

ANGEL SEAFOOD

Q2 FY2019 Activities Update & Appendix 4C

Record sales up 240% on pcp, with well stocked leases; Company demonstrates scalability of its business model

25 January 2019 – Angel Seafood Holdings Ltd (ASX: AS1) (the “Company” or “Angel”) is pleased to provide the following quarterly update and Appendix 4C for the period ending 31 December 2018.

Key highlights for Q2 FY19:

- Record sales of \$1.37 million, up 240% on pcp
- Increased water holdings to 70Ha across the Eyre Peninsula, allowing growing capacity of 20-million oysters per annum and the ability to condition over 9 million oysters per annum
- Appointment of new CFO
- Fit out of Coffin Bay processing facility and expansion of leases completed on time and under budget
- Excellent supply in both quantity and quality of spat, with leases well stocked, and mortality rates lower than expected

Sales momentum continues to grow – sales up 64% over CY18

The Company is pleased to announce that it achieved sales of \$1,376,591 for the quarter, up 240% on the prior corresponding period (pcp) and another record quarterly sales result for Angel.

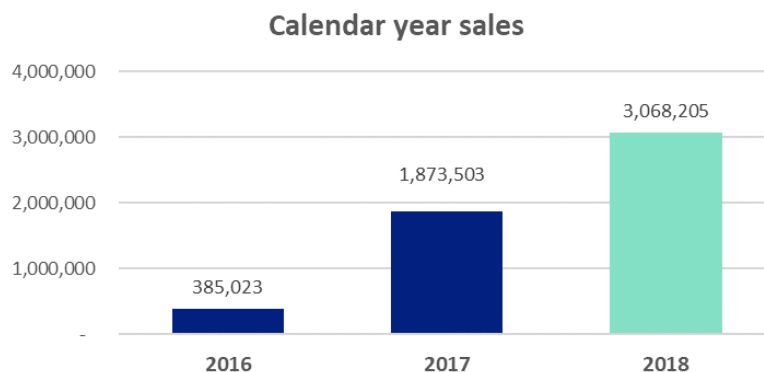
Total sales for the calendar year 2018 (CY18) were over \$3 million, which represents a 64% increase on the sales achieved in CY17 and close to a 700% increase on the CY16 sales.

Commenting on the strong sales outcome, Angel’s CEO and founder, Zac Halman, commented:

“I am proud to say that our team have delivered a fantastic sales result in the Company’s first year since listing on the ASX, exceeding all expectations. Despite operating in a challenging farming environment, we have demonstrated the scalability of our business model that continues to gain momentum via our multi-bay farming model.”

“Our team has done a tremendous job in building the Company’s capacity to capitalise on the strong demand for Angel oysters”, said Mr Halman.

The total CY18 sales figure, subject to final audit, triggered the Founder’s Prospectus Milestone a full three years ahead of the requirement, as listed in clause 16.4(a) of the Company Prospectus.



Additional key quarterly milestones

The Company continued its capital investment program throughout the quarter with completion of the processing facility enhancements and lease expansion in Coffin Bay, delivery of the new large oyster-tender and extension of the export facility in Port Lincoln to include a Head Office.

In addition, Angel further expanded its operations in Coffin Bay through the acquisition of 3.5-Hectares of prime water. This agreement included the purchase of circa 2-million oysters plus future spat orders.

Angel's water holdings increased to 70Ha across the Eyre Peninsula, which increases growing capacity to 20-million oysters per annum and the ability to condition over 9 million oysters per annum.

Both the capex and the Coffin Bay water expansion (Hank acquisition) were funded through existing cash flow and the NAB provided debt facility.

In regards to spat supply, the Company saw an increase in supply over the quarter and took the opportunity to greatly increase its spat purchase before Summer. Angel's leases are now close to fully stocked.

Outlook

Over the quarter ahead the Company will focus on husbandry of stock in the water and maintenance of the lease infrastructure. Due to the natural cycle of oysters (spawning) they generally become unfit for sale throughout January and February each year. The Company anticipates sales to recommence in March and then strengthen into the last quarter of the financial year.

Angel is pleased to report that it has received excellent supply of spat and anticipates the spat market will continue to improve throughout CY19. These spat deliveries will be carefully monitored through the summer months. Over this period the Company will replenish its leases in Coffin Bay utilising stock from Cowell, which is currently at close to full capacity.

Angel's capex program will largely draw to a close over the quarter ahead, with the completion of the Port Lincoln and Cowell facilities. Once complete the Company will be fully focused on growing as many oysters as possible for both the domestic and export markets throughout the remainder of FY19 and into FY20.

Commenting on the outlook for Angel, Mr Halman said:

"There continues to be a very high demand for Angel oysters, and this provides the board and management a strong degree of confidence as we continue to build our production capacity. We will continue to sell into the domestic market while there is strong demand and buoyant prices. We have already begun exporting oyster samples to a number of destinations; we will look to expand this if the opportunity arises.

"With the inclusion of our new CFO our team will continue to focus on the meticulous execution of our business plan as we build the foundations of a very strong oyster business in order to capitalise on the significant market opportunities."

The Company remains on track to be operationally cash flow positive for the 2019 financial year.

Further Information

Any questions or requests for further information should be directed via email to:

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Images Below (dated Jan 2019) – top: Delivery of Angel’s second Large Oyster Tender to Port Lincoln for final fit out, bottom: Progress of the expansion of the processing facility at Cowell



Forward Looking Statements

This announcement may contain certain “forward-looking statements” which may not have been based solely on historical facts, but rather may be based on the Company’s current expectations about future events and results.

Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, variations in spat supply, production estimates and growth and mortality rates from those assumed, as well as the impact of governmental regulation.

The Company does not undertake any obligation to release publicly any revisions to any “forward-looking statement” to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Angel Seafood Holdings Ltd

ABN

38 615 035 366

Quarter ended ("current quarter")

31 December 2018

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		1,029	1,878
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(850)	(1,296)
(c) advertising and marketing		-	(1)
(d) leased assets		(70)	(108)
(e) staff costs		(480)	(876)
(f) administration and corporate costs		(94)	(234)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	7
1.5 Interest and other costs of finance paid		(12)	(16)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(477)	(646)
1.2 (b) includes \$230,000 of stock purchased as part of the 'Hank' Acquisition announced to the on ASX 29 Oct 18.			
1.2 (d) includes \$31,000 in lease payments associated with the 'Hank' Acquisition announced to the ASX on 29 Oct 18.			

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(920)	(4,526)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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	(920)	(4,526)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	1,252	1,565
3.6	Repayment of borrowings	(33)	(81)
3.7	Transaction costs related to loans and borrowings	-	(10)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,219	1,474

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	437	3,957
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(477)	(646)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(920)	(4,751)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,219	1,474
4.5	Effect of movement in exchange rates on cash held	N/A	N/A
4.6	Cash and cash equivalents at end of quarter	259	259

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	259	259
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)	259	259

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(124)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
6.1 Directors Fees of \$35,587 (including superannuation), Commercial of \$80,194 Salaries (including superannuation) and consulting fees of \$8,500.		

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
N/A	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,800	1,565
8.2 Credit standby arrangements	-	-
8.3 Other (Credit Card)	30	4
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
8.1 Loan Facility is provided by National Australia Bank Limited with a facility limit of \$2,800,000. Drawn down amounts are subject to an interest rate of 5.52% PA. The loan is secured by Company assets.		
8.3 Credit card limit at quarter end totalled \$30,000 with a balance of \$4,000.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(474)
9.3 Advertising and marketing	(13)
9.4 Leased assets	(56)
9.5 Staff costs	(404)
9.6 Administration and corporate costs	(115)
9.7 Other (provide details if material) – Cap Ex	(1,149)
9.8 Total estimated cash outflows	(2,211)

9.7 Cap Ex includes the \$600,000 final payment to complete the South Sands and Blanchport water acquisition as detailed in the Company Prospectus. This was originally forecast to be paid in the previous quarter and has been carried forward to January 2019.

9.8 The Board is of the opinion that total estimated cash outflows are more than sufficiently covered by planned sales, debtors' payments, cash on hand and available debt facilities.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Other – Performance Shares & Performance Rights

During the quarter, 1,000,000 Performance Shares and 4,000,000 Performance Rights were on issue, following conversion of 500,000 Performance Shares to ordinary shares in September 2018, as previously disclosed.

These Performance Shares and Performance Rights are subject to escrow for a period of 24 months from the date of official listing on 21/2/18.

Each Performance Share converts into one ordinary share subject to the completion of performance milestones as set out in section 16.3 of the Replacement Prospectus dated 13/12/17 (Replacement Prospectus). No relevant performance milestones for Performance Shares arose during the quarter and no Performance Shares were converted during the period.

The performance milestone and conversion rate for Performance Rights are set out in section 16.4 of the Replacement Prospectus. No Performance Rights were converted or redeemed during the period. Based on management accounts to 31 December 2018, the Board has determined that the performance milestone for the Performance Rights has been triggered and has directed the Company's auditors to verify the relevant revenue. Subject to audit verification, 4,000,000 Performance Rights will vest and be converted to ordinary shares.

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.

Sign here: 
(Director/Company secretary)

Date: 25 January 2019

Print name: Christine Manuel

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.