

ASX & Media Release

31 July 2017

CLEAN SEAS RAISES H2 FY17 NPAT GUIDANCE TO CIRCA \$5.0M, WINS BEST FISH AT AUSTRALIAN FOOD AWARDS FOR SECOND YEAR RUNNING

Highlights:

- **Raising guidance for Net Profit after Tax (NPAT) in H2 FY17 to circa \$5.0 million, up from previous guidance of \$3.5 to \$4.5 million and \$1.8 million in H2 FY16. This will see Clean Seas return to profit in FY17.**
- **Strong cash receipts from customers of \$36.1 million in FY17, growing 35% compared to FY16**
- **Net cashflow from operations, excluding R&D Tax Incentive Refund, improved by \$5.1 million in FY17 compared to FY16**
- **Spencer Gulf Hiramasa Kingfish voted “Best Fish” at the 2017 Australian Food Awards, for the second year running**
- **FY17 net fish growth of 2,459 tonnes and 30 June 2017 biomass of 2,699 tonnes, with excellent health and survival**
- **New in-house processing facility has commenced operations, providing cost reduction, end-to-end quality control and capacity to innovate in-house value-added products**
- **New marketing campaign with improved branding and renewed focus on Spencer Gulf provenance and culinary excellence set to drive FY18 growth in sales and profit**
- **Closing cash balance of \$0.5 million, with \$8.5 million of cash and available finance facilities**

Clean Seas Seafood Limited (ASX: CSS, “**Clean Seas**” or “**the Company**”), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, is pleased to present its Q4 FY17 Cash Flow Report and provide a further market update.

Clean Seas advises, based on unaudited accounts, that H2 FY17 NPAT is expected to be circa \$5.0 million resulting in a return to profit in FY17. This improvement follows finalisation of biomass levels and valuation. The audit is in progress and the Company will provide full details of the audited FY17 results in late August 2017.

The June quarter Cash Flow Report highlights the strong improvement in receipts from customers and net operating cash flow in FY17.

Receipts from customers increased by \$9.5 million (+35%). Net operating cash flow, excluding R&D Tax Incentive Refund, improved by \$5.1 million (+60%) compared to FY16. The Q4 FY17 net operating cash

flow deficit of \$1.4 million was below guidance due to timing of some export receipts, feed payments and general costs.

Clean Seas Managing Director and CEO, David Head, said:

“FY18 is shaping up as a strong year for Clean Seas as we continue to execute the strategy outlined to shareholders at the 2016 AGM. We are continuing to experience healthy demand for our Spencer Gulf Hiramasa Kingfish across our target export and domestic markets.

“We look forward to further expanding our global sales as we leverage our premium brand positioning through our new marketing campaign and continue to widen our advantage in quality and cost of production.”

Pleasing sales growth in Australia and Europe in FY17 resulted in a 29% increase in annual sales volumes on a normalised basis, which excludes the impact of one-off clearance sales in FY16.

While sales to Asia declined in FY17 due to Clean Seas’ discontinuation of its planned distribution arrangement with Beston Global Food Company Limited (ASX: BFC), the Company is exploring new distribution opportunities in the region.

Clean Seas was proud to be recognised recently at the 2017 Australian Food Awards, with Spencer Gulf Hiramasa Kingfish voted “Best Fish” for the second consecutive year.

Fish growth exceeded expectations in Q4, following on from similar conditions in Q3. This has seen the Company recover approximately 70% of the growth shortfall experienced in H1 FY17 due to cooler than average seawater temperatures. Clean Seas’ Yellowtail Kingfish maintained excellent health and survival rates, exceeding the Company’s fish performance measures.

Clean Seas has recently launched a new marketing campaign with improved branding and renewed focus on the Company’s Spencer Gulf provenance and culinary excellence. The Company will support this campaign with a sales activation program in Australia and Europe in H1 FY18, followed by the US.

Clean Seas’ processing facility in Royal Park, Adelaide is progressing well with phased in domestic market production commencing last week and some export markets expected to commence in Q1 FY18.

The Board notes that the inherent operational risks in aquaculture may impact future results.

Terry O’Brien
Chairman

David J Head
Managing Director and CEO

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

Clean Seas Seafood Limited

ABN

61 094 380 435

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,543	36,130
1.2 Payments for		
(a) research and development	(286)	(726)
(b) product manufacturing and operating costs	(4,602)	(16,275)
(c) advertising and marketing	(62)	(554)
(d) leased assets	-	-
(e) staff costs	(1,904)	(6,464)
(f) administration and corporate costs	(593)	(2,102)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	14
1.5 Interest and other costs of finance paid	(4)	(83)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other - Feed	(3,476)	(13,333)
1.9 Net cash from / (used in) operating activities	(1,380)	(3,393)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,017)	(2,453)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(1,017)	(2,453)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	8,970
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(709)
3.5 Proceeds from borrowings	750	1,648
3.6 Repayment of borrowings	(142)	(4,137)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	608	5,772

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,313	598
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,380)	(3,393)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,017)	(2,453)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	608	5,772

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	524	524

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	524	2,313
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	524	2,313

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

155

-

Directors Fees \$95k, rental payments \$15k, consulting \$13k, contract services, feed and equipment hire \$32k

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities – CBA Trade Finance Facility	7,000	Nil
8.2 Credit standby arrangements	-	-
8.3 Other – CBA Lease Facility	2,000	981
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Commonwealth Bank \$7m Secured Trade Finance Facility was undrawn as at the end of the quarter.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	200
9.2 Product manufacturing and operating costs	4,400
9.3 Advertising and marketing	300
9.4 Leased assets	-
9.5 Staff costs	2,000
9.6 Administration and corporate costs	600
9.7 Other - Feed	3,000
9.8 Total estimated operating cash outflows	10,500

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

Compliance statement

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

Sign here:



Date: 31/7/2017

Print name: Wayne Materne – Company Secretary

Notes

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