



29 October 2021

Quarterly Activities Report for the Period Ended 30 September 2021

September 2021 Quarter Highlights

Operational

- Cash receipts for the September 2021 quarter of NZ\$971,614¹ (approx. AU\$926,140) a 25% increase from the June 2021 quarter cash receipts of NZ\$778,161¹ (approx. AU\$741,741), and a 76% increase from the September 2020 quarter cash receipts of NZ\$552,633 (approx. AU\$526,768)¹.
- Demand increased from the June 2021 quarter, with newly appointed Chief of Sales, Peter Fletcher, facilitating sales to new clients in existing territories and to new markets including the United States and Singapore.
- To meet this increased demand, NZCS has commenced a recruitment drive for additional production staff.
- Contract Processing Agreement with leading NZ biotech company, Bio-Mer Limited, with Bio-Mer to provide the extraction and processing equipment required to produce NZCS's marine collagen and other oil extract products at scale.
- NZCS received marine Stewardship Council ("MSC") certification and is now authorised to apply the MSC ecolabel on certified products after approval.
- NZCS's consumer focussed retail products sold via a distributor into Australia, with the products now available in Melbourne, Adelaide and Brisbane.
- Wildfish remained a strong customer for NZCS, ordering a total of 728 kilograms of Ling Maw exported during the Quarter, with seafood waste streams products provided by Wildfish processed into pet food, for the Australasian market.
- Strong Astaxanthin sales realised during the Quarter, with the Company advancing discussions regarding domestic distribution.

¹ 1 AUD = \$1.0491 NZD

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Leading secondary producer of nutraceutical, seafood products and premium marine ingredients **New Zealand Coastal Seafoods Limited (ASX:NZS and NZSOA)** ("NZCS", the "Company") is pleased to provide shareholders and investors with a business and operations update on the Company's activities to accompany the Appendix 4C for the quarter ended 30 September 2021 ("Quarter", "Reporting Period").

New Zealand Coastal Seafoods CEO, Andrew Peti, commented: "We are pleased to announce that over the Quarter, NZCS increased sales from both the June 2021 quarter (by 25%) and the previous corresponding period of September 2020 (by 76%). The Company's recently appointed Chief of Sales, Mr Peter Fletcher, greatly assisted in achieving this revenue growth with his strong global industry network and knowledge. Mr Fletcher has continued to lead the sales team to drive orders in the December Quarter (in the lead up to Chinese New Year) for delivery in early 2022. In addition to increased sales, over the Quarter, the Company achieved entry into a Contract Processing Agreement with respect to its marine collagen and other oil extract products, and received marine Stewardship Council ("MSC") certification (authorising it to apply the MSC ecolabel on certified products after approval). We look forward to an exciting December 2021 Quarter, as we continue to grow sales both domestically and in new and existing international markets."

Operational Update

September 2021 Quarter Cash Receipts and Increased Demand

The Company realised cash receipts for the September 2021 quarter of NZ\$971,614¹ (approx. AU\$926,140) a 25% increase from the June 2021 quarter cash receipts of NZ\$778,161¹ (approx. AU\$741,741), and a 76% increase from the September 2020 quarter cash receipts of NZ\$552,633 (Approx. AU\$526,768)¹.

The increase in cash receipts for the Quarter from both the June 2021 quarter and previous corresponding quarter, can be attributed to an increase in demand for NZCS products, in particular Ling Maw, which has in part been driven by the recent appointment of Peter Fletcher as Head of Sales.

Since his appointment, Mr Fletcher has been instrumental in driving sales to both new and existing customers, with his wealth of experience and knowledge facilitating sales to new clients in existing territories and new markets including the United States and Singapore.

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To meet this increased demand, NZCS is now actively recruiting additional production staff in order to meet anticipated demand.

Marine Collagen Product

During the Reporting Period, NZCS entered a Contract Processing Agreement with leading NZ biotech company, Bio-Mer Limited (“Bio-Mer”), with Bio-Mer to provide the extraction equipment and processing required to produce NZCS’s marine collagen product at scale.

The Company has been continuing the research and development of its marine collagen product.

The collagen market is a high value and high growth market presenting a significant opportunity of NZCS in the collagen market, which is expected to grow at a CAGR of 6.9% to reach US\$7.5 billion by 2027, while in terms of volume, the market is expected to grow at a CAGR of 5.1% to reach 683.8 KT by 2027¹.

Marine Stewardship Council Certification

During the Reporting Period, NZCS received marine Stewardship Council (“MSC”) certification with the Company now authorised to apply the MSC ecolabel on certified products after approval.

In March 2021, NZCS entered a supply agreement with Talley’s Limited (“Talley’s”) for the supply of bone-in and boneless Ling Maw, Green-Lipped Mussel meat, Ling, and Hoki Fish Skin products. With Talley’s also MSC certified, NZCS’s supply chain is sustainable from fishing to finished product, thereby providing a further competitive advantage over competitors who do not purchase raw seafood products from suppliers that fish and source in a sustainable manner.

MSC is an international non-profit organisation dedicated to safeguarding seafood supply both immediately and in the future, which strongly aligns with the Company’s practices of sustainability and environmental protection.

MSC has a vision of the world’s oceans teeming with life, and seafood supplies safeguarded for the current and future generations. Through the use of the MSC ecolabel² and fishery certification program³, MSC aims to contribute to the health of the world’s oceans by recognising and rewarding sustainable fishing practices, influencing the choices people make when buying seafood, and working with MSC partners to transform the seafood market to a sustainable basis.

¹ <https://www.globenewswire.com/news-release/2020/12/04/2139933/0/en/Collagen-Market-by-Product-Source-and-Application-Global-Forecasts-to-2027.html>

² <https://www.msc.org/what-we-are-doing/our-approach/what-does-the-blue-msc-label-mean>

³ <https://www.msc.org/what-we-are-doing/our-approach/what-is-sustainable-fishing>

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NZCS Retail Ready Products

During the Reporting Period, NZCS consumer focussed retail products were sold via a distributor into Australia, with the products now available in Melbourne, Adelaide and Brisbane (where previously the products were sold only into Sydney). The Company's retail ready products consist of Cooked Ling, Abalone and Branded Dry Ling Maw.

Wildfish Orders and Petfood Processing

During the Reporting Period, Wildfish Export Limited ("Wildfish") continued to remain a strong customer for NZCS, with a total of 728 kilograms of Ling Maw exported during the Quarter, and seafood waste stream products provided by Wildfish being processed into pet food, for the Australasian market.

As announced in the June 2021 Quarterly, NZCS received a Purchase Order from Wildfish Export NZ Ltd, for a minimum of 50 tonnes per annum of dried waste stream products, which will be processed into pet food for the Australasian market.

On 1 April 2021, the Company announced that it had received the largest single purchase order of Dried Ling Maw to date, for a total of NZ\$355,000 (AU\$338,385)¹ from Wildfish, with the order delivered to the customer in April 2021.

The Company continues to work with Wildfish regarding further sales opportunities for Ling Maw and other NZCS products.

Astaxanthin Sales

During the Reporting Period, the Company realised strong Astaxanthin sales with the Company advancing positive discussions regarding domestic distribution with its key clients and primary supplier.

Appendix 4C – Quarterly Cash Flow Disclosures

The Company's Appendix 4C Quarterly Cash Flow Report for the quarter ended 30 September 2021 accompanies this announcement.

In accordance with Listing Rule 4.7C, as noted in its Appendix 4C, during the Quarter the Company expended a total of AU\$1,375,000 on the operations of the Company. This was comprised of product manufacturing and operating costs (AU\$614,000), advertising and

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marketing (AU\$103,000), staff costs (AU\$313,000), administrative and corporate costs (AU\$344,000) and finance costs (AU\$1,000). The Company also made payments for property plant and equipment (AU\$5,000).

The payments included at section 6.1 of the attached Appendix 4C relate to Executive Directors' fees (AU\$35,000), other Executive's fees (AU\$46,000), (Non-Executive Director fees (AU\$61,000), and Company Secretary, Accounting and Office Fees (AU\$23,000).

Use of Funds

The Company's re-admission prospectus dated 24 May 2019 ("Prospectus") included a 'use of funds' for the period 5 August 2019 to 5 August 2021. In compliance with ASX Listing Rule 4.7C, the following table sets out the Company's actual cash expenditure for the period from 5 August 2019 (being the date of re-admission) to 5 August 2021, against the proposed 'use of funds' set out in the Prospectus.

Description of use of funds	Funds allocated under Prospectus (A'000)	Actual funds expended from 5 August 2019 to 5 August 2021 (A'000)
Sales staff and marketing expenditure	1,000	1,620
Operational costs (including staff and raw material inputs)	975	5,267
Manufacturing facilities and capital expenditure	1,100	2,171
Listing, compliance and corporate costs	635	2,574
Expenses of the offer(s)	786	1,356
Other working capital	504	64
	5,000	13,052

Notes:

¹ The above table shows cash outflows only and does not contemplate the impact of cash inflows from sales and other income. Cash inflows over the period have been AU\$4,335,000 in receipts from customers and AU\$120,000 in government grants. Cash inflows also includes funds from capital raisings throughout the period of a total of AU\$5,893,500 before costs.

Variations to Use of Funds in Prospectus

- The actual cash spent on operational costs, capex, and ongoing corporate and compliance costs include costs that are funded from cash raised in the RTO as well as cash inflows from sales and other capital raisings. The latter of which is not contemplated in the 'use of funds' disclosures in the Prospectus.

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- The actual expenditure on expenses to the offers include the costs of all the capital raising offers completed since re-admission, whereas the Prospectus contemplated only the offer being made under that prospectus alone.

Authority

This announcement has been authorised for release 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

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.

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

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Appendix 4C

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

Name of entity

New Zealand Coastal Seafoods Limited

ABN

16 124 251 396

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	926	926
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(614)	(614)
(c) advertising and marketing	(103)	(103)
(d) leased assets	0	0
(e) staff costs	(313)	(313)
(f) administration and corporate costs	(344)	(344)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.8	Other	0	0
1.9	Net cash from / (used in) operating activities	(449)	(449)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	(5)	(5)
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(5)	(5)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	0	0

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,748	2,748
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(449)	(449)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(5)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	9	9
4.6	Cash and cash equivalents at end of period	2,303	2,303

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	2,303	2,748
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)	2,303	2,748

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	165
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
Payments at section 6. relate to executive director fees (\$35,000), other executive fees (\$46,000), non-executive director fees (\$61,000) and corporate services, accounting and company secretarial fees (\$23,000).		

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7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
	<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	0	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	Total financing facilities	0	0
7.5	Unused financing facilities available at quarter end		0
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(449)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,303
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	2,303
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.13
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	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:	

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8.6.2 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:

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

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 29 October 2021

Authorised by: The Board of Directors

(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

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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.

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