

ASX & Media Release

29 April 2016

CLEAN SEAS REPORTS CONTINUED STRONG SALES GROWTH AND COMMENCES WORK ON STRUCTURAL IMBALANCE

Clean Seas Tuna Limited (ASX: CSS) has today released its cash flow report for Q3FY16 and provided an operational update. The Board is pleased to advise;

- Sales have continued to increase, with Q3FY16 sales of 535 tonnes being 80% above Q3FY15 and 25% above Q2FY16. Year to date sales of 1,283 tonnes are 59% above the same period in FY15.
- Fish growth exceeded expectation in Q3FY16 with seawater temperatures being above average.
- The freezing program referred to in our half-year announcement has commenced.
- Solid progress has been made on initiatives to sell the surplus biomass through channels that will not disrupt existing sales channels.
- Net Operating Cash Flow was positive in the month of March 2016 and is expected to remain positive in Q4FY16.

Strong Sales Growth Continues – Q3 +80% and YTD +59% Above Prior Year

Sales volumes continued to grow strongly in Q3 with fresh fish sales leading the increase. Q3 fresh sales of 490 tonnes were 65% above prior year and 18% above Q2FY16. YTD (9 months) fresh sales of 1,218 tonnes were 51% above prior year. Frozen fish sales of 45 tonnes in Q3 and 65 tonnes YTD also represented significant increases from the prior year. These growth rates build further on the 92% total increase achieved in FY15.

Sales growth has been achieved mainly in the Australian and European markets with farm gate returns consistent with expectations. Solid progress has been made on initiatives to sell surplus biomass with a strong focus on leveraging these stocks to develop a longer term position in Asian markets. It is anticipated that these sales will commence in Q4FY16 and continue into FY17.

Correction to Structural Imbalance

As previously advised, the Company has commenced a program to correct the structural imbalance that developed during FY15 and H1FY16 between the Company's sales and production levels, in order to improve cash flow and profitability. The freezing program commenced in Q3FY16 with 320 tonnes of 2014 year class processed. Further freezing from 2015 year class is scheduled in Q4FY16. Above forecast sales growth of fresh product during Q3, driven by a new customer acquisition program and favourable market conditions, further supported correction of the Structural Imbalance.

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The Kingfish continued to perform well in Q3 and biomass growth during the quarter exceeded expectation with seawater temperatures exceeding the historic average temperatures assumed in our forecasts. Whilst this above forecast biomass growth is likely to improve profitability in H2FY16, it also increases the biomass level. Harvesting of the 2014 year class will be completed during Q4FY16.

Cash Position and Liquidity

At 31 March 2016 the Company held \$1.4 million of cash and \$2.7 million of the \$7.0 million Working Capital Facility remained unused. It is expected that Q4FY16 will have positive Net Operating Cash Flow, assisted by the combination of strong sales growth and the seasonal decline in feed purchases.

Strategic Review

The comprehensive strategic review announced with the half-year results has commenced. It is expected that the results of this review will be announced in conjunction with the FY16 results.

Outlook

The Board is encouraged by the ongoing increase in sales, initiatives to clear surplus biomass, progress with the strategic review and other operational improvements being made.

Previous guidance had been for sales of approximately 1,700 tonnes in FY16. It is expected that this will be achieved and probably exceeded, with a higher level of surplus biomass sales possibly eventuating in FY16 than previously forecast. This however remains subject to negotiation.

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

Paul Steere
Chairman

David Head
Managing Director and CEO

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

Clean Seas Tuna Limited

ABN

61 094 380 435

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	6,999	17,962
1.2 Payments for (a) staff costs	(1,480)	(4,519)
(b) advertising and marketing	(55)	(284)
(c) research and development	(116)	(342)
(d) leased assets	-	-
(e) feed	(4,881)	(12,109)
(f) other working capital	(3,249)	(9,962)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	7
1.5 Interest and other costs of finance paid	(18)	(46)
1.6 Income taxes paid	-	-
1.7 Other – R&D Tax Incentive Refund	-	6,031
Net operating cash flows	(2,799)	(3,262)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,799)	(3,262)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(354)	(1,199)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets		
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
	(354)	(1,199)
Net investing cash flows		
1.14 Total operating and investing cash flows	(3,153)	(4,461)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	4,300	7,326
1.18 Repayment of borrowings	(119)	(2,973)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
	4,181	4,353
Net financing cash flows		
	1,028	(108)
Net increase (decrease) in cash held		
1.21 Cash at beginning of quarter/year to date	377	1,513
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	1,405	1,405

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	134
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil
1.26	Explanation necessary for an understanding of the transactions - Directors fees \$75k - Rental payments \$10k - Consulting \$9k - Contract services, feed and equipment hire \$40k	

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	7,000	4,300
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,405	377
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	1,405	377

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Nil	Nil
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 29 April 2016
 (Company Secretary)

Print name: Wayne Materne

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