



31 July 2023

Quarterly Activities Report for the period ended 30 June 2023

- ~NZ\$2.5m agreement for the supply of premium NZ Ling fish and processed Ling maw to Gold Saint International Resources Group, a leading distributor for consumer products in China.
- Official China Country Listing received for Christchurch premises to export Finfish and more importantly Ling products directly to China.
- Toll manufacturing agreement entered into with Aquadev. The agreement reduces business risks and reduces the working capital required for NZS to service the agreement.
- Receipts from customers of A\$514,000 – up 8% on last quarter and takes full year unaudited cash receipts for the FY2023 period to \$3.078m.
- Formal Letter of Offer received from NAB for \$2m debt facility for working capital and capex.

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 this activities report for the three-month period ended 30 June 2023.

Operational overview:

12 month ~NZ\$2.5m purchase order secured for HGT Ling Fish:

NZS secured a major supply agreement for whole Ling fish with leading distribution group Gold Saint International Resources ('Gold Saint'), which comprises a monthly delivery of full containers of whole Ling fish for a period of 12 months with a total purchase order value of NZ\$2,476,800 over the term of the agreement.

The agreement is for the supply by NZCS of HGT Ling Fish with a net weight of 4kg+, which, in addition to the revenue from sale of product, provides NZCS with additional margin growth opportunities through the processing and distribution of Ling maw products for its China-based merchant customers.

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Manufacturing agreement secured with Aquadev:

On 19 April 2023, the Company entered into an agreement with Aquadev to supply Ling maw products for distribution by Aquadev through its broad distribution network. On 25 July 2023, the Company announced that the Aquadev supply agreement had been replaced with a toll manufacturing agreement whereby NZCS will manufacture the same Aquadev products but instead NZCS will use the raw materials provided to it by Aquadev. It is expected that NZS will process approximately 16,000kg of products each month. NZCS will receive a processing fee for each kg of product processed and delivered to Aquadev. The initial term for the agreement is six months.

The revised agreement reduces business risks to NZS, given the Company will not be required to fund a significant amount of inventory which would have otherwise been required under the previous arrangement.

Aquadev (trading as Matchless Food) is a Victoria-based distributor of meat and seafood products and has been supplying food businesses in Australia for over 10 years. It has a broad footprint in the Australian market, which includes Costco Australia.

Key product listing obtained for lucrative China market:

During the quarter, NZCS received official notice that its China Listing application had been approved by the Chinese regulatory authority, GACC. This allows NZCS to export selected aquatic products including Ling in various forms directly into China. This represents a significant milestone for NZCS in terms of scalability and price point potential.

Activities post quarter-end:

Subsequent to the end of the period, 100%-owned subsidiary Nine Ocean Fisheries Pty Ltd ("Nine Ocean") has received a Formal Letter of Offer to secure a debt facility with the National Australia Bank ("NAB") for the aggregate sum of A\$2m. The facility may be used for the acquisition of a fishing boat, ancillary equipment and working capital.

Management commentary:

New Zealand Coastal Seafoods Managing Director Mr Peter Chai said: *"New Zealand Coastal has laid a very strong foundation for growth during the last quarter. As well, securing the NAB debt facility subsequent to the period end leaves the Company very well placed to capitalise on a number of supply agreements and scale up opportunities at hand."*

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“The Company’s New Zealand based operations continue to perform reasonably. This is evident from recent supply agreements, as well as the ongoing optimisation of operations. During the current period, NZCS is focused on utilising the recently secured working capital and considerably scaling up its Australian operations. The Board and management are exploring a number of strategies to drive growth through Nine Ocean and looks forward to providing ongoing updates over the coming months.”

Financial overview:

The Company generated A\$514,000 in receipts from customers during the period. This highlighted an 8% increase on the last quarter (Q3 FY2023: \$486,000) and takes full year unaudited cash receipts for the FY2023 period to \$3.078m.

Receipts from customers secured Q4 FY2023 were underpinned by sales of the Company’s premium marine products, including dried ling maw, into both branded and bulk purchase formats. Sales from wholly-owned Cairns based subsidiary, Nine Ocean Group also added to the Company’s revenue profile.

Expenditure for the was in relation to product manufacturing, staff costs and administration costs

Payments at section 6.1 of Appendix 4C relate to director fees.

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) (ASX: NZS) is a producer of premium seafood products and nutraceutical marine ingredients. Through its New Zealand-based operations, NZCS is unlocking significant opportunities in the rapidly growing global nutraceutical market, which was estimated to be valued at US\$396.29Bn in 2021 and is anticipated to grow at a compound average growth rate of 5.2% between 2022 and 2030ⁱ. The New Zealand based operations also harness the country's reputation for pure, pristine waters and fisheries provenance to 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 Australian-based operations of NZCS, being Nine Ocean, is a premium seafood provider focused on responsible sourcing of seafood products from the Torres Strait and the Coral Sea. The group also operates a purpose-built export standard processing facility in Cairns. Via sustainable management practices, the group processes, sells and distributes high-end seafood products, including tropical rock lobster and sea cucumber. The products are wild caught, traceable and caught under a series of unique fishing licenses. Its fishery has been assessed and verified for sustainability, ensuring minimal impact on the wild fish population and the broader coastal ecosystem in which it operates. Nine Ocean is also a direct supplier of premium and frozen seafood products to a wide customer base across the Asia Pacific region.

ⁱ<https://www.gminsights.com/industry-analysis/nutraceuticals-market>

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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 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	514	3,078
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(68)	(1,932)
(c) advertising and marketing	(10)	(102)
(d) leased assets	(6)	(88)
(e) staff costs	(352)	(1,246)
(f) administration and corporate costs	(165)	(1,196)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	(1)	(22)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	449
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(88)	(968)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	(73)
(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)	-	-
2.6	Net cash from / (used in) investing activities	-	(73)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	500
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(57)
3.5	Proceeds from borrowings	-	9
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	452

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	208	781
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(88)	(1,056)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(73)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	452
4.5	Effect of movement in exchange rates on cash held	(22)	(6)
4.6	Cash and cash equivalents at end of period	98	98

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	98	208
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)	98	208

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	15
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
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)	(88)
8.2	Cash and cash equivalents at quarter end (item 4.6)	98
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	98
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.1
<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?	
	No. As a result of the two contracts recently entered into by the Company (see ASX announcements and quarterly activities report), it is expected that positive net operating cash flow be received in the September 2023 quarter.	
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, see quarterly in relation to establishment of credit facilities with NAB.	

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. The expectation of positive net operating cash flows in the current quarter and the credit facilities provided by NAB.

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: 30 July 2023.

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.