

## ASX & Media Release

30<sup>th</sup> July 2021

### Appendix 4C and Quarterly Activities Report

- **Strong sales rebound continues, with ongoing channel and market diversification and easing lockdown restrictions delivering total sales volumes of 861t in Q4 FY21, versus 412t in Q4 FY20, and 716t in Q4 FY19.**
- **Record Full Year FY21 sales of 3,166t, up 31% on FY20 and 17% ahead of FY19**
- **Australian sales up 36% versus FY20 and 26% on FY19.**
- **European sales picking up momentum as lockdowns ease, with 322t in Q4 FY21 versus 140t in Q3 FY21, up 241% and 9% respectively versus Q4 FY20 and Q4 FY19.**
- **The strong Full Year sales result, combined with focus on working capital and reduced expenses has delivered an improved cash flow result versus the prior year, with FY21 Net cash used in operating activities (excluding one-off items) favourable to FY20 by A\$4.2 million.**
- **With the completion of the capital raise in May and June 2021, Clean Seas has cash and unused working capital funding of A\$32.6 million, plus an additional A\$17.7 million of undrawn facilities to fund major capital works.**

Clean Seas Seafood Limited (ASX: CSS), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, is pleased to provide it's Appendix 4C and Quarterly Activities Report for Q3 FY21, provided under Listing Rules 4.7b and 4.7c.

#### Quarterly Activities

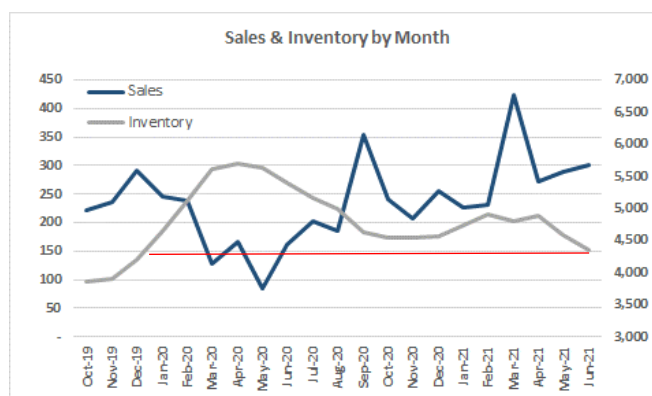
Clean Seas sales growth continued in Q4 FY21 as countries emerged from lockdowns and new channels and markets gained traction in Australia, Europe and North America with specialty retailers, online offerings and through trial distribution with major supermarkets.

A strong domestic business and a re-emergence of Europe in particular, as well a strong contribution from North America drove Clean Seas to record sales volumes and revenue for the Full Year FY21.

Clean Seas has developed attractive value added products including new chilled and frozen options that have been developed in collaboration with our distribution partners to support the increased demand from retail consumers. As countries have emerged from lockdowns, the premium restaurant business has recovered, and with the new channels retained, sales have grown incrementally to above pre-pandemic levels in Australia, Europe and North America.

While recent lockdowns in Australia show that rolling disruptions will remain, the Company's strategy of diversification will help offset these temporary challenges, as evidenced by July 2021 sales remaining in line with July 2019 despite a reduced restaurant business in Australia.

Total sales volume in FY21 of 3,166t was up 31% on FY20 and 17% percent on FY19, while revenue of A\$48.5 million (unaudited) exceeded FY20 and FY19 by 20% and 5% respectively. Revenue per kilogram declined by 8% versus FY20 due to a channel mix shift toward retail and the use of discounting to enter new channels and to reduce surplus inventory back to optimal levels.



It is the Company's view that whilst the ongoing COVID-19 disruptions will continue, the entry into retail product distribution is expected to deliver long-term volume and sales growth whilst delivering the scale required to lower unit costs of production. This channel diversification will complement Clean Seas' existing global restaurant and premium food service business.

#### Appendix 4C Cash flows

Q4 cash flow summary				
A\$'000	Q4 FY21	Q4 FY20	Q4 FY19	Q4 FY18
Receipts	11,937	5,726	12,670	9,998
Net cash used in operating activities	(6,821)	(9,607)	(5,116)	(4,148)

The Q4 FY21 quarterly operating activity results reflects a strong quarter with respect to cash receipts and continued focus on overhead expenses, but elevated production costs and excess inventory levels has added additional costs.

Full Year cash flow summary				
A\$'000	FY21	FY20	FY19	FY18
Receipts	44,940	42,657	45,756	40,788
Net cash used in operating activities (excl. once off items)	(10,417)	(14,633)	(8,444)	(6,823)

\* FY21 net operating cash flows exclude Restructuring costs \$637k

\* FY20 net operating cash flows exclude litigation settlement and expenses of \$14 million

\* FY19 net operating cash flows exclude litigation expenses of \$1.1 million

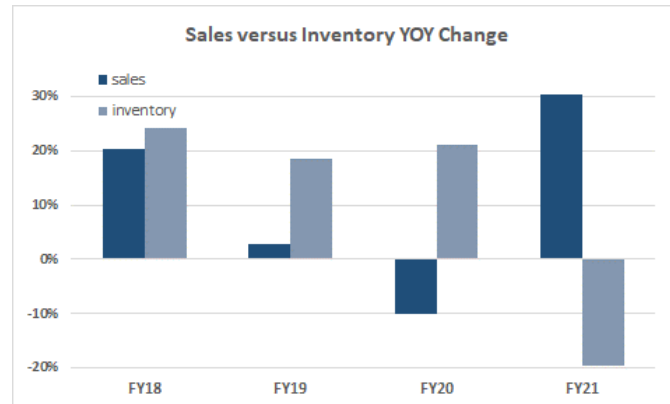
Cash receipts for the Full Year FY21 reached A\$44.9 million, which exceeded FY20 by A\$2.3 million. Despite impacts from COVID-19 in 1H FY21, total cash receipts were only down on FY19 by A\$0.8 million, which reflects the improved operating conditions in Australia and the benefits of channel and market diversification.

In response to lower cash receipts in 1H FY21, Clean Seas reduced operating costs and improved payment terms with key suppliers. These measures improved net cash used in operating activities by A\$4.2 million in comparison to FY20.

Production costs were elevated in FY21 due to the fish health challenges experienced in the middle of the year and surplus inventory, but pleasingly all of the surplus Year Class 18 cohort have now been harvested and the excess Year Class 19 cohort are on track to be harvested by the end of August 2021. With this, Clean Seas expects production costs to reduce substantially in FY22, and once the harvest of

Year Class 20 fish is completed, the Company's biomass will be back in balance and expects FY23 cost of production to return to FY18 levels at circa \$9.00/kg.

Total inventory cover (live fish biomass plus frozen) has reduced from 22 months sales in September 2020 to 16 months in June 2021, further demonstrating the progress being made to optimise working capital. Clean Seas is on track to reach the Company's target of circa 12 months cover by June 2022, the level of inventory required to achieve lower production costs whilst still supporting future sales.



The Appendix 4C quarterly cash flow also reflects the successful completion of the capital raise in May and June 2021 and as at 30 June 2021 the Company has cash and undrawn banking facilities of \$32.6 million. The Company also retains an additional \$17.7 million in undrawn facilities to fund major capital works.

As noted during the capital raise and subsequently announced to the Australian Securities Exchange (ASX) on 28 July 2021, the Company intends to offer its Convertible Note holders an opportunity to convert their 9,144,376 Notes into Shares, before redeeming these Notes at the end of August 2021. This will save the Company approximately \$600,000 in interest in FY22 and avoid the need to redeem or refinance the Notes when they mature in November 2022.

### Payments to related parties

Payments to related parties for the quarter included fees paid to Non-executive Directors of \$68k, and rental payments, contract services and equipment/vessel hire of \$119k paid to associates of Non-executive Directors.

### Production Update

During Q4 FY21 Clean Seas progressed plans to reactivate farming in Fitzgerald Bay, near Whyalla, and intends to stock its Year Class 22 fish in this location. The Fitzgerald Bay farm offers Clean Seas the opportunity to add an additional full life cycle farming location to its production portfolio and activates leases with the potential to triple current production levels in total across its three Spencer Gulf farms.

This production capacity is critical to support Clean Seas' ambition to offer its high quality and sustainable, ocean reared kingfish in markets all around the world, as this species continues to develop an awareness and appreciation. Clean Seas is committed to continue to produce this native species in its natural waters as the pre-eminent full lifecycle breeder and farmer of this fish globally.

Clean Seas reconfirms that the previously elevated mortality levels in its Boston Bay farming locations have returned to historical rates.

Clean Seas CEO, Rob Gratton said “Q4 FY21 has been a transformative quarter for Clean Seas – we conducted an important capital raise that has strengthened and will simplify the Company’s balance sheet and critically allows the company to grow and unlock the significant value that exists within its portfolio of marine leases. At the same time, Clean Seas undertook a secondary listing of its shares on the Euronext Growth Exchange in Oslo – a globally recognised leading exchange for high growth seafood companies. Clean Seas has an outstanding product and the Company can now accelerate towards its goal of significantly growing its established position as a leading full-lifecycle supplier of premium Yellowtail Kingfish”.

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

Authorised for release by the Board of Clean Seas Seafood Limited (ASX: CSS).

### **About Clean Seas Seafood**

Clean Seas Seafood is a fully integrated Australian Aquaculture business listed on the Australian Securities Exchange (ASX) and with a secondary listing on Euronext Growth Oslo (OSE) – the leading exchange for high growth seafood companies.

Clean Seas is the global leader in full cycle breeding, farming, processing and marketing of its Hiramasa or Yellowtail Kingfish (*Seriola lalandi*) and is renowned amongst leading chefs and restaurants around the world for its exceptional quality.

Clean Seas is recognised for innovation in its sustainable Yellowtail Kingfish farming and has become the largest producer of aquaculture Yellowtail Kingfish outside Japan.

Clean Seas is headquartered at its processing facility in Royal Park in Adelaide, South Australia while its hatchery is at Arno Bay and its fish farms are at Port Lincoln, both on the Eyre Peninsula of South Australia.

### **For further information on Clean Seas Seafood, please contact:**

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Clean Seas Seafood Limited

**ABN**

61 094 380 435

**Quarter ended ("current quarter")**

30 June 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	11,937	44,940
1.2 Payments for		
(a) research and development	(421)	(982)
(b) product manufacturing and operating costs	(5,707)	(21,333)
(c) advertising and marketing	(132)	(389)
(d) leased assets	-	-
(e) staff costs	(2,713)	(11,405)
(f) administration and corporate costs	(706)	(2,521)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid (including convertible notes)	(10)	(1,226)
1.6 Government grants and tax incentives	-	1,254
1.7 Other - Feed	(9,220)	(19,767)
1.8 Other (Insurance settlement)	150	370
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(6,821)</b>	<b>(11,054)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(683)	(3,328)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(683)</b>	<b>(3,328)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	24,973	24,973
3.2	Proceeds from issue of convertible debt securities	(864)	(864)
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(26)
3.5	Proceeds from borrowings	3,311	10,849
3.6	Repayment of borrowings	(535)	(12,647)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>26,885</b>	<b>22,285</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	10,691	22,169
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,821)	(11,054)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(683)	(3,328)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	26,885	22,285
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>30,072</b>	<b>30,072</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	30,072	10,691
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>30,072</b>	<b>10,691</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

187

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Amounts paid to Non-executive Directors Fees: \$68k

Amounts paid to associates of Non-executive Directors include rental payments \$16k, contract services and equipment/vessel hire \$103k

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities – CBA Trade Finance & Market Rate Loan	26,000	9,470
7.2 Credit standby arrangements	-	-
7.3 Other – CBA Lease Facility	6,000	2,275
7.4 <b>Total financing facilities</b>	<b>32,000</b>	<b>11,745</b>

7.5 <b>Unused financing facilities available at quarter end</b>	20,255
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Commonwealth Bank \$12 million Secured Trade Finance Facility of which \$9.47 million had been drawn at the end of the quarter.

The Commonwealth Bank \$14 million Secured Market Rate loan was undrawn as at the end of quarter.

The Commonwealth Bank \$6 million Equipment Finance Facility of which \$2.28 million had been drawn at the end of the quarter.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(6,821)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	30,072
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,530*
8.4 Total available funding (Item 8.2 + Item 8.3)	32,602
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	4.78

\* excludes market rate loan for \$14 million which held for the acquisition of major capital assets and \$6 million asset lease facility.

If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable



3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

### 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.

Date: ...30/07/2021.....

Authorised by: ....Robert Gratton.....  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.