

## ASX & Media Release

8 June 2017

### **CLEAN SEAS UPGRADES GUIDANCE TO \$3.5-4.5M PROFIT IN H2 FY17**

Clean Seas Seafood Limited (ASX: CSS) is pleased to update the market on progress achieved and further developments since the Q3 FY17 update.

Key aspects of the update are:

- NPAT in H2 FY17 is expected to be \$3.5 to \$4.5 million, up from \$1.8 million in H2 FY16;
- Sales for FY17 are expected to be 2,250 to 2,300 tonnes, up from 2,018 tonnes in FY16;
- The higher than normal fish growth achieved in Q3 has continued in Q4 and FY17 net growth is expected to be 2,400 to 2,500 tonnes;
- Fish health and survival remains excellent;
- The new in-house Processing Facility at Royal Park in Adelaide is progressing well and remains on schedule to be operational in Q1 FY18;
- An update is provided on distribution arrangements in Asia; and
- A new marketing campaign will commence in Q1 FY18

#### **H2 Profit Expected to Double**

Strong fish growth in H2 FY17, combined with ongoing sales growth and continuation of the improved farm gate prices achieved in H1 FY17, will facilitate a strong increase in H2 profit.

#### **Sales Growth Continues**

Pleasing sales growth in Australia, Europe and USA in FY17 will facilitate an approximate 250 tonne increase in annual sales. Sales to Asia have declined significantly in FY17 and an update on distribution arrangements is provided below.

#### **Fish Growth and Biomass**

Fish growth has continued to exceed expectations in Q4. This, combined with similar conditions in Q3, has empowered the Company to recover approximately 70% of the growth shortfall experienced in H1 FY17 due to cooler than average seawater temperatures. The Company expects seawater temperatures to return to their historic average across FY18.

#### **Fish Health**

Clean Seas' Kingfish continue to maintain excellent health and survival rates, which continue to exceed the Company's historical fish performance measures.

### **Royal Park Processing Facility on Track for Q1 FY18 Commencement**

The Royal Park, Adelaide processing facility is progressing well with initial production trials expected over coming weeks and production for the domestic market and possibly some export markets expected to commence in Q1 FY18.

The approval process for European markets has commenced and is expected to take a number of months to finalise. The cost of the facility has increased by approximately \$0.5 million following a decision to increase frozen storage capacity at the site to reduce external storage costs.

### **Asian Distribution Arrangements**

In July 2016, Clean Seas announced that it had entered an 18 month arrangement with Beston Global Food Company Limited (ASX: BFC) for the distribution of Kingfish in China, Hong Kong and South Korea. An initial shipment of 176 tonnes (whole weight equivalent) occurred in June 2016.

This arrangement has not progressed as expected.

No material sales to Beston have eventuated in FY17, including completion of the balance of the initial contractual obligation. Resolution of the dispute arising from this situation remains in progress and Clean Seas is exploring new options for distribution in the Asian region.

### **New Marketing Campaign**

Clean Seas will launch a new marketing campaign in the coming weeks with improved branding and renewed focus on Spencer Gulf provenance and culinary excellence.

The Company will support this campaign with a sales activation program in Australia and Europe in H1 FY18 followed by the USA.

The Board notes that the inherent operational risks in aquaculture may impact future results.

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