



31 January 2020

Quarterly Activity Report for the Period Ending 31 December 2019

Highlights

- NZCS outgrew the existing manufacturing facility and signed a 6 year lease agreement with options to extend for a further 8 years, on a new and upgraded seafood processing and production facility in Christchurch, which is five times larger than the existing facility.
- Following the production of saleable products in August and September 2019, during the Quarter, NZCS continued to focus on the sale of stock on hand products, which resulted in cash receipts of NZ\$530,884 (A\$499,924) for the Quarter, a significant increase from the September 2019 quarter cash receipts of NZ\$322,499 (A\$303,936).
- The Company progressed the development of a ready to eat, NZCS branded product range, with the products being launched at the Alibaba Ecosystem Expo in Melbourne, 27 – 28 March 2020.
- The Company continues to execute its growth strategy and has successfully applied the additional capital to a larger processing facility and new equipment to significantly expand production capacity, increasing the number of sales staff, and expanding product lines.
- NZCS continues to expand distribution channels, and enter new markets.

New Zealand Coastal Seafoods Limited (“NZCS”, the “Company”) (ASX:NZS) is pleased to provide an update on the Company’s activities for the quarter ending 31 December 2019 (“Quarter”).

New Expanded Production Facility

On 1 October 2019, NZCS announced that it had signed a 6 year lease agreement with options to extend for a further 8 years, on a new, upgraded seafood processing and production facility in Christchurch. Once commissioned, the new facility will increase the production capacity of the Company’s flagship ling maw product and will also provide further opportunities for NZCS to expand its product lines to include ready to eat high-value FMCG goods.

New equipment including a milling machine have arrived at the upgraded facility and from initial small scale testing, the Company expects that the new machines will result in increased yield and efficiency for the production of dried seafood products. The Company expects all processing to be moved to the new production facility by March 2020.

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ASX CODE: NZS

www.nzcs.co

ASX Announcement

NEW ZEALAND
COASTAL SEAFOODS



Image 1 – NZCS's expanded and upgraded manufacturing facility.



Image 2 – NZCS's new processing equipment.



Image 3 – The new processing room at NZCS's expanded and upgraded manufacturing facility.

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December 2019 Quarter - Stock on Hand Sales and Cash Receipts

Following the production of saleable products in August and September 2019, during the December 2019 quarter, NZCS continued to focus on the sale of stock on hand products, which resulted in cash receipts of NZ\$530,884 (A\$499,924) for the Quarter, a significant increase from the September 2019 quarterly cash receipts of NZ\$322,499 (A\$303,936).

The significant increase in cash receipts compared to the September 2019 quarter demonstrates the significant value of having access to the additional capital.

Ready to Eat Products – Alibaba Ecosystem Expo

During the Quarter, the Company completed the development of a ready to eat, NZCS branded product range, which aligns with the Company's growth strategy of potentially increasing revenue and profit margins, by extending the range of products, and penetrating new markets.

As announced on 28 January 2020, the ready to eat NZCS branded product range consists of Cooked Ling Maw, Cooked Paua (Abalone) and a powdered Collagen Ling Maw nutraceutical product, all of which will be sold direct to consumers in NZCS retail packaging. It should be noted that no other New Zealand seafood producers are currently offering ready to eat Ling products.



Image 4 – The new ready to eat NZCS branded product range.

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The new ready to eat NZCS product range is directly targeted at Asian consumers, with the products being launched at the Alibaba Ecosystem Expo (“**Expo**”) in Melbourne, 27 – 28 March 2020. Attendees of the Expo will be able to place live orders for NZCS’s ready to eat products, providing the Company with immediate market feedback from consumers. The Expo also provides the opportunity for NZCS’s products to be sold through leading Chinese e-commerce platforms, including Alibaba owned TaoBao, Tmall Global and Alibaba’s brick and mortar retail chains.

Growth Strategy - Next Steps

Since July 2019, NZCS has focussed on the execution of its growth strategy, with initial revenues relating to the expansion being realised during the December 2019 quarter. Over the September and December 2019 quarters, NZCS successfully implemented the first stages of the growth strategy to increase sales of existing products, by expanding production capacity driven by NZCS’s increased ability to access raw seafood supply, through the provision of additional working capital.

NZCS has significantly increased raw seafood supply, with the largest order to date made by the Company in August 2019. Increased raw seafood supply coupled with the new expanded production facility, will significantly improve the production capacity required to meet the additional demand which is currently being generated by NZCS’s recently bolstered sales force.

New Zealand Coastal Seafoods CEO, Peter Winn, commented: “Over the December 2019 Quarter, we continued our expansion strategy making significant progress in relocating to the new manufacturing facility, which will completely take over production from the existing facility by March 2020. With a significant increase in cash receipts for the Quarter, demonstrating that our growth strategy is coming to fruition.”

“During the Quarter, we focused not only on existing sales for stock on hand, but in the development of the new ready to eat NZCS branded product range. This new product range is designed to open further distribution channels allowing the Company to sell directly to consumers, thereby reducing the reliance on the traditional channels used to facilitate bulk sales to China.”

“The Alibaba Ecosystem Expo is an excellent opportunity to gain immediate feedback from Asian consumers, but importantly also provides the opportunity to gain significant distribution through leading Chinese e-commerce platforms and Alibaba’s physical retail stores.”

“We’re looking forward to a strong March 2020 Quarter as we continue to execute our growth and expansion strategy.”

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C-Suite Appointments Completed

On 8 October 2019, the Company appointed Rob Wells as Chief Financial Officer ('CFO') to support the Company's Executive Management Team to deliver the Company's growth and expansion strategy.

Rob joins NZCS with a wealth of experience in systems development, reporting and measurement in the manufacturing industry. With experience in both the UK and New Zealand, Rob has worked with multi-million dollar organisations operating across regions, managing multi-currency environments and delivering portfolio performance and forecasting to equip executive decision making.

Rob joins Andrew Peti (Chief Operating Officer) and Anna-Lee Fraser (Head of Sales) to complete the appointment of the Company's C-Suite Executives.

Authority

This announcement has been authorised for release by the Board of New Zealand Coastal Seafoods Limited.

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ENDS

About New Zealand Coastal Seafoods

New Zealand Coastal Seafoods (NZCS) is a New Zealand based, ASX listed, secondary producer of seafood products and premium marine ingredients.

Harnessing the countries reputation for pure, pristine waters and fisheries provenance, NZCS utilise raw ingredients sourced from New Zealand's finest deep sea fishing companies, employing a nose-to-tail philosophy to create a range of high-value products.

The Company's mission is to share the sought-after flavours of sustainably-sourced, nutritious, healthy and organic goodness of New Zealand's seafood with Asian consumers, through expanding distributor, wholesale and consumer channels.

NZCS's growth strategy is focused on increasing production and sales of its flagship, collagen-rich, dried ling maw range and developing high-value ready-to-eat, FMCG products for export into new and existing markets.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

New Zealand Coastal Seafoods Limited

ABN

16 124 251 396

Quarter ended ("current quarter")

31st December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	500	804
1.2 Payments for	-	-
(a) research and development		
(b) product manufacturing and operating costs	(574)	(1,376)
(c) advertising and marketing (including business development)	(93)	(183)
(d) leased assets	(6)	(6)
(e) staff costs	(233)	(279)
(f) administration and corporate costs	(320)	(774)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	(2)	(6)
1.6 Income taxes paid	-	(24)
1.7 Government grants and tax incentives	-	-
1.8 Other (finders fee and associated costs)	-	(84)
1.9 Net cash from / (used in) operating activities	(725)	(1,922)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(197)	(203)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	-	-
2.6 Net cash from / (used in) investing activities	(197)	(203)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	5,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(100)	(859)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(28)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (loan to subsidiary forex variance)	(7)	(7)
3.10 Net cash from / (used in) financing activities	(107)	4,106

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,991	12
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(725)	(1,922)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(197)	(203)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(107)	4,106

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	3	(28)
4.6	Cash and cash equivalents at end of quarter	1,965	1,965

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	1,965	2,991
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)	1,965	2,991

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

183

6.1 Payments to a director and their related entities for, corporate services (including a non-recurring corporate services fee associated with the relisting), director's fees and accounting & company secretarial fees.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Nil

Nil

N/A

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	Nil	Nil
8.2	Credit standby arrangements	Nil	Nil
8.3	Other (please specify)	Nil	Nil
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	9
9.2	Product manufacturing and operating costs	244
9.3	Advertising and marketing	69
9.4	Leased assets	78
9.5	Staff costs	182
9.6	Administration and corporate costs	193
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	775
	Note:	
	1. This Section 9 relates to gross operational cash outflows and does not include cash inflows from sales and other income.	
	2. In addition to the operational cash outflows the Company has also budgeted essential and non-essential capital expenditure toward its new factory and anticipates the majority of that being expended over the coming two quarters as sales revenue permits.	

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration	N/A	N/A
10.3	Consideration for acquisition or disposal	N/A	N/A
10.4	Total net assets	N/A	N/A
10.5	Nature of business	N/A	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.

Sign here:  31 January 2020
(Director/Company secretary) Date:
Erlyn Dale
Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.