

ASX & Media Release

24 October 2019

Q1 FY20 Sales Revenue and Volumes Increase 17% on Q1 FY19, Delivering Positive Cash Flow From Operations

Clean Seas Seafood Limited (ASX: CSS), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, is pleased to provide the Company's Q1 FY20 cash flow statement and an update on business progress.

Highlights:

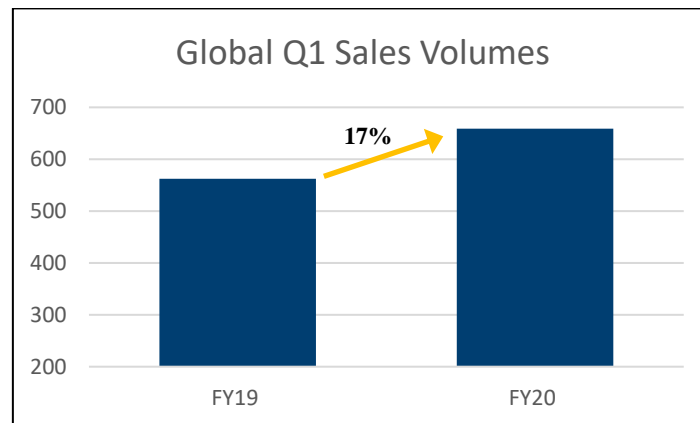
- **Strong growth in Q1 FY20 Sales Revenue and Volume, both up by 17% versus Q1 FY19**
- **Sales Revenue in the core Australian and European markets was up 19% and 15% respectively in Q1 FY20 versus the same period last year**
- **Growth in frozen product, including the innovative new *SensoryFresh* range, was up 141% in Q1 FY20 versus the same period in FY19**
- **Clean Seas achieved Q1 cash receipts from customers of \$11.9 million, up 17% compared to Q1 FY19**
- **In Q1 FY20, Clean Seas achieved positive Cash Flow from Operations of \$1.5 million, an increase of \$1.7 million versus Q1 FY19**
- **On 15th October the Company announced a pro-rata Convertible Note entitlement offer to existing shareholders to raise up to \$15.3 million, with a record date of 24th October 2019**
- **On 18th October 2019 Clean Seas was recognised as Exporter of the Year and Agribusiness Exporter of the Year at the Business SA 2019 Export Awards**

Clean Seas delivers significant growth in Q1 Sales Revenue and Volumes, both exceeding Q1 FY19 by 17%

Sales volume (by market, excluding frozen clearance sales)	
<i>Tonnes (WWE)</i>	Q1 FY20 v Q1 FY19
Australia	16%
Europe	21%
North America	42%
Asia/China	(38%)
Total	17%

Clean Seas' **Spencer Gulf Hiramasa Kingfish**, "*arguably the best raw fish in the world*", remains the pre-eminent Yellowtail Kingfish with clear market leadership positions in both Australia and Europe.

Global Sales Revenue and Volume for Q1 FY20 exceeded Q1 FY19 by 17% respectively.



Sales Volume in the core Australian market was up 16% in Q1 FY20 versus the same period last year. This result is encouraging and reflects a significant turnaround in comparison to Q1 FY19 as the Company has been able to recapture market share lost to local competitors, whilst also growing the market through the Company's ongoing chef activation program. This result is especially encouraging as this has been achieved while Farm Gate prices have also been increased, discussion of which follows below.

The Company continues to pursue international expansion, with most regions recording significant growth in Q1 FY20. The Company grew sales volumes in Europe and North America by 21% and 42% respectively year-on-year (YoY). The decline in Asia of (38%) reflects the timing of container shipments to major Asian customers.

The Company achieved 21% Year on Year growth in Europe in Q1 FY20 despite increased competition from local European land-based farms with selling prices significantly below Clean Seas. The Company has driven this positive result through the superior quality of its Spencer Gulf Hiramasa product, its investment in the Spencer Gulf brand marketing campaign, and the chef activation program.

In Q1 FY20, the Company continued to achieve Farm Gate price increases in Australia, North America and Asia. Europe Farm Gate prices remained in line with Q1 FY19 despite the significant increase in competitive pressure from local land-based farms and the recently introduced EU-Japan Free Trade Agreement.

The Company's Farm Gate price is its selling price less processing costs, freight and handling, sales commissions and packaging materials, reported on a whole weight equivalent (WWE) basis.

Q1 FY20 *SensoryFresh* premium frozen product increased by 141% in comparison to Q1 FY19

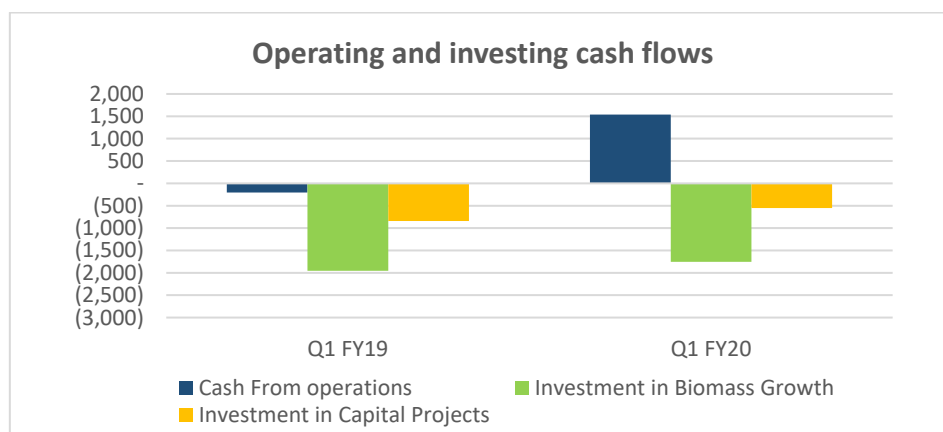
Sales Volumes	
Tonnes (WWE)	Q1 FY20 v Q1 FY19
Fresh	2%
<i>SensoryFresh</i> (Frozen)	141%
Total	17%

Clean Seas delivered growth in premium frozen product sales of 141% in Q1 FY20 compared to Q1 FY19. This is particularly significant for North America and Asia where the frozen Kingfish category represents circa 75% of the total market, and validates the Company's strategic investment in its world's best practice freezing technology to achieve a clear competitive advantage in these key growth markets.

Positive Cash Flow from Operations and Investment in Future Growth

In Q1 FY20 the Company achieved positive cash from operations of \$1.5 million excluding investment in biomass to support growth in sales in future years.

Reflecting the growth in Sales Revenue, Q1 FY20 cash receipts from customers were \$11.9 million, which was up 17% compared to Q1 FY19, which delivered an \$1.7 million increase in cash flow from operations in comparison to Q1 F19.



Note: Cash from Operations has been adjusted for Litigation Expenses and Investment in future Biomass Growth to assist readers to better understand the financial performance of the underlying operating (trading) business.

The Company has achieved this ongoing improvement in its cash flow dynamics largely due to the \$1.7 million increase in cash receipts, partially offset by a small increase in staff and finance costs to support the Company in meeting its growth objectives as outlined in the "Vision 2025" strategic plan.

Investment in biomass decreased by 10% in comparison to Q1 FY19, due to higher than usual feed payments in Q1 FY19 following a decision to pre-order feed ahead of a planned price increase.

The Company retains flexibility to vary its cash commitment to biomass, and the source of its funding for this investment, as part of its growth planning to align biomass levels with sales objectives.

Clean Seas named Business SA's 2019 Exporter of the Year

On 18 October, Clean Seas was announced as the South Australian Exporter of the Year at the Business SA 2019 Export Awards, which recognises the Company's significant achievements in the international marketplace. The Company will now represent South Australia at the national finals in Canberra in December.

The Company was also won the Adelaide Airport Agribusiness, Food and Beverages Exporter of the Year Award.

Convertible Note Entitlement Issue

On 15 October, the Company announced that it had lodged the prospectus for a convertible note entitlement offer with ASIC (**Prospectus**).

The Prospectus is intended to be dispatched to eligible Shareholders on 29 October 2019.

The Prospectus is for a non-renounceable pro-rata entitlement offer of Convertible Notes to be made to eligible existing shareholders to raise up to \$15.3 million. The terms of the convertible notes are set out in the Prospectus and include interest payable semi-annually at a rate of 8% per annum, convertible into ordinary shares at an 8% discount to the market VWAP and a three-year term to maturity.

The Record Date for determining entitlements is this coming Thursday, **24 October 2019**. Applications for convertible notes can only be made on the form accompanying the Prospectus. It is important that shareholders and other potential investors read the Prospectus in its entirety.

A copy of the Prospectus can be accessed from the Company's website www.cleanseas.com.au or obtained by contacting the Company.

Litigation

During the quarter, the Supreme Court of South Australia granted the Company leave to file an amended claim in its legal action against Gibson's Ltd, with the commencement of the trial set for 24 February 2020.

Fish Health Remains Excellent with Biomass up 8%

Fish health remains excellent with Live Fish biomass at 30 September 2019 of 3,308 tonnes. Similar to previous years, seasonally cool seawater temperatures during Q1 restrict Live Fish growth. Seawater temperatures are expected to be around the long-term average in Q2, with significant fish growth re-commencing during this period.

Total biomass at 30 September 2019 of 3,308 tonnes is 8% higher than 12 months earlier, reflecting the investment the Company has made to support current and future sales growth, and represents the additional biomass required to deliver on the Sales Volume objectives outlined in the Company's "Vision 2025" strategic plan.

The current biomass positions the Company well for further sales growth in FY20 and beyond as Clean Seas continues to expand sales of Spencer Gulf Hiramasa Kingfish in global markets.

Outlook

The Company reiterates its confidence and positive outlook that it is on the right trajectory to achieve the scale required to deliver on its goals of profitability, cash flow sustainability and gains in shareholder value. The growth in sales volumes of 17% in Q1 FY20, with positive cash flow from operations net of biomass investment, is consistent with the objectives outlined in the Company's "Vision 2025" strategic plan.

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

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