

ANGEL

SEAFOOD

Q4 FY21 Activities Update & Appendix 4C

Record December quarter sales achieved despite bay closure for four weeks; over 10m oysters sold in 2021

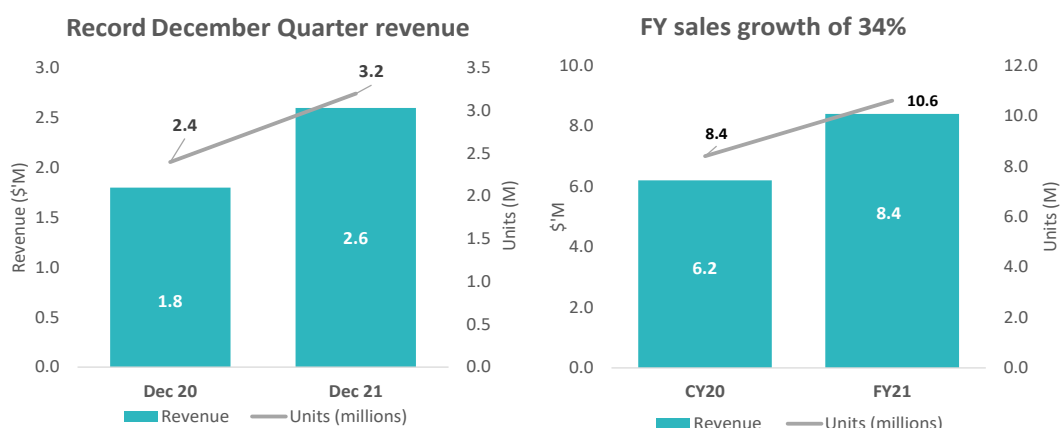
31 January 2022 – Angel Seafood Holdings Ltd (ASX: AS1) (the “Company” or “Angel”), the Southern Hemisphere’s largest producer of certified organic and sustainable pacific oysters, provides the following quarterly update and Appendix 4C for the period ending 31 December 2021.

Key highlights for the period:

- Record December quarter with 3.2 million oysters sold, up 31% on the prior corresponding period (pcp), despite the closure of bays for 4 weeks due to the industry outbreak of Vp
- 10.6 million units sold in 2021, a new full year record; unaudited full year revenue of \$8.4 million, up 34% from the 2020 calendar year; underlying EBITDA up 32% to \$2.5 million
- Strong biomass position – up 53% on pcp; significant stock on hand, with marketable size stock being carried over into 2022 due to the temporary closure period
- Growth initiatives showing promising results; flip farms have increased production capacity to 15 million units per annum; summer oysters sales to commence in the next quarter
- Received an indicative, non-binding and conditional proposal from Laguna Bay to purchase all of the shares in Angel at an indicative all cash consideration of \$0.20 per share

Another record quarter for revenue and oyster sales despite sales interruption; strong growth in biomass

Angel has delivered a strong quarter despite temporary bay closures, with 3.2 million oysters sold in the quarter ending 31 December 2021 (Q4 FY21), representing an increase of 31% on pcp. This resulted in sales revenue of \$2.6 million for the period, up 44% on pcp; with average price increasing 13% on pcp driven by improvement in average size sold. This was another record quarter for Angel and was achieved despite sales being closed for 4 weeks over a peak period, which left Angel only able to sell into the high Christmas demand for one week rather than the normal three-week elevated sales period.



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

“Despite an industry disease outbreak and numerous state lockdowns, we have again shown how resilient the Angel business is. The investments we have made over the years have not only built scale in the business, but also ensured we have market-leading practices across innovation and product handling. We continue to move from strength to strength with record sales and revenue, surpassing 10 million oyster sales in the full year for the first time, while at the same time continuing to increase our stock biomass.

“We continue to demonstrate our ability to scale across bays as productivity initiatives begin to show promising results and are rolled out on a larger level. After just one year since implementing our three-pillar growth strategy, we are already seeing tangible results that will support us to build additional capacity and improve the profitability of our operations.

“We will continue to focus on building the operations to increase production capacity to 20 million oysters per annum through improvements in scale and implementation of innovative farming methods.”

Over the period, demand for Angel’s product remained strong, with both food service and retail channels showing strong appetite for oysters over the spring and early summer period, aided by easing of COVID-19 restrictions across states and territories. The increase in sales was also driven by the availability of stock from Angel’s increased scale and biomass, and stock sourced under allied arrangements to meet demand into Angel’s growing market.

Biomass as at 31 December 2021 was 405 tonnes, up 53% compared to pcp, which was higher than expected given the postponement of sales for 4 weeks. This means Angel enters 2022 with a strong stock position, with marketable size stock carried over into 2022, positioning the Company well for future sales.

Vibrio Parahaemolyticus (Vp) update

In November, the South Australian Department of Health and Wellbeing (BWH) and the Department of Primary Industries and Regions South Australia (PIRSA) notified all oyster producers in the Coffin Bay region to cease harvesting and recall all fresh and frozen oysters that were sold consigned or distributed for sale from 4 September 2021 to 16 November 2021 as a result of an unknown outbreak of *Vibrio Parahaemolyticus* (Vp).

The recall impacted approximately 0.5 million units previously sold between these dates – 19% of the 2.6 million units that were harvested and sold over the recall period. The recall had a financial impact of \$540k, through customer refunds and logistics costs. The bay closure for 4 weeks also resulted in lost revenue and cash receipts in Q4, estimated to be in excess of \$1.2 million.

After detailed review of processes, inspection of facilities and testing of samples with no negative results, Angel was cleared to recommence harvesting and sales in key harvesting zones in Coffin Bay on 14 December 2021.

Productivity initiatives and flip farm trials progressing well; Summer oysters sales to begin

Through the quarter, flip farm trials continued to show very promising results, with the integration of 6Ha of flip farms into operations increasing overall production capacity to 15 million units per annum, up from 12 million. Results to date are also revealing signs of superior quality, cleaner shells and lower average costs per unit through labour efficiencies. Angel is continuing to conduct ongoing work to fully optimise the flip farms and understand the impact of flip-farming on the full lifecycle of oysters within our areas of operations.

Summer oysters remain on track for first sales in the next quarter, increasing Angel's ability to stay in the market and capture the peak summer demand. Angel will undertake a detailed review of the summer oysters program at the end of the season to determine optimum utilisation of this type of stock in the product mix.

The Halo Club was impacted by the temporary closure of Coffin Bay during the period. The club continues to get great feedback from members and shows great potential as an alternative value-added channel.

Preliminary full-year financial results; execution on strategic priorities driving record results

Angel achieved a record full-year sales and revenue for the 12 months ended 31 December 2021, while also achieving underlying EBITDA growth of 32%, and retaining a profit before tax of \$0.4 million, after non-recurring costs related to the product recall. The delay in sales brought about by the bay closure and continuing investment in stock biomass, which will drive future growth in sales, resulted in a net cash outflow from operations for the full year.

Metrics	Financial year ended 31 December 2021 [#]	Year ended 31 December 2020 ^{&}	%
Revenue	\$8.4 million	\$6.2 million	34%
Underlying EBITDA	\$2.5 million	\$1.9 million	32%
Non-recurring recall costs	\$0.5 million	-	>>
EBITDA	\$2.0 million	\$1.9 million	5%
Profit before tax	\$0.4 million	\$0.6 million	(33%)
Operating cash flow	(\$1.1 million)	(\$0.9 million)	(22%)
Liquidity at period close	\$2.3 million	\$5.2 million [@]	%

[#] - FY21 numbers are unaudited

[&] - Angel changed its financial year to a 31 December year end with effect from 1 July 2020. Comparative results for calendar year ended 31 December 2020, have been compiled from previously audited results over the relevant period.

[@] - The Company completed an equity raise in December 2020.

Quarterly cashflow commentary

Cash receipts from customers in Q4 FY21 were \$2.9 million, up 44% on pcp. This result was achieved despite the temporary sales closure of 4 weeks, which resulted in lost revenue and cash receipts, estimated to be in excess of \$1.2 million.

Operating cash expenditure for Q4 FY21 was \$3.3 million, including non-recurring recall costs of \$483k, and \$2.8 million of recurring costs comprising spat purchases (including investment in net biological stock growth for future sales growth), production costs, advertising and marketing, payments for leased assets, staff costs, and administration and corporate costs. Net operating cash outflow for the quarter was \$356k.

Payments to related parties over Q4 FY21 were \$221k, consisting of Directors' fees and KMP salaries.

Angel remains well funded with liquidity of \$2.3 million at 31 December 2021.

Angel receives indicative, non-binding and conditional proposal from Laguna Bay

In December, Angel received an indicative, non-binding and conditional proposal from Laguna Bay Group Pty Ltd ("Laguna Bay") to purchase all of the shares in Angel by way of scheme of arrangement at an indicative all cash consideration of \$0.20 per share, a 60% premium to Angel's closing share price on 17 December 2021.

The Indicative Proposal is subject to several key conditions, including Laguna Bay conducting due diligence, Laguna Bay receiving all necessary approvals or regulatory waivers or relief, final approval by Laguna Bay's investment committee, recommendation by the Board of Angel, and the parties finalising the detailed structure and entering into a scheme implementation agreement.

Following careful consideration, and consultation with its advisers, the Board of Angel considers that it is in the best interests of Angel's shareholders to engage further with Laguna Bay on the Indicative Proposal. Accordingly, Angel has granted exclusivity to Laguna Bay to provide it with the opportunity to conduct due diligence to enable it to put forward a binding offer.

The Board of Angel notes that there is no certainty that the Indicative Proposal will result in a binding offer or result in the entry into a scheme implementation agreement. Angel will update shareholders and the market on the proposal once due diligence has been completed.

Outlook

Angel is focused on returning to normal operations after the recent bay closure. Consistent with the oyster growing cycles, Diploid oysters (non-summer oysters) will spawn out in the upcoming quarter due to warmer water temperatures. With good growth conditions being experienced, Angel expects to achieve a significant increase in biomass over the upcoming quarter, positioning the Company strongly to have a good supply of oyster sizes to cater to the increasing demand from restaurants, wholesale, commercial and retail channels post-spawning season.

At present, Angel's operations have been unaffected by the current COVID-19 situation, and in particular the Omicron variant outbreak. However, there have been impacts to supply chains and wholesalers in

key markets, which have slowed sales in January. The Company will continue to closely monitor the situation.

Angel will continue to progress its key initiatives across the three pillars of its growth strategy that will support the Company towards its goal of increasing annual production capacity to 20 million oysters and improving profitability.

Webinar details

An investor webcast will take place today (Monday, 31 January 2022) at 2.00pm AEDT. Following the briefing, participants will have an opportunity to ask questions via an online facility. Please pre-register for webcast via:

- https://us02web.zoom.us/webinar/register/WN_ZDnPsZljSeCl-xqpZFPItg

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 2021

Consolidated statement of cash flows	Current quarter \$A'000	Full year \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,910	8,501
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,076)	(3,876)
(c) advertising and marketing	(11)	(101)
(d) leased assets	(67)	(135)
(e) staff costs	(1,293)	(4,109)
(f) administration and corporate costs	(242)	(930)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(94)	(378)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	388
1.8 Other (provide details if material)	(483)	(483)
1.9 Net cash from / (used in) operating activities	(356)	(1,123)
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.		
1.8 – Costs related product recall following Vibrio parahaemolyticus outbreak linked to Coffin Bay oysters in November 2021.		

Consolidated statement of cash flows		Current quarter \$A'000	Full year \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(80)	(2,438)
	(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	(80)	(2,438)

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	-	500
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	500	2,000
3.6	Repayment of borrowings	(298)	(878)
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	202	1,622

Consolidated statement of cash flows		Current quarter \$A'000	Full year \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,471	3,176
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(356)	(1,123)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(80)	(2,438)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	202	1,622
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,237	1,237

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	1,237	1,471
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)	1,237	1,471

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**

(221)

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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	6,475	5,423
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	6,474	5,423

7.5 Unused financing facilities available at quarter end	1,051
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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 finance facilities with National Australia Bank (NAB); a revolving Working Capital Facility of \$3 million, and Business Expansion loan facilities for \$3.5 million. 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 2021, the average interest rate on these facilities was 3.87%.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(356)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,237
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,051
8.4 Total available funding (Item 8.2 + Item 8.3)	2,288
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6.4

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: ..31 January 2022.....

Authorised 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