

ASX & Media Release

20 December 2024

Business Update

Clean Seas Seafood Limited (“Clean Seas” or “the Company”) (ASX: CSS, OSE: CSS), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, provides the following business update.

On 27 November 2024, Clean Seas advised that it was experiencing higher than expected mortalities within the Year Class 2024 cohort of fish.

As a result of these higher-than-expected mortalities, the Company withdrew its previous guidance to both FY25 sales volumes and FY25 Operating EBITDA and commenced an investigation as to the cause of the higher mortalities and to assess the impact on the business for the current and subsequent periods.

The Company advises that sufficient information has now been obtained from the investigation to update the market on the background to the increase in mortalities for the Year Class 24 cohort, and the operational improvements undertaken.

Year Class 24 Performance Issues

In late March 2024, the Company observed a decline in the performance of the Year Class 24 fish, with growth rates falling below expectations. At that time, overall performance remained broadly consistent with historical trends, and no reduction in harvest expectations was considered necessary.

In response to emerging issues within Year Class 24, the Company implemented several measures in May 2024 to enhance farming practices. These actions included the initiation of the process to appoint a new General Manager of Operations, and the engagement of external specialists to provide advice on feed optimisation and fish health.

On 4 July 2024, Clean Seas announced a revision to its FY25 sales volume guidance, lowering projections from 3,000 tonnes to a range of 2,600–2,800 tonnes. This adjustment reflected the operational challenges associated with the transition and consolidation of farming activities onto a single site that resulted in missed feed days, and health treatments leading to lower-than-expected fish growth rates and higher mortalities in FY24.

Splitting and grading of Year Class 24 cages was delayed due to the operational challenges on farm, occurring over October 2024 to November 2024 rather than in April 2024 and May 2024. To support improved outcomes for Year Class 24, this cohort underwent increased monitoring and was placed on a remedial high-nutrient diet throughout September and October 2024. Upon completion of cage counts for most of the Year Class 24 fish, it became evident that predation losses were significant, and the number of fish in these cages were substantially lower than anticipated. Consequently, on 1 November 2024, Clean Seas issued a further revision to its FY25 sales volume guidance, reducing expectations to a range of 2,550–2,650 tonnes.

While the full impact of these issues on fish performance took several months to become acutely apparent, the challenges faced with Year Class 24 largely originated from deficiencies in management and animal husbandry following changes introduced during the Operational Review in early 2024.

Specifically, suboptimal feeding and bathing practices, coupled with inadequate predator management, contributed to the count losses identified in October 2024. These deficiencies created a sub-population of less resilient fish within the Year Class 24 cohort, rendering them more vulnerable to background stressors, including parasites, disease, and environmental factors, resulting in the elevated mortalities currently being experienced.

Increased Mortalities and Investigation

During November 2024, the Company observed elevated mortalities among the remaining Year Class 24 cohort, which on its own, is not an unusual occurrence as sea temperatures rise ahead of the summer months.

To gain further insight into the underlying performance issues, and in order to update Company forecasts, a comprehensive visual inspection of all Year Class 24 cages was conducted which resulted in the announcement released on 27 November 2024 due to uncertainties about the quantity and survival prospects of a sub-population of visually compromised fish.

As part of ongoing fish health monitoring, the Fish Health team regularly assigns Condition Factor scores to individual fish through periodic sampling across all cages. Since the 27 November 2024 announcement, the Company has conducted further assessments on historic health sampling over September to November 2024, the condition of mortalities within Year Class 24, as well as on samples from the remaining live fish. This analysis has established a threshold Condition Factor of 1.30, above which fish are reasonably expected to survive through to harvest. This threshold has been a reference point for the Company in order to forecast the harvest potential of Year Class 24 fish and, consequently, projected sales volumes.

In summary, Clean Seas notes the following:

- 98% of observed Year Class 24 mortalities have a Condition Factor below 1.30
- 77% of the remaining Year Class 24 fish exhibit a Condition Factor above 1.30
- Daily mortalities of Year Class 24 have been reducing during the 2 weeks up to 19 December 2024

Based on this data, Clean Seas has determined that approximately 25% of the remaining Year Class 24 fish are unlikely to survive through to harvest, leading to an estimated harvest potential range of 250,000 to 300,000 Year Class 24 fish.

Operational Improvements

Clean Seas has implemented significant changes to its farming operations and management to ensure that future year classes are not impacted by a recurrence of the issues experienced with the Year Class 24 fish.

The Company has strengthened its aquaculture capabilities with the engagement of two senior consultants with extensive experience farming Kingfish in the Spencer Gulf, and in July recruited a new GM of Operations with over 20 years of farming and aquaculture experience.

Performance of the farming operations has experienced a strong turnaround in the delivery of tasks, with enhanced compliance with daily feeding, regular bathing of fish, and a significant reduction in predator interactions being observed.

Clean Seas has commissioned the new automated A\$5.7 million feed barge, the 'Eyre Spirit', which is successfully feeding fish remotely and will shortly complete maintenance on and renew the 5-year survey on its existing 'K5' feed barge. With both automated feed barges operating, the risk of missed or sub-optimal feeding is greatly reduced – a key contributing factor to the issues with the Year Class 24 cohort. With the feeding operations automated, Clean Seas' farming team, vessels and other infrastructure can be redeployed on other crucial tasks, including bathing, predator management and maintenance.

Harvest Update and Operational Impact

As a result of the investigation and ongoing analysis, the Company now anticipates a further reduction in the harvest of Year Class 24 by approximately 600 tonnes compared to the guidance provided on 1 November 2024.

The harvest of Year Class 24 is scheduled to commence in April 2025 and continue through to December 2025. To mitigate part of the shortfall, the Company has extended the timing of the harvest of the preceding Year Class 23 and brought forward the harvest of the subsequent Year Class 25. Consequently, the financial impact of reduced sales will primarily be felt in 2H FY25 and 1H FY26.

The Year Class 25 cohort of fish are performing strongly with most cages situated in Arno Bay to ensure there is adequate separation from compromised fish. Additional stocking of Year Class 25 cages during the three completed intake runs, provides sufficient fish for 3,400 tonnes of harvest potential from this year class. As previously reported, Clean Seas has

made significant changes to its organisational and operational structure and the benefits of these changes continue to be seen on farm and in the performance of the earlier runs of the Year Class 2025 cohort.

Guidance

As noted above, the reduced harvest from the Year Class 24 cohort will impact forecast sales volumes in FY25 and FY26, with an expected range of 2,200–2,300 tonnes in FY25 versus previous guidance of 2,550 – 2,650 tonnes. Furthermore, the Company expects sales volumes at 2,050-2,200 tonnes in FY26, with sales volumes expected to recover to the Company's target of 3,000 tonnes per annum in FY27 with the harvest of the Year Class 25 cohort.

Clean Seas has appointed Morgans Financial and Bell Potter Securities to assist the Company in determining a capital strategy and will advise the market in due course.

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

Authorised for release by the Board of Clean Seas Seafood Limited.

For further information on Clean Seas Seafood, please contact:

Rob Gratton	Andrew Angus
CEO	Investor Relations
rob.gratton@cleanseas.com.au	andrewangus@overlandadvisers.com.au
+61 434 148 979	+61 402 823 757

About Clean Seas Seafood

Clean Seas Seafood is a fully integrated Australian Aquaculture business listed on the Australian Securities Exchange (ASX) and with a secondary listing on Euronext Growth Oslo (OSE).

Clean Seas is the global leader in full cycle breeding, farming, processing and marketing of its Hiramasa or Yellowtail Kingfish (*Seriola lalandi*) and is renowned amongst leading chefs and restaurants around the world for its exceptional quality.

Clean Seas is recognised for innovation in its sustainable Yellowtail Kingfish farming and has become the largest producer of aquaculture Yellowtail Kingfish outside Japan.

For more information, visit www.cleanseas.com.au

All volumes are in Whole Weight Equivalents (WWE) unless otherwise specified.

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