



31 January 2023

Quarterly Activities Report for the period ended 31 December 2022

Operational highlights:

- Binding share purchase agreement entered to acquire 100% of Cairns-based fishing and seafood product distributor Nine Ocean Group
- MOU secured with Ingredients Plus, a leading healthcare products distributor to advance clinical trial for a marine collagen product
- Additional MOU secured with Beyond Capital Limited Partnership to commercialise a product utilising NZ green lipped mussels with fucoidan for anti-inflammatory treatment
- R&D tax rebate receipt of NZ\$489,136 from NZ inland revenue department for ongoing R&D – validates NZCS' ongoing approach to innovation

Cash flow highlights:

- Customer cash receipts of NZ\$1,241,777 (A\$1,139,916ⁱ) generated during the quarter – a 22% increase on the previous period (September 2022 quarter: A\$938,000)
- December quarter sales highlight a 58% surge on the previous corresponding period ('PCP') (December 2021 quarter: A\$657,647)
- Revenue growth underpinned by increased sales volumes of premium marine products in key markets
- NZCS continues to benefit from relaxed travel restrictions, allowing for increased business development initiatives

New Zealand Coastal Seafoods Limited (ASX:NZS and NZSOA) ("NZCS", the "Company") is pleased to provide the following update on the Company's activities for the three-month period ended 31 December 2022 (the "Quarter" or the "Reporting Period").

Management commentary:

New Zealand Coastal Seafoods CEO Andrew Peti said: *"Over the last few months, NZCS has undertaken a number of initiatives to broaden its product suite, increase revenue and unlock growth across the relevant markets.*

"During the period, the Company has continued its due diligence on the proposed acquisition of Nine Ocean Group and will provide additional updates to shareholders once this process is completed.

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“The Company also secured two separate MOUs which will lead to increased product development, commercialisation opportunities and a broadened product suite. We are confident that these will lay a strong foundation for future revenue growth.

“Pleasingly, cash receipts increased significantly during the period. This was mainly a result of increased sales volumes into key markets, coupled with relaxed travel restrictions allowing for increased business development opportunities.

Operational Activities:

Binding Share Purchase Agreement for transformational and earning accretive acquisition:

NZCS entered into a binding share purchase agreement with PXY Pty Ltd and Nine Ocean Fishery Pty Ltd (together ‘Nine Ocean’) and Investment Advisers Alliance Pty Limited, a shareholder of Nine Ocean to offer to acquire 100% of the issued share capital of the Nine Ocean Group (the ‘transaction’). It is a condition precedent of the transaction that the Company also enters into a share purchase agreement to acquire 100% of the issued share capital of Meridian Equity Pty Ltd, a related entity of Nine Ocean, for nil consideration. The terms of the transaction can be found in the Company’s ASX announcement dated 5 October 2022.

Nine Ocean is an established seafood fishing and wholesale export business headquartered in Cairns, Queensland with operations in the Torres Strait.

During the quarter, management continued due diligence on the transaction, identifying a number of potential synergies between NZCS and Nine Ocean. The Company will make additional updates on the proposed transaction once the diligence process completes.

MOU with Asia Pacific focused healthcare distributor to jointly develop a clinically-backed collagen product:

To accelerate the commercialisation and sales of its collagen product, NZCS entered into a non-binding Memorandum of Understanding (MOU) with Ingredients Plus. The MOU highlights another pivotal step in NZCS’ ongoing R&D, product development strategy and Asia-Pacific distribution expansion.

Ingredients Plus is an independent supplier that serves customers throughout Australasia and South-East Asia. It represents more than 20 global manufacturers and thousands of products, specialising in beauty, personal care and health, pharmaceuticals, and nutrition.

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NZCS and Ingredients Plus will work jointly on the development and distribution of a unique clinically-backed collagen product, manufactured from premium ling maw supplied by the Company. The MOU includes a co-development plan for the product comprising of a number of principal discussion terms, including but not limited to; clinical trials, cost-sharing, product pricing, marketing, IP, exclusivity and confidentiality.

Both parties will work together with RDC Clinical, a leading clinical research organisation based in Brisbane, in order to develop a trial framework that establishes the most robust data supporting the use-case of the proposed collagen product.

MOU secured to broaden product suite, manufacturing and sales opportunities:

To potentially unlock new sales opportunities in the rapidly growing nutraceutical market, NZCS entered into a non-binding MOU with Beyond Capital Limited Partnership (BCLP) to licence two provisional patents relating to the use of mussels with fucoidan as an anti-inflammatory remedy.

BCLP is a group of several limited partnerships formed with the objective of investing in New Zealand and helping NZ-based businesses grow by connecting them to Asia. BCLP is based in Auckland and is focused on opportunities across marine scientific research and natural nutrition.

Under the MOU, the Company will licence two patents from BCLP which relate to the composition, methods and uses for alleviating conditions related to chronic inflammation through the use of mussels with fucodan. These are an iconic Aotearoa NZ seafood product, highly sort after for its visual appeal, unique flavour, anti-inflammatory properties and immune stimulation.

Upon completion of relevant licencing agreement, the Company intends to commence the manufacture of a mussel-based product in bulk, which will be sold to larger nutraceutical companies. BCLP may also purchase the finished product from NZCS for the purpose of reselling it under its own branding. Both parties will split the profits from these sales, which will be negotiated in good faith as required.

Both parties will also promote and market the products through their own established networks in the Asia Pacific region. NZCS will retain the exclusive rights to the patent in respect of the Pacific region for 3 years subject to NZ\$1m total sales revenue being reached. NZCS will also have the first right of refusal on any licences being offered to third parties in other regions.

The development highlights NZCS' ongoing focus on growth through the Asia Pacific, as well as the nutraceutical market. Further, it highlights the Company's ongoing ability in product development and R&D.

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R&D tax rebate secured from Callaghan Innovation and NZ Inland Revenue Department:

The Company received during the quarter R&D tax rebates totalling NZ\$489,136.33 from the New Zealand Inland Revenue Department's (IRD) Research and Development Tax Incentive (RDTI) partnerships programme.

The rebate is for the Company's considerable work in the development of a proprietary process for hydrolysed marine collagen extraction and ongoing experimentation with new drying techniques to maximise the recovery of compounds and yields from ling maw.

The rebate highlights NZCS' ongoing commitment to innovation, which has the potential to lead to product development benefits and other opportunities in its target markets. Further, it highlights recognition of the Company's ongoing innovation with major government bodies.

Quarterly cash receipts:

The Company generated customer cash receipts of NZ\$1,241,777 (A\$1,139,916ⁱⁱ) during the quarter, which is a 22% increase on the previous quarter (September 2022 quarter: A\$938,000) and an 78% surge on the previous corresponding period ('PCP') (December 2021 quarter: A\$640,000).

The strong rise in cash receipts was underpinned by increase sales volumes of the Company's premium marine products, predominately dried ling maw, in both branded and bulk purchase formats.

The Company has also continued to benefit from relaxed travel restrictions, which has allowed sales staff and management to travel to key markets and increase engagement with new and existing customers. Additional business development initiatives are underway, which have the potential to drive further revenue growth.

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

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About New Zealand Coastal Seafoods

New Zealand Coastal Seafoods (NZCS) is a New Zealand based, ASX listed, producer of premium seafood products and nutraceutical marine ingredients. Through the development of Nutraceutical products, NZCS has recognised significant opportunities in this high growth market, with the global Nutraceutical market estimated at US \$230.9 billion in 2018.¹

Harnessing the country's reputation for pure, pristine waters and fisheries provenance, NZCS utilise raw ingredients sourced from New Zealand's sustainably managed fisheries, 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, through expanding global distributors, wholesalers and consumer channels.

ⁱ Based on a NZD to AUD exchange rate of \$1.089 or 0.9183

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

New Zealand Coastal Seafoods Limited

ABN

16 124 251 396

Quarter ended ("current quarter")

31 December 2022

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	1,140	2,078
1.2	Payments for		
	(a) research and development	0	0
	(b) product manufacturing and operating costs	(842)	(1,602)
	(c) advertising and marketing	(23)	(78)
	(d) leased assets	1	(68)
	(e) staff costs	(348)	(624)
	(f) administration and corporate costs	(269)	(624)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	1	2
1.5	Interest and other costs of finance paid	(18)	(19)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	449	449
1.8	Other		
1.9	Net cash from / (used in) operating activities	91	(486)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	(49)	(73)
	(e) intellectual property	0	0
	(f) other non-current assets	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(49)	(73)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	500
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(57)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	0	443

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	605	780
4.2	Net cash from / (used in) operating activities (item 1.9 above)	91	(486)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(49)	(73)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	443
4.5	Effect of movement in exchange rates on cash held	18	1
4.6	Cash and cash equivalents at end of period	665	665

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	665	605
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)	665	605

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	84
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Payments at section 6.1 relate to director fees (\$32,000) and consultant services in New Zealand (\$40,000), accounting, registered office and company secretarial fees (\$12,000).

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	0	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	0	0
7.4	Total financing facilities	0	0
7.5	Unused financing facilities available at quarter end		0
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	91
8.2	Cash and cash equivalents at quarter end (item 4.6)	665
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	665
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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?	
	n/a	
8.6.2	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?	
	n/a	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	n/a	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

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 2023

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Authorised by: The Board of Directors

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(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.