



Q2 FY20-S Activities Update & Appendix 4C

Angel finishes the period with record December quarter sales; growth strategy fast-tracked following a successful capital raise

20 January 2021 – Angel Seafood Holdings Ltd (ASX: AS1) (the “Company” or “Angel”), the Southern Hemisphere’s largest producer of certified organic and sustainable pacific oysters, provides the following quarterly update and Appendix 4C for the period ending 31 December 2020.

Key highlights for the period:

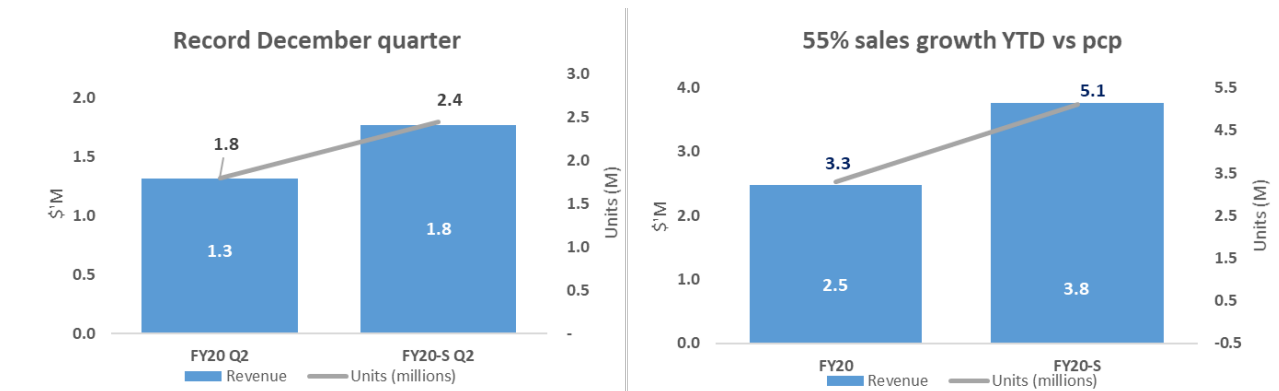
- Record December quarter sales achieved with 2.4 million oysters sold, up 36% on the previous corresponding period (pcp)
- Record half-year sales with 5.1 million oysters sold in H1 FY20-S, driven by the success of Angel’s retail sales momentum
- 3-pillar growth strategy unveiled; Angel aiming to double production capacity to 20 million oysters per annum and improve profitability
- 6.25Ha of additional water leases acquired to increase scale in the Eyre Peninsula, increasing finishing capacity to 12 million oysters per annum
- Continued investment in biomass to build a pipeline of future sales; strong stock position with more than 29 million oysters on hand and 57% biomass increase compared to pcp
- FlipFarming and ‘summer oysters’ trials launched to boost productivity and profitability
- \$4 million Placement completed to support the next phase of growth

Record December quarter sales driven by strong demand and the continued success of Angel’s multi-bay strategy

Angel has achieved another strong quarterly result with 2.4 million oysters sold in the quarter ending 31 December 2020 (FY20-S Q2), a record for a December quarter, and an increase of 36% on pcp. Record sales in the peak domestic selling season were driven by continued momentum in the retail channel, supported by growing recognition of Angel’s ability to guarantee continuous supply of its high-quality organic oysters, an emerging brand presence, and the return of demand from the restaurant channel following the easing of COVID-19 related restrictions.

Pleasingly, despite record sales Angel completed the period with additional stock still being available for sale in Q1 FY21.

The record December quarter means that for the 6 months to 31 December 2020 (H1 FY20-S), Angel sold a record 5.1 million oysters, driven by the continued success of its multi-bay strategy and strong momentum in retail sales.



Angel achieved a quarterly revenue result of \$1.8 million, up 35% on pcp, with underlying oyster prices remaining steady during the quarter. Cash receipts from customers in Q2 FY20-S were \$1.6 million, up 11.7% on pcp.

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

"The last quarter was a busy and productive period for Angel. We achieved another outstanding sales result thanks to the continued strong momentum in retail sales and the early recovery in restaurant orders. The retail channel has quickly become an important feature in our strategy and we will look to develop our retail offering further with targeted initiatives that enable us to leverage our credentials based around Angel Seafood being one of only two sustainable and organically-certified oyster growers in the World."

"The continued strength in sales throughout uncertain times has given us the confidence to launch Angel into its next phase of growth, which over time will see capacity doubled to meet growing demand and profitability improved. I am incredibly proud of our team and the effort they have put into Angel in 2020, and I'm very excited about the opportunities we have ahead of us. We will continue to expand our scale in the Eyre Peninsula and strive to roll out the most innovative farming methods while making sure we look after the environment we operate in."

Strong stock position; focus on investing in pipeline to cater for future growth

Following continued sales momentum and given the increase in finishing capacity to 12 million oysters per annum with the recent acquisition of water leases, Angel is now focused on growing its stock profile for the future, with a net investment of \$214k made in spat purchases during the quarter (included in operating cash flow). In addition to purchasing 'traditional' spat, Angel has procured spawnless triploid spat which will be utilised as part of the 'summer oysters' trial.

As of 31 December 2020, Angel had 29 million graded oysters on hand with a biomass of 264T, a 57% increase compared to pcp. Coffin Bay and Cowell leases are near capacity with the overflow of oysters warehoused at the Haslam facility. Growing conditions during the quarter (spring and early summer) were pleasing and in line with expectations. Stock remains in good health.

Farming operations are now focused on grading oysters and monitoring the condition of the oysters during spawning season. The Angel team is also busy ensuring Flipfarming and 'summer oysters' trials progress as planned.

Angel unveils plans for the next phase of growth; acquires additional water leases

In November, Angel launched a 3-pillar strategy to support the next phase of its growth, building on the success of its multi-bay strategy and profitable operating base. The Company aims to double its production to 20 million oysters per annum, and improve profitability through increasing scale, focusing on innovation and improving price.

Pillar 1: Increasing scale through acquisitions

Increasing production will maximise economies of scale and increase return on investment. To increase scale, Angel acquired an additional 6.25Ha of premium water leases in the Eyre Peninsula in November 2020, with 2.0Ha already developed and immediately increasing production capacity to 12 million oysters per annum. 4.25Ha of undeveloped leases have been earmarked for the Company's flip-farming trials. The new leases will be held under leasing agreements with terms ranging from 6-15 years at an aggregate cost of \$138k per annum. Angel has the option to buy the leases at the end of the lease periods, or the first right of refusal. The Company will continue to assess water opportunities within the Eyre Peninsula to further increase capacity and take advantage of its multi-bay strategy.

Over the quarter, Angel commissioned a brand-new large oyster boat in Cowell. This will increase capacity, with significant efficiencies, to cater for the growing biomass in line with the Company's growth ambitions.

Pillar 2: Increasing productivity through innovation

To increase productivity and lower operating costs, Angel will trial FlipFarming in Coffin Bay, a modern bio-dynamic oyster farming system that has already proven successful in New Zealand. The project is expected to generate an attractive IRR and short capital payback period, with ongoing benefits of increased productivity and lower operating costs. Equipment and materials for the development of FlipFarming infrastructure have been purchased and are starting to arrive in Coffin Bay.

To further support Angel's production capacity through innovation, Angel launched a trial of 'summer oysters' in December. The trial, if successful, will enable Angel to sell oysters through the summer spawning months and potentially increase annual sales by 10-15% through increased production and higher margins for the availability of oysters throughout the traditional off-season. The trial is expected to take up to 15 months with oysters ready for sale in early 2022. The summer oysters have been through their first grading and are in good condition and with good survival rates.

Pillar 3: Building the Angel brand to improve pricing

Angel continued to make progress with its retail sales program over the quarter, further strengthening its relationships with major retailers and securing features in Costco's Christmas catalogue and Drakes' weekly catalogue. The catalogue features are a testament to the growing recognition of Angel as a leading oyster supplier to the retail channel in Australia. There is a significant opportunity for further growth in the retail channel through increasing penetration, with less than 20% of major retail stores in Australia currently selling oysters.

Following the success of its retail sales program and having achieved a scale that enables Angel to guarantee a continuous supply of its organic and sustainable oysters to major retailers, Angel will be focusing on improving its oyster pricing through premium brand positioning, building on the early traction being achieved in the retail segment.

Successful placement to fast-track growth strategy and strengthen financial position

In December, Angel successfully undertook a \$4 million Placement to enable the Company to accelerate its growth plans towards doubling production capacity and improving profitability. The Placement, which comprised an offer of 23.5 million fully paid ordinary shares at an issue price of \$0.17 per share, was strongly supported by existing investors as well as new high quality institutional and sophisticated investors.

As previously advised, Angel also secured an increase of \$1 million to its working capital facility with the National Australia Bank (NAB). The working capital facility limit now stands at \$3.0 million with the renewal of the facility extended out to 30 November 2021.

The funds raised via the Placement, together with the additional working capital facility, further support the Company's financial position and allows Angel to fast-track its growth initiatives.

Operating cash flow

Cash inflows for Q2 FY20-S included \$1.6 million in cash receipts from customers, and \$62k of government grants (September Jobkeeper allowance). The Company was not eligible for the Jobkeeper extension.

Operating cash expenditure for Q2 FY20-S was \$1.9 million, comprising of spat purchases (including investment in net biological stock growth and summer oyster trials), production costs, advertising and marketing, payments for leased assets, staff costs, and administration and corporate costs.

Payments to related parties over Q2 FY20-S were \$166k, consisting of Directors' fees and KMP salaries.

Change in financial year-end

The Company announced a change in financial year-end to 31 December, with the 6 months from 1 July 2020 to 31 December 2020 being a transitional 6-month financial period ('FY20-S'). Accordingly, the December quarter is the last quarter of FY20-S and the Company will lodge financial statements and an Annual Report for FY20-S by 28 February 2021.

The next financial period ('FY21') commenced on 1 January 2021 and will run to 31 December 2021.

Outlook - Angel recommencing sales early in a strong stock position

Angel is entering 2021 in a strong position and with exciting growth plans in place.

The Company has continued to experience strong demand over the peak festive period and into January. Demand from the restaurant channel is continuing to recover with easing of COVID-19 restrictions across the country, despite not yet back to pre-COVID-19 levels. Sales are now officially out-of-season for the remainder of summer, with the 2021 sales season expected to commence in March. However, following the early spawning experienced in Coffin Bay, some stock has started regaining condition and sales have continued into January, albeit at a reduced scale.

The Angel team will focus on infrastructure upgrades and husbandry activities for the majority of the next quarter (Q1 FY21), in preparation for the next year. With the current stock position and optimal growth conditions being experienced, Angel expects to have a good supply of oyster sizes to cater for the increasing demand from both restaurants and the retail channel.

The Company is focused on progressing the three pillars of its growth strategy and will continue to build scale in its multi-bay strategy, invest in industry-leading farming methods and roll out initiatives that will strengthen the Angel brand and support favourable pricing for its oysters.

Investor webcast tomorrow at 2:00pm (AEDT)

An investor webcast will take place tomorrow, 21 January 2021, at 2.00pm (AEDT). Participants will have an opportunity to ask questions following the briefing. Please pre-register for the webcast via:

https://us02web.zoom.us/webinar/register/WN_TF25caGHQ9u9PynQpigPjA

This announcement was approved for release by the Board.

Further Information

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

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About Angel Seafood Holdings Ltd

Angel Seafood is a producer of fresh, clean and consistently high-quality oysters that don't compromise the environment. Angel has grown from a family-operated South Australian business and has rapidly developed from a traditional oyster-growing business into a premium, innovative and organically certified producer of Coffin Bay Oysters. The Company primarily sells oysters to the domestic market; however, exports represent a substantial long-term growth opportunity.

Angel Seafood is the Southern Hemisphere's largest sustainable and organic certified pacific oyster producer.

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 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (six months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,595	3,478
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,009)	(2,130)
(c) advertising and marketing	(12)	(36)
(d) leased assets	(27)	(50)
(e) staff costs	(677)	(1,556)
(f) administration and corporate costs	(105)	(204)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(99)	(146)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	64	782
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(270)	138
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 (six months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(873)	(949)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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	(873)	(949)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,000	4,000
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	(232)	(232)
3.5	Proceeds from borrowings	-	478
3.6	Repayment of borrowings	(1,195)	(1,602)
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	2,573	2,644

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (six 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	1,748	1,345
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(270)	138
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(873)	(949)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,573	2,644
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,178	3,178

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	3,178	1,748
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)	3,178	1,748

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**

(166)

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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	5,775	3,717
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	5,775	3,717

7.5 **Unused financing facilities available at quarter end** 2,058

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 revolving finance facilities with National Australia Bank (NAB); a Working Capital Facility of \$3 million, and Business Expansion loan facility for \$2.775 million. Both facilities are secured by a first claim over present and future rights, property and undertaking of the consolidated Group. Interest is incurred on the drawn down portion of these facilities at a floating interest rate. As of 31 December 2020, the average interest rate on these facilities was 3.84%.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(270)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,178
8.3 Unused finance facilities available at quarter end (Item 7.5)	2,058
8.4 Total available funding (Item 8.2 + Item 8.3)	5,236
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	19

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: N/A

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: N/A

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: N/A

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: 20 January 2021

Authorised by: By the Board

(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

+Rule 4.7B