



13 October 2020

SuperMilkBaba Contract Update

New Zealand Coastal Seafoods Limited (ASX:NZS) (“NZCS”, the “Company”) wishes to update shareholders and investors that NZCS has been advised by SupaMilkBaba (NZ) Limited (“SMB”), of changes to its processing and distribution strategy.

Whilst SMB has advised the Company that it anticipates the successful implementation of its new strategy and ultimately reaching the minimum purchase orders originally agreed with NZCS under the SupaMilkBaba Purchase Agreement (“Purchase Agreement”) (ASX Release – 25 March 2020), SMB has indicated that it is unlikely to reach the minimum of 100 tonnes of frozen Ling Maw over the initial 12 month period. The Company remains in discussions with SMB in relation to the Purchase Agreement.

SMB entered the Purchase Agreement on 24 March 2020, before it was fully aware of the impact that the COVID-19 pandemic would have on the SMB business, customer demand in China and global trade in general.

The first 12-month minimum order quantities of frozen Ling Maw were forecast based on demand anticipated at the time with the vast majority of the first 12-month minimums to be delivered to SMB for Chinese New Year in Q1 2021.

To date, SMB has placed a total of three orders for NZ\$225,000, with the most recent order already dispatched and due for delivery to China in late October 2020 with the repeat orders illustrating the quality of the Company’s products

SuperMilkBaba CEO, Fish Lu, commented: “NZCS remains as our sole supplier of Ling Maw in New Zealand, with our team continuing development and marketing projects, as we seek to further adapt our business to meet the current global economic conditions.”

The Company anticipates this will result in a material decrease in the quantity of orders it receives from SMB during the current first 12-month period of the Purchase Agreement, which given the nature of the demand cycle in China for this type of product is likely to represent the majority of the contracted amounts. Whilst the Company has not received an indication of the level of demand to expect, NZCS has formed the view that the Purchase Agreement is no longer a material contract for the Company. The Company notes the majority of its sales revenue has been from contracts outside SBM to date.

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NZCS is seeking further details in order to fully assess the consequences for the Company and any relevant mitigants available to it should that be necessary.

Whilst the Company is currently of the view that seeking to work constructively with SMB (which has claimed a force majeure event under the Purchase Agreement) to mitigate the impacts of the delays in reaching the order quantities is the best course of action at present, it has reserved its rights in relation to this matter.

New Zealand Coastal Seafoods CEO, Andrew Peti, commented: “Although it is disappointing that SMB will not meet the contract Year 1 Minimums for Ling Maw, NZCS is committed to working with SMB through this implementation period, with the aim of ultimately extending the SMB Purchase Agreement”

Authority:

This announcement has been approved by the Board of New Zealand Coastal Seafoods Limited.

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About New Zealand Coastal Seafoods

New Zealand Coastal Seafoods (NZCS) is a New Zealand based, ASX listed, secondary producer of nutraceutical, seafood products and premium marine ingredients. The Company recently acquired Kiwi Dreams International Limited (KDI), a leading developer of innovative nutraceutical products and services including ingredient supply, quality and validation, as well as formulation and development.

Through the development of Nutraceutical projects, NZCS has recognised significant opportunities in this high growth market, with the global Nutraceutical market estimated at US \$230.9 billion in 2018.¹

¹ <https://www.bccresearch.com/market-research/food-and-beverage/nutraceuticals-global-markets.html>

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ASX Announcement

NEW ZEALAND
COASTAL SEAFOODS



Harnessing the countries reputation for pure, pristine waters and fisheries provenance, NZCS utilise raw ingredients sourced from New Zealand's finest deep sea fishing companies, employing a nose-to-tail philosophy to create a range of high-value products.

The Company's mission is to share the sought-after flavours of sustainably-sourced, nutritious, healthy and organic goodness of New Zealand's seafood with Asian consumers, through expanding distributor, wholesale and consumer channels.

NZCS's growth strategy is focused on the development of a new nutraceutical product range and increasing production and sales of its flagship, collagen-rich, dried ling maw range and developing high-value ready-to-eat, FMCG products for export into new and existing markets.

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