, only one address or email address can be entered.
- E Please enter your telephone number(s) in case we need to contact you in relation to your Application.
- F Make your cheque payable to "Ocean Grown Abalone Offer Account" in Australian currency and cross it "Not Negotiable" Your cheque must be drawn on an Australian Bank, and the amount should agree with the amount shown in section B.

Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

Alternatively, make an EFT payment to the bank account of the Company as referred to below.

- G Before completing the Application Form the Applicant(s) should read the IM. By lodging the Application Form, the Applicant(s) agrees that this Application is for Notes issued by the Company upon and subject to the terms of the IM and the relevant Converting Note Agreement, and agrees to take any number of Notes equal to or less than the number of Notes indicated in Section A that may be allotted to the Applicant(s) pursuant to the IM and declares that all details and statements made are complete and accurate.

**Lodgement of Applications:** Return your completed Application Form with cheque(s) attached or EFT payment information slip:

**By post to:**

Ocean Grown Abalone Offer  
C/- Rapattoni Certified Practising Accountants  
PO Box 670  
VICTORIA PARK WA 6979  
AUSTRALIA

**Or by email to:**

invest@oceangrownabalone.com.au

**Electronic Funds Transfer Details**

**Account Name:** Ocean Grown Abalone Offer Account

**Bank:** Commonwealth Bank

**BSB:** 066-102

**Account No:** 10191966

**Payment** Please supply Surname or Company

**Reference:** Name of application

Application Forms must be received no later than 5pm on 30 August 2013, which date or time may be changed at any time at the discretion of the Company.

**Correct form of Registrable Title**

Note that only legal entities are allowed to hold the Notes. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname are required for each natural person.

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Financial Statements**  
**For the Year ended 30 June 2013**

**Ocean Grown Abalone Pty Ltd**

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**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Balance Sheet**  
**As at 30 June 2013**

	Note	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	2	11,542	10,449
Trade & Other Receivables	3	34,015	10,420
Current Tax Assets	4	0	75,966
<b>Total Current Assets</b>		<u>45,557</u>	<u>96,835</u>
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	6	69,753	81,450
Intangible Assets	7	59,384	55,879
Other	5	31,866	3,400
<b>Total Non-Current Assets</b>		<u>161,003</u>	<u>140,729</u>
<b>Total Assets</b>		<u>206,560</u>	<u>237,564</u>
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables	8	63,811	88,840
<b>Total Current Liabilities</b>		<u>63,811</u>	<u>88,840</u>
<b>Total Liabilities</b>		<u>63,811</u>	<u>88,840</u>
<b>NET ASSETS</b>		<u>142,749</u>	<u>148,724</u>
<b>EQUITY</b>			
Issued Capital	9	778,168	620,168
Accumulated Losses	10	(635,419)	(471,444)
<b>TOTAL EQUITY</b>		<u>142,749</u>	<u>148,724</u>

*The accompanying notes form part of these financial statements.  
These financial statements should be read in conjunction with the attached .*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Statement of Changes in Equity**  
**For the Year ended 30 June 2013**

	2013 \$	2012 \$
<b>Opening Balance</b>	148,724	112,017
<b>Retained Earnings</b>		
Profit Attributable to Shareholders	(163,955)	(258,292)
	<u>(163,955)</u>	<u>(258,292)</u>
<b>Issued Capital</b>		
Shares Issued	158,000	295,000
<b>Closing Balance</b>	<u>142,769</u>	<u>148,725</u>
<b>Reconciliation of Retained Earnings</b>		
Opening Balance	(471,444)	(213,151)
Profit Attributable to Shareholders	(163,955)	(258,292)
<b>Closing Balance</b>	<u>(635,399)</u>	<u>(471,443)</u>
<b>Reconciliation of Issued Capital</b>		
<b>\$0.00005 Ordinary Class Shares</b>		
Opening Balance	590,168	325,168
Issued \$0.00005 Ordinary Class Shares	88,000	265,000
<b>Closing Balance</b>	<u>678,168</u>	<u>590,168</u>
<b>\$1.00 Ordinary Class Shares</b>		
Opening Balance	30,000	0
Issued \$1.00 Ordinary Class Shares	70,000	30,000
<b>Closing Balance</b>	<u>100,000</u>	<u>30,000</u>
<b>Summary</b>		
Opening Balance	620,168	325,168
Movement	158,000	295,000
<b>Closing Balance</b>	<u>778,168</u>	<u>620,168</u>
<b>Total Equity</b>	<u>142,769</u>	<u>148,725</u>

*The accompanying notes form part of these financial statements.  
These financial statements should be read in conjunction with the attached .*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Trading Statement**  
**For the Year ended 30 June 2013**

	2013	2012
	\$	\$
<b>Income</b>		
Sales	21,547	0
R&D Incentives	120,913	75,966
Fisheries Research Incentives	35,000	0
	<u>177,460</u>	<u>75,966</u>
<b>Less Direct Expenses</b>		
Abalone	8,679	36,452
Boat	4,406	1,063
Consultants' Fees	45,957	5,878
Contract Labour	1,040	150
Depreciation	14,843	18,150
Divers	19,755	29,849
Electricity	424	0
Freight & Cartage	0	383
Insurance	8,550	6,538
Internet Access Fees	264	82
Licences & Permits	3,437	450
Materials & Supplies	3,512	21,967
Membership Fees	536	400
Motor Vehicle	12,740	16,470
Parking	30	58
Postage	248	112
Printing & Stationery	1,997	264
Rent & Outgoings	16,282	15,325
Repairs & Maintenance	318	2,754
Salaries & Wages	120,000	120,000
Superannuation	10,800	10,800
Telephone	1,621	1,917
Travel & Accommodation	1,630	1,275
	<u>277,069</u>	<u>290,337</u>
<b>Gross Loss</b>	<u>(99,609)</u>	<u>(214,371)</u>

*The accompanying notes form part of these financial statements.  
These financial statements should be read in conjunction with the attached .*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Detailed Profit & Loss Statement**  
**For the Year ended 30 June 2013**

	2013	2012
	\$	\$
<b>Income</b>		
Interest Received	1,811	329
Gross Loss from Trading	(99,609)	(214,371)
	<u>(97,798)</u>	<u>(214,042)</u>
<b>Expenditure</b>		
Accounting Fees	18,923	12,605
Amortisation	5,679	0
Bank Charges	415	247
Computer Software Maintenance Fees	0	120
Consultants' Fees	0	16
Directors' Consulting Fees	26,400	24,000
Donations	2,100	0
Entertainment	983	337
Filing Fees	230	296
Interest Paid	337	9
Legal Costs	5,127	4,797
Merchant Fees	966	110
Travel & Accommodation	4,602	1,713
Website Management	395	0
	<u>66,157</u>	<u>44,250</u>
<b>Loss before Income Tax</b>	<u>(163,955)</u>	<u>(258,292)</u>

*The accompanying notes form part of these financial statements.  
These financial statements should be read in conjunction with the attached .*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Income Statement**  
**For the Year ended 30 June 2013**

	Note	2013 \$	2012 \$
Revenue		179,271	76,295
Expenses excluding Finance Costs		337,210	334,578
Finance Costs		337	9
<b>Loss before Income Tax</b>		<u>(158,276)</u>	<u>(258,292)</u>
<b>Loss Attributable to Members of the Company</b>		<u>(158,276)</u>	<u>(258,292)</u>

*The accompanying notes form part of these financial statements.  
These financial statements should be read in conjunction with the attached .*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Notes to the Financial Statements**  
**For the Year ended 30 June 2013**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs unless stated otherwise in the notes. The accounting policies that have been adopted in the preparation of the statements are as follows:

**(a) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(b) Property, Plant and Equipment**

All property, plant and equipment excluding freehold land and buildings, are initially measured at cost and are depreciated over their useful lives to the company.

The depreciation method and useful life used for items of property, plant and equipment (excluding freehold land) reflects the pattern in which their future economic benefits are expected to be consumed by the company. Depreciation commences from the time the asset is available for its intended use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

**(c) Intangibles**

**Goodwill**

Goodwill is initially measured at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired at date of acquisition.

Goodwill is subsequently measured at cost less any impairment losses.

Goodwill is subject to impairment testing when the directors consider that there is objective evidence the business has been impaired. Impairment losses are calculated based on the directors' assessment of the business's recoverable amount. Recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flow

*These notes should be read in conjunction with the attached Compilation Report.*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Notes to the Financial Statements**  
**For the Year ended 30 June 2013**

have not been discounted in determining recoverable amount.

Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

**Research and Development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

**(d) Trade and Other Receivables**

Trade receivables are recognised initially at the transaction price (i.e. cost) and are subsequently measured at cost less provision for impairment. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

At the end of each reporting period, the carrying amount of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in income statement.

**(e) Revenue and Other Income**

Revenue is measured at the value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

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

**(f) Trade and Other Payables**

Trade and other payables represent the liabilities at the end of the reporting period for goods and services received by the company that remain unpaid.

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms.

**(g) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

*These notes should be read in conjunction with the attached Compilation Report.*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Notes to the Financial Statements**  
**For the Year ended 30 June 2013**

	2013	2012
	\$	\$
<b>2. CASH &amp; CASH EQUIVALENTS</b>		
CBA Business Transaction Account	72	308
CBA Online Saver Account	435	113
CBA Business Transaction Account	475	28
CBA Term Deposit	10,560	10,000
	<u>11,542</u>	<u>10,449</u>
<b>3. TRADE &amp; OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade Debtors	21,547	0
Provision for GST	12,468	10,420
	<u>34,015</u>	<u>10,420</u>
<b>4. TAX ASSETS &amp; LIABILITIES</b>		
<b>Current Assets</b>		
Current Tax Liability	0	75,966
	<u>0</u>	<u>75,966</u>
<b>5. OTHER ASSETS</b>		
<b>Non-Current</b>		
Augusta Marina Harbour Development	9,150	3,400
Corporate Branding	22,716	0
	<u>31,866</u>	<u>3,400</u>
<b>6. PROPERTY, PLANT &amp; EQUIPMENT</b>		
<b>Plant &amp; Equipment</b>		
Plant & Equipment	68,106	67,054
Less Accumulated Depreciation & Impairment	24,039	15,742
	<u>44,067</u>	<u>51,312</u>
Motor Vehicles	35,612	35,612
Less Accumulated Depreciation & Impairment	9,926	5,474
	<u>25,686</u>	<u>30,138</u>
Office Equipment & Furniture	2,094	0
Less Accumulated Depreciation & Impairment	2,094	0
	<u>69,753</u>	<u>81,450</u>

*These notes should be read in conjunction with the attached Compilation Report.*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Notes to the Financial Statements**  
**For the Year ended 30 June 2013**

	2013	2012
	\$	\$
<b>7. INTANGIBLE ASSETS</b>		
<b>Non-Current</b>		
Artificial Reef Technology	34,062	31,061
Ocean Lease DL00028, South Australia	22,659	22,155
Ocean Lease AL00304, South Australia	<u>2,663</u>	<u>2,663</u>
	<u>2,663</u>	<u>2,663</u>
<b>8. TRADE &amp; OTHER PAYABLES</b>		
<b>Current</b>		
Sundry Creditors	4,455	0
Trade Creditors	56,505	85,974
PAYG Withholding Payable	<u>2,851</u>	<u>2,866</u>
	<u>63,811</u>	<u>88,840</u>
<b>9. CONTRIBUTED EQUITY</b>		
<b>Issued Capital</b>		
\$0.00005 Ordinary Class Shares	678,168	590,168
\$1.00 Ordinary Class Shares	<u>100,000</u>	<u>30,000</u>
	<u>778,168</u>	<u>620,168</u>
<b>10. RETAINED EARNINGS</b>		
Accumulated Losses at the Beginning of the Financial Year	(471,444)	(213,151)
<b>Less</b>		
Net Loss attributable to Members of the Company	163,955	258,292
Retrospective Adjustments	20	1
Accumulated Loss at the End of the Financial Year	<u>(635,419)</u>	<u>(471,444)</u>

*These notes should be read in conjunction with the attached Compilation Report.*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Depreciation Schedule**  
**For the Year ended 30 June 2013**

Asset	Cost Price	Cost Limit	Opening W.D.V 01/07/2012	Additions Disposals	Gain/Loss on Disposal	Capital Gains	--- Depreciation --- Rate	\$	Accum Deprec 30/06/2013	Closing W.D.V 30/06/2013
<b>PLANT &amp; EQUIPMENT</b>										
Dassen Centre Console Aluminium Boat	20,938		15,808				10.0% PC	2,094	7,224	13,714
Compressor	1,129		865				10.0% PC	113	377	752
Aluminium Barge	39,200		31,660				10.0% PC	3,920	11,460	27,740
Marine VHF Radio White	322		163				37.5% DV	61	220	102
Sealife DC1200 Elite Kit	863		438				37.5% DV	164	589	274
Freedom 7 Shark Shield	600		304				37.5% DV	114	410	190
Extreme Sharkskin Suit	300		152				37.5% DV	57	205	95
Barfel Hose Divers Yellow 10mm	750		381				37.5% DV	143	512	238
Uwatec Digital 330m Wrist Watch	299		152				37.5% DV	57	204	95
Probe Professional 9mm Wetsuit	568		288				37.5% DV	108	388	180
Motor	498		252				37.5% DV	95	341	157
Freedom 7 Shark Shield	573		291				37.5% DV	109	391	182
Aqualung Calypso Oxy	565		287				37.5% DV	108	386	179
Aqualung Calypso	306		155				37.5% DV	58	209	97
Suunto SK-7 Compass with Wrist Boot	123		100				37.5% DV	38	61	62
Aluminium Boat	20		16				37.5% DV	6	10	10
Honda Motor				584			Write-Off	584	584	0
HD3 Black Adventure Camera				468			Write-Off	468	468	0
Total Plant & Equipment	<u>67,054</u>		<u>51,312</u>	<u>1,052</u>				<u>8,297</u>	<u>24,039</u>	<u>44,067</u>

*Note: This Statement is to be read in conjunction with the accompanying Notes and the Accountant's Disclaimer*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Depreciation Schedule**  
**For the Year ended 30 June 2013**

Asset	Cost Price	Cost Limit	Opening W.D.V 01/07/2012	Additions Disposals	Gain/Loss on Disposal	Capital Gains	---- Depreciation ---- Rate	Accum Deprec \$	30/06/2013	Closing W.D.V 30/06/2013
<b>MOTOR VEHICLES</b>										
2009 Toyota Hilux	35,612		30,138				12.5% PC	4,452	9,926	25,686
Total Motor Vehicles	35,612		30,138					4,452	9,926	25,686

*Note: This Statement is to be read in conjunction with the accompanying Notes and the Accountant's Disclaimer*

**Ocean Grown Abalone Pty Ltd**  
**ABN 52 148 155 042**  
**Depreciation Schedule**  
**For the Year ended 30 June 2013**

Asset	Cost Price	Cost Limit	Opening W.D.V 01/07/2012	Additions Disposals	Gain/Loss on Disposal	Capital Gains	---- Depreciation ---- Rate	Accum Deprec \$	30/06/2013	Closing W.D.V 30/06/2013
<b>OFFICE EQUIPMENT &amp; FURNITURE</b>										
Apple MacBook Pro				1,477			Write-Off	1,477	1,477	0
Apple iPhone 4				617			Write-Off	617	617	0
Total Office Equipment & Furniture				2,094				2,094	2,094	0

*Note: This Statement is to be read in conjunction with the accompanying Notes and the Accountant's Disclaimer*

**Ocean Grown Abalone Pty Ltd**  
ABN 52 148 155 042  
**Annual Resolution of the Directors**  
**for the Year Ended 30 June 2013**

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The directors of the company declare that:

**Financial**

To confirm that the company is a non-reporting entity and to the best of the knowledge and belief of the directors would remain so in the current financial year.


**Solvency**


That in their opinion the company could pay its debts as and when they fall due.


**Directors Declaration**

That the Declaration by the Directors in respect of the year ended 30 June 2013 be approved and be signed by the Directors.

We hereby agree with the above resolutions.

Peter S Kestel: 

Bradley D Adams: 

Ignazio P Ricciardi: 

Craig C Kestel: 

Dated this day of September, 2013

**Ocean Grown Abalone Pty Ltd**  
ABN 52 148 155 042  
**Compilation Report To Ocean Grown Abalone Pty Ltd**

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We have compiled the accompanying special purpose financial statements of Ocean Grown Abalone Pty Ltd, which comprise the balance sheet as at 30 June 2013, the income statement for the year then ended, a summary of significant accounting policies and other explanatory notes. The specific purpose for which the special purpose financial statements have been prepared is set out in Note 1 to the financial statements.

The Responsibility of the Directors

The directors are solely responsible for the information contained in the special purpose financial statements and have determined that the significant accounting policies adopted as set out in Note 1 to the financial statements are appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by the directors, we have compiled the accompanying special purpose financial statements in accordance with the significant accounting policies adopted as set out in Note 1 to the financial statements and APES 315: Compilation of Financial Information.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the directors provided, in compiling the financial statements. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

The special purpose financial statements were compiled exclusively for the benefit of the directors. We do not accept responsibility to any other person for the contents of the special purpose financial statements.

**Rapattoni**

Certified Practising Accountants  
Suite 6, 20 Twickenham Road, Burswood WA 6100

Joseph M Rapattoni  
9 September 2013





Information Memorandum

# Ranching of Greenlip Abalone

FLINDERS BAY – WESTERN AUSTRALIA



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Abalone

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