



31 January 2022

Quarterly Report for the Period Ended 31 December 2021

December 2021 Quarter Highlights

- Cash receipts for the December 2021 quarter of NZ\$670,536 (approx. AU\$639,706¹), as NZCS continued to focus on new markets to further reduce the Company's reliance on Chinese and Daigou networks, with sales made to new customers in North America and Singapore, complementing revenues from existing markets.
- Ling Maw sales continued to remain strong, with 1,345 kilograms sold during the Quarter, as the Company continues discussions with customers globally.
- NZCS expanded domestic sales with over 100 SKU's of frozen fish products now available to food businesses including restaurants and smokehouses, further building on baseline revenue.
- Continued development of NZCS's flagship marine collagen product, with trials underway with an affiliate of the Massey University of New Zealand to develop a formulation for improved yield, as the Company works towards a commercial launch.
- Supply agreement with AstaMAZ for the consistent supply of astaxanthin to support the Company's strong sales of the product, with ongoing monthly sales of astaxanthin underpinning the Company's transition to nutraceuticals, and strong growth forecast in Australia and internationally.
- NZCS continued to increase its commitment to Environmental, Social and Governance (ESG) practices:
 - Agreement with Meridian Energy to supply the Company's processing facility and offices with power from 100% renewable energy, further positioning NZCS as a leading sustainable producer.
 - Further reductions to waste streams with by-products being processed into pet food and other nutraceutical products.

¹ AUD = \$1.0482NZD (RBA exchange rate for December 2021 quarter)

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- **Processing facility staff remuneration increased to the Living Wage which is higher than minimum governmental standards.**

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 31 December 2021 (“Quarter”, “Reporting Period”).

New Zealand Coastal Seafoods CEO, Andrew Peti, commented: “During the December 2021 Quarter, NZCS continued to focus on expanding sales both domestically and in new international markets, with the aim of further reducing the Company’s reliance on customers from Chinese and Daigou networks.

With cash receipts for the December 2021 quarter of NZ\$670,536 (approx. AU\$639,706¹), the NZCS sales team has been actively targeting customers in the United States. During the Quarter the Company made sales to new US Customers with discussions continuing in relation to higher value orders. Concurrently, NZCS expanded sales in the New Zealand market with over 100 SKUs of frozen fish products now available to the domestic market, including restaurants and smokehouses.

With a two-tiered strategy of expanding sales in new international markets, coupled with building demand and sales domestically, NZCS is confident that this strategy will be effective in response to ongoing changes in behaviour and supply chains caused by the global pandemic.

NZCS also continued to make progress in the development and commercialisation of its flagship Marine Collagen product, with trials underway working alongside an affiliate of the Massey University of New Zealand in developing a formulation for improved yield, as the Company works towards commercial launch of the product. These trials are designed to further streamline the manufacturing process, with Bio-Mer to provide the extraction equipment and processing required to produce NZCS’s marine collagen product at scale.

As astaxanthin supply remains competitive, NZCS entered a supply agreement with AstaMAZ for consistent supply of astaxanthin, with sales of this product underpinning NZCS’s transition to nutraceuticals, and strong sales growth forecast as we continue to enter the underdeveloped Australian market.

¹ 1 AUD =1.0482 NZD

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The Company continued to focus on ESG practises and entered an agreement with Meridian Energy to supply the Company's processing facility and offices with 100% renewable energy, further positioning NZCS as a leading sustainable producer. NZCS also increased processing facility staff remuneration to meet the voluntary Living Wage and continued to minimise waste streams.

I would like to thank shareholders for their ongoing support to date and we look forward to a positive 2022."

Operational Update

December 2021 Quarter Cash Receipts and International Sales

During the December 2021 quarter, the Company realised cash receipts of NZ\$670,536 (approx. AU\$639,706¹), as NZCS continued to focus on new markets to further reduce the Company's reliance on Chinese and Daigou networks, with sales made to new customers in North America and Singapore complementing revenues from existing markets.

Over the past two years, NZCS has revised its business and sales strategy in response to global changes in consumer travel behaviours, global shipping and logistics, and general changes in consumer demand. Previously, a significant portion of NZCS's revenue was generated from sales to China and through Daigou networks, whereby Chinese visitors to New Zealand would take NZCS products back to China when travelling.

With a reduction in the number of visitors to New Zealand, the Company has strategically focused on driving sales to new international markets, whilst concurrently building demand and sales both domestically and in Australia.

Following sales of both ling and nutraceutical products to new North American customers, NZCS continued to advance discussions regarding further high value sales.

Ling Maw sales for the Quarter continued to remain strong, with 1,345 kilograms sold as the Company continues discussions with customers globally.

Expanded Domestic Sales

NZCS expanded domestic sales during the Reporting Period, with over 100 SKUs of frozen fish products now available to domestic food businesses including restaurants and smokehouses,

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further building on baseline revenue. As outlined above, domestic sales form a key part of NZCS strategy.

With an increasing number of domestic food businesses now showing an interest in fish products from NZCS, the Company will continue to pursue opportunities for growth in this market over the coming period.

Continued Development of Flagship Marine Collagen Product

During the Quarter, NZCS continued to advance the development of its flagship marine collagen product, with trials underway with an affiliate of the Massey University of New Zealand to develop a formulation for improved yield as the Company continues to progress towards a commercial launch.

As announced in the September 2021 quarterly, 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.

With the Company now having access to collagen expertise and high quality extraction equipment, the trials for improved yield are anticipated to prove highly beneficial when commencing commercial production with Bio-Mer.

The affiliate and specialist resources of Massey University of New Zealand is based in Palmerston North with other campuses located in Albany and Wellington.

The collagen market is a high value and high growth market presenting a significant opportunity to 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% reach 683.8 KT by 2027¹.

Supply agreements

During the Quarter, NZCS entered a Supply Agreement with AstaMAZ NZ Ltd (“AstaMAZ”) playing a pivotal role in the consistent supply of astaxanthin to support the Company’s strong sales of the product.

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>

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Under the Supply Agreement, AstaMAZ will provide NZCS with a minimum of 1,000 kilograms of astaxanthin per annum and the option to purchase more, with ongoing monthly sales of astaxanthin underpinning the Company's transition to nutraceuticals, and strong growth forecast. NZCS is now implementing strategies further establish its market share in Australia, which is an underdeveloped market that presents a significant opportunity for the Company.

AstaMAZ is a leading New Zealand based Company that specialises in microalgae growing, extraction and the supply of high quality algae and nutritional ingredients for the human health market. AstaMAZ has significant capacity to produce pure algae astaxanthin, and NZCS is confident that the companies can grow together, as NZCS continues to expand sales of the product in international markets.

In August 2020 NZCS signed a supply agreement with Dr Behr GMBH ("Dr. Behr") to supply the Company's product into European distribution. Following the Company's entry into the Dr. Behr Supply Agreement, the Company and Dr Behr have experienced logistical difficulties including difficulties directly attributed to the COVID-19 pandemic, these difficulties have added significant costs and uncertainty in fulfilling the Dr. Behr Supply Agreement. In light of these difficulties the parties have now opted to delay renewing the Dr. Behr Supply Agreement. Notwithstanding these difficulties, the Company has continued to maintain contact with Dr Behr, and is hopeful the relationship between the companies will resume upon these factors improving.

Environmental, Social and Governance Practises

During the Reporting Period, NZCS continued to increase its commitment to Environmental, Social and Governance (ESG) practices as outlined below.

Renewable Energy Supply Agreement with Meridian Energy

In November 2021, NZCS entered an agreement with Meridian Energy Limited ("Meridian") to supply the Company's processing facility and offices with 100% renewable energy, further positioning NZCS as a leading sustainable seafood and nutraceutical producer.

The Company has a long term commitment to sustainable practises with all raw seafood products being sustainably sourced from New Zealand's pristine waters. NZCS aims to further minimise its carbon footprint, which aligns with the global shift towards a decarbonised energy system, as countries globally strive to meet net zero carbon emission targets.

Meridian Energy is New Zealand's largest renewable energy generator and is proud to be a power company that generates 100% of its electricity renewable sources - wind, solar and hydro power.

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Majority owned by the New Zealand government, the Meridian Group is listed on both the NZX and ASX and is one of New Zealand's largest listed companies employing around 1000 people across New Zealand and Australia.

Further Reduction of Waste Streams

During the Quarter, NZCS further reduced waste streams with by-products being processed into pet food and other nutraceutical products. As announced in the June 2021 Quarterly, NZCS received a Purchase Order from Wildfish Export NZ Ltd ("Wildfish"), for a minimum of 50 tonnes per annum of dried waste stream products, with this product being processed into pet food for the Australasian market over the past quarters.

During the December 2021 Quarter, NZCS sold a total of 12.2 Tons of processed seafood waste products to its clients.

The minimisation of waste streams remains a priority to NZCS's sustainable practises, with the Company further reviewing opportunities to minimise waste streams whilst increasing its revenues.

Manufacturing Staff Remuneration Increased

NZCS has increased the remuneration of processing facility staff to the Living Wage, which is higher than New Zealand's minimum governmental standards. The Living Wage rate is voluntary and represents the hourly wage a worker requires to pay for the necessities of life and participate as an active citizen in the community. It covers the basic expenses of workers and their families including food, transportation, housing and childcare, and is calculated independently each year by the New Zealand Family Centre Social Policy Unit¹.

NZCS is proud to support its staff through fair wages, which in turn has the potential to increase staff retention and job satisfaction. For further information on the Living Wage movement, please see <https://www.livingwage.org.nz/>.

Appendix 4C – Quarterly Cash Flow Disclosure

The Company's Appendix 4C Quarterly Cash Flow Report for the quarter ended 31 December 2021 accompanies this announcement, and shows a cash balance of \$1.3 million as at 31 December 2021.

In accordance with Listing Rule 4.7C, as noted in its Appendix 4C, during the quarter the Company expended a net of AU\$978,000 on the operations of the Company. This comprised of

¹ <https://www.livingwage.org.nz/>

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receipt of customers (AU\$640,000) offset by product manufacturing and operating costs (AU\$869,000), advertising and marketing (AU\$123,000), leased assets (AU\$11,000), staff costs (AU\$318,000), administration and corporate costs (AU\$296,000) and interest expense (AU\$1,000). In addition, the company made a total of AU\$2,000 payments for property, plant and equipment.

The payments referred to in section 6.1 relate to Director fees (AU\$68,000), Consultant Services in New Zealand (AU\$40,000) and Company Secretary, Accounting and Office fees in Australia (AU\$26,000).

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.

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ASX Announcement

NEW ZEALAND
COASTAL SEAFOODS



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")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	640	1,566
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(869)	(1,483)
(c) advertising and marketing	(123)	(226)
(d) leased assets	(11)	(11)
(e) staff costs	(318)	(631)
(f) administration and corporate costs	(296)	(640)
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)	(2)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other	0	0
1.9 Net cash from / (used in) operating activities	(978)	(1,427)
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	(2)	(7)
(d) investments	0	0
(e) intellectual property	0	0
(f) other non-current assets	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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	(2)	(7)

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	2,303	2,748
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(978)	(1,427)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(7)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	(9)	0
4.6	Cash and cash equivalents at end of period	1,314	1,314

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	1,314	2,303
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)	1,314	2,303

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	134
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Payments at section 6.1 relate to director fees (\$68,000) and consultant services in New Zealand (\$40,000), accounting, registered office and company secretarial fees (\$26,000).

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

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)	(978)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,314
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	1,314
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.34
<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?	
The Company anticipates increasing revenues and the accompanying decreasing net operating cash flow deficiencies as the Company's operations mature.	
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?	
Not at present.	
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?	
Yes. As noted above the Company anticipates increasing revenues and the accompanying decreasing net operating cash flow deficiencies. The Company holds significant stock levels to maintain its sales growth and is confident that should it be required it can attract sufficient additional capital.	
<i>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.</i>	

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: 31 January 2022
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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 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.