



29 July 2022

Quarterly Activities Report for the Period Ended 30 June 2022

June 2022 Quarter Highlights

Operational

- **Binding contract agreement with Aquadev Pty Ltd secured for NZ\$793,000 (AU\$722,000¹) of Ling Maw, with NZ\$317,500 (AU\$289,000¹) of Ling Maw for delivery in July 2022, and an additional order worth NZ\$475,500 (AU\$433,000¹) for delivery in November 2022.**
- **Aquadev has had a strong customer response to the product, having successfully negotiated the sale of packaged NZCS ling maw to a leading international retailer, which bodes well for NZCS' planned market expansion into North America over the upcoming Q3/Q4 period(s).**
- **Subsequent to the Quarter, NZCS successfully commercialised a new hydrolysed marine collagen powder for supply to the world's booming nutraceuticals market after developing of a more efficient, less costly process for collagen extraction from Ling maw that produces a high quality product.**
- **NZCS held a launch event for the new product at its processing facility in Christchurch, which was attended by notable industry figures including Mr Rino Tirikatene, New Zealand's Parliamentary Undersecretary for Oceans and Fisheries.**
- **With commercial production of the marine collagen powder now commenced, NZCS is in discussions with various prospective consumer product companies with a view to securing sales.**
- **Cash receipts for the June 2022 quarter were impacted by rising prices and supply chain issues however cash receipts for 1 July 2022 to date are NZ\$363,712 (AU\$331,000²) demonstrating a strong start to the September quarter.**

¹ 1 NZS = \$0.91 AUD

² NZS = \$0.91 AUD

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- **Upward price pressure continues to be managed through targeted bulk raw material purchase, and multiple NZ supplier procurement of NZ Ling on a competitive basis.**

Corporate

- **Share Purchase Plan (SPP) completed including both Board and management participating in the raise. With agreements in place to place the shortfall which will result in the full \$800,000 including oversubscription being raised, demonstrating strong investor support for the Company.**

Leading secondary producer of nutraceutical, seafood products and premium marine ingredients **New Zealand Coastal Seafoods Limited (ASX:NZS and NZSOA)** (“NZCS”, the “Company”) is pleased to provide shareholders and investors with a business and operations update on the Company’s activities to accompany the Appendix 4C for the quarter ended 30 June 2022 (“Quarter”, “Reporting Period”).

New Zealand Coastal Seafoods CEO, Andrew Peti, commented: *“During the June 2022 Quarter, NZCS achieved a key milestone in the successful commercialisation of a new hydrolysed marine collagen powder for supply to the world’s booming nutraceuticals market after developing a more efficient, less costly process for collagen extraction from Ling maw.*

We believe that the new product will be among the highest quality collagen powders available as a human dietary supplement world-wide, and with commercial production now underway, NZCS is in discussions with various consumer product companies globally.

During the Reporting Period, NZCS also entered a Binding Contract Agreement with Aquadev Pty Ltd for NZ\$793,000 of Ling Maw, with NZ\$317,500 of Ling Maw for delivery in July 2022, and an additional order worth NZ\$475,500 planned for delivery in November 2022.

Aquadev is already receiving very strong customer feedback with their consumer facing product which will also be sold into retail stores, as Aquadev continues to expand their distribution, and with the ongoing manufacturing support from NZCS, the Company anticipates Aquadev to remain a strong customer.

With a strong start to the quarter and a focus on international sales of our ling maw and marine collagen products, we look forward to a strong September 2022 quarter and I would like to thank shareholders for their support to date.”

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Operational Update

Successful Commercialisation of High-Quality Marine Collagen Powder

Subsequent to the Quarter, NZCS announced that the Company successfully commercialised a new hydrolysed marine collagen powder for supply to the world's booming nutraceuticals market after development of a more efficient, less costly process for collagen extraction from Ling maw. NZCS believes that the Company's new product will be among the highest quality collagen powders available as a human dietary supplement world-wide. Commercial production has now commenced and the Company is in sales discussions with various consumer product companies globally.

The unique process to produce the marine collagen adds value to ling swim bladders representing an opportunity to utilise a part of the fish that, until relatively recently, may have been under-utilised or not used at all. This world leading technology mirrors those undertaken in Iceland, which is seen as a global leader in the automation of fisheries processing, maximising the use of all parts of the fish.

In July, the Company held a prestigious launch event for the product, which was attended by notable industry figures who praised NZCS for their continued innovation and ongoing support for the New Zealand economy.

Rino Tirikatene, New Zealand's Parliamentary Undersecretary for Oceans and Fisheries, commented at the event:

"Yours is a great story – you're adding value to a by-product of a fish that is internationally recognised as a healthy stock through its certification from the Marine Stewardship Council, is well managed, and caught sustainably".

Image 1 (right) - CEO Andrew Peti, Head of Operations Alexander Li, Director of Business Development Peter Win, Chairman Winton Willesee, Executive Director Aldo Miccio at the marine collagen launch event at NZCS's facility in Christchurch



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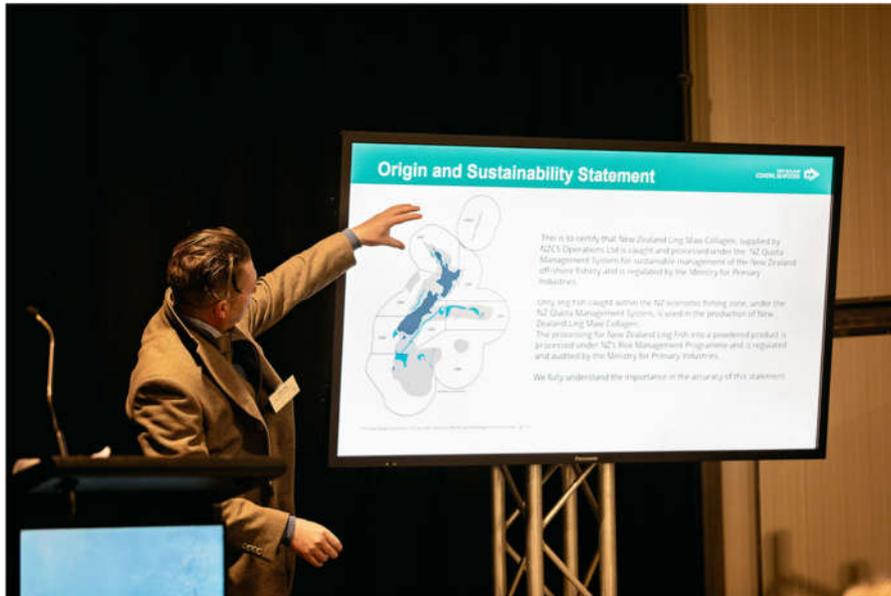
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Peter Win presenting NZCS's Ling fish sustainable origin credentials at the marine collagen launch event

NZCS's marine collagen products have multiple unique selling points, as marine collagens are naturally more free from contamination risk than alternative bovine, ovine or porcine collagen sources, with all of the company's Ling 100% wild caught under New Zealand's world leading, sustainable Quota Management System. The hydrolysis process involves less chemical input and less energy compared with traditional processes for land animal collagen extraction, meaning that it has high yields and is 'cleaner and greener'. The process also achieves high concentrations of collagen in a form more easily absorbed by the human body. NZCS owns the proprietary rights to the hydrolysis process.

Ling maw, the swim bladder of the Ling fish species sustainably harvested from deep waters around southern New Zealand, is widely recognised as one of the world's richest protein foods and collagen makes up more than 90% of its content. NZCS is a specialist in processing and supply of Ling maw as a ready-to-eat food. The hydrolysed collagen powder now becomes one of the Company's flagship products for its high quality and high value in the nutraceuticals market. Once commercial orders are received, NZCS will produce marine collagen under contract processing agreements with partners who will handle the extraction and processing steps to

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NZCS specifications. Product will be distributed from the Company's specialist facility in Christchurch.

The global market for collagen in all consumable forms and from all sources was valued at US\$8.36 billion in 2020 and is expected to expand at a compound annual growth rate (CAGR) of 9% from 2020 to 2028 (Grand View Research, USA)¹. Collagen is increasingly being recognised as potentially beneficial to musculoskeletal health, to cell repair in organs and bones, and to slowing ageing processes in the human body.

The new collagen product has multiple unique selling points based on the inherent qualities of marine collagen, on New Zealand-harvested Ling and on the hydrolysing process to which NZCS owns proprietary rights.

Supply Agreement signed for NZ\$793,000 of Dried Ling Maw

During the Quarter, NZCS announced that the Company entered a Binding Contract Agreement with Aquadev Pty Ltd ("Aquadev"), a Victorian Food business distributing seafood and meat products, for NZ\$793,000 worth of Ling Maw, with NZ\$317,500 of Ling Maw for delivery in July 2022, and an additional order worth NZ\$475,500 planned for delivery in November 2022.

NZCS has supplied and packed Dried Ling Maw into Aquadev Pty Ltd branded 500g retail pack, with the Company maintaining the ability to sell Ling Maw wholesale to other companies in Australia. The supply agreement has provided an indication that global trade is returning to normal and represents a significant sale for recently appointed Chief of Sales, Peter Fletcher, as he continues to leverage his industry network.

Following the initial delivery of Dried Ling Maw, Aquadev has had a strong response to the product, having successfully sold NZCS ling maw under the Fisher Direct brand to a select number of leading international retailers. Based on the success of these first deliveries to the retailers and highly positive feedback from customers, Aquadev has expanded its distribution into a greater number of retailers. NZCS expects Aquadev to remain a strong customer for the Company.

¹ <https://www.grandviewresearch.com/press-release/global-collagen-market>

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June 2022 Quarterly Cash Receipts

During the Reporting Period, NZCS realised cash receipts of NZ\$239,928 (AU\$218,000¹), with the fishing industry impacted by rising costs and supply chain issues with the Company also operating in a challenging global environment which has resulted in staff shortages.

Cash receipts from 1 July 2022 to date are NZ\$363,712 (AU\$330,000²) demonstrating a strong start to the September quarter, as the Company continues to progress its international sales strategy.

Global fuel prices have seen a significant increase during 2022, with prices now at the highest level in the last 50 years when adjusted for inflation³, which is a result of an increase in the price of crude oil amidst the current geopolitical situation. This has resulted in an increased price pressure for raw ling products purchased by NZCS, mitigated by NZCS obtaining bulk purchase discounting and the procurement of raw stock material on a competitive basis with multiple leading fishing companies.

During the Reporting Period, the Company's continued to implement its revised strategy of focusing on new international markets to reduce reliance on China and Daigou networks. NZCS's Chief of Sales, Peter Fletcher, continues to leverage his strong international network with discussions continuing with parties globally.

As the world continues to open up following the global pandemic, NZCS is receiving a greater number of enquiries from potential international customers and, aims to advance these discussions over the coming period including North America where there is solid demand for high quality Ling Maw in expat Chinese communities. Whilst executing NZCS sales strategy, it will further enhance its ongoing expansion in this market, and others, later this FY23.

NZCS also remains focussed on recruiting staff to meet demand, to address staffing shortages which have impacted all industries globally.

Corporate Update

Share Purchase Plan

During the Reporting Period, NZCS announced the completion of the Company's Share Purchase Plan Offer (SPP), with both Board and management participating in the raise.

With agreements in place to place the shortfall which will result in the full \$800,000 including oversubscription being raised, demonstrating strong investor support for the Company.

¹ NZD = \$0.91 AUD

² NZD = \$0.91 AUD

³ <https://www.nytimes.com/interactive/2022/06/14/business/gas-prices.html>

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Performance Securities and Remuneration

NZCS intends to issue 5,000,000 Class D Performance Rights to its Chief Executive Officer, Andrew Peti. The Company is focussed on growing shareholder value and believes the alignment of management to shareholders, is a valuable way of achieving that growth.

Additionally, the Company notes there has been changes made to CEO, Andrew Peti's remuneration, which are set out below at Annexure A.

Authority

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

Further information:

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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

¹ <https://www.bccresearch.com/market-research/food-and-beverage/nutraceuticals-global-markets.html>

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ASX Announcement

NEW ZEALAND
COASTAL SEAFOODS



Harnessing the countries 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.

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ANNEXURE A

Summary of Key Terms of Chief Executive Officer's Remuneration (Mr Andrew Peti)

Term	Mr Peti's appointment as Chief Executive Officer will continue until it is terminated in accordance with the terms of the Employment Agreement.
Services	Mr Peti has been engaged to provide those services usually required of a Chief Executive Officer of a Company of the nature and scale of New Zealand Coastal Seafoods Limited.
Remuneration	Mr Peti is entitled to a base salary of NZ\$200,000 per annum.
Bonus	<p>Mr Peti will receive a one-off performance-based bonus of NZ\$50,000, upon the Company's operating subsidiary, NZCS Operations Limited, returning a positive monthly operational cashflow for three consecutive calendar months before 30 June 2023.</p> <p>Mr Peti has been awarded five million Performance Rights with the performance milestone being a profitable 2023 financial year for the Company's operating subsidiary.</p>

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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")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	218	2,555
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(383)	(2,434)
(c) advertising and marketing	(48)	(342)
(d) leased assets	(21)	(53)
(e) staff costs	(316)	(1,288)
(f) administration and corporate costs	(251)	(1,262)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(1)	(4)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other (SPP and associated transaction costs)	(64)	(64)
1.9 Net cash from / (used in) operating activities	(865)	(2,891)

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	(7)
(d) investments	0	0
(e) intellectual property	0	0

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(f) other non-current assets	0	0
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	0	(7)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,000	1,000
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	(66)	(66)
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	934	934

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	711	2,748
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(865)	(2,891)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	0	(7)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	934	934
4.5	Effect of movement in exchange rates on cash held	0	(4)
4.6	Cash and cash equivalents at end of period	780	780

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	780	711
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)	780	711

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	153
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 (\$84,000) and consultant services in New Zealand (\$33,000), accounting, registered office and company secretarial fees (\$36,000).

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(865)
8.2 Cash and cash equivalents at quarter end (item 4.6)	780
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	780
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.90
<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?	
The Company anticipates increasing revenues and the accompanying decreasing net operating cash flow deficiencies as the Company's operations mature and its new products achieve market share	
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?	
Yes, a share purchase plan was completed on 7 July 2022 which along with placing the shortfall and the amount available for oversubscriptions will raise \$800,000.	
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?	
Yes. As noted above the Company anticipates increasing revenues and the accompanying decreasing net operating cash flow deficiencies.	
<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: 29 July 2022
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Authorised by: The Board of Directors
.....

(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.