

ASX & Media Release

23 March 2020

Business Update

Clean Seas Seafood Limited (ASX: CSS, CSSG), (“Clean Seas” or “The Company”) the global leader in full cycle breeding, production and sale of Kingfish, provides the following update to the market.

COVID-19 Disruption and Impacts

Clean Seas’ focus at this time is on the health and wellbeing of its staff, protecting its significant live fish biological asset, and ensuring continued reliable supply of its high quality Spencer Gulf Kingfish.

The rapidly evolving nature of the COVID-19 outbreak and each country’s response are making it difficult to predict and accurately assess the operational and financial impact on the Company. As such the Company has made the decision to withdraw sales volume and any implied financial guidance, and will update the market as the implications become clearer.

Clean Seas primary export market in Europe, and the Company’s developing markets in North America and Asia have been impacted by social distancing provisions and government lockdowns which have greatly limited restaurant patronage. The recent reduction in international airline schedules combined with the above restrictions has resulted in a temporary cessation of the supply of fresh Kingfish to these export markets. Limited sales of **SensoryFresh** frozen product are continuing.

In Clean Seas largest market, Australia, sales of large fresh fish have reduced in recent weeks due to a reduction in restaurant patronage, exacerbated by the cancellation of major events. With the restrictions announced by Government over the last 24 hours, we are expecting sales to the restaurant channel to now largely cease, except for those restaurants offering takeaway and home delivery. Sales of smaller fresh fish to the retail channel are however unaffected. We expect these shipments to continue despite the recently announced border controls, where movement of food will still be allowed.

The Company is planning for a range of scenarios with varying levels of disruption over the coming months, and whilst the overall impact of these factors remains unknown at this time, sales volumes for the balance of FY20 and potentially into the early part of FY21 will be impacted.

Flexible Supply Chain

Despite these unprecedented global events, Clean Seas has a flexible supply chain and is ready to exploit changing and emerging market opportunities. Clean Seas Spencer Gulf Kingfish remains an exceptional and sought after seafood product, and is a safe, sustainable and reliable year-round protein source.

Demand for seafood products in global retail channels appear to have remained strong and is likely to increase as the restaurant and food service channels contract as a result of the COVID-19 restrictions.

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The Company is therefore accelerating development of value-added product offerings and potential new sales channels, with a particular focus on retail and in-home usage. In the context of the current disruption, the Company has commenced discussions with additional retailers in Australia and overseas where there is a demand for fresh and frozen quality protein, and is exploring new product opportunities and emerging sales channels. These opportunities may include expanding sales of small and large fresh fish, **SensoryFresh** premium frozen, as well as traditional frozen products in a range of formats including fillets, loins and portions direct to retailers, via wholesalers and distributors who process and distribute to the retail channel and through emerging direct to consumer channels.

Clean Seas has the resources and capability to respond to these changes and is well positioned to leverage our unique product in these new and emerging channels. The Company's sales and marketing executives have deep experience in both retail and food service channels in Australia, North America, Europe and Asia and Clean Seas' in-house processing facility has the equipment and capacity to shift production away from fresh fish into **SensoryFresh** and traditional frozen as required.

The Company's **SensoryFresh** liquid nitrogen frozen product is a flexible supply chain solution that will not be disrupted by changes to international flight schedules and allows Clean Seas to deliver the highest quality product in various formats to global markets and diverse sales channels. It also provides the Company with flexibility to manage shifts in supply and demand and an ability to maintain and protect the value of inventory in these unprecedented times of uncertainty.

It is possible that certain international markets in Asia and parts of Europe will recover more quickly than other markets, and given the uncertainty of this timing and the resumption of normal airline schedules, Clean Seas is well positioned to leverage its frozen supply chain and unique **SensoryFresh** product in particular to capture these opportunities as they emerge. Accordingly, the Company will ensure it has appropriate levels of **SensoryFresh** and traditional frozen products available in these markets in the coming weeks in order to be able to respond quickly as they recover, and to take advantage of changing demand.

\$47.6 million of cash and undrawn facilities

Today the Company is in a strong financial position with significant levels of cash and undrawn finance facilities.

Current cash and undrawn facilities	\$'m
Current cash at bank	19.2
Undrawn working capital facility	12.0
Undrawn senior debt facility	14.0
Undrawn asset finance facility	2.4
Total cash and undrawn facilities	47.6

In the last six months the Company has completed a substantial Capital Raise via a Placement and Convertible Note Entitlement Issue, and also settled the legal action against Gibson's Ltd. As a result, the Company was able to fully repay its \$12.0 million working capital facility in Q2 FY20 and today has zero debt other than a \$3.6 million equipment lease. The Company currently has \$19.2 million cash in the bank, and undrawn facilities of a further \$28.4 million.

Significant realisable value in premium inventory

Frozen and Biomass inventory		
	Mar-20 (expected)	
	Tonnes	Value (\$m)
Frozen inventory	700	\$11.4
Live Fish Biomass	4,700	\$62.9
Total	5,400	\$74.3

As at this time each year, towards the end of the annual growing season, the Company is close to its annual peak live fish biomass. At the end of March 2020 the Company expects to have over 5,400 tonnes of Inventory valued at Net Farm Gate of \$74.3 million. This includes circa \$11.4 million of already processed and frozen stock ready for sale where the value adding costs have already been incurred and expensed. In addition, the Company has circa \$62.9 million of live fish biomass available to harvest and sell over the next 2 years. These high value assets are able to be realised over time to ensure liquidity during this period of disruption.

Strong and significant net asset position

Equity & Assets	\$'m
Ordinary Shares on Issue	92.6
Total Assets \$'m (March 2020 unaudited)	\$124.0
Net Assets \$'m (March 2020 unaudited)	\$92.1
Assets per share	\$1.34
Net Assets per share	\$0.99

The Company has Total Assets of \$124.0 million, and Net Assets of \$92.1 million. The Company acknowledges the recent share market turmoil and depreciation of its share price as a result of ongoing market uncertainty. Assets per share (\$1.34) and Net Assets per share (\$0.99) are at a significant premium to the current share market price.

Outlook

While the Company cannot give specific guidance at this time of high disruption and uncertainty, the Board and Management of Clean Seas remain committed to its "Vision 2025" strategic plan.

The Company understands that whilst the COVID-19 disruption may reshape the timing of achieving this vision, the FY20 half year results confirm and validate this strategy.

The Company has the unique advantages of an exceptional product and a flexible supply chain able to respond quickly to emerging opportunities and changing markets, and has the balance sheet strength to implement new strategies and bridge disruption in the short to medium term.

The Company thanks its employees, investors, partners and customers for their ongoing support.

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