



31 October 2022

## Quarterly Activities Report for the Period Ended 30 September 2022

### QUARTER HIGHLIGHTS

#### Operational

- **Successful commercialisation of new hydrolysed marine collagen powder enables the Company to service the rapidly growing global nutraceutical market**
- **Commercialisation follows development of a more efficient and cost-effective process for collagen extraction from ling maw**
- **Extraction trials utilising the process significantly exceeded expectations**
- **Commercial production underway with clinical trial initiatives planned to commence shortly - sales discussions with multiple parties are well advanced**
- **R&D tax rebate of NZ\$264,444 (AU\$238,000<sup>1</sup>) from the Callaghan Innovation and NZ Inland Revenue Department secured for ongoing R&D work**

#### Cash flow

- **Cash receipts of NZ\$1,045,639 (AU\$938,000<sup>2</sup>) reported for the quarter - highlights a significant increase on the previous period (June 2022 quarter: NZ\$239,928) and a 7.6% rise on the previous corresponding period (Q1 FY22 cash receipts: NZ\$971,614)**

#### Events subsequent to the end of the Quarter

- **Binding share purchase agreement secured to acquire 100% of Nine Ocean Group subject to shareholder approval, a leading fishing and seafood product distributor in Cairns, Australia**
- **The proposed transaction is a strong earnings accretive opportunity with a number of additional synergies and benefits**
- **Memorandum of Understanding secured with leading healthcare products distributor to progress clinical trial into marine collagen product**

**New Zealand Coastal Seafoods Limited (ASX:NZS and NZSOA)** ("NZCS", the "Company") is pleased to provide the following update on the Company's activities for the Quarter ended 30 September 2022 (the "Quarter" or the "Reporting Period").

<sup>1</sup> NZD = 0.90AUD

<sup>2</sup> NZD = 0.90AUD

#### PRINCIPAL AND REGISTERED OFFICE

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145 Stirling Highway  
Nedlands, WA  
Australia, 6009

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## Management commentary

**New Zealand Coastal Seafoods CEO Andrew Peti said:** *“The Company has made considerable progress in recent months, achieving a number of milestones that are expected to unlock meaningful value as we continue into the booming global nutraceutical market and continue to grow and diversify revenue streams.*

*The commercialisation of our marine collagen product is underpinned by a proprietary process that is considerably more efficient and less costly than existing processes. This is a major competitive advantage and is already leading to opportunities for sales and through pending clinical trials and R&D.*

*Subsequent to the end of the period, the agreement to acquire Nine Ocean Group subject to shareholder approval is also expected to unlock another growth channel as the Company continues to build a trans-Tasman footprint.”*

## Operational Activities

### Successful commercialisation of high quality marine collagen powder

During the Quarter, NZCS successfully commercialised a new hydrolysed marine collagen powder to support its continued entry into the rapidly growing nutraceuticals market. The milestone followed the development of a more efficient and less costly process for collagen extraction for ling maw.

Commercialisation follows the completion of extraction trials, which significantly exceeded expectations. The Company’s proprietary hydrolysed process breaks down ling maw-sourced protein into smaller particles so that it is more water soluble and potentially more easily absorbed into the body, while also removing non-collagen components from the raw material.

All intellectual property associated with the process is 100%-owned by NZCS and is expected to provide the Company with one of the highest quality collagen powders available as a human dietary supplement globally.

The Company continues to advance discussions with a number of potential partners and customers.

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## Quarterly cash receipts

NZCS generated cash receipts of NZ\$1,045,639 (AU\$938,000<sup>1</sup>) during the quarter, which highlights an increase on the previous period (June 2022 quarter: NZ\$239,928) and an increase of 7.6% rise on the previous corresponding period (September 2021 cash receipts: NZ\$971,614).

## Events subsequent to the end of the reporting period

### R&D tax rebate secured from Callaghan Innovation and NZ Inland Revenue Department

The Company has received an R&D tax rebate valued at NZ\$264,444 from the New Zealand Inland Revenue Department's (IRD) Research and Development Tax Incentive (RDTI) partnerships programme with the Callaghan Institute.

The rebate follows a submission made by the Company in November 2021 to fund research around fishing methodology and fish quality enhancement, as well as the development of proprietary processes for hydrolysed marine collagen extracts (refer above) and experimenting with new drying techniques to maximise the recovery of compounds and yields from ling maw.

The Company will utilise a portion of the funds for its planned upcoming clinical trials in collaboration with leading healthcare product provider, Ingredients Plus, as well as other opportunities.

### Binding Share Purchase Agreement for transformational and earning accretive acquisition

Post Quarter end, NZCS achieved a major milestone and entering into a binding share purchase agreement, subject to Shareholder approval with PXY Pty Ltd, Meridian Equity Pty Ltd and Nine Ocean Fishery Pty Ltd (together 'Nine Ocean') and Investment Advisers Alliance Pty Limited, a founding shareholder of Nine Ocean to acquire 100% of the issued share capital of the Nine Ocean Group (the 'transaction').

Nine Ocean is a leading seafood fishing and wholesale export business headquartered in Cairns, Queensland with operations in the Torres Strait.

The proposed transaction provides the Company with multiple strategic benefits including an Australian based operation with existing revenue channels, advanced logistics and supply chain networks, processing optimisation opportunities and added warehouse capacity.

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<sup>1</sup> NZS = 0.90 AUD

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Nine Ocean generated sales of A\$1.64m in FY2022 and NPAT margin of 37.75% (NPAT +15% YoY<sup>i</sup>). Upon completion of the transaction, which is expected in late November 2022, NZCS will benefit from the group's growing earnings profile.

Management have also identified a number of synergies between NZCS and Nine Ocean and will benefit from deploying capital to scale Nine Ocean's operations in the near term. The terms of the transaction can be found in the Company's ASX announcement dated 5 October 2022.

### **MoU with leading healthcare distributor to jointly develop clinically-back collagen product**

Subsequent to the end of the period and highlighting the Company's partnership approach to commercialisation and sales growth of its collagen product, NZCS entered into a non-binding Memorandum of Understanding (MOU) with Ingredients Plus. The MOU highlights a major step in NZCS' ongoing R&D, product development strategy and Asia-Pacific distribution expansion.

Ingredients Plus is a leading and independent supplier that serves customers throughout Australasia and South-East Asia. The group represents more than 20 global manufacturers and thousands of products, specialising in beauty/personal care and health, pharmaceuticals, and nutrition.

Under the terms of the MoU, the Company and Ingredients Plus will work jointly on the development and distribution of a unique clinically-backed collagen product, manufactured from premium ling maw supplied by NZCS. The agreement includes a co-development plan for the product comprising of a number of principal discussion terms, including but not limited to; clinical trials, cost-sharing, product pricing, marketing, IP, exclusivity and confidentiality.

Both parties will work together with RDC Clinical, a leading clinical research organisation based in Brisbane, in order to develop a trial framework that establishes the most robust data supporting the use-case of the proposed collagen product. Additional updates on the planned clinical trial will be made as they develop.

### **Share Purchase Plan**

On 7 July 2022, the results of the Company's Share Purchase Plan were announced. The Company raised \$500,000 including the placement of the shortfall of the offer. The additional capacity of \$300,000 noted for oversubscriptions was not placed.

**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, producer of premium seafood products and nutraceutical marine ingredients. Through the development of Nutraceutical products, NZCS has recognised significant opportunities in this high growth market, with the global Nutraceutical market estimated at US \$230.9 billion in 2018.<sup>1</sup>

Harnessing the countries reputation for pure, pristine waters and fisheries provenance, NZCS utilise raw ingredients sourced from New Zealand's sustainably managed fisheries, 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, through expanding global distributors, wholesalers and consumer channels.

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<sup>1</sup> Based on unaudited accounts of Meridian Equity Pty Ltd as a trustee of the Meridian Equity Unit trust for the financial year ended 30 June 2022.

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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 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	938	938
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(760)	(760)
(c) advertising and marketing	(55)	(55)
(d) leased assets	(69)	(69)
(e) staff costs	(276)	(276)
(f) administration and corporate costs	(355)	(355)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	1	1
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
1.8 Other		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(577)</b>	<b>(577)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	0	0
(d) investments	(24)	(24)
(e) intellectual property	0	0
(f) other non-current assets	0	0

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
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
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(24)</b>	<b>(24)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	500	500
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	(57)	(57)
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
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>443</b>	<b>443</b>

<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	780	780
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(577)	(577)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(24)	(24)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	443	443
4.5	Effect of movement in exchange rates on cash held	(17)	(17)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>605</b>	<b>605</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	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	605	780
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>605</b>	<b>780</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	173
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 (\$84,000) and consultant services in New Zealand (\$31,000), accounting, registered office and company secretarial fees (\$58,000).



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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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 <b>Total financing facilities</b>	0	0
7.5 <b>Unused financing facilities available at quarter end</b>		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.	

<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)	(577)
8.2 Cash and cash equivalents at quarter end (item 4.6)	605
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	605
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.04
<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 and its new products achieve market share	
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?	
Yes, the Company is continually monitoring its operations and cash position. The Company is confident it can source capital either via equity or debt should it ultimately be required. The Company notes its most recent successful capital raisings being a placement of \$1 million and an SPP of \$500,000 (including shortfall placement).	

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 expects to be able to continue its operations and to meet its business objectives on the basis that it has the ability to raise equity or debt funding, which it has a proven track record of being able to do.

*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: 31 October 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.