

ASX & Media Release

26 April 2018

Clean Seas Continues Growth in Sales and Launches “SensoryFresh” Products

Highlights:

- **Strong growth in Yellowtail Kingfish sales revenue with \$30.9 million in YTD Q3 FY18, up 23% from YTD Q3 FY17**
- **YTD Q3 FY18 sales volume of 1,940 tonnes, up 19% from YTD Q3 FY17**
- **YTD Q3 FY18 live fish net growth of 2,430 tonnes, up 29% from YTD Q3 FY17**
- **Cash balance of \$9.6 million as at 31 March 2018, with access to undrawn trade finance and lease facilities of \$15 million. Q3 cash receipts from customers up 22% year-on-year**
- **“SensoryFresh” products are being launched in April 2018, with exceptional quality being achieved with the new Liquid Nitrogen rapid freezing process**

Clean Seas Seafood Limited (ASX: CSS), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, is pleased to present its Q3 FY18 cash flow report and provide an update on business progress.

Continued Sales Growth – With Continued Improvements in Farm Gate Pricing

Sales revenue increased 23% to \$30.9m in YTD Q3 FY18 compared to YTD Q3 FY17.

Sales volume increased 19% to 1,940 tonnes over this same period.

The Company achieved continued sales growth at higher farm gate prices than in YTD Q3 FY17, with the YTD large fresh farm gate increasing 10% / \$1.29 to \$13.90 per kg. The large fresh category represented 67% of Clean Seas’ volume and 74% of revenue in YTD Q3 FY18.

Total fresh product sales volumes increased 5% to 1,497 tonnes. Premium frozen product sales (excluding clearance stock) increased 52% year-on-year at 38% higher farm gate prices.

The Company’s farm gate price is its selling price less processing costs, freight and handling, sales commissions and packaging materials and is reported on a whole weight equivalent (WWE) basis. The improvement in farm gate prices in YTD Q3 FY18 was primarily driven by higher domestic and international selling prices.

The Company’s Sales Activation Program is gaining momentum. To support Clean Seas’ global distribution network, the Company is meeting “one on one” with over 1,600 leading chefs across Europe, USA and Australia over an initial 16 week period. Results from the first 523 restaurants are very encouraging, with 39% of chefs visited who are not currently using our Spencer Gulf Hiramasa Kingfish indicating they intend to start buying our premium product.

Fish Health Remains Excellent with Growth Up 29% and Biomass up 20%

Net growth of 2,430 tonnes in YTD Q3 FY18 is 29% higher than in YTD Q3 FY17. Total biomass at 31 March 2018 of 3,327 tonnes is 20% higher than 12 months earlier. Fish health remains excellent.

This biomass growth positions the Company well for further sales growth in FY19 and beyond as Clean Seas continues expansion of Spencer Gulf Hiramasa Kingfish in global markets.

Clean Seas launches “SensoryFresh” Products

Clean Seas’ new in-house processing facility has commenced production of frozen products using its Liquid Nitrogen rapid freezing technology. Product quality has been outstanding and new “SensoryFresh” products are being launched in our international markets this month.

Key information about this exciting new product category is included in the attached extract from a Company presentation given by Clean Seas’ Managing Director & CEO David Head at the “SensoryFresh” launch at the Australian Embassy in Brussels this week, in association with the Seafood Expo Global.

The Company has also produced a new brief video highlighting the compelling value proposition of “SensoryFresh” for high-end chefs and diners, which investors can view at <http://www.cleanseas.com.au/what-we-do/sensoryfresh/>.

Return to Farming at Fitzgerald Bay

The Company is progressing plans to return to farming at its existing Fitzgerald Bay leases, at the top of the Spencer Gulf near Whyalla in South Australia, commencing with the 2019 year class fish in H1 FY19. This will facilitate further expansion of the Company’s Spencer Gulf Hiramasa Kingfish production as well as further improved sustainability practices including fallowing of farm sites and geographic risk diversification.

As announced earlier this month, the Federal Government has awarded Clean Seas a \$2.5 million grant under the Regional Jobs and Investment Packages grant scheme. This demonstrates support for expansion of the Company’s grow out operations in the Spencer Gulf to Fitzgerald Bay, and upgrade of the Company’s support facilities at Point Lowly.

Q3 FY18 Cash Flow Report Highlights Planned Investment in Future Growth and Seasonal Feed Purchases

The Q3 FY18 cash flow report highlights the Company’s planned investment in increased biomass to facilitate sales growth in FY19 and beyond, which due to being inventory is included in Net Cash Used in Operating Activities. The report also reflects the Q3 seasonal peak in feed purchases and payments. Receipts from customers in Q3 FY18 were 22% above Q3 FY17.

Feed Litigation Process Progressing

The Company is progressing through the discovery and expert report stages of its litigation against Gibson’s Limited, trading as Skretting Australia, in relation to what it alleges was taurine deficient feed supplied from December 2008 to July 2012. Gibson’s Limited is defending the proceedings and has denied all liability to the Group. The Company expects the interlocutory stage to be completed in H2 FY18. A trial date is yet to be set.

Outlook

The Company reaffirms its previous FY18 guidance of:

- sales volume increasing to 2,650 to 2,850 tonnes (+16% to +25%)
- sales revenue increasing to \$43m to \$47m (+21% to +33%)
- profit significantly higher than FY17 based on increasing sales and higher farm gate prices

At this stage, it is expected that FY18 sales volume and revenue will be at the lower end of the guidance ranges. This reflects a degree of increased competition in Australia at the price-driven end of the market. Clean Seas has maintained its position and pricing with its recognised premium quality product and is seeing continued sales growth in international markets. The main impacts of the Sales Activation Program and introduction of “SensoryFresh” products will occur in FY19 and beyond.

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

Terry O'Brien
Chairman

David Head
Managing Director and CEO

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A game changer in frozen Yellow Tail Kingfish



CLEANSEAS

Introducing *SensoryFresh*

Freezing high value, premium quality seafood is all about speed.

The ice formation stage must be fast for optimum texture.

Clean Seas Rapid Freezing does this in **around 22 minutes** , **10 times faster** than conventional freezing

And to capture the colour, aroma and flavour -35C must be reached quickly. Conventional freezing won't do this.

Our Rapid Freezing achieves **surface temperature -95C** and **core temperature -50C**

We call it "**SensoryFresh**"



Liquid Nitrogen Rapid Freezing

Rapid Freezing (Just 95 minutes for full freezing cycle)

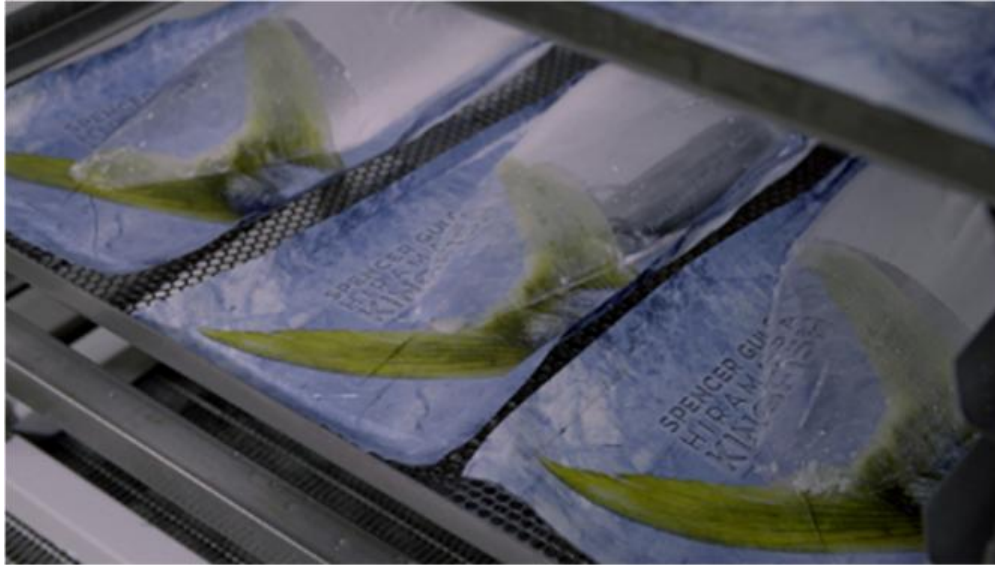
- Zero through Freezing Point in 22 minutes (240 minutes conventional freezing technology)
- Reaches minus 35 degrees celsius in further 25 minutes

Ultra Low

- Surface Temperature -95 degrees celsius
- Core Temperature -50 degrees celsius



SensoryFresh





Shaun Presland – Sushi Master



"I was seriously overwhelmed with how good this product is.

I cooked some with crispy skin and the fat layer between the flesh and skin is perfect, undisturbed by the freeze.

I ate some sashimi, made some nigiri and smashed out a tartar.

The bloodline, the firm flesh and the aroma felt like this fish had just jumped out of the ocean.

The flavour was delicious and had no traces of the tinny, metallic tastes that can affect frozen fish."

Shaun Presland
Group Executive Chef - Sake Restaurants

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")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,874	30,789
1.2 Payments for		
(a) research and development	(167)	(427)
(b) product manufacturing and operating costs	(4,836)	(13,821)
(c) advertising and marketing	(298)	(535)
(d) leased assets	-	-
(e) staff costs	(1,877)	(5,810)
(f) administration and corporate costs	(628)	(1,793)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	39	43
1.5 Interest and other costs of finance paid	(17)	(45)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	29	29
1.8 Other - Feed	(7,580)	(11,105)
1.9 Net cash from / (used in) operating activities	(4,461)	(2,675)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,420)	(3,986)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	(1,420)	(3,986)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	17,656
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	(27)	(1,309)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(254)	(565)
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	(281)	15,782

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	15,807	524
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(4,461)	(2,675)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,420)	(3,986)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(281)	15,782

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	9,645	9,645

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	9,645	15,807
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)	9,645	15,807

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	272
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	

Directors Fees \$102k, rental payments \$9k, consulting \$21k, contract services, feed and equipment hire \$140k

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

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	10,000	-
8.2 Credit standby arrangements	-	-
8.3 Other – CBA Lease Facility	6,000	970
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 \$10m 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	350
9.2 Product manufacturing and operating costs	5,000
9.3 Advertising and marketing	700
9.4 Leased assets	-
9.5 Staff costs	2,200
9.6 Administration and corporate costs	650
9.7 Other - Feed	4,500
9.8 Total estimated operating cash outflows	13,400

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: 26/4/2018

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.