

ASX Announcement | 28 February 2023

Seafarms Group Limited (ASX:SFG)

SFG ASX Announcement No. 748

Seafarms Group Limited Results for the Half-Year ended 31 December 2022

Attached is the Seafarms Group Limited Report for the half-year ended 31 December 2022 including ASX Appendix 4D.

Ends.

Authorised by the Board of Seafarms Group Limited.

For further information, please contact:

Seafarms Group

Mr. Harley Whitcombe

Company Secretary

P: +61 8 6375 5900

Media / Investor Enquiries

John Fergusson

P: +61 407 826 952

E: info@seafarms.com.au

About Seafarms Group

Seafarms Group Limited (ASX: SFG) is a sustainable aquaculture company, producing the premium Crystal Bay[®] Prawns and developing the Project Sea Dragon prawn aquaculture project in northern Australia.

Seafarms Group Limited

ABN 50 009 317 846

Level 10, 490 Upper Edward Street
Spring Hill, Queensland 4000
Australia

PO Box 252
Spring Hill, Queensland 4004
Australia

T +61 7 3248 0222

E info@seafarms.com.au

W <https://www.seafarms.com.au>

For personal use only

Seafarms Group Limited

and its controlled entities

ABN 50 009 317 846

**Financial Report
for the half-year ended 31 December 2022**

Seafarms Group Limited

ABN 50 009 317 846

Appendix 4D Half-year ended 31 December 2022

Results for announcement to the market

		%	\$
Revenue from ordinary activities	Up	5% to	15,925,138
Net loss for the period attributable to members	Down	67% to	(12,640,637)
Loss from ordinary activities after tax attributable to members	Down	67% to	(12,640,637)

Dividends / distributions	Amount per security	Franked amount per security
Final dividend (per share)	-	-
Interim dividend	-	-

	31 December 2022 \$	31 December 2021 \$
Net tangible asset backing (per share)	0.008	0.020

For personal use only

Seafarms Group Limited

and its controlled entities

ABN 50 009 317 846

Interim financial report - 31 December 2022

Contents

	Page
Corporate Directory	1
Directors' report	2
Auditor's Independence Declaration	5
Financial Statements	
Condensed consolidated statement of profit or loss and other comprehensive loss	6
Condensed consolidated statement of financial position	7
Condensed consolidated statement of changes in equity	8
Condensed consolidated statement of cash flow	9
Notes to the condensed consolidated financial statements	10
Directors' declaration	18
Independent auditor's review report to the members	19

This financial report covers the consolidated financial statements for the consolidated entity consisting of Seafarms Group Limited ("the Company") and its subsidiaries (together referred to as "the Group"). The financial report is presented in the Australian currency.

Seafarms Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Seafarms Group Limited
Level 6, 66 Smith Street
Darwin, NT 0800

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on page 2 which is not part of this financial report.

The financial report was authorised for issue by the Directors on 28 February 2023.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available at our Shareholder Centre on our website: www.seafarms.com.au.

Directors	Ian Norman Trahar B.Ec, MBA - (Chairman) Rodney Dyer Harley Whitcombe Terutaka Kuraishi Hisami Sakai
Secretary	Harley Whitcombe
Principal registered office in Australia	Level 6, 66 Smith Street Darwin, NT 0800 (08) 9216 5200
Share register	Computershare Investor Services Pty Limited GPO Box D182 Perth, WA 6000 (08) 9323 2000
Auditor	Pitcher Partners Level 38, Central Plaza 1 345 Queen Street Brisbane QLD 4001
Bankers	HSBC Bank Australia Limited 190 St Georges Terrace Perth, WA 6000 Australia and New Zealand Banking Group Limited 77 St Georges Terrace Perth WA 6000
Stock exchange listings	Seafarms Group Limited shares are listed on the Australian Securities Exchange. ASX code - SFG.
Website	www.seafarms.com.au

Directors' report

Directors

The following persons held office as Directors of Seafarms Group Limited during the financial period:

Ian Norman Trahar
Rodney Dyer
Harley Whitcombe
Terutaka Kuraishi
Hisami Sakai

The above-named Directors held office during and since the end of the half-year unless otherwise stated.

Company financial performance

The overall financial performance during the first half of the 2023 financial year reflects the investment being made by the Group in pursuing its expansion in aquaculture operations.

	Consolidated Half-year 31 December 2022 \$	31 December 2021 \$
Total Revenue	15,925,138	15,199,211
Net loss before and after tax for the period	(12,640,637)	(38,613,511)
Adjust for:		
Finance income	(19,445)	(4,096)
Finance expense	110,125	1,357,408
Earnings before interest and tax (EBIT)	(12,549,957)	(37,260,199)
Cash and cash equivalents	20,426,850	69,991,695

The Directors do not believe that they are able to provide any further comment or predictions on the Group's future financial performance other than what is included in the Group's ASX releases.

Review of operations

Operating results

The Group's net loss after tax of \$12,640,637 for the six months of the financial year 2023 was \$24,862,326 lower than prior period primarily due to a reduction of construction expenditure on Project Sea Dragon (PSD).

Cash and cash equivalents were \$20,426,850 (30 June 2022: \$36,195,529) with the cash flow attributable to continued expenditure on prawn farming operations in Queensland and Project Sea Dragon (PSD).

Basic loss per share from continuing operations for the six months was 0.26 cents (31 December 2021: 0.89 cents loss).

Queensland Operations

Seafarms Queensland Pty Ltd has the capacity to operate 132.5 hectares of prawn production ponds in Cardwell and Ingham (far North Queensland) where it produces up to 1,300 metric tonnes of black tiger and banana prawns that are distributed to Australian retailers and the domestic food service industry.

Revenue from the Queensland operations for the six months ended 31 December 2022 was up 5% to \$15,925,138 (31 December 2021: \$15,199,211).

Review of operations

Project Sea Dragon

All construction work on Project Sea Dragon has ceased and the company continues to undertake works to maintain all permits and approvals.

As of 31st December 2022, the dispute between Canstruct and Project Sea Dragon remained in the process of Adjudication under the Security of Payments Act (Act). Seafarms provisioned \$8.7m for a settlement of this dispute in its 2022 accounts. On Friday 3rd February 2023 Seafarms advised the market of the adjudicator's determination that Project Sea Dragon Pty Ltd must pay Canstruct \$12,769,144.60. Adjudication decisions under the Act are interim in nature and the Directors do not accept that the amount awarded as due and owing.

On the 15th February 2023, the Directors of Project Sea Dragon advised the market that Shaun McKinnon and Andrew Fielding (Administrators) of BDO Business Restructuring Pty Ltd had been appointed to act as voluntary administrators of the companies associated with Project Sea Dragon pursuant to section 436A of the Corporation Act 2001. The directors of Seafarms requested that all trading in the Company's shares on the ASX remain suspended during the administration period. The Directors of Seafarms advised the market that they intend to propose a Deed of Company Arrangement (DOCA) to the creditors of Project Sea Dragon.

At the 31st of December 2022 the new facilities at the Exmouth Founder Stock Centre had been commissioned and the facility is now in use. Seafarms has reached an agreement with the Administrators for that facility to continue to operate.

Over the half year period work continued on the revised business case for Project Sea Dragon. The business continues to develop and remains committed to finalising the new business case for Project Sea Dragon.

Market development

Market development supports the Company's objective to build a high value, high quality, premium branded offer for both domestic and export markets.

There is clear domestic demand for high quality, fresh Australian prawns, available 52 weeks per year. Capturing this opportunity, Crystal Bay Prawns® (Banana Prawn) production was increased to meet existing customer requirements. The company delivered on its contractual commitments for the half year with good results. The Group will continue to build on the weekly, fresh sales opportunity, with the banana prawn program in FY2023 a key driver to regrow total Operations volume and profitability.

Domestically, the Company also continued to develop market share in the frozen self-serve category, with the launch of 550g Crystal Bay Tiger Prawns® cooked and frozen product, complementing the 1kg frozen boxes available at Woolworths nationwide. Seafarms frozen packaging supports the high-quality, sustainable Australian prawns brand message at point of purchase, and underpins the strategy to expand the availability of the Crystal Bay Tiger Prawns® brand.

High brand engagement was achieved during the fresh Crystal Bay Tiger Prawns® season, with the "100% Aussie Freshness" message driven at point of purchase in key wholesalers and retailers/fishmongers. There was specific focus on building brand awareness at key events, such as Easter, and ultimately driving fresh sales at peak selling times. Furthermore, brand development continued with social media communication sharing the Australian Crystal Bay Prawns® journey from pond to plate, achieving a solid reach with over 250,000 people over the past 12 months.

Queensland Operations

The Queensland operations are undertaken at three sites: Flying Fish Point (commercial hatchery), Cardwell (Farms 1 & 2 and Processing Plant) and Ingham (Farm 3).

Total production for the half year was 594 tonnes of Banana prawns with a further 106 tonnes being harvested in January. The Queensland operations results show a significant turnaround in operational and financial performance over the same period in the previous half year and provides an encouraging outlook when compared to the last year's full year performance of 907 tonnes.

The Queensland business continues to develop its broodstock domestication program with ponds again being stocked with high health larvae without the use of wild caught broodstock and reducing the risk of introducing disease from the wild. The Black Tiger Prawns currently being grown from the cross of Exmouth and Flying Fish Point broodstock are showing encouraging results.

The changed operating practices and risk reduction through the improved water distribution methods contributed to the strong H1 performance. Additional low-cost improvements to operational practices and risk reduction programs continue to be implemented to provide further opportunity for improved performance over the full year.

Material Risks

The key risks faced by the Company are animal health and the risk associated with Project Sea Dragon. Animal health is a significant risk in all aquaculture operations and the Company seeks to address this risk through its stocking strategy and good animal husbandry practices. The stocking strategy includes the species of prawns produced at each location, the stocking density and time of year of stocking. To ensure good animal husbandry practices the company employs experienced people and uses the available science in order to maintain good animal health over the crop period.

The risks associated with Project Sea Dragon are the ability of the Company to continue to fund the ongoing costs of the project development and the impact of this on the going concern of the Company in the absence of additional project funding. Mitigation of this risk would be to substantially reduce or cease additional funding of the project. Subsequent to the half-year the Directors of Project Sea Dragon resolved not to continue supporting Project Sea Dragon in order to mitigate this risk.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the 6 months to 31 December 2022.

Matters subsequent to the end of the financial period

As noted in the Directors' Report above subsequent to period end the directors of SFG's wholly owned subsidiary Project Sea Dragon Pty Ltd, placed the company into Administration. Refer Note 10 for further details.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

This report is made in accordance with a resolution of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors.



Ian Norman Trahar
Chairman
28 February 2023

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

The Directors
Seafarms Group Limited
Level 10, 490 Upper Edward Street
SPRING HILL QLD 4004

Auditor's Independence Declaration

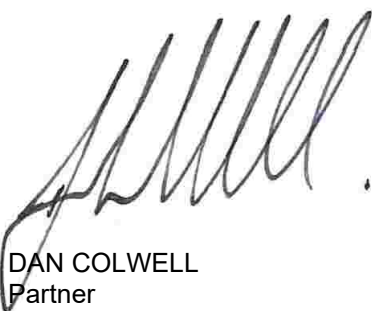
In relation to the independent auditor's review for the half-year ended 31 December 2022, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Seafarms Group Limited and the entities it controlled during the period.



PITCHER PARTNERS



DAN COLWELL
Partner

Brisbane, Queensland
28 February 2023

Brisbane Sydney Newcastle Melbourne Adelaide Perth

Pitcher Partners is an association of independent firms.

An Independent Queensland Partnership ABN 84 797 724 539. Liability limited by a scheme approved under Professional Standards Legislation.

Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

 **bakertilly**
NETWORK MEMBER

pitcher.com.au

NIGEL FISCHER
MARK NICHOLSON
PETER CAMENZULI

JASON EVANS
KYLIE LAMPRECHT
NORMAN THURECHT

BRETT HEADRICK
WARWICK FACE
COLE WILKINSON

SIMON CHUN
JEREMY JONES
TOM SPLATT

JAMES FIELD
DANIEL COLWELL
ROBYN COOPER

FELICITY CRIMSTON
CHERYL MASON
KIERAN WALLIS

MURRAY GRAHAM
ANDREW ROBIN
KAREN LEVINE

Seafarms Group Limited
and its controlled entities

Condensed consolidated statement of profit or loss and other comprehensive loss
For the half year 31 December 2022

		Consolidated Half-year	
		31 December 2022	31 December 2021
		\$	\$
			(restated*)
Revenue from continuing operations	4	15,925,138	15,199,211
Other (losses)/gains		-	582,707
Finance income		19,445	4,096
Finance expense		(110,125)	(1,357,408)
Fair value adjustment of biological assets		1,417,319	(24,658)
Fair value adjustment of biological assets at point of harvest		830,869	(1,447,352)
Feed and consumables		(7,476,234)	(2,673,063)
Change in finished goods and biological assets		(715,932)	(5,591,563)
Energy costs		(2,132,294)	(1,232,363)
Employee benefits expense		(5,870,871)	(8,412,403)
Depreciation and amortisation expense		(876,573)	(1,989,042)
Construction expenditure	5	(6,750,088)	(23,325,187)
Impairment losses	6	-	(1,440,612)
Other expenses		(6,901,291)	(6,905,874)
Loss before income tax for the period		(12,640,637)	(38,613,511)
Income tax expense / (benefit)		-	-
Loss for the period attributable to the owners of Seafarms Group Limited		(12,640,637)	(38,613,511)
Other comprehensive income /(loss)		-	-
Total comprehensive loss attributable to the owners of Seafarms Group Limited		(12,640,637)	(38,613,511)
		Cents	Cents
Basic and diluted loss per share attributable to the ordinary equity holders of Seafarms Group Limited		(0.26)	(0.89)

* The comparative financial information has been restated as a result of a reclassification of expense items (refer note 1(e) for details) and for the correction of errors (refer note 2 for details)

The above Condensed consolidated statement of profit or loss and other comprehensive loss should be read in conjunction with the accompanying notes.

Seafarms Group Limited
and its controlled entities
Condensed consolidated statement of financial position
As at 31 December 2022

		Consolidated	
		31 December	30 June
	Notes	2022	2022
		\$	\$
			(restated*)
ASSETS			
Current assets			
Cash and cash equivalents		20,426,850	36,195,529
Trade and other receivables	7	4,765,417	1,367,472
Inventories		8,706,849	8,206,053
Other current assets		1,104,980	1,319,245
Biological assets	8	3,809,404	2,454,171
Total current assets		38,813,500	49,542,470
Non-current assets			
Property, plant and equipment		18,136,424	16,940,032
Right of use assets		587,714	94,700
Other non-current financial assets		331,999	-
Total non-current assets		19,056,137	17,034,732
Total assets		57,869,637	66,577,202
LIABILITIES			
Current liabilities			
Trade and other payables		3,646,035	3,919,126
Lease liabilities - current		2,491,104	1,902,251
Provisions - current	9	12,769,144	8,740,402
Employee benefit obligation - current		1,110,931	1,349,694
Total current liabilities		20,017,214	15,911,474
Non-current liabilities			
Lease liabilities – non-current		753,672	1,034,272
Provisions – non-current	9	83,340	124,591
Employee benefit obligation – non-current		184,901	35,718
Total non-current liabilities		1,021,913	1,194,581
Total liabilities		21,039,127	17,106,055
Net assets		36,830,510	49,471,147
EQUITY			
Contributed equity		300,316,736	300,316,736
Other reserves		14,832,725	14,832,725
Accumulated losses		(278,318,951)	(265,678,314)
Total equity		36,830,510	49,471,147

* The comparative financial information has been restated as a result of the correction of prior period errors (refer note 2 for details).

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes

Seafarms Group Limited
and its controlled entities
Condensed consolidated statement of changes in equity
For the half-year 31 December 2022

Consolidated	Issued capital \$	Other equity* \$	Share-based payments reserve \$	Options premium reserve \$	Financial assets revaluation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	169,830,626	2,591,318	10,371,472	1,670,705	(24,740)	(179,405,551)	5,033,830
Loss for the period (restated*)	-	-	-	-	-	(38,613,511)	(38,613,511)
Total comprehensive loss for the period	-	-	-	-	-	(38,613,511)	(38,613,511)
Contributions of equity & debt equity conversion net of transaction costs & tax	127,894,792	-	-	-	-	-	127,894,792
Employee share schemes - value of employee services	-	-	2,815,288	-	-	-	2,815,288
	127,894,792	-	2,815,288	-	-	-	130,710,080
Balance at 31 December 2021 (restated*)	297,725,418	2,591,318	13,186,760	1,670,705	(24,740)	(218,019,062)	97,130,399

Consolidated	Issued capital \$	Other equity* \$	Share-based payments reserve \$	Options premium reserve \$	Financial assets revaluation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022 (restated*)	297,725,418	2,591,318	13,186,760	1,670,705	(24,740)	(265,678,314)	49,471,147
Loss for the period	-	-	-	-	-	(12,640,637)	(12,640,637)
Total comprehensive loss for the period	-	-	-	-	-	(12,640,637)	(12,640,637)
Balance at 31 December 2022	297,725,418	2,591,318	13,186,760	1,670,705	(24,740)	(278,318,951)	36,830,510

* The comparative financial information has been restated as a result of the correction of prior period errors (refer note 2 for details).

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Seafarms Group Limited
and its controlled entities
Condensed consolidated statement of cash flow
For the half-year 31 December 2022

	Consolidated Half-year	
	31 December 2022	31 December 2021
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	12,939,438	13,436,433
Payments to suppliers and employees (inclusive of goods and services tax)	(26,027,712)	(34,784,237)
Interest received	19,445	4,096
Interest paid	(110,125)	(1,643,435)
Net cash outflow from operating activities	(13,178,954)	(22,987,143)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,960,854)	(11,080,573)
Investment in other financial assets	(331,999)	-
Net cash outflow from investing activities	(2,292,853)	(11,080,573)
Cash flows from financing activities		
Proceeds from issue of shares	-	105,962,429
Proceeds from borrowings	-	1,485,310
Repayment of borrowings	-	(1,045,084)
Lease payments	(296,872)	(2,840,356)
Net cash (outflow)/inflow from financing activities	(296,872)	103,562,299
Net increase/(decrease) in cash and cash equivalents	(15,768,679)	69,494,583
Cash and cash equivalents at the beginning of the period	36,195,529	497,112
Cash and cash equivalents at end of period	20,426,850	69,991,695

The above condensed consolidated statement of cash flow should be read in conjunction with the accompanying notes

1 Summary of significant accounting policies

(a) Statement of compliance

This half-year financial report of Seafarms Group Limited (the "Company") and its controlled entities (together referred to as the "Group" or the "Consolidated Entity") is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report and any public announcements made by the Group during the half year in accordance with any continuous disclosure obligations under the *Corporations Act 2001*.

(b) Basis of preparation of half-year report

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments as well as biological assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2022.

(c) Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the six-month period ended 31 December 2022, the Group incurred an operating cash outflow of \$13,178,954 and a net loss for the period of \$12,640,637.

At 31 December 2022, the Group had net current assets of \$18,796,286, including \$20,426,850 cash and cash equivalents.

The Directors note material uncertainties relating to the decision to continue with Project Sea Dragon, if so whether adequate funding will be obtained to fund the continuance, if not whether the remaining Project Sea Dragon related expenses will be successfully reduced and ceased, as to the final amount payable to meet Project Sea Dragon contractual liabilities, and as to the future profitability and cash flow from improvements at Queensland Farms and the ability of these to cover corporate expenditure.

The ability of the Company and Group to continue as a going concern is dependent upon the following:

- Reducing discretionary cash outflows including substantially reducing expenditure on Project Sea Dragon and corporate activities;
- continuing improvements in profitability and cashflows of the Queensland operations to generate sustainable cash to fund corporate activities;
- obtaining crop financing for Seafarms Queensland in FY2024 to manage the working capital cycle;
- obtaining a satisfactory settlement of construction contractual claims;
- securing short term debt financing; and
- raising equity capital.

In light of this the Directors have recognised that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and its ability to realise its assets and discharge its liabilities in the ordinary course of business and at the amounts stated in the financial statements.

However, given the cash available as at 31 December 2022, the forecast cash flow and potential funding and expense reduction alternatives, the Directors are of the opinion that the Company and Group will continue to operate as going concerns and therefore these financial statements have been prepared on a going concern basis. No adjustments have been made to the financial statements relating to the recoverability and classification of asset carrying amounts or the amounts and classifications of liabilities that might be necessary should the Company and Group not continue as a going concern.

(d) Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

(e) Changes to presentation and restatements

During the half-year the Group has voluntarily changed the presentation of certain amounts in the condensed consolidated statement of profit or loss, resulting in the comparative results being restated. The restatement of amounts in the condensed consolidated statement of profit or loss is a result of the Group electing to classify expense items by their nature. The change in classification of expense items has occurred as management deem this presentation to be more relevant to the users of the Annual Report in comparison to the previous classification of these items by their relative function.

2 Correction of prior period errors

(i) Revenue

- (ii)* The comparative information has been restated to reduce revenue by \$180,511. This is as a result of the reclassification of \$180,511 from finance expenses to revenue relating to the incorrect classification of early settlement discounts. *Equity and Options*

During the preparation of the financial statements for the 6 months ended 31 December 2022 there were two errors discovered pertaining to: (i) the calculation of the option expense in relation to options issued to senior management; (ii) the calculation of the gain on conversion of debt to equity in August 2021. These errors resulted in a misstatement of the loss reported for the comparative half-year ended 31 December 2021. Both transactions were non cash transaction and were transactions that occurred within equity accounts and therefore had no impact on net assets. Historical financial information has been restated to account for correction of these prior period errors as follows:

Condensed consolidated statement of profit or loss (extract)	31 December 2021 \$ Previously Reported	Increase (Decrease)	31 December 2021 \$ Restated
Other income (conversion of debt to equity)	33,665	549,311	582,707
Employee benefits expense (option expense)	(6,134,900)	(2,277,503)	(8,412,403)
Loss for the period	(36,885,319)	(1,728,192)	(38,613,511)

The errors reflected in (i) and (ii) were previously corrected in the 30 June 2022 annual report however they need to be reflected again in this half year report.

(iii) Employee Benefits Expense

A correction of \$838,164 has been posted to 30 June 2022 Balance sheet for Employee Benefit Expenses which were not accrued in June 2022.

3 Segment information

Statement of financial position (extract)	30 June 2022 \$ (previously reported)	Increase (Decrease)	30 June 2022 \$ (restated)
Trade and other payables	3,080,962	838,164	3,919,126
Net Assets	50,309,311	(838,164)	49,471,147
Equity			
Accumulated losses	(264,840,150)	(838,164)	(265,678,314)
Total equity	50,309,311	(838,164)	49,471,147

(a) Description of segments

Business segments

Aquaculture

Development of a large scale land-based aquaculture project in Northern Australia by Project Sea Dragon Pty Ltd, and prawn aquaculture operations in North Queensland, acquired 6 January 2014 and 31 October 2014.

Other

'Other' is the aggregation of the Group's other operating segments that are not separately reportable. All of the groups segments are located within the same geographic region (Australia).

(b) Segments

Half-year 31 December 2022

	Aquaculture \$	Other \$	Consolidated \$
Segment revenue			
Sales to external customers	15,885,257	-	15,885,257
Other revenue	39,881	-	39,881
Total segment revenue	15,925,138	-	15,925,138

Segment loss	(9,460,387)	(3,180,250)	(12,640,637)
---------------------	--------------------	--------------------	---------------------

Segment assets	39,817,702	18,051,935	57,869,637
----------------	------------	------------	------------

Segment liabilities	(19,049,971)	(1,989,156)	(21,039,127)
---------------------	--------------	-------------	--------------

Segment Net Assets	20,767,731	16,062,779	36,830,510
---------------------------	-------------------	-------------------	-------------------

Half-year 31 December 2021

	Aquaculture \$	Other \$	Consolidated \$
Segment revenue			
Sales to external customers	15,039,929	-	15,039,929
Total sales revenue	15,039,929	-	15,039,929
Other revenue	155,189	4,093	159,282
Total segment revenue	15,195,118	4,093	15,199,211

Segment loss	(33,419,667)	(5,193,844)	(38,613,511)
---------------------	---------------------	--------------------	---------------------

Seafarms Group Limited
and its controlled entities
Notes to the condensed consolidated financial statements
31 December 2022

Segment assets	92,884,229	45,883,623	138,767,852
Segment liabilities	(33,798,702)	(7,838,751)	(41,637,453)
Segment Net Assets	59,085,527	38,044,872	97,130,399

Segment profit represents the profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment revenues, liabilities, expenses, and assets are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of receivables, inventories, biological assets, property, plant and equipment and goodwill and other intangible assets. Segment liabilities include primarily of payables, lease liabilities, employee benefit obligations and related provisions. While most of these assets and liabilities can be directly attributed to individual segments, the carrying amounts of certain assets and liabilities used jointly by segments are allocated based on reasonable estimates of usage. Segment assets do not include income taxes.

4 Revenue

	Consolidated 31 December 2022 \$	31 December 2021 \$
From continuing operations		
<i>Sales revenue</i>		
Sales of fresh products	9,764,003	5,411,435
Sales of frozen products	6,121,254	9,628,494
	15,885,257	15,039,929
<i>Other income</i>		
Other income	39,881	159,282
	15,925,138	15,199,211

5 Construction expenditure

	Consolidated 31 December 2022 \$	31 December 2021 \$
Construction costs – Project Sea Dragon ¹	2,711,035	23,325,187
Provision for contract liabilities ²	4,039,053	-
	6,750,088	23,325,187

1. In respect of the current financial period, given that the project is still being re-assessed, the future economic benefits that will flow to the group are uncertain. Accordingly, all expenditure on Project Sea Dragon in the current financial period is considered to be pre-development expenditure and has been expensed.

2. Additional provision of \$4,039,053 has been made based on adjudication decision of claims on Project Sea Dragon (refer note 10 for details).

6 Impairment losses

This note provides details of the items included as impairment losses on the condensed consolidated statement of profit or loss:

	Consolidated 31 December 2022 \$	December 2021 \$
Impairment of project costs	-	1,440,612

The impairment of project costs in the prior year related to the carrying amount of capital works at Bynoe.

7 Trade and other receivables

	Consolidated 31 December 2022 \$	30 June 2022 \$
Trade receivables	3,981,314	994,855
Other receivables	2,284	3,406
Loans to employees	25,358	22,570
GST receivable	756,461	346,641
	4,765,417	1,367,472

8 Biological assets

	Consolidated 31 December 2022 \$	30 June 2022 \$
Livestock at fair value		
Opening balance	2,454,171	2,223,845
Gain (loss) arising from changes in fair values less estimated point of sale costs	677,613	(2,017,035)
Increases due to purchases	12,708,896	14,298,593
Decreases due to harvest	(12,031,276)	(12,051,232)
Closing balance	3,809,404	2,454,171

The Group holds biological assets at fair value.

Biological assets of \$3,809,404 (30 June 2022: \$2,454,171) are valued utilising unobservable inputs including survival rates, average growth rates, feed costs, feed conversion ratio, power costs, the harvest weight of prawns, mortality rates, processing costs and the sale price of harvested prawns to customers. These are considered Level 3 inputs in the fair value measurement hierarchy set out in AASB13, *Fair Value Measurement*.

Valuation processes

The Group's finance team performs the valuations of the Group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit and risk committee (ARC). Discussions of valuation processes and results are held between the CFO and the ARC at least once every six months, in line with the Group's half-yearly reporting requirements.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Survival rate, harvest average body weight and average production cost per kilogram is determined based on actual rates achieved over the last 6-12 months.
- Prawn market prices are based on active liquid market prices achieved over the last 3 months.
- Discount rate is determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Changes in level 3 inputs and fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, and ARC. As part of this discussion the team presents a report that explains the reason for the fair value movements.

9 Provisions

	Consolidated 31 December 2022 \$	30 June 2022 \$
Current		
Make good provision	-	10,308
Provision for contractual liabilities	12,769,144	8,730,094
Total	12,769,144	8,740,402
Non-Current		
Make good provision	83,340	124,591
Total	83,340	124,591

Following the termination of the construction contracts, the Group received a number of claims from the construction company and, after the adjudication of the disputed amount under the Northern Territory Construction Contracts (Security of Payments) Act 2004, recorded a provision for general contractual liabilities of \$12,769,144. Amounts determined under the Security of Payments Act are interim and not final. The amount determined is the amount payable in the first instance before any commercial or legal settlement of the disputed amounts.

It is noted that in respect of the claims from the construction company, both the Superintendent and the Independent Certifier separately assessed the liability at amounts less than \$0.5 million after taking into account payments made to the construction company in respect of those claims. Accordingly the Directors dispute the amount of the liability as assessed by the adjudicator and note that the provision for contract liabilities is not an admission of liability.

On 14 February 2023 the directors of Project Sea Dragon Pty Ltd appointed voluntary administrators. Canstruct Pty Ltd are presently prohibited from recovering the debt by operation of section 440F of the Corporations Act while Project Sea Dragon Pty Ltd remains in administration. The intention of the directors is for a deed of company arrangement to be proposed. In the event that the deed of company arrangement is approved by creditors the debt will be limited to that set out in the terms of the deed of company arrangement and by operation of the Corporations Act.

10 Events occurring after the reporting period

On 13 February 2023 the directors of Seafarms Group Limited (**SFG**) resolved that SFG would no longer provide financial support to Project Sea Dragon Pty Limited, the entity that is developing and will operate Project Sea Dragon. As a result of that resolution, the directors of Project Sea Dragon Pty Limited (**PSDCo**) appointed Administrators on 14 February 2023.

A summarized balance sheet of **PSDCo** as at 31 December 2022 is as follows:

	31 December 2022 \$
Assets	
Current assets	370,968
Non-current assets	1,305,885
Total Assets	1,676,853
Liabilities	
Current liabilities	78,829,975
Non-current liabilities	55,521
Total Liabilities	78,885,496
Net asset deficiency	(77,208,643)

Current liabilities includes net intercompany balances owing to Seafarms Group Limited and its subsidiaries of \$63,426,331.

**Seafarms Group Limited
and its controlled entities
Notes to the condensed consolidated financial statements
31 December 2022**

The assets of Project Sea Dragon Pty Limited include 100% of the equity in Project Sea Dragon Construction Employment Pty Limited and Project Sea Dragon Operations Employment Pty Limited. The net asset position of each of these companies is a deficiency of \$55,427 and \$56,307 respectively.

The period of Administration is expect to last 5 weeks and complete late March in accordance with the statutory time frame subject to any application for extension. During that time the SFG directors have resolved to continue to fund the operations of the Exmouth Founder Stock Facility to enable it to continue to maintain the breeding program there. SFG will be a post administration creditor of the group.

The directors of SFG anticipate that the Administrator will endeavour to work with creditors to enable a Deed of Company Arrangement to be agreed between creditors to enable PSDCo to continue its operations.

In accordance with a resolution of the Directors of Seafarms Group Limited, I state that in the opinion of the Directors:

- The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - Giving a true and fair view of the financial position as at 31 December 2022 and the performance for the half-year ended on that date of the consolidated entity; and
 - Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Ian Norman Trahar
Chairman
28 February 2023

Independent Auditor's Review Report to the Members of Seafarms Group Limited

Conclusion

We have reviewed the half-year financial report of Seafarms Group Limited (the 'Company') and its controlled entities ('the Group'), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Seafarms Group Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Emphasis of Matter – Restatement of comparatives

We draw attention to Note 2 of the interim financial report which describes the restatement of comparative figures due to an error. Our opinion is not modified in respect of this matter.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the Group incurred a net loss of \$12,640,637 and net operating cash outflows of \$13,178,954 for the half-year ended 31 December 2022, and that it is likely the Group will need to raise further equity or debt funding within the next 12 months in order to continue to meet its ongoing commitments as and when they fall due. These events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

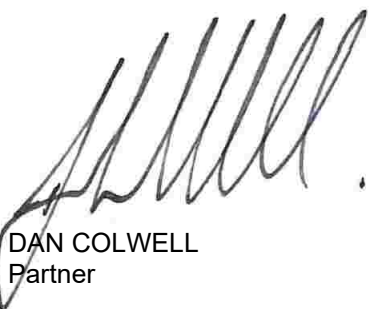
Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PITCHER PARTNERS



DAN COLWELL
Partner

Brisbane, Queensland
28 February 2023