

ANGEL

SEAFOOD

Q3 FY2020 Activities Update & Appendix 4C

Record Q3 sales and healthy stock position demonstrate underlying growth; internal and external actions implemented to offset a sales slowdown due to COVID-19

28 April 2020 – 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 March 2020 (Q3 FY20).

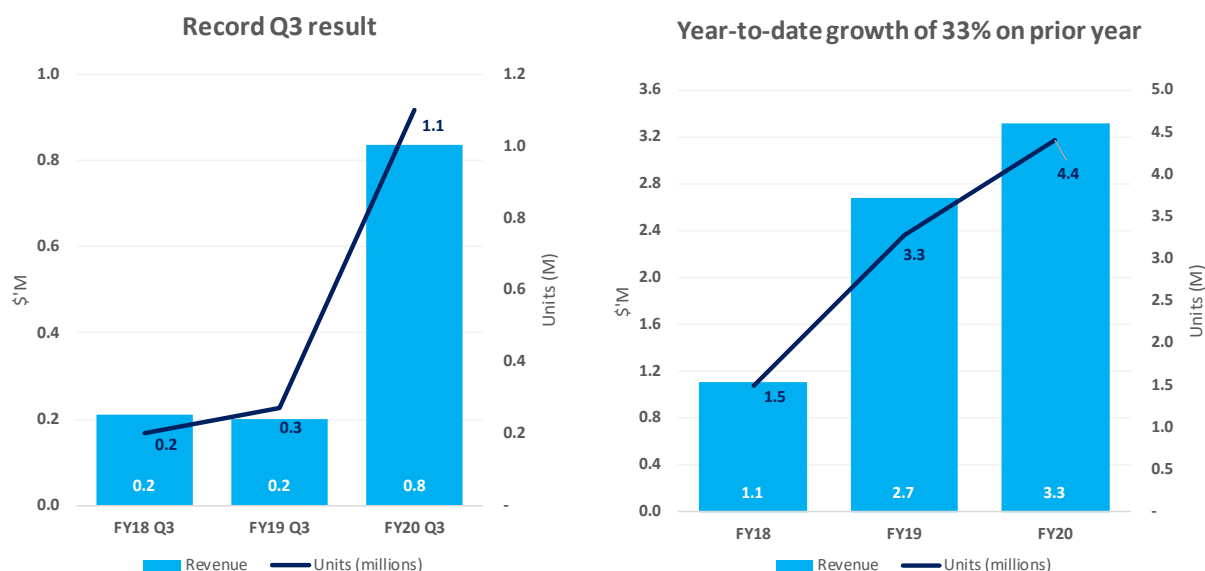
Key highlights for Q3 FY20 and current activities:

- A record Q3 result of 1.1 million oysters sold, up 304% on Q3 FY19 (pcp), driven by an improved stock profile
- Quarterly sales of \$0.8 million, up 319% on pcp; average price per oyster improving
- Year-to-date sales of 4.4 million oysters, up 33% on FY19
- Stock profile continuing to improve towards larger sizes; leases fully stocked
- Decisive actions implemented to offset adverse sales impact of COVID-19 pandemic that were experienced late in Q3
- Approved bank support in the form of an additional \$1m working capital facility
- Angel expected to be eligible for Government support packages

Record Q3 sales achieved in a challenging trading environment

Angel sold 1.1 million oysters over Q3 – a record third quarter – which was up 304% on pcp. This result was driven by an improved stock profile, where more mature oysters were available for sale, and an earlier recommencement of sales following the spawning season.

Sales of 4.4 million oysters for the nine months to 31 March 2020 represent an increase of 33% on prior year, reflecting the underlying growth in the business, which is underpinned by an increase in water holdings and the strong and improving stock profile.



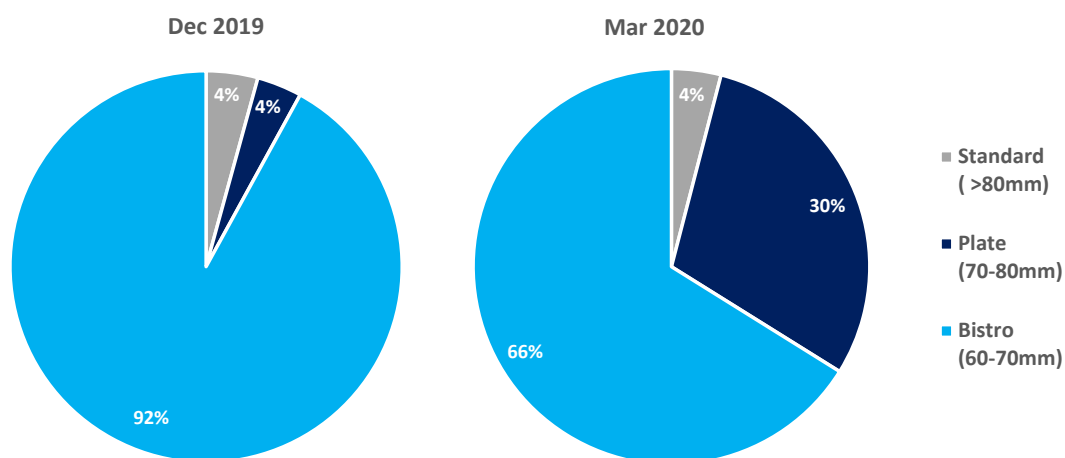
The sales mix improved over the quarter as a result of improved growing conditions and stock profile, with the average price per oyster improving from Q2.

Cash receipts from customers in Q3 FY20 were \$0.8 million, down 12% on pcp due to timing of cash receipts in the comparative period.

Stock profile continuing to improve towards larger sizes; leases fully stocked

Pleasingly, Angel's stock profile improved in Q3 as a result of water temperatures and nutrient levels in both Cowell and Coffin Bay being favourable for oyster growth. The proportion of larger size oysters ('Plate' and 'Standard') in mature stock on hand has increased significantly.

Breakdown of mature stock conditioning for sale



The Company currently holds 24 million oysters in stock across its leases in Coffin Bay, Cowell and Haslam. Angel commenced using the Haslam overflow facility during the quarter.

Angel is also pleased to report that it is now through the high-risk POMS period, and all oysters remain healthy.

Full year guidance withdrawn given the uncertainties surrounding COVID-19 pandemic

Towards the end of March, Angel experienced a slowdown in sales due to the Government directives put in place to combat the spread of COVID-19 (refer to announcement dated 25 March 2020). Given the inherent uncertainty around the COVID-19 pandemic and the unknown duration of the ongoing Government's directives on social gatherings, Angel made the decision to withdraw its full year sales guidance for FY20.

Angel is using the slowdown as an opportunity to further improve its stock profile whilst the restrictions on restaurant operations and foot traffic in seafood markets is expected to have an adverse impact on Q4 sales. Once consumer demand for oysters recovers to normal levels, Angel will be in a strong position with greater quantities of larger oyster sizes available, which attract higher average sales prices.

Commenting on Q3, Angel's CEO and founder, Zac Halman, said:

"We are very pleased with our sales result in Q3 despite a slowdown in sales towards the end of March. Thanks to a stronger stock profile and our team's hard work we managed to sell three times more oysters than over the same period last year. We were also fortunate to experience excellent growing conditions throughout the quarter, resulting in our stock profile further improving towards larger oyster sizes", said Mr Halman.

Update on COVID-19 response; initiatives in place to increase liquidity

Angel continues to monitor the rapidly evolving COVID-19 pandemic and the implications to its business. The key priorities during this time remain the health and safety of its staff and positioning the business for the long-term.

To date, Angel's farming operations have not been impacted by any Government directives and the Company believes that as an 'essential service' it can continue to operate on the Eyre Peninsula as usual.

Given the adverse impacts to sales experienced from late March, and consequently cash flow, Angel has responded decisively to preserve cash and significantly improve working capital by:

- stopping all discretionary operating expenses, including reducing hours for staff and contractors where possible;
- deferral of planned expansionary capital expenditures;
- deferring all interest and capital repayments on debt facilities for 6 months, as offered by the Company's lender, National Australia Bank (NAB);
- refinancing of Angel's assets under an asset finance facility with the NAB, resulting in a \$0.5 million cash inflow; and
- seeking additional working capital, for which the NAB has approved an initial tranche of \$1 million. A further review will jointly be undertaken by the Company and the NAB late in Q4. This review will consider Angel's business operations, and any further Company needs for working capital when considering the status of government COVID-19 restrictions.

In addition, Angel expects to qualify for a number of assistance packages announced by the Federal and State Governments. The Company has applied for the Jobkeeper Payment, which will enable Angel to continue to support its ongoing work arrangements with its employees. The Government's export markets support package is also expected to assist with the recommencement of Angel's oyster shipments to Asia in Q4.

Angel will continue to assess the evolving situation, and implement further responses as required.

Export sales planned for Q4

As planned, Angel expects to recommence export sales in the fourth quarter. The Company's improving stock profile and fully stocked leases means it is well positioned to significantly grow its export sales volumes.

While current demand levels in the current environment are untested, encouragingly there has been an increase in export enquiries. The Company is currently exploring opportunities to export into several countries in Asia and the Middle East, whilst also selling to existing customers in Hong Kong.

Angel is working closely with the South Australian and the Federal Governments to access the 'International Freight Assistance Mechanism' initiative which helps exporters of high-value products, including seafood, air freight into key overseas markets. This initiative will operate until ordinary commercial markets return, or for six months, whichever is the earlier. This is expected to see Angel through to the peak domestic season.

Outlook: improving stock profile and leases fully stocked

Angel has stock available for sale and is continuing its domestic sales program into retail channels. Demand from food service channels is expected to be subdued until social distancing directives are lifted and restaurants are allowed to operate again. Angel expects to commence the export sales program in Q4 as access to export markets re-open.

The key focus of Angel's farming operations continues to be on improving the stock profile with larger oyster sizes and ensuring the health and quality of its oysters.

With 24 million healthy oysters in the water, and an improving stock profile, Angel is confident that it will be positioned very strongly once consumer demand returns to normal levels and it can serve the market with its larger size organic oysters. In the interim, Angel will continue to utilise its Haslam leases as an overflow facility.

Commenting on the outlook, Mr Halman, said:

"The past couple of months have certainly been unprecedented in terms of the impact to our daily lives. Pleasingly, Angel has held up well, with our team staying healthy and continuing to grow our business."

"We did see a reduction in consumer demand for oysters in late March, and this is likely to continue until the social distancing directives are lifted. We are utilising this time to continue to improve our stock profile so that we are ready with bigger and better oysters once demand picks up again."

"I am confident that with the responses we have put in place to navigate the short-term impacts, we will come through this challenging period in a much stronger position that will enable the continued growth of Angel."

"We are very thankful of the support and confidence that our bankers, the NAB, and our other business partners, continue to show in our business; particularly during these unprecedented times."

Further Information

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

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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 cash flow report for entities subject to Listing Rule 4.7B

Name of entity

ANGEL SEAFOOD HOLDINGS LIMITED

ABN

38 615 035 366

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	816	3,500
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(392)	(1,622)
(c) advertising and marketing	(17)	(26)
(d) leased assets	(22)	(60)
(e) staff costs	(629)	(1,899)
(f) administration and corporate costs	(124)	(369)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(68)	(240)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	659
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(436)	(57)
1.2(a) – The group undertakes research and development activities the cost of which is embedded within its pool of operating costs and have not been split in this cash flow statement.		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(70)	(326)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	311
	(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	(70)	(15)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	495	1,199
3.6	Repayment of borrowings	(354)	(1,091)
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	141	108

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	931	530
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(436)	(57)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(70)	(15)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	141	108
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	566	566

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	566	931
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)	566	931

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
(93)
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	3,925	3,689
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,925	3,689

7.5 **Unused financing facilities available at quarter end** 236

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.

7.1 – The Group has two finance facilities with National Australia Bank (NAB); a Working Capital Facility of \$1 million, and Business Expansion loan facility for \$2.925 million. Both facilities are secured by a first claim over the oyster leases owned by the Group. Interest is incurred on the drawn down portion of these facilities at a floating interest rate. As at 31 March 2019 the average interest rate on these facilities was 4.04%.

7.4 – Subsequent to 31 March 2020, the Group has received approval for an initial tranche of \$1 million of COVID-19 Working Capital support from the NAB in April 2020.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(436)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	566
8.3 Unused finance facilities available at quarter end (Item 7.5)	236
8.4 Total available funding (Item 8.2 + Item 8.3)	802
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.8

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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: No. Quarter ending 31 March 2020 is a low sales quarter due to seasonal factors. Angel withdrew sales guidance due to restrictions imposed by the Government to combat the spread of COVID-19 impacting sales. Refer to activities report.

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: Yes. Angel generates cash flows from sales. In addition, the Group has received approval for an initial tranche of \$1 million for COVID-19 Working Capital support from the NAB in April 2020. This facility will be reviewed with the NAB late in Q4. With the this additional funding, 'Item 8.5 - Estimated quarters of funding' increases to 4.1

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: Yes. The entity expects to continue operations on the basis of available funding (cash on hand and access to bank facilities) and cash flow from operations, including collection of receivables and proceeds from sales.

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:

Authorised by:

(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.

+Rule 4.7B