

Appendix 4E Preliminary Final Report

For the year ended 30 June 2022

New Zealand Coastal Seafoods Limited

Company details

Name of entity:	New Zealand Coastal Seafoods Limited
ABN:	16 124 251 396
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

Results for announcement to the market

	Up/Down	% Movement		AUD\$000
Revenues from ordinary activities	down	0.3%	to	2,416
Loss from ordinary activities after tax attributable to the members of New Zealand Coastal Seafoods Limited	up	24.2%	to	(4,445)
Loss for the year attributable to the members of New Zealand Coastal Seafoods Limited	up	27.5%	to	(4,547)

Commentary related to the above results

The loss for the Company for the financial year of \$4,445,282 (2021: loss of \$3,578,638) includes a non-cash impairment against non-financial assets (being plant & equipment and right-of-use assets) of \$1,782,814 – refer Note 4 in the preliminary financial statements for further details.

Dividends

No dividends are being proposed or have been paid.

Details of entities over which control has been gained or lost during the period

None.

Net tangible assets

	30 June 2022 cents	30 June 2021 cents
Net tangible asset backing per ordinary share	0.07	0.50

Review of Operations

Operational

Marine Collagen Product - successful commercialisation of high-quality Marine Collagen Powder

Throughout the period, NZCS continued to advance the development of its flagship marine collagen product and conducted trials with an affiliate of the Massey University of New Zealand to develop a formulation for improved yield, as the Company continued to progress towards a commercial launch.

Subsequent to the 2022 Financial Year, the Company announced that it had successfully commercialised a new hydrolysed marine collagen powder to supply the world's booming nutraceuticals market, following the development of a more efficient, less costly process for collagen extraction from ling maw.

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 the processing and supply of Ling maw as a ready-to-eat food, and the hydrolysed collagen powder now becomes one of the Company's flagship products for its high quality and high value in the nutraceuticals market.

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.

NZCS believes its new product will be among the highest quality collagen powders available as a human dietary supplement world-wide. Commercial production is about to commence and the Company is in sales discussions with various consumer product companies.

In July 2022, the Company held a prestigious event which was attended by notable industry figures who praised NZCS for their continued innovation and ongoing support for the New Zealand economy.

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

NZCS 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 delivered 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 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.

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.

Wildfish Orders

In April 2021, the Company received a large order for Dried Ling Maw for a total of 1.5 tonnes from New Zealand based company, Wild Fish Export Limited ("Wildfish"), with the order to be delivered to the customer in April 2021.

Wildfish is a New Zealand company based on the Wellington South Coast, which is focused on the supply of premium quality live, chilled and frozen seafood. Wildfish harvest seafood from the clean cool waters which form New Zealand's Exclusive Economic Zone, under its world renowned sustainable quota management system.

Wildfish Export Limited ("Wildfish") has continued to remain a strong customer for NZCS, and a total of 1,146 kilograms of Ling Maw exported during 2022 Financial Year, with seafood waste stream products provided by Wildfish being processed into pet food, for the Australasian market.

The Company continues to work with Wildfish regarding further sales opportunities for Ling Maw and other NZCS products.

Expansion of Domestic Sales

NZCS expanded domestic sales, with over 100 SKUs of frozen fish products being made available to domestic food businesses including restaurants and smokehouses, further building on baseline revenue, with domestic sales forming a key part of NZCS strategy.

With an increasing number of domestic food businesses showing an interest in fish products from NZCS, the Company will continue to pursue opportunities for growth in this market.

Supply Agreement with AstaMAZ NZ Ltd

NZCS entered a Supply Agreement with AstaMAZ NZ Ltd ("AstaMAZ") playing a pivotal role in the consistent supply of astaxanthin to support the Company's strong sales of the product.

Under the Supply Agreement, AstaMAZ will provide NZCS with a minimum of 1,000 kilograms of astaxanthin per annum and the option to purchase more, with ongoing monthly sales of astaxanthin underpinning the Company's transition to nutraceuticals, and strong growth forecast.

NZCS is implementing strategies to further establish its market share in Australia, which is an underdeveloped market that presents a significant opportunity for the Company.

Marine Stewardship Council Certification

NZCS received marine Stewardship Council ("MSC") certification with the Company now applying the MSC ecolabel on certified products after approval.

NZCS's supply agreement partner, Talley's, is also MSC certified, hence NZCS's supply chain is sustainable from fishing to finished product, thereby providing a further competitive advantage over competitors who do not purchase raw seafood products from suppliers that fish and source in a sustainable manner.

MSC is an international non-profit organisation dedicated to safeguarding seafood supply both immediately and in the future, which strongly aligns with the Company's practices of sustainability and environmental protection.

NZCS Retail Ready Products

NZCS's consumer focussed retail products were sold via a distributor into Australia, with the products now available in Melbourne, Adelaide and Brisbane (where previously the products were sold only into Sydney). The Company's retail ready products consist of Cooked Ling, Abalone and Branded Dry Ling Maw.

Astaxanthin Sales

The Company realised strong Astaxanthin sales with the Company advancing positive discussions regarding domestic distribution with its key clients and primary supplier.

In November 2021 NZCS cemented and underwrote its supply relationship of Astaxanthin Oil with long term key client New Zealand Health Manufacturing (NZHM) Limited. In addition to NZHM, NZCS has continued to supply other smaller NZ customers as well enter into discussions with other interested parties outside of the NZ market.

Corporate

Review of Operating Structure

NZCS conducted an Internal review of the Company's operating structure, having identified cost saving opportunities that utilise external expertise when required. This has resulted in changes in finance, operations and sales functions, with seamless implementation and results including the appointment transfer of Peter Fletcher to the Chief of Sales role and founding director Alex Li fulfilling Peter Fletcher's vacated role as Head of Operations.

Appointment of Chief Financial Officer

NZCS appointed Bruce Whall as Chief Financial Officer of the Company, an experienced senior finance and business executive with wide ranging management experience and a clear understanding of the mechanics of business.

Tax Credit Claim

The Company lodged a taxation credit claim with the New Zealand Inland Revenue Department (IRD) which has been verified and endorsed by NZ based Scientific Crown Research Institute (CRI), Callaghan Innovation Limited, which have assisted NZCS in product development to date.

This demonstrated that NZCS is a true marine product developer and innovator.

Environmental, Social and Governance Practices

NZCS continued to increase its commitment to Environmental, Social and Governance (ESG) practices through:

- a Renewable Energy Supply Agreement with Meridian Energy to supply the Company's processing facility and offices with 100% renewable energy.
- further reduction of waste streams with by-products being processed into pet food and other nutraceutical products.
- increased remuneration of processing facility staff to the Living Wage, which is higher than New Zealand's minimum governmental standards.

Preliminary consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	CONSOLIDATED	
		30 June 2022 (\$)	30 June 2021 (\$)
CONTINUING OPERATIONS			
Revenue	3	2,415,950	2,423,840
Other income		3,417	11,280
Cost of materials		(1,879,055)	(2,201,562)
Write-down of inventories		(181,302)	-
Corporate and administration expenses		(400,524)	(377,348)
Depreciation and amortisation expenses		(293,419)	(302,831)
Finance expenses		(74,827)	(77,237)
Employee benefits expense		(1,390,654)	(1,469,292)
Impairment of goodwill		-	(125,314)
Impairment of non-financial assets	4	(1,781,814)	-
Promotion and communication		(48,000)	(111,929)
Share based payments expense		(236,213)	(459,252)
Foreign exchange losses		-	(35)
Other operating expenses		(578,841)	(888,958)
(LOSS) BEFORE INCOME TAX		(4,445,282)	(3,578,638)
Income tax benefit		-	-
(LOSS) AFTER INCOME TAX		(4,445,282)	(3,578,638)
Other comprehensive income/(loss)		-	-
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		(101,939)	22,344
Total comprehensive (loss) for the period		(4,547,221)	(3,556,294)
Basic loss per share (cents per share)	5	(0.51)	(0.45)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Preliminary consolidated Statement of Financial Position

	CONSOLIDATED	
	30 June 2022 (\$)	30 June 2021 (\$)
CURRENT ASSETS		
Cash and cash equivalents	686,346	2,660,542
Trade and other receivables	257,794	230,809
Inventories	1,091,002	516,873
TOTAL CURRENT ASSETS	2,035,142	3,408,224
NON-CURRENT ASSETS		
Term deposit	85,566	88,297
Property, plant and equipment	-	911,053
Right of use asset	-	1,218,019
TOTAL NON-CURRENT ASSETS	85,566	2,217,369
TOTAL ASSETS	2,120,708	5,625,593
CURRENT LIABILITIES		
Trade and other payables	292,436	260,804
Lease liability	112,150	127,670
TOTAL CURRENT LIABILITIES	404,586	388,474
NON-CURRENT LIABILITIES		
Lease liability	1,022,447	1,171,041
TOTAL NON-CURRENT LIABILITIES	1,022,447	1,171,041
TOTAL LIABILITIES	1,427,033	1,559,515
NET ASSETS	693,675	4,066,078
EQUITY		
Contributed Equity	14,246,473	13,307,868
Reserves	1,432,359	1,298,085
Accumulated Losses	(14,985,157)	(10,539,875)
TOTAL EQUITY	693,675	4,066,078

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Preliminary consolidated Statement of Changes in Equity

	Contributed Equity (\$)	Accumulated Losses (\$)	Share Based Payments Reserve (\$)	Foreign Currency Translation Reserve (\$)	Total (\$)
Balance at 1 July 2021	13,307,868	(10,539,875)	1,329,653	(31,568)	4,066,078
(Loss) for the year	-	(4,445,282)	-	-	(4,445,282)
Exchange Difference	-	-	-	(101,939)	(101,939)
Total comprehensive (loss)	-	(4,445,282)	-	(101,939)	(4,547,221)
Transactions with equity holders in their capacity as equity holders					
Shares Issued pursuant to Offer	1,000,000	-	-	-	1,000,000
Employee option expense	-	-	236,213	-	236,213
Share issue costs	(61,395)	-	-	-	(61,395)
Balance at 30 June 2022	14,246,473	(14,985,157)	1,565,866	(133,507)	693,675

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Preliminary consolidated Statement of Cash Flows

	CONSOLIDATED	
	30 June 2022 (\$)	30 June 2021 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,747,310	2,766,364
Payments to suppliers and employees	(5,379,608)	(5,425,854)
Interest paid	(3,278)	(16,125)
Interest received	3,807	12,313
NET CASH USED IN OPERATING ACTIVITIES	(2,631,769)	(2,665,428)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(167,791)
NET CASH USED IN INVESTING ACTIVITIES	-	(167,791)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,000,000	4,121,313
Share issue costs	(61,395)	(271,992)
Lease principal repayments	(235,663)	(197,272)
NET CASH PROVIDED BY FINANCING ACTIVITIES	702,942	3,652,049
Net (decrease)/increase in cash held	(1,928,827)	818,830
Cash and cash equivalents at beginning of financial year	2,660,542	1,841,712
Foreign exchange translation of cash balances	(45,369)	-
Cash and cash equivalents at end of financial year	686,346	2,660,542

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The primary accounting policies adopted in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) General Information

New Zealand Coastal Seafoods Limited (Company) or (Entity) is a public Company limited by shares, incorporated in Australia with operations in New Zealand. The Consolidated Financial Report of the Company as at and for the year ended 30 June 2022 comprises the Company and its subsidiaries (together referred to as the 'Consolidated Entity' or 'Group').

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

(b) Basis of Preparation

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for profit entity for the purpose of preparing the Financial Statements.

(i) Compliance with IFRS

The Financial Statements of the Group also comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standard Board (IASB).

(ii) Historical cost convention

The financial report has been prepared on an accrual basis and is based on historical costs unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

All amounts are presented in Australian dollars, unless otherwise noted.

(iii) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(c) Going Concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred an operating cash outflow of \$2,631,769, and a total comprehensive loss of \$4,547,221 during the year ended 30 June 2022. While the Group had cash on hand of \$686,346, net assets of \$693,675, and current assets that exceeded current liabilities by \$1,630,556, there are concerns that it may not be able to meet its ongoing fixed expenditure obligations and as such there is a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern, and whether the Group will realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of assets carrying amount or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

The Group has additionally tested its non-financial assets for impairment using a discount rate of 3.85%. An impairment loss of \$1,781,814 was recognised for the year ending 30 June 2022, primarily due to the continued low level of demand for the Group's products (refer Note 4 for further details).

While the financial forecasts prepared by the directors for the three-year period ended 30 June 2025 support the ability of the Group to continue as a going concern, this is based on the following assumptions:

- The requirement to seek financing through either debt or equity of in excess of \$1.2m over the three-year forecast period ended 30 June 2025
- A progressive economic recovery with increasing sales / operating cash flows from existing product lines over the forecast period;
- The successful introduction of a cash flow positive new nutraceuticals revenue stream to supplement the existing sales revenue over the forecast period;
- The ability to reduce cost of inventory resulting in gross margins improving from 22% experienced in FY 2022 to an average of 37% over the forecast period; and
- The Group successfully completing the acquisition transaction announced on 6 April 2022 and the acquisition being cash flow positive from date of acquisition and contributing significantly to the Groups gross profit over the forecast period.

The Directors considered financial forecasts, including downside forecast scenarios for the period ending 30 June 2025. Should the timing or quantum of operating cash flows be significantly different to that forecast, the Group will need to seek additional alternative financing to that forecast to enable it to settle its liabilities as they fall due.

The Directors believe that they will be successful in obtaining the funding required to ensure the Company can continue operations for the foreseeable future based on the matters outlined above and, therefore, they are confident that the going concern basis on which the financial statements have been prepared is appropriate.

However, should the Group be unable to meet its funding requirements, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be required to realise assets at different amounts to those recorded in the Statement of Financial Position and settle liabilities other than in the ordinary course of business.

(d) Impact of the adoption of new Accounting Standards

There were no new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that required any changes in the Group's accounting policies, and accordingly there was no impact to the financial statements.

(e) New Accounting Standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

2. Segment information

The Directors have considered the requirements of AASB 8 – Operating segments. Operating segments are identified, and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker, which is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows.

One segment is identified, being the processing, distribution and export of premium seafood products in New Zealand.

The operation of the parent company New Zealand Coastal Seafoods Limited is considered to be part of the segment as its sole purpose is to provide financial, operational and strategic support to subsidiary entities.

3. Revenue

	CONSOLIDATED	
	30 June 2022 (\$)	30 June 2021 (\$)
Sales of products		
Ling Maw	2,034,721	1,844,446
Nutraceuticals	345,191	550,307
Other	36,038	29,087
	2,415,950	2,423,840
Location of customers		
New Zealand	1,308,851	1,229,849
Rest of the world	1,107,099	1,193,991
	2,415,950	2,423,840

4. Impairment of non-financial assets

The Accounting Standards prohibit the inclusion of revenues from new products including the Company's new collagen product and any potential acquisitions, including that referred to in its announcement of 6 April 2022 should it proceed. Accordingly, the impairment testing includes only revenues from the Company's maw business.

The continued low level of demand for the Group's products through the financial year resulted in management performing an impairment test as at 30 June 2022 for the NZCS Operations Limited subsidiary company, which is the Group's only cash-generating unit.

The Group used the cash-generating unit's value-in-use to determine recoverable amount. The projected cash flows used reflected the anticipated increase in demand for the cash-generating unit's current products and a pre-tax discount rate of 3.85% was applied. Cash flows beyond the five-year period have been extrapolated using a 1.1% growth rate.

As a result of this analysis management recognised an impairment charge of \$1,781,814 against non-financial assets of \$1,781,814 in the consolidated statement of profit or loss.

The non-financial assets of the cash-generating unit have been fully impaired and as such any adverse change in a key assumption will not result in any further impairment loss.

The growth rate assumption of 1.1% is based on the forecast growth in the New Zealand seafood processing industry over the five-year period from 2022 to 2027.

The discount rate assumption of 3.85% reflects the current market assessment of the risks specific to the NZCS Operations Limited cash-generating unit and was estimated based on the weighted average cost of capital of the Group.

The effect of the impairment on the loss before income tax for the period is as follows:

	30 June 2022 \$
Impairment of property, plant and equipment	
Leasehold improvements	1,001,529
Plant and equipment	197,298
Furniture and equipment	13,140
	749,108
Impairment of right of use assets	
Leasehold improvements	1,001,529
Motor vehicles	31,177
	1,032,706
Total impairment expense	1,781,814

5. Loss per share

	30 June 2022 (\$)	30 June 2021 (\$)
Basic loss per share (cents per share)	(0.51)	(0.45)
(Loss) used in the calculation of Earnings (Loss) Per Share	(4,445,282)	(3,578,638)
Weighted average number of ordinary shares	873,580,373	801,659,604

All performance shares and share options were considered anti-dilutive in the period ended 30 June 2022 and 30 June 2021.

6. Contingent liabilities

The Board is not aware of any circumstances or information, which leads them to believe there are any other material contingent liabilities outstanding at 30 June 2022.

7. Events after the reporting date

On 7 July 2022 the Company announced the completion of the Company's Share Purchase Plan Offer (SPP). The Company received valid applications, with both Board and Management participating in the offer, for 32,250,000 ordinary shares under the SPP at an issue price of \$0.005 per share with total funds raised being \$161,250.

On 13 July 2022 32,250,000 shares were issued at \$0.005 for the new shares applied for under the SPP and 146,125,000 free attaching listed options exercisable at \$0.100 expiring 18 July 2025 attributable to the SSBP and the previously completed placement shares.

On 18 August 2022 the issue of shortfall SPP shares of 67,750,000 and 33,875,000 free attaching listed options was completed. Listed options were issued as free attaching securities to the SPP shortfall shares and were issued based on the formula of one option to be issued for every two shares subscribed for. The listed options are exercisable at \$0.100 expiring 18 July 2025.

Other than as noted above, no matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Additional ASX Disclosure Information

Compliance statement:

- ☐ The accounts have been audited
- ☐ The accounts have been subject to review
- ☒ The accounts are in the process of being audited or subject to review
- ☐ The accounts have not yet been audited or reviewed

Description of any likely audit qualification:

This report is based on the financial statements which are in the process of being audited by Crowe Perth. It is expected that the independent auditor's report will include a material uncertainty related to going concern paragraph.



Winton Willesee

Director

31 August 2022

Corporate Information

Directors:

Winton Willesee
Aldo Miccio
Erlyn Dawson
Evan Hayes
Nathan Maxwell-McGinn

Company Secretary:

Erlyn Dawson

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