

## ASX & Media Release

28 April 2017

### CLEAN SEAS MARKET UPDATE Q3 FY17

Clean Seas Seafood Limited (ASX: CSS) has today released its Q3 FY17 Cash Flow Report which has seen a strong improvement in cash flows and further demonstrates the progress that has been made in the Company's turnaround. The Company re-confirms that it expects to be profitable in H2 FY17 at a level significantly above the \$1.8 million profit achieved in H2 FY16 and expects a return to full year profitability in FY18.

Key aspects of the business update are:

- Breakeven Cash Flow from Operations in Q3 FY17 and an improvement in YTD Cash Flows of \$7.3 million;
- The significant gains in Farm Gate Prices achieved during Q2 FY17 were maintained (and slightly further improved) during Q3 FY17;
- Sales in Q3 FY17 of 548 tonnes generated YTD sales to March 2017 of 1,634 tonnes which is 27% above the same period in FY16;
- Strong fish growth returned in Q3 FY17 – the company now expects to catch up in H2 FY17 at least half of the lost growth that resulted from the colder seawater temperatures in Q2 FY17;
- Fish health and survival remains excellent; and
- Preparation of the new in-house Processing Facility at Royal Park in Adelaide is progressing well and remains on schedule to be operational early next financial year (FY18).

#### Sales Growth – YTD March +27%

YTD sales to March of 1,634 tonnes are 27% above the 1,283 tonnes in the same period in FY16, which were 59% above the same period in FY15. Australian sales represented 58% of YTD sales volume to Q3 FY17 compared to 65% for the same period in FY16. Europe continued to be the strongest export market.

The lower than forecast fish growth in Q2 FY17 resulted in a decision to limit sales of small fish in certain markets between December 2016 and February 2017 to ensure that future supply of large fish could be assured in the event the lost fish growth was not recovered. Following the significant improvement in fish growth in Q3 FY17 and into Q4 FY17 the limit on sales of small fish has now been removed.

Despite the restriction on small fish, sales volume growth consolidated in Q3 FY17 at the higher farm gates achieved in Q2 FY17. Total Q3 FY17 sales of 548 tonnes comprised 490 tonnes of fresh product and 58 tonnes of frozen product. This compares to sales of 535 tonnes in Q3 FY16 comprising 490 tonnes fresh and 45 tonnes frozen, but with farm gate prices in Q3 FY17 being over \$1.00 per kg higher than in Q3 FY16.

The comparison was also impacted by Easter and the accompanying increase in sales being in March in 2016 but in April in 2017.

## **Fish Health**

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

## **Q3 Fish Growth and Biomass**

In Q3 FY17 seawater temperatures returned to being average to above-average, after below average temperatures impacted fish growth in Q2 FY17. This, combined with ongoing improvements in farm practices, caused fish growth to increase significantly. Net growth in Q3 FY17 was 1,468 tonnes which was an 8% increase from the 1,354 tonnes in Q3 FY16. Biomass at 31 March 2017 was 2,767 tonnes, up 3% from the 2,686 tonnes at 31 March 2016.

The current biomass level is expected to align well with the Company's sales growth objectives.

## **Cash Position**

Clean Seas today released its Q3 FY17 Cash Flow Report, which clearly demonstrates the strong progress made in FY17 improving the Company's performance. Key points arising from this report include:

- Q3 FY17 Operating Cashflow was effectively breakeven (-\$0.03 million) compared to a deficit of \$2.8 million in Q3 FY16, with;
  - Receipts of sales proceeds from customers up \$1.9 million or 28% vs Q3 FY16;
  - Feed payments down \$1.1 million; and
  - Payments to other suppliers up \$0.3 million
- YTD to Q3 FY17 Operating Cashflow is a \$2.0 million deficit which is a substantial improvement on the \$9.3 million deficit in the same period in FY16 (excluding \$6.0 million R&D Tax Incentive Refund in FY16). This is due to;
  - Receipts of sales proceeds from customers up \$8.6 million or 48% vs YTD FY16
  - Feed payments down \$2.3 million, and
  - Payments to other suppliers up \$3.5 million
- YTD capital expenditure of \$1.4 million slightly exceeded the \$1.2 million in the same period in FY16; and
- At 31 March 2017 the company held \$2.3 million of cash and its \$7.0 million Trade Finance Facility was undrawn.

The Company expects to be cash flow positive from operations in Q4 FY17, and has further strengthened its cash position by securing a \$1.5 million increase in lease facilities from CBA.

## **New Processing Facilities are on track for early FY18**

Preparations are progressing well at the Royal Park, Adelaide processing facility. Site works are currently being undertaken and the main processing equipment is expected to arrive in May 2017. The Company expects to commission the new processing facility in Q1 FY18.

**Appointment of Terry O'Brien as Chairman**

Further to previous announcements, the Board anticipates that Mr Terry O'Brien will become Independent Non-Executive Chairman at its next Board meeting in early May 2017. Mr Paul Steere will remain on the Board as an Independent Non-Executive Director.

**Outlook**

Full year FY17 sales guidance is adjusted to 2,250 – 2,400 tonnes reflecting the decision to pursue higher margin sales and the temporary shortage of small fish that resulted from the slower growth in Q2 FY17. The Company re-confirms that it expects to be profitable in H2 FY17 at a level significantly above the \$1.8 million profit achieved in H2 FY16 and expects a return to full year profitability in FY18.

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

Paul Steere  
Chairman

David J Head  
Managing Director and CEO

**For further information, please contact;**

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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**

Clean Seas Seafood Limited

**ABN**

61 094 380 435

**Quarter ended ("current quarter")**

31 March 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	8,944	26,587
1.2 Payments for		
(a) research and development	(160)	(440)
(b) product manufacturing and operating costs	(2,932)	(11,673)
(c) advertising and marketing	(231)	(492)
(d) leased assets	-	-
(e) staff costs	(1,470)	(4,560)
(f) administration and corporate costs	(365)	(1,509)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	10
1.5 Interest and other costs of finance paid	(5)	(79)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other - Feed	(3,817)	(9,857)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(33)</b>	<b>(2,013)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(467)	(1,436)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
(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 (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(467)</b>	<b>(1,436)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	8,970
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	-	(709)
3.5 Proceeds from borrowings	89	898
3.6 Repayment of borrowings	(140)	(3,995)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(51)</b>	<b>5,164</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,864	598
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(33)	(2,013)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(467)	(1,436)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(51)	5,164

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,313</b>	<b>2,313</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,313	2,864
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,313</b>	<b>2,864</b>

**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**

146

-

Directors Fees \$75k, rental payments \$7k, consulting \$23k, contract services, feed and equipment hire \$41k

**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**

-

-

8. <b>Financing facilities available</b> <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 – CBA Trade Finance Facility	7,000	Nil
8.2 Credit standby arrangements	-	-
8.3 Other – CBA Lease Facility	2,000	131
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.		

The Commonwealth Bank \$7m Secured Trade Finance Facility was undrawn as at the end of the quarter.

The Commonwealth Bank \$2m Secured Lease Facility includes a \$1.5m increase approved during Q3 FY17. Drawdown arrangements are on an individual asset basis.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	400
9.2 Product manufacturing and operating costs	3,300
9.3 Advertising and marketing	400
9.4 Leased assets	-
9.5 Staff costs	1,700
9.6 Administration and corporate costs	500
9.7 Other - Feed	3,000
<b>9.8 Total estimated operating cash outflows</b>	<b>9,300</b>

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

### **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:



Date: 28/4/2017

Print name: Wayne Materne – Company Secretary

### **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.