CLEANSEAS | sustainable seafood

# ASX & Media Release

7 December 2015

## APPOINTMENT OF MANAGING DIRECTOR AND CEO AND BUSINESS UPDATE

Clean Seas Tuna Limited (ASX: CSS) is pleased to announce the appointment of its new Managing Director and Chief Executive Officer. The company also provides a business update and earnings guidance for anticipated H1FY16 and H2FY16 results.

### Appointment of David Head as Managing Director and CEO

The Board is pleased to announce that David Head will become Managing Director and Chief Executive Officer on 28 January 2016.

Mr Head, 58, has over 25 years' experience as a Chief Executive, Non-Executive Director and Corporate Advisor in a wide range of Industry Sectors in Australia, New Zealand, Asia and Europe in both public and privately owned companies.

After working with multi-national corporations in Australia and overseas (including Chief Executive roles at Pepsi and Lion Nathan), Mr Head was Chief Executive of several privately owned companies, including the Calum Textile Group and Leigh Mardon Group where he led a turnaround in shareholder equity of more than $100 million.

David has extensive Board experience (as both Non-Executive and Executive Director) in Australia, New Zealand, Asia and Europe including as a Non-Executive Director on the Board of ASX Listed Snack Brands Limited.

Six years ago Mr Head stepped away from full time work to support his wife through a period of serious and unexpected ill health. During this period he consulted to a range of businesses and took on a number of Board roles. His wife has since recovered well.

Mr Head said he was excited by the opportunity to lead the ongoing growth of Clean Seas.

"Over the past four years Dr Craig Foster and the management team have made great progress restructuring the business and in particular the Company's aquaculture operations. I am looking forward to leading the Company through its next phase of growth and development."

"The Board of Clean Seas undertook an international search for a replacement to Dr Craig Foster who decided not to extend his contract and we were very pleased with the calibre of executive leaders that sought this position", said Chairman Paul Steere.

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“David Head will bring to the company a depth of experience in corporate leadership including fiscal management, marketing, brand development and international business - key skills required for the company’s next phase of growth. The company has demonstrated its ability to reliably grow excellent fish and now needs to focus its attention on global sales growth, improved environmental husbandry, cost efficiencies and growing value.”

“While we are disappointed to lose Dr Foster, he has led important biological developments for the company and commenced our global sales initiatives. Dr Foster will continue to be involved with Clean Seas in a consulting role, in particular in relation to ongoing biological improvements” concluded Mr Steere.

Details of the material terms of Mr Head’s appointment are contained in the attached Appendix.

## Sales Update and Earnings Guidance

Sales volume for FY15 was 1,098 tonnes, up 92% from FY14, with market guidance for FY16 being for a further material increase to approximately 2,000 tonnes. Sales to 30 November of 594 tonnes have increased by 45% over sales for the corresponding period to 30 November 2014 and month on month increased market penetration is encouraging. Full year guidance of approximately 2,000 tonnes remains our expectation.

Average farmgate sales prices have held well in the year to date. Sales growth has continued in the Australian and European markets and Clean Seas is developing new fresh and frozen products targeted at food service and retail markets to take advantage of the company’s continuing strong production performance.

The cost of re-entry to the US and Asian markets for prime grade sashimi product, together with the development costs and introductory pricing incentives for new products in our domestic and export markets, has however been more significant than anticipated.

Overall, the Strategic Sales & Marketing Plan requires up to $4 million in additional costs and the Board has resolved that it would be prudent to provide for these costs in the fish valuation as at 31 December 2015. Clean Seas advises that it anticipates reporting a pre-tax loss for H1FY16 in the order of $7 million compared to a loss of $0.7 million in H1FY15, with the increased loss mainly attributable to the $4 million valuation adjustment. Profitable trading for H2FY16 is anticipated, due to the seasonality of Clean Seas’ earnings, with the majority of annual fish growth occurring in H2 due to higher average seawater temperatures.

## Company Liquidity

Clean Seas confirms that it has adequate cash reserves and banking facilities in place to meet its operating requirements for the FY16 year. The company’s cash position has improved materially since the release of Appendix 4C Cash Flow Report to 30 September 2015. The company confirms that it has received $6.031 million from its FY15 R&D Tax Incentive refund. The refund is $1.418 million more than was anticipated as at 30 June 2015 and the cash generated from this R&D incentive will materially assist the funding of the company’s Strategic Sales & Marketing Plan described above.

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| Paul Steere | Dr Craig Foster |
| Chairman | Chief Executive Officer |

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## Appendix – Material Terms of Employment Contract with David Head

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| Position | Managing Director and Chief Executive Officer |
| Commencement Date | 28 January 2016 |
| Term | Ongoing with no fixed term |
| Fixed Annual Remuneration | $365,000 plus superannuation contribution of $35,000, subject to annual review |
| Motor Vehicle | Current vehicle, due for replacement in FY2016, with any change in model above cost of replacement being for appointee's cost |
| Short Term Incentive (STI) | Potential to earn up to 10% - 40% of Fixed Annual Remuneration. 20% of the STI relates to achieving personal objectives and 80% relates to achieving "Company Excellent Performance Objectives" of exceeding budgeted net profit by $1 million and is paid pro rata up to excess of $2 million. For the initial period from date of appointment to 30th June 2016, the Board will set KPI targets that provide the opportunity for attainment by exceeding such KPIs. |
| Long Term Incentive (LTI) | Proposed LTI Scheme to be implemented, subject to shareholder approval. The LTI Scheme will encompass the granting of Performance Rights based on company performance, which convert to ordinary shares after a three year performance period and only after meeting specific dual Performance Hurdles such as Return on Assets and Total Shareholder Return. The determination of the quantum of performance rights, their exercise date and the pro rata rate of performance rights is to be determined by the Board and recommended for approval by shareholders at the 2016 Annual General Meeting. |
| Notice Period | 3 months during first 6 months of employment, and thereafter 9 months. Should the proposed LTI not be agreed by shareholders then 30 days notice can be exercised at that time |
| Leave Entitlements | 5 weeks annual leave plus other statutory entitlements |

Mr David Head