

Seafarms Group Limited

ABN 50 009 317 846

Annual Report for the year ended 30 June 2023

Seafarms Group Limited

ABN 50 009 317 846

Final Report - 30 June 2023

Lodged with the ASX under Listing Rule 4.3A.
This information should be read in conjunction with the
Financial Report

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Seafarms Group Limited

Appendix 4E

Final Report

Year ended 30 June 2023

Name of entity
Seafarms Group Limited

ABN or equivalent company
reference

ABN 50 009 317 846

12 months ended

30 June 2023
(Previous corresponding period: 12
months ended 30 June 2022)

Results for announcement to the market

				\$
Revenue from ordinary activities	Up	33.0%	to	25,918,210
Earnings before interest and taxation (EBIT)	Up	81.5%	to	(15,558,265)
Net loss after tax (from ordinary activities) for the period attributable to members	Up	82.2%	to	(15,355,902)

Distributions

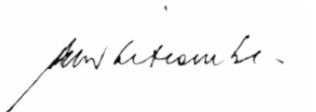
	Amount per security	Franked amount per security
	30 June 2023 Cents	30 June 2022 Cents
Interim dividend (per share)	-	-
Final dividend (per share)	-	-
Franking	-	-
Net tangible asset backing (per share)	0.70	1.02

Explanation of results

For commentary on the results please refer to the announcement relating to the release of Seafarms Group Limited results in conjunction with the accompanying financial statements, which forms part of the Appendix 4E.

Audit

The report is based on accounts that have been audited.



Harley Ronald Whitcombe
Company Secretary
Perth
30 August 2023

Seafarms Group Limited

ABN 50 009 317 846

Annual Report - 30 June 2023

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**Seafarms Group Limited
Corporate directory**

Directors

Ian Norman Trahar, B.Ec, MBA
Non-executive Chairman (Director since 13 November 2001)

Harley Ronald Whitcombe, B.Bus, CPA
Executive Director (since 20 May 2022)

Rodney John Dyer B.E, (Mech)
Executive Director (since 20 May 2022)

Secretary

Harley Ronald Whitcombe B.Bus, CPA

Principal registered office in Australia

Level 6, 66 Smith Street
Darwin, NT 0800
Telephone No: (08) 9216 5200

Share registry

Computershare Investor Services Pty Limited
GPO Box D182
Perth, WA 6000
Telephone No: (08) 9323 2000
Facsimile No: (08) 9323 2033

Auditor

Pitcher Partners
Chartered Accountants
Level 38, 345 Queen Street
Brisbane QLD 4000

Bankers

HSBC Bank Australia Limited
190 St Georges Terrace
Perth WA 6000

Commonwealth Bank of Australia
Level 21, 180 Ann Street
Brisbane QLD 4000

Australia and New Zealand Banking Group Limited
77 St Georges Terrace
Perth WA 6000

Stock exchange listing

Seafarms Group Limited shares are listed on the Australian Securities Exchange. Home Exchange - Perth.

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
Harley Ronald Whitcombe
Hisami Sakai (resigned 12 April 2023)
Rodney John Dyer
Terutaka Kuraishi (resigned 12 April 2023)

Principal activities

The Group is developing the world-class Project Sea Dragon project and operating a black tiger and banana prawn aquaculture business located in North Queensland.

Company financial performance

The overall financial performance over the 2023 financial year continues to reflect the investment being made by the Group in pursuing its expansion in aquaculture operations.

Review of operations

The year has seen a thorough assessment of Project Sea Dragon (PSD) with the results providing pleasing outcomes. However, the positive work on the assessment was overlaid by the unwanted distraction of a construction dispute leading to the PSD Board placing PSD into a voluntary administration process that was then followed by the construction contractor, Canstruct litigating in the Federal Court.

At the Queensland operations the Group experienced a good first half performance led by the Banana prawn crop. However the full year was negatively impacted by below average performance at Farm 3 due to extended wet weather in the area and the unusually high volumes of wild catch which depressed market prices. Global inflationary pressures increased our costs and further impacted the Company's financial result.

The Group has reported a loss for the year after taxation of \$15,355,902 (2022: loss \$86,272,763 (restated)).

A summary of consolidated revenues and results for the year by significant industry segments is set out below:

	Segment revenues		Segment results	
	2023	2022	2023	2022
	\$	\$	\$	\$
		(Restated)		(Restated)
Aquaculture	25,917,825	19,459,914	(9,043,427)	(71,928,960)
Group administration and corporate costs	385	17,659	(6,312,475)	(14,343,803)
Total segment revenue/result	25,918,210	19,477,573	(15,355,902)	(86,272,763)

Comments on the operations and the results of those operations are set out below:

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).

Production: In 2023, the Group produced a total of 1,260 metric tonnes (tonnes) of prawns (compared to 864 tonnes in 2022). This included 367 tonnes of Black Tiger prawns from Farm 3 and 893 tonnes of Banana prawns from Farms 1 and 2. The increase in production was mainly due to a focus on Banana prawns to manage risk and boost volumes, along with improvements to water systems in Farms 1 & 2.

Review of operations (continued)

Queensland Operations (continued)

Market conditions: The prawn market in Australia during the 2022/2023 financial year was challenging. The combination of higher aquaculture prawn production and a strong wild catch year in the northern prawn fishery led to decreased prices. This was happening alongside rising costs for inputs like feed, power, and labor.

Banana prawns: In the 2022 full year report we noted that “for the 2023 financial year at these farms the Group has switched to banana prawns which have historically not been affected by the PIR A/B bacterial issues”. Pleasingly there were no disease events at Farms 1 and 2 and farm performance resulted in a positive outcome for the first half of the year. With the water systems progressively improved to provide for a lower risk facility the company will re-introduce the generally higher margin Black Tiger Prawns to parts of these farms in FY2024.

Black Tiger prawns: Black Tiger prawn production was limited to Farm 3 that produced 367 tonnes from 33 Ha of ponds. Sizes were large, averaging over 50 grams to align with the requirement to send 70 tonnes to Europe to which is a key part of developing the export market for Project Sea Dragon.

New Grading Machine: The installation of a new grading machine at the Cardwell processing plant was successful and it significantly improved the throughput of the more tightly specified export product.

Farm 3 performance: Farm 3 had lower-than-usual performance due to extended wet weather reducing water salinity, which increased operating costs. Additionally, high volumes of wild-caught prawns depressed market prices while inflation raised input costs, impacting Farm 3 negatively.

It is important to note that Farm 3's yield and biomass performance aligned with the Project Sea Dragon project assumptions.

Breeding program: The Group stocked all Queensland ponds with healthy prawn larvae from domesticated broodstock, eliminating the need for wild-caught broodstock.

Several ponds in Farm 3 were stocked with animals produced from a cross of the Project Sea Dragon SPF generation 4, and the Queensland generation 6 broodstock. While the sample size is too small to be statistically significant it was encouraging to observe that production from these ponds outperformed the remainder of the ponds across most metrics. The Group draws comfort from these results that the Exmouth facility will improve performance of grow out over time, as well as obviating the need to source broodstock from the wild after we generate sufficient genetic diversity.

Wild caught broodstock has been the source of significant disease outbreaks at several competitors farms over the year.

Occupational, Health, Safety & Environment:

Seafarms programs of Occupational Health and Safety management at its operations resulted in two Lost Time Injuries for the year and a Total Reportable Injury Frequency Rate (TRIFR) of 14.7 injuries per million man hours. The Group continues to implement its program of reducing risk to improve OH&S performance noting that one lost time incident will result in a 5.2 to 7.0 increase to the LTIFR dependent upon the work hours performed. We continue to work to improve our performance.

Environmental performance proceeded at the Queensland operations without issue during the year.

Market development

The Group continues to build a high quality, premium branded offer both domestically and for export.

The Domestic market growth has been driven by the development of the fresh prawn category, demonstrated by Banana production which grew from 144 tonnes in FY 2022 to 893 tonnes in FY 2023 and with over 60% of the crop sold fresh.

Over the year production capacity was leveraged at key times to match events such as Australia Day which delivered strong fresh prawn sales and increased Christmas volumes driven by the availability of larger sized prawns.

Overall, the month of December delivered a fresh volume increase of 60% vs last financial year.

Review of operations (continued)

Market development (continued)

The company built further on the Crystal Bay Prawns® brand best-in-class credentials, with the introduction of the new “Go-to Freshness” communication message, strengthening the brand’s quality sentiments at point-of-purchase.

Raw Crystal Bay Prawns® were introduced and allowed for a balance of production and profitability.

The development of export markets for Project Sea Dragon was supported with the production of 70 tonnes of Black Tiger Prawns to European export specifications.

Project Sea Dragon

Project Sea Dragon completed its review and continues to fund and maintain all its licences and obligations to ensure approvals, real estate and key personnel are in place to develop the project. The construction and development of the Exmouth facility continued and FSC 2/3 were successfully put into operation providing a high quality broodstock maturation facility. FSC 1 and the old facilities continue to operate well and produce high quality broodstock that show good results.

The Company previously announced that it successfully produced the fourth generation (G4) of Black Tiger Prawns that continue to test negative to specific pathogens. In the absence of facilities at the Project Sea Dragon Bynoe site, some generation 4 stock was transferred to the Company’s Queensland hatchery to improve the diversity of genetics of the domesticated broodstock for existing operations with the encouraging results shown in internal analysis and the in pond performance described in the Queensland Operations section above.

More generally, on 14 June 2023 Seafarms provided the CEO Project Sea Dragon Shareholder update that described the outcomes of the Company’s re-assessment of Project Sea Dragon at that time. In it we advised that we have carefully considered the key risks of the March 2022 Project Review, particularly regarding the use of 10ha ponds and that we have re-evaluated all aspects of the Project.

We also advised that our CEO travelled extensively through Central America (Colombia, Ecuador, Honduras, and Mexico) accompanied by an international expert. The visits included inspections of very successful 10ha and larger pond operations; as well as discussions with producers, processors, and equipment suppliers to gather valuable information on operations and yields. The conclusion of this research clearly supported the feasibility of 10ha ponds in Australia as part of Project Sea Dragon. It was also pleasing to verify that there is over 15,000 Ha of large ponds mostly larger than 10 Ha operating at similar or higher intensities than we have incorporated in our plans.

Throughout the process, we engaged both international and local professionals, ensuring a thorough examination of each step. We also confirmed customer commitment and negotiated improved pricing.

The updated business case incorporates the findings from the re-assessment including updated production and marketing assumptions, the knowledge and insights gained from our research, consultations, and on-site visits.

In the 14 June 2023 update we advised that we intended to re-engage with potential funders and we are pleased to advise that the first of those meetings occurred on 21 June 2023. Arrangements for meetings with other funders are well advanced.

The litigation arising from the construction dispute was heard in the Federal Court at Brisbane on 14 and 15 of August 2023 with judgement reserved. We continue to progress with potential funding options and pending the receipt of judgement, a final investment decision.

Material Business Risks

The Company has in place a risk register and management processes to identify risks and mitigation actions for those risks. There is management oversight to ensure risk mitigations actions are in place and being undertaken. With mitigation in place those risks are reduced to an acceptable level. The material business risk of the Company are as follows:

Review of operations (continued)

Material Business Risks (continued)

The Company has in place a risk register and management processes to identify risks and mitigation actions for those risks. There is management oversight to ensure risk mitigations actions are in place and being undertaken. With mitigation in place those risks are reduced to an acceptable level. The material business risk of the Company are as follows:

Health & safety: The Group faces specific risks from operating on construction sites and in an agricultural environment in Northern Australia. The Group has comprehensive processes and procedures for identifying and managing risks and processes for ensuring procedures are complied with.

Project financing: Seafarms has stated that it will not commence the development of Project Sea Dragon unless full funding for the project has been secured. Securing this financing is uncertain. To mitigate the risk the Company has addressed previous concerns with the project and reworked the initial scope of the Project. Seafarms has commenced re-engaging with potential funders are reported above.

Animal health: Seafarms has faced a number of animal health issues over many years particularly in relation to Black Tiger prawns on specific farms. Risk mitigation includes continuous health screening and bacterial monitoring through the production process, stocking of banana prawns on certain sites and stocking in lower risk periods of the year.

Market risk: The supply of prawns is competitive with a number of competing species, formats and origins. Higher than average supply can depress prices across the industry. To mitigate this risk the Company focuses on high value niche areas of fresh product (never frozen) and large tiger prawns which are largely sold through retail channels.

Significant changes in the state of affairs

The significant changes to the state of affairs of the Company are set out in the Review of Operations above.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

There has been no change in the strategic direction of the company, which is to develop Project Sea Dragon as a scalable integrated prawn aquaculture project.

Information on directors

Ian Norman Trahar, B.Ec, MBA. *Non-executive Chairman*

Experience and expertise

Mr Trahar has a resource and finance background. He is a director and significant shareholder of Avatar Finance Pty Ltd, an unlisted private company. Ian is a member of the Australian Institute of Company Directors.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chair of the board.

Chair of the audit committee.

Chair of remuneration committee.

Interests in shares and options as at date of this report

1,411,603,263 shares in Seafarms Group Limited.

411,599,998 options in Seafarms Group Limited.

Information on directors (continued)

Harley Ronald Whitcombe, B.Bus, CPA *Executive Director. (since 13 November 2001)*

Experience and expertise

Mr Whitcombe has had many years' commercial and finance experience, providing company secretarial services to publicly listed companies.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Company Secretary of Seafarms Group Limited.

Interests in shares and options as at date of this report

19,680,984 ordinary shares in Seafarms Group Limited.

403,635 options in Seafarms Group Limited.

Rodney John Dyer B.E. (Mech) *Executive Director. (since 20 May 2022)*

Experience and expertise

Mr Dyer has extensive experience with Project Sea Dragon both in design and in the financial aspects of the project.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Managing director

Interests in shares and options

None

Hisami Sakai *Non-executive Director (since 7 August 2018, Resigned 12 April 2023)*

Experience and expertise

Mr Sakai has had nearly 40 years' commercial experience with Nippon Suisan Kaisha Limited (Nissui), one of the biggest global seafood companies in Japan. He is currently Managing Executive Officer of Nissui. His responsibilities include being in charge of European business, Business Supervisor in Oceania and Asia and in charge of International Sales and Business Development Department.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

None

Interests in shares and options

None

Information on directors (continued)

Terutaka Kuraishi MBA *Alternate Director for Hisami Sakai (since 20 May 2022), Resigned 12 April 2023)*

Experience and expertise

Mr Kuraishi has extensive commercial experience and is currently the Commissioned Deputy International Business Operating Officer and Commissioned General Manager of Business Supervisor in Oceania at Nissui.

Other current directorships

None.

Former directorships in last 3 years

None.

Interests in shares and options

None

Company secretary

The Company secretary is Mr Harley Ronald Whitcombe B.Bus, CPA. Mr Whitcombe was re-appointed to the position of Company secretary on 20 May 2022, having previously held the position from 13 November 2001 to 29 October 2021.

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the 12 months ended 30 June 2023, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees			
			Audit		Nomination & Remuneration	
	A	B	A	B	A	B
Ian Norman Trahar	15	15	3	3	1	1
Rodney John Dyer	15	15	3	3	1	1
Harley Ronald Whitcombe	15	15	3	3	1	1
Hisami Sakai	10	11	-	-	-	-
Terutaka Kuraishi	11	11	-	-	-	-

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office, was invited to attend or was a member of the committee during the 12 months

Remuneration report

The Directors are pleased to present your Company's 2023 remuneration report which sets out remuneration information for Seafarms Group Limited's non-executive Directors, executive Directors and other key management personnel.

Non-executive director remuneration policy

The shareholders of Seafarms Group Limited on 24 February 2012 approved, for the purposes of the ASX Listing Rules and the Group's Constitution, the maximum aggregate directors' fees to \$400,000, with such fees to be allocated to the directors as the board of directors may determine.

The Remuneration Committee determines the remuneration of all non-executive directors, none of whom have service contracts with the company.

Remuneration report (continued)

Executive remuneration policy and framework

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitive and reasonable, enabling the company to attract and retain key talent;
- performance linkage / alignment of executive compensation;
- acceptable to shareholders.
- transparent; and
- aligned to the company's strategic and business objectives and the creation of shareholder value;

The executive remuneration and reward framework has several components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the "Seafarms Group's Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

The combination of these comprises an executive's total remuneration.

The board has established a remuneration committee which makes recommendations to the board on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non executive directors. The Corporate Governance Statement provides further information on the role of this committee.

The Group's remuneration strategy considers the following in setting executive remuneration to align with shareholders interests:

- rewards capability and experience;
- provides recognition for contribution;
- attracts and retains high calibre executives.

(a) Elements of remuneration

Base pay and benefits

Executives receive their base pay and benefits structured as a total employment cost (TEC) package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

There are guaranteed base pay increases included in all of the executives' contracts.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Short-term incentives

If the Group achieves a pre-determined KPI set by the remuneration committee, a short-term incentive (STI) pool is available to executives and other eligible participants. Using a KPI ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The distribution of the STI pool is at the discretion of the Executive Chairman.

For FY23 the remuneration committee elected not to incorporate STIs into the remuneration arrangements for any executives.

Remuneration report (continued)

(a) Elements of remuneration (continued)

Long-term incentives

Long-term incentives may be provided to directors and staff via the Seafarms Group Employee Incentive Plan as approved by shareholders at the AGMs held on 1 February 2016, 25 November 2016 and 15 December 2020.

The Seafarms Group Employee Incentive Plan is designed to provide long-term incentives ("LTI") for directors and staff to deliver long-term shareholder returns. Under the plan, participants may be granted unlisted Share Options and/or Performance Rights which only vest if certain performance conditions are met and the directors and staff are still employed by the Group at the end of the vesting period. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

For FY23 the remuneration committee elected not to incorporate LTIs into the remuneration arrangements for any executives.

(b) Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) of Seafarms Group Limited and the Group are set out in the following tables.

The key management personnel of Seafarms Group Limited includes the directors as listed below:

- Ian Trahar (Non-executive Chairman)
- Harley Ronald Whitcombe (Executive Director and Company Secretary)
- Rodney Dyer (Executive Director and Chief Executive Officer)
- Hisami Sakai (Non-executive Director) (Director resigned on 12 April 2023)
- Terutaka Kuraishi (Alternative Director) (Director resigned on 12 April 2023)

In addition to the directors the following executives that report directly to the Board are key management personnel:

- Ian Leijer (Chief Financial Officer, Seafarms Group Limited, commenced 22 May 2022)

The following table shows details of the remuneration expense recognised for the Group's directors and executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Remuneration report (continued)

(b) *Details of remuneration (continued)*

Year ended 30 June 2023

Name	Short-term employee benefits			Post-em ployment benefits	Long- term benefits	Termi- nation benefits	Share-based payments Performance rights / Share options	Total
	Cash salary and fees	Cash bonus	Non- monetary benefits	Super- annuation	Long service leave			
	\$	\$	\$	\$	\$	\$	\$	\$
<u>Directors</u>								
Non-executive								
H Sakai	-	-	-	-	-	-	-	-
I Trahar	24,816	-	-	5,775	1,008	-	-	31,599
Sub-total non-executive directors	24,816	-	-	5,775	1,008	-	-	31,599
Executive								
H Whitcombe	276,656	-	-	25,292	995	-	-	302,943
R Dyer	783,772	-	-	25,292	2,500	-	-	811,564
Sub-total executive directors	1,060,428	-	-	50,584	3,495	-	-	1,114,507
Alternative Directors								
N Sato	-	-	-	-	-	-	-	-
T Kuraishi	-	-	-	-	-	-	-	-
Sub-total alternative directors	-	-	-	-	-	-	-	-
Other key management personnel								
I Leijer	494,485	-	-	25,292	1,667	-	-	521,444
Total key management personnel compensation (Group)	1,579,729	-	-	81,651	6,170	-	-	1,667,550

Remuneration report (continued)

(b) Details of remuneration (continued)

Year ended 30 June 2022

Name	Short-term employee benefits			Post-em employment benefits	Long- term benefits	Share-based payments Performance rights / Share options		Total \$ (restated^)
	Cash salary and fees	Cash bonus	Non- monetary benefits*	Super- annuation	Long service leave	Termi- nation benefits \$ (restated^)	\$	
Non-executive Directors								
P Favretto	32,083	-	-	3,208	-	-	-	35,291
H Sakai	-	-	-	-	-	-	-	-
I Trahar	135,680	-	-	13,568	4,408	-	-	153,656
Sub-total non-executive directors	167,763	-	-	16,776	4,408	-	-	188,947
Executive Directors								
H Whitcombe	305,389	-	-	20,554	500	45,135	-	371,578
R Dyer	281,716	-	-	20,581	1,250	-	-	303,547
I Brannan	457,243	-	-	27,437	-	1,109,891	844,586	2,439,157
C Mitchell	291,437	-	7,936	19,854	-	73,600	-	392,827
M McMahon	649,673	-	-	40,199	-	1,891,682	1,970,702	4,552,256
Sub-total executive directors	1,985,458	-	7,936	128,625	1,750	3,120,308	2,815,288	8,059,365
Alternative Directors								
N Sato	-	-	-	-	-	-	-	-
T Kuraishi	-	-	-	-	-	-	-	-
Sub-total alternative directors	-	-	-	-	-	-	-	-
Other key management personnel (Group)								
D Donovan	352,100	-	-	27,499	5,464	-	-	385,063
I Leijer	46,620	-	-	4,662	833	-	-	52,115
Total key management personnel compensation (Group)	2,551,941	-	7,936	177,562	12,455	3,120,308	2,815,288	8,685,490

*This relates to a benefit for motor vehicles.

^Refer section (f) below for details of the restatement of comparative termination benefits and the total remuneration as a result of the correction of a prior period error.

Remuneration report (continued)

Details in relation to the KMP long term incentives are set out in note 35 to the financial statements.

(c) Service agreements

Remuneration has been determined after the Remuneration Committee, for executive directors, and the Board, for group executives, has investigated current market terms and conditions.

The Remuneration Committee will continue to revise the remuneration practices and develop policy for future appointments and determine performance-based salary increases and bonuses, bearing in mind the size of the Group and the need to ensure quality staff are employed and retained.

I Trahar, Chairman:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Group may terminate employment on giving twelve months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to 100% of base salary for the unexpired period of notice. The employee may terminate on giving three months notice.
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

H Whitcombe, Director and Company Secretary:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Group may terminate employment on giving three months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to 100% of base salary for the unexpired period of notice. The employee may terminate on giving three months notice.
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

R Dyer, Chief Executive Officer, Seafarms Group Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (any adjustment will be at the Company's discretion);
- Employer or employee may terminate employment on giving three months notice;
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

I Leijer, Chief Financial Officer, Seafarms Group Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (any adjustment will be at the Company's discretion);
- Employer or employee may terminate employment on giving three months notice;
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

Remuneration report (continued)

(d) Additional statutory information

(i) Remuneration breakdown

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense on page above:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %
Directors of Seafarms Group Limited						
I Trahar	100%	100%	-%	-%	-%	-%
H Whitcombe	100%	100%	-%	-%	-%	-%
R Dyer	100%	100%	-%	-%	-%	-%
Other key management						
I Leijer	100%	100%	-%	-%	-%	-%

(ii) Share-based compensation

There were no shares provided on the exercise of options during the year ended 30 June 2023.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the last five financial periods:

	Year ended 30 June 2023	Year ended 30 June 2022 (restated)	Year ended 30 June 2021	Year ended 30 June 2020	Year ended 30 June 2019
	\$	\$	\$	\$	\$
Revenue	25,918,210	19,477,573	20,826,823	28,382,012	23,394,803
Net (loss) before tax	(15,355,902)	(86,272,763)	(25,755,545)	(25,542,665)	(30,944,301)
Net (loss) after tax	(15,355,902)	(86,272,763)	(25,755,545)	(25,542,665)	(30,944,301)
Share price at start of year	1c	6c	5c	9c	8c
Share price at end of year	0.4c	1c	6c	5c	9c
Dividend	-	-	-	-	-
Basic (loss) per share	(0.32)c	(1.88)c	(1.06)c	(1.24)c	(1.82)c
Diluted (loss) per share	(0.32)c	(1.88)c	(1.06)c	(1.24)c	(1.82)c

At the 2020 Annual General Meeting, held on 15 December 2020 shareholders approved the "Seafarms Group Employee Incentive Plan" under which the Board may grant equity securities (including performance rights and options) to eligible participants under the plan, which may, subject to the discretion of the Board, include executive directors or key management personnel.

(iii) Voting and comments made at the company's Annual General Meeting

Seafarms Group Limited received more than 97.96% of "yes" votes on its remuneration report for the 2023 financial period. The company did not receive any specific feedback at the AGM or throughout the period on its remuneration practices.

Remuneration report (continued)

(e) *Equity instrument disclosures relating to key management personnel*

(i) *Share holdings*

The numbers of shares in the Company held during the financial period by each Director of Seafarms Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2023	Balance at the start of the period	Purchase of shares during the year	Balance at end of the period
Name			
Directors of Seafarms Group Limited			
Ordinary shares			
I N Trahar	1,366,148,718	45,454,545	1,411,603,263
H R Whitcombe	19,680,984	-	19,680,984
R Dyer	-	-	-
Hisami Sakai (<i>resigned 12 April 2023</i>)	-	-	-
Terutaka Kuraishi (<i>resigned 12 April 2023</i>)	-	-	-
Other key management personnel of the Group			
Ordinary shares			
I Leijer	14,561,503	-	14,561,503

2022	Balance at the start of the period	Purchase of shares during the year*	Balance at end of the period ^
Name			
Directors of Seafarms Group Limited			
Ordinary shares			
I N Trahar	675,871,221	690,277,497	1,366,148,718
H R Whitcombe (<i>appointed 20 May 2022</i>)	18,298,258	1,382,726	19,680,984
R Dyer (<i>appointed 20 May 2022</i>)	-	-	-
C D Mitchell (<i>Resigned 30 November 2021</i>)	11,327,268	-	11,327,268 ^
P J Favretto (<i>Resigned 28 January 2022</i>)	37,916,666	2,545,454	40,462,120 ^
I Brannan (<i>Resigned 20 May 2022</i>)	-	9,090,909	9,090,909 ^
M McMahon (<i>Resigned 6 May 2022</i>)	-	36,363,636	36,363,636 ^
Hisami Sakai	-	-	-
Terutaka Kuraishi	-	-	-
Other key management personnel of the Group			
Ordinary shares			
D Donovan (<i>Resigned 1 July 2022</i>)	-	-	- ^
I Leijer (<i>commenced 22 May 2022</i>)	-	14,561,503	14,561,503

*Shares purchased during the year to June 2022 was incorrectly stated in last year's annual report based on the submission 731 made to the ASX under Appendix 3Y Change in Directors Interests.

^Balance at date of resignation for those KMP who resigned during the year.

Remuneration report (continued)

(e) *Equity instrument disclosures relating to key management personnel (continued)*

(ii) *Option holdings*

2023	Balance at	Purchase of	Balance at
Name	start of the	options during the	end of the
	period	year	period
Directors of Seafarms Group Limited			
I N Trahar	384,327,272	27,272,726	411,599,998
H R Whitcombe	403,635	-	403,635
2022	Balance at	Balance upon	Balance at
Name	start of the	appointment	end of the
	period		period
Directors of Seafarms Group Limited			
N Trahar	384,327,272	-	384,327,272
H R Whitcombe (<i>appointed 20 May 2022</i>)	-	403,635	403,635

Loans to key management personnel

There are no loans made to directors of Seafarms Group Limited and other key management personnel.

(f) *Correction of prior period error*

During the year, the Group identified that termination benefits as reported in the Remuneration Report for the comparative year ended 30 June 2022 were understated by \$848,164. Refer to Note 2 of the financial report for further details. The remuneration tables in section (b) have been restated for the correction of this error.

End of Remuneration Report

Shares under option

(a) *Unissued ordinary shares*

Unissued ordinary shares of Seafarms Group Limited under option at the date of this report are as follows:

Number under option	Class of shares	Exercise price of option	Expiry date
30,000,000 (*)	Ordinary	0.0970	12 December 2023
1,447,581,216 (*)	Ordinary	0.0975	13 August 2024

(*) Refer to note 25(d) for further details.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the company or of any other body corporate or registered scheme. There were no options issued during the current year or up until the date of this report.

(b) *Shares issued on the exercise options*

There were no shares of Seafarms Group Limited issued during the year ended 30 June 2023 or up until the date of this report on the exercise of options granted.

Insurance of officers

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr H R Whitcombe, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined at note 28 to the financial statements.

Dividends - Seafarms Group Limited

The Directors of Seafarms Group Limited do not recommend the payment of a dividend for the year ending 30 June 2023 (2022: Nil).

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 21.

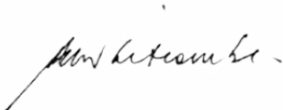
Auditor

Pitcher Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2) of the *Corporations Act 2001*.



Harley Ronald Whitcombe
Company Secretary
Perth
30 August 2023

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

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2023, 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 year.

Pitcher Partners
PITCHER PARTNERS



DAN COLWELL
Partner

Brisbane, Queensland
30 August 2023

Corporate governance statement

A description of the Group's current corporate governance practices is set out in the Group's current Corporate Governance Statement and the corporate governance policies adopted by the Board which can be viewed on the Company's website: (<http://seafarmsgroup.com.au/corporate-governance/>).

Seafarms Group Limited (Company) and its controlled entities (together, the Group) are committed to achieving and demonstrating the highest standards of corporate governance. The Group has reviewed its corporate governance practices against the ASX Corporate Governance Principles and Recommendations (4th Edition) as published by ASX Corporate Governance Council.

The Group's Corporate Governance Statement for the year ended 30 June 2023 was approved by the Board on 30 August 2023.

Seafarms Group Limited ABN 50 009 317 846

Financial Report - 30 June 2023

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These consolidated financial statements are the consolidated financial statements of the consolidated entity consisting of Seafarms Group Limited and its subsidiaries. The consolidated financial statements are presented in the Australian currency.

Registered postal address is:

PO Box 7312
Cloisters Square WA 6850

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 6, which is not part of these consolidated financial statements.

The consolidated financial statements were authorised for issue by the Directors on 30 August 2023.

For queries in relation to our reporting please call 08 9216 5200 or e-mail questions@seafarms.com.au.

All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.seafarms.com.au.

Seafarms Group Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2023

	Notes	2023 \$	2022 (*Restated) \$
Revenue and other income	6	25,918,210	19,477,573
Other (losses)/gains	7	-	587,139
Finance costs	8	(202,363)	(2,372,741)
Change in finished goods inventory	14	(600,065)	(3,121,031)
Change in biological assets	16	1,617,854	230,326
Feed and consumables		(12,027,265)	(6,798,310)
Energy costs		(3,538,977)	(2,724,240)
Employee benefits expense	9	(12,505,056)	(16,675,215)
Expected loss on non-current loan	20	-	(5,000,000)
Depreciation and amortisation expense	9	(2,062,361)	(3,964,347)
Impairment losses	9, 17, 18	(2,100,509)	(18,443,140)
Construction (costs)/reversal	10	3,538,183	(34,339,531)
Other expenses	9	(13,393,553)	(13,129,246)
Loss before income tax		(15,355,902)	(86,272,763)
Income tax benefit	11	-	-
Loss for the year		(15,355,902)	(86,272,763)
Other comprehensive loss for the year net of tax		-	-
Total comprehensive loss for the year is attributable to: Owners of Seafarms Group Limited		(15,355,902)	(86,272,763)
		Cents	Cents (*Restated)
Loss per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share	34	(0.32)	(1.88)
Diluted loss per share	34	(0.32)	(1.88)

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

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Seafarms Group Limited
Consolidated statement of financial position
As at 30 June 2023

	Notes	2023 \$	2022 (*Restated) \$
ASSETS			
Current assets			
Cash and cash equivalents	12	8,453,527	36,195,529
Trade and other receivables	13	5,468,207	1,367,472
Inventories	14	7,680,854	8,206,053
Other current assets	15	1,460,119	1,319,245
Biological assets	16	4,072,025	2,454,171
Total current assets		<u>27,134,732</u>	<u>49,542,470</u>
Non-current assets			
Property, plant and equipment	17	17,682,481	16,940,032
Right-of-use assets	18	381,690	94,700
Other financial assets	20	331,999	-
Total non-current assets		<u>18,396,170</u>	<u>17,034,732</u>
Total assets		<u>45,530,902</u>	<u>66,577,202</u>
LIABILITIES			
Current liabilities			
Trade and other payables	21	4,695,821	3,919,126
Lease liabilities	22	3,005,826	1,902,251
Provisions	23	1,000,000	8,740,403
Employee benefit obligations	24	1,121,223	1,349,694
Total current liabilities		<u>9,822,870</u>	<u>15,911,474</u>
Non-current liabilities			
Lease liabilities	22	1,142,892	1,034,272
Provisions	23	83,631	124,591
Employee benefit obligations	24	366,264	35,718
Total non-current liabilities		<u>1,592,787</u>	<u>1,194,581</u>
Total liabilities		<u>11,415,657</u>	<u>17,106,055</u>
Net assets		<u>34,115,245</u>	<u>49,471,147</u>
EQUITY			
Contributed equity	25	300,316,736	300,316,736
Other reserves	26(a)	14,832,725	14,832,725
Retained earnings		<u>(281,034,216)</u>	<u>(265,678,314)</u>
Total equity		<u>34,115,245</u>	<u>49,471,147</u>

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

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

Seafarms Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

	Notes	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021		172,421,944	12,017,437	(179,405,551)	5,033,830
Loss for the year (restated*)		-	-	(86,272,763)	(86,272,763)
Total comprehensive loss for the year		-	-	(86,272,763)	(86,272,763)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	25	127,894,792	-	-	127,894,792
Employee share scheme	26	-	2,815,288	-	2,815,288
		127,894,792	2,815,288	-	130,710,080
Balance at 30 June 2022 (restated*)		300,316,736	14,832,725	(265,678,314)	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 consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Seafarms Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023
(continued)

Notes	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022 (restated*)	300,316,736	14,832,725	(265,678,314)	49,471,147
Loss for the year	-	-	(15,355,902)	(15,355,902)
Total comprehensive loss for the year	-	-	(15,355,902)	(15,355,902)
Transactions with owners in their capacity as owners:	-	-	-	-
Balance at 30 June 2023	300,316,736	14,832,725	(281,034,216)	34,115,245

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

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

Seafarms Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		25,523,543	22,765,061
Payments to suppliers and employees (inclusive of goods and services tax)		(45,251,068)	(41,761,246)
Payment to administrator for DOCA		(3,500,000)	-
Payments to suppliers for PSD Pre-Development expenses		-	(28,329,458)
		<u>(23,227,525)</u>	<u>(47,325,643)</u>
Interest received		48,440	6,530
Interest paid		(250,803)	(1,103,896)
Net cash outflow from operating activities	33	<u>(23,429,888)</u>	<u>(48,423,009)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(2,463,985)	(625,568)
Purchase of property, plant and equipment related with PSD		-	(12,028,622)
Proceeds from sale of property, plant and equipment		-	784
Payments for deposits		(331,999)	-
Net cash outflow from investing activities		<u>(2,795,984)</u>	<u>(12,653,406)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	105,962,429
Proceeds from borrowings		-	743,589
Payments of loans from third parties		-	(5,000,000)
Lease payments	22	(1,516,130)	(3,884,234)
Repayment of borrowings		-	(1,046,952)
Net cash (outflow)/inflow from financing activities		<u>(1,516,130)</u>	<u>96,774,832</u>
Net increase (decrease) in cash and cash equivalents		(27,742,002)	35,698,417
Cash and cash equivalents at the beginning of the period		36,195,529	497,112
Cash and cash equivalents at end of period	12	<u>8,453,527</u>	<u>36,195,529</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with the other requirements of the law.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

(b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of biological assets. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 *Share-based Payment*, leasing transactions that are within the scope of AASB 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 *Inventories*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The principal accounting policies are set out below.

Application of new and revised accounting standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current financial year.

New and revised standards and amendments thereof and interpretations effective for the current year that are relevant to the Group include:

Impact of changes to Australian Accounting Standards and Interpretations

(i) Other new accounting standards

The following new or amended standards did not have a significant impact on the Group's consolidated financial statements:

- *AASB 2020-3 Amendments to Australian Accounting Standards -Annual Improvements 2018-2020 and Other Amendments*

1 Summary of significant accounting policies (continued)

Impact of changes to Australian Accounting Standards and Interpretations (continued)

(ii) Application of new and revised accounting standards

At the date of the authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current - Deferral of Effective Date;
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates;
- AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction; and
- AASB 2022-1 Amendments to Australian Accounting Standards - Initial Application of AASB 17 and AASB 9 - Comparative Information.

(c) Going concern

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

For the year ended 30 June 2023, the Group incurred an operating cash outflow of \$23,429,888 (2022: \$48,423,009) and a net loss for the year of \$15,355,902 (2022: loss of \$86,272,763 (restated)). As at 30 June 2023, the Group had net current assets of \$17,311,862 (2022 \$33,630,996), including \$8,453,527 cash and cash equivalents.

Given the ongoing use of cash resources to develop and secure financing for Project Sea Dragon the group continues to have an operating cash out flow. Accordingly, the ability of the Company and the Group to continue as a going concern is dependent on its ability to raise further finance, reduce discretionary cash expenditure and mitigate operating risks. In particular it depends on the Group's ability to undertake one or more of the following:

- (i) raise project finance (equity and/or debt) for Project Sea Dragon Pty Ltd;
- (ii) successfully defend the legal case brought by Canstruct to overturn the Deed of Company Arrangement;
- (iii) continue improving the profitability and cashflow from the Queensland operations to generate cash to fund corporate activities;
- (iv) obtain working capital financing for Seafarms Queensland in FY2024 to manage the working capital cycle;
- (v) reduce discretionary cash outflow including expenditure on Project Sea Dragon and corporate activities;
- (vi) raise equity capital;
- (vii) generate finance through asset sales.

There are uncertainties in achieving these and as a result, the Directors have concluded that a material uncertainty exists that may cast 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 in light of the cash available at 30 June 2023, the forecast cash flow and potential funding and expense reduction alternatives the Directors are of the opinion that the Company and the Group will continue to operate as a going concern and therefore the accounts have been prepared on a going concern basis. No adjustments have been made to the financial statements relating to the recoverability and classification of assets carrying amounts or the amounts and classification that might be necessary should the Company and the Group not continue as a going concern.

1 Summary of significant accounting policies (continued)

Should the Group be unable to continue operating as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

(d) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Seafarms Group Limited ('Company' or 'Parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Seafarms Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs).

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar (\$), which is Seafarms Group Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

(f) Revenue recognition

The Group sells fresh and frozen prawns to customers. A sale is recognised when control of the product has transferred, being when the product is delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the product has been shipped to the location specified by the customer and the customer accepts the product. Following delivery the customer has full discretion over the manner of distribution and price to sell the goods and bear the risk in relation to the goods.

No element of financing is present in the pricing arrangement. Settlement terms range from cash-on-delivery to credit terms from 7 to 30 days. Terms reflect negotiations with customers, policies, procedures and controls as it relates to the customer credit risk.

1 Summary of significant accounting policies (continued)

A receivable is recognised by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The Group provides rebate and early payment discounts to customers that they would not receive without purchasing the specified volume of product or making early payment. The provision of discounts to the customers varies the consideration receivable from the customers and consequently the revenue recognised. The Group determines the most likely amount receivable from the customer by using accumulated historical experience of volume purchased and payment history.

(g) Income tax

The income tax expense or benefit for the period is the tax payable or recoverable on the current period's taxable income based on the income tax rate that has been enacted or substantially enacted by the balance sheet date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Tax consolidation legislation

Seafarms Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Seafarms Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Seafarms Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Seafarms Group Limited for any current tax payable assumed and are compensated by Seafarms Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Seafarms Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' consolidated financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial period. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

1 Summary of significant accounting policies (continued)

(i) Tax consolidation legislation (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(h) Leases

The Group lease various property, equipment and motor vehicles. Rental contracts are typically made for fixed term periods of 2 to 30 years but may have extension options which remain unexercised. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement at commencement date at present value using the interest rate implicit in the lease where available or where this rate cannot be determined readily, the incremental borrowing rate;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase option if the lease is reasonably certain to exercise the option.

The lease payments are discounted using the interest implicit in the lease. If the rate can not be determined, the lessee's incremental borrowing rate is used, being the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in similar economic environment with similar terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

(i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1 Summary of significant accounting policies (continued)

Trade receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Trade receivables are non-derivative financial assets accounted for in accordance with the Group's accounting policy for non-derivative financial assets.

Trade and other receivables are measured at amortised cost. A gain or loss on trade and other financial assets that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

The credit period for the majority of trade receivables ranges from current to 90 days with the average being 30 days. In determining the recoverability of a trade receivable, the Group used the expected credit loss model as per AASB 9.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2023 or 30 June 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(k) Inventories

Agricultural produce harvested from the Group's biological assets is measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying AASB 102 *Inventories*.

Inventory is stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Biological assets

Prawn livestock is carried at fair value. Fair value is the amount which could be expected to be received from the sale of the livestock in an orderly transaction between market participants.

In the absence of an active and liquid market fair value is determined in accordance with a Directors' valuation using the present value of expected net cash flows from the prawn livestock discounted at a current market-determined rate. The expected net cash flows take into account a number of assumptions including the survival rate, harvest average body weight, average market price, discount rate and average production cost per kilogram. The net cash flows include harvesting costs and freight costs to market.

The change in estimated fair value of prawn livestock is recognised in the profit or loss in the reporting period and is classified separately.

The prawn livestock with a weight of less than 1 gram (including all hatchery stock), is carried at historic cost as an estimate of fair value given that little or no biological transformation has taken place. Cost includes all of the costs associated with the production of the livestock.

Domesticated broodstock is carried at replacement cost. Replacement cost is the expected cost to replace the number of broodstock required to produce sufficient post larvae to meet stocking requirements.

(m) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

1 Summary of significant accounting policies (continued)

(i) Classification (continued)

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its other financial instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(n) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Freehold buildings	10 - 50 years
- Ponds	10 - 50 years
- Plant and equipment	2 - 15 years
- Leasehold improvements	Length of lease
- Vehicles	3 - 5 years
- Furniture, fittings and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

The Group further considers the funding required to bring the assets to an economically viable state.

1 Summary of significant accounting policies (continued)

(o) Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(p) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 45 days of recognition of the liability.

Due to the short-term nature of trade and other payables, their carrying amount approximates to fair value.

(q) Borrowings

Borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are taken into account in the fair value of the borrowing on day 1 and are taken into account when applying the effective interest rate method.

The initial fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in Shareholders' equity, net of income tax effects.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

(r) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(s) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

1 Summary of significant accounting policies (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(u) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with the instrument to the nearest dollar.

(v) Parent entity financial information

The financial information for the Parent entity, Seafarms Group Limited, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the consolidated financial statements of Seafarms Group Limited. Dividends received from subsidiaries are recognised in the Parent entity's profit or loss when its right to receive the dividend is established.

(ii) Financial guarantees

Where the Parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(w) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Post-employment obligations

The Group pays contributions to publicly or privately administered defined contribution superannuation plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

The fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised on a straight line basis over the period during which the employees become unconditionally entitled to the options.

1 Summary of significant accounting policies (continued)

(x) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

2 Correction of prior period errors

During the year, the Group identified that employee benefits expenses of \$838,164 were not accrued as at 30 June 2022. The comparative Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position have therefore been amended for the correction of this prior period error.

	30 June 2022		30 June 2022
	\$	Increase	\$
	(Previously reported)	(decrease)	(Restated)
Statement of comprehensive income (extract)			
Employee benefits expense	(15,837,051)	(838,164)	(16,675,215)
Loss for the year	<u>(85,434,599)</u>	<u>(838,164)</u>	<u>(86,272,763)</u>
Earnings per share (cents)	(1.87)	(0.01)	(1.88)
Statement of financial position (extract)			
LIABILITIES			
Current liabilities			
Trade and other payables	3,080,962	838,164	3,919,126
Total current liabilities	<u>15,073,310</u>	<u>838,164</u>	<u>15,911,474</u>
Total liabilities	<u>16,267,891</u>	<u>838,164</u>	<u>17,106,055</u>
Net Assets	<u>50,309,311</u>	<u>(838,164)</u>	<u>49,471,147</u>
EQUITY			
Retained earnings	(264,840,150)	(838,164)	(265,678,314)
Total equity	<u>50,309,311</u>	<u>(838,164)</u>	<u>49,471,147</u>

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

3 Critical accounting estimates and judgements (continued)

(i) Biological assets

As referred to in the accounting policy above the fair value of biological assets is estimated using a cash flow model which incorporates a number of assumptions. Management is required to exercise significant judgement in estimating the underlying cash flows where those assumptions are not based on observable market data ('Level 3' inputs) (refer note 16). The most significant assumptions requiring management judgement are in respect of the survival rate, harvest average body weight, average market price, discount rate and average production cost per kilogram until harvest-ready.

(ii) Estimated impairment of other non-current assets

Determining whether the other non-current assets are impaired requires an estimation of fair value less cost of disposal on a cash generating unit basis (refer note 17). The fair value less cost of disposal calculation requires the directors to estimate the fair value less costs of disposal of the assets in an arms length transaction between willing and knowledgeable parties. If the estimated fair value less cost of disposal is lower than the carrying value of the asset an impairment loss may arise.

(iii) Make good provision

The make good provision (note 23) relies on an estimate of the cost of rehabilitating the Project Sea Dragon sites. The Group uses judgment in (i) assessing the extent of work required to be agreed with relevant stakeholders; (ii) developing a detailed scope of work to be undertaken to achieve the agreed work; and (iii) estimating the costs of performing that work. In estimating the cost of undertaking the work the Group will take into consideration quoted costs for undertaking similar work.

(iv) Useful lives of property, plant & equipment

The determination of the useful lives of items of property plant & equipment, refer note 1(n), is subjective and requires the Group to exercise judgment. The Group takes into consideration the operating environment, the maintenance program for those assets, past operating experience and the useful lives used for income tax purposes.

(v) Expected credit losses on trade & other receivables

The determination of the expected credit loss on trade and other receivable relies on the Group to exercise judgment. In respect of trade receivables the Group takes out debtors insurance and has assessed the residual risk of credit loss not covered by insurance to be negligible. In respect of other receivables, where the amount to be received is subject to certain conditions the Group assesses the likelihood of those conditions being met. Where those conditions are unlikely to be met the Group will create a provision for expected loss. Refer notes 4(b), 13 and 20 for details of trade and other receivables.

(b) Critical judgements in applying the entity's accounting policies

Measurement of right-of-use asset and lease liability - Legune Station

The Group and the Legune station investor entered into a series of agreements in relation to the Legune land lease arrangement. The Group considered these agreements as linked to ensure the substance of the arrangement is considered and accounted for as one transaction.

The estimation, at the inception of the lease, of the items outlined below require significant management judgement:

- The likelihood that the purchase option will be exercised;
- The likelihood of extending the lease contract beyond the period of the first and second break clauses at 30 years and 60 years or exercising the ability to terminate the lease before financial close has been reached on Project Sea Dragon respectively;

3 Critical accounting estimates and judgements (continued)

- The depreciation period / method; and
- The incremental borrowing rate and the impact of this rate on the discounted amount of the lease liability as well as the right to use asset.

Due to the significant review of Project Sea Dragon the management reassessed the lease term for the Legune Station lease at 30 June 2022. At that time termination of the lease was possible from December 2023, provided written notice of intention to terminate was provided to the landlord at least 6 months prior to the anniversary date of the lease (which falls in December). Management assessed that it was no longer reasonably certain to continue the lease for its originally assessed lease term of 30 years and consequently reassessed the lease term to approximately 18 months from June 2022.

As publicly stated, Project Sea Dragon will not proceed until adequate project financing has been obtained. However the Company continues to meet its obligations under the Legune Station lease. As at 30 June 2023, the Group had not elected to exercise its termination right under the lease and consequently, at balance date the earliest possible termination date was December 2024. Accordingly, the lease term has been reassessed to approximately 18 months from 30 June 2023. The attaching right of use asset was fully impaired given the funding has not yet been obtained.

Unlisted options

In determining the fair value of share based payments granted during the 2022 financial year, key estimates requiring management judgement are the volatility and expected life input assumed within the option pricing model. The Group uses historical volatility of the Company to determine an appropriate level of volatility expected, commensurate with the expected option life. Refer note 35 for more information.

Project Sea Dragon capitalisation policy

The Group incurred costs associated with Project Sea Dragon (Project). The Group has identified the phases the Project may go through in determining whether costs associated with the Project are eligible for capitalisation.

These phases include the pre-development, development, and operating phase. The Group uses the following approach in determining Project costs eligible for capitalisation:

- Identify the total expenditure being incurred at the various stages of the Project.
- Determine the nature of the underlying expenditure. Only directly attributable costs relating to the Project are eligible for capitalisation.
- Development costs are distinguished from pre-development costs. Only costs incurred during the development stage of the Project are eligible for capitalisation. Pre-development costs are expensed.
- Based on the extent of expected future economic benefits that will flow to the Group, only the development costs that are considered recoverable are capitalised.

Impairment PSD

The Group has considered whether the Project work-in-progress assets would be impaired as required by AASB 136 *Impairment of Assets* in light of the Project currently being incomplete and construction at Legune and Bynoe Harbour is on hold. The Group has determined that in light of these factors and that future funding for the project is uncertain that the assets should be fully impaired. Refer to note 17 for further information.

Expected loss on loan receivable

The loan receivable from AAM Licensees Pty Ltd forms part of the series of arrangements in relation to Legune, as at 30 June 2023 and 30 June 2022, repayment of the loan is dependent on a number of factors one of which being the financial close of Stage 1 of PSD of 1,120 ha by December 2023. The Company considers it unlikely that this milestone will be achieved and therefore has recognised an expected loss on this loan in the profit and loss.

3 Critical accounting estimates and judgements (continued)

Canstruct Legal Claim

The Group's wholly owned subsidiary, Project Sea Dragon Pty Limited (PSD), entered into a Deed of Company Agreement (DOCA) with Shaun McKinnon, Andrew Fielding (as the deed Administrators) and Seafarms Group Limited as the Proponent. The DOCA was executed on 23 March 2023 and a Deed of Rectification was executed shortly after on the 24 March 2023. Under the terms of the DOCA, SFG paid an amount to the Administrator (DOCA Funds) to settle payments to creditors of PSD and reimburse SFG for certain post administration payments made on behalf of PSD. Before the Administrator was able to disburse the DOCA Funds Canstruct (who is a creditor to PSD) sought to have the DOCA terminated and was granted an injunction by the court preventing the Administrator disbursing those funds until the case was determined. At the date of these accounts that case has yet to be determined and notwithstanding that decision each party has a right of appeal. The final determination of the case could take many months.

The Company has taken the view, that it will win the case and has prepared the accounts on that basis. If the Company loses the case then PSD will go into liquidation and the DOCA Funds returned to SFG. This would lead to an increase in the net assets of the Group as certain amounts payable including amounts payable to Canstruct will be extinguished. However it would also create considerable uncertainty regarding the Group's ability to continue the development Project Sea Dragon.

4 Financial risk management

The Group's activities may expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures, as management considers this unnecessary given the nature and size of the Group's operations.

	2023	2022
	\$	\$
Financial assets		
<i>Financial assets at amortised cost</i>		
Cash and cash equivalents	8,453,527	36,195,529
Trade and other receivables	5,468,207	1,367,472
Other financial assets	331,999	-
	14,253,733	37,563,001
	2023	2022
	\$	\$ (Restated)
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables	4,695,821	3,919,126
Lease liabilities	4,148,718	2,936,523
	8,844,539	6,855,649

4 Financial risk management (continued)

(a) Market risk

(i) Price risk

Exposure

Management has assessed the sensitivity of the profit or loss to price changes as being immaterial.

(ii) Cash flow and fair value interest rate risk

Sensitivity

Management has assessed that the sensitivity of the profit or loss to higher/lower interest rates applied to cash and cash equivalents as being immaterial.

As at the end of the reporting period, the Group had the following variable rate deposits:

	30 June 2023		30 June 2022	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Deposits at call	.09%	412,898	.04%	412,897
Bank accounts	.01%	8,040,000	.01%	35,780,882
Cash on hand	-%	629	-%	1,750
Net exposure to cash flow interest rate risk		<u>8,453,527</u>		<u>36,195,529</u>

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses or credit enhancement, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

(i) Risk management

Wholesale customers of prawns and related products are subject to trade credit insurance. Credit limits are set by the insurer and are not exceeded. There have been no bad debts or claims on the insurance policy during the year.

The Group has Trade Credit Insurance in place until 31 May 2024, which has insured indemnity of 90% with a maximum insured amount of \$1.54 million.

4 Financial risk management (continued)

	2023	2022
	\$	\$
Trade receivables		
<i>Counterparties without external credit rating *</i>		
Group 1	-	-
Group 2	1,373,693	994,855
Group 3	-	-
	1,373,693	994,855

* Group 1 - new customers (less than 6 months)
Group 2 - existing customers (more than 6 months) with no defaults in the past
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

(c) Liquidity risk

The Group manages liquidity risk by maintaining reserves, banking facilities and reserve borrowing facilities by monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(i) Financing arrangements

The Group does not have access to undrawn borrowing facilities at the end of the reporting period (2022: \$Nil).

(ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/liabilities
At 30 June 2023	\$	\$	\$	\$	\$	\$	\$
Non-derivatives							
Trade and other payables	4,695,821	-	-	-	-	4,695,821	4,695,821
Lease liabilities	1,982,259	1,310,038	889,433	304,100	-	4,485,830	4,148,718
Total non-derivatives	6,678,080	1,310,038	889,433	304,100	-	9,181,651	8,844,539

At 30 June 2022

(Restated)

Non-derivatives

Trade and other payables	3,919,126	-	-	-	-	3,919,126	3,919,126
Lease liabilities	854,993	1,234,919	983,838	48,723	-	3,122,473	2,936,523
Total non-derivatives	4,774,119	1,234,919	983,838	48,723	-	7,041,599	6,855,649

5 Segment information

(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 represents the corporate assets and costs of the Group, including the cash balances not currently employed in the Aquaculture segment.

(b) Segments

The segment information for the reportable segments for the year ended 30 June 2023 is as follows:

Year ended 30 June 2023	Aquaculture	Other	Consolidated
	\$	\$	\$
Segment revenue			
Sales to external customers	25,862,497	-	25,862,497
Other income	55,328	385	55,713
Total segment revenue	25,917,825	385	25,918,210
Impairment Losses	(2,100,509)	-	(2,100,509)
Segment Loss	(9,043,427)	(6,312,475)	(15,355,902)
Segment Assets	34,413,765	11,117,137	45,530,902
Segment Liabilities	(9,501,310)	(1,914,347)	(11,415,657)
Segment Net Assets	24,912,455	9,202,790	34,115,245
Year ended 30 June 2022	Aquaculture	Other	Consolidated
	\$	\$	\$
Segment revenue			
Sales to external customers	19,301,445	-	19,301,445
Other income	158,469	17,659	176,128
Total segment revenue	19,459,914	17,659	19,477,573
Impairment Losses	(18,443,140)	-	(18,443,140)
Segment Loss (restated)	(71,928,960)	(14,343,803)	(86,272,763)
Segment Assets	31,432,560	35,144,642	66,577,202
Segment Liabilities	(15,241,465)	(1,864,590)	(17,106,055)
Segment Net Assets	16,191,095	33,280,052	49,471,147

5 Segment information (continued)

(b) Segments (continued)

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.

For the year ending 30 June 2023, aquaculture segment sales to customers included \$17,613,603 (2022: \$11,478,883) to a national retailer.

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.

(c) Other profit and loss disclosures

	2023 \$	2022 \$
Depreciation and amortisation		
Aquaculture	<u>(2,062,361)</u>	<u>(3,964,347)</u>

6 Revenue and other income

	2023 \$	2022 \$
From continuing operations		
<i>Revenue from Contracts with Customers</i>		
Sales Fresh	14,546,320	8,549,594
Sales Frozen	11,315,404	10,749,827
Other sales revenue	773	2,024
	<u>25,862,497</u>	<u>19,301,445</u>
<i>Other income</i>		
Other income	55,713	176,128
	<u>25,918,210</u>	<u>19,477,573</u>

The Group derives all revenue from the transfer of goods and services at a point in time.

7 Other (losses)/gains

	2023 \$	2022 \$
Conversion of debt to equity	-	549,311
Other income	-	37,828
	<u>-</u>	<u>587,139</u>

8 Finance costs

	2023	2022
	\$	\$
<i>Finance income</i>		
Interest income	(48,440)	(6,530)
Finance income	(48,440)	(6,530)
 <i>Finance costs</i>		
Interest and finance charges	8,411	300,942
Interest on lease liabilities	242,392	2,078,329
Finance costs expended	250,803	2,379,271
 Net finance costs	202,363	2,372,741

9 Expenses

Profit before income tax includes the following specific expenses:

	2023	2022
	\$	(Restated) \$
<i>Depreciation</i>		
Property, plant and equipment: Buildings	338,241	214,536
Property, plant and equipment: Ponds	395,987	395,976
Property, plant and equipment: Plant and equipment	986,792	1,885,098
Property, plant and equipment: Leasehold improvements	516	2,171
Right-use-of-assets: Leasehold land	-	725,764
Right-use-of-assets: Leased buildings	214,533	447,279
Right-use-of-assets: Leased plant and equipment	126,292	293,523
Total depreciation	2,062,361	3,964,347
 <i>Other expenses</i>		
Consultants and professional fees	1,756,896	3,684,844
Legal fees	1,553,533	1,308,436
Insurance	1,592,691	1,328,632
Freight	1,296,290	849,810
Research expense	73,708	44,390
Travel expenses	551,297	276,941
Logistics	309,008	181,739
Repairs and maintenance	1,357,218	1,128,722
Loss on disposal of assets	-	192,250
Hire equipment	549,775	475,074
Rent	109,036	90,619
Sales and marketing	733,850	474,774
Other expenses	2,934,100	3,093,015
Voluntary administration costs	576,151	-
	13,393,553	13,129,246

9 Expenses (continued)

	2023 \$	2022 (Restated) \$
<i>Impairment losses</i>		
Impairment of plant and equipment and leasehold improvements	-	1,461,464
Impairment of right-of use assets	2,100,509	3,480,847
Impairment of project costs	-	13,500,829
	2,100,509	18,443,140
<i>Employee benefits expense</i>		
Superannuation	940,482	747,006
Other employee benefits	11,564,574	15,928,209
Total employee benefits expense	12,505,056	16,675,215

10 PSD Construction costs

(a) PSD Construction costs

	Notes	2023 \$	2022 \$
Mobilisation costs		23,198	9,434,313
Construction Insurance costs		-	2,179,791
Construction Consultants & Engineering costs		34,215	1,005,879
Project Management Costs		765,373	4,911,479
Temporary camp & accommodation costs		79,625	5,312,044
Quarry		-	786,151
Founder Stock Centre (Exmouth)		1,049,486	375,881
Hatchery Site (Bynoe Harbour)		107,726	329,173
Other indirect construction costs		525,205	1,274,726
Provision for construction liabilities	23	4,257,310	8,730,094
Reversal of liability exposure	23	(11,380,321)	-
Rehabilitation provision		1,000,000	-
		(3,538,183)	34,339,531

(b) Capitalised costs

	2023 \$	2022 \$
Assets under construction (impaired) (see note 17)	-	12,060,217
Total PSD Construction Costs	(3,538,183)	46,399,748

Project Sea Dragon (PSD or the Project) is a proposed, large-scale, integrated, land-based prawn aquaculture project being developed in Northern Australia. PSD is designed to be a staged development of up to 10,000 hectares of prawn production ponds, supported by a series of geographically separate facilities across Northern Australia.

10 PSD Construction costs (continued)

Planned Stage 1a of the PSD includes the Legune Grow-out Facility would see land-based production ponds at Legune Station in the Northern Territory as well as the development of the necessary facilities at the other sites (Exmouth and Bynoe). There has been significant expenditure incurred on the Project and the Board has considered how to account for the capital expenditures and taking into account the principles established by the accounting standards and how these might be applied.

Costs that do not meet the capitalisation criteria have been expensed and recognised in the consolidated statement of comprehensive income.

11 Income tax expense

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	2023 \$	2022 (Restated) \$
Loss from continuing operations before income tax expense	(15,355,902)	(86,272,763)
Tax at the Australian tax rate of 25%	(3,838,976)	(21,568,191)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	2,318	1,385
Employee option plan	-	703,823
Debt waiver - employee	-	126
SGC - recharged from PSDCE	-	237
Other	-	(138,816)
	(3,836,658)	(21,001,436)
Movement of deferred tax assets not recognised	(3,617,671)	16,308,941
Tax losses not recognised	7,454,329	4,692,495
Income tax expense/(benefit)	-	-

(b) Franking account

	2023 \$	2022 \$
Franking account balance (tax paid basis)	-	-
Impact on franking account balance of dividends not recognised	-	-
	-	-

12 Current assets - Cash and cash equivalents

	2023 \$	2022 \$
Cash at bank and in hand	8,040,630	35,782,632
Deposits at call	412,897	412,897
	<u>8,453,527</u>	<u>36,195,529</u>

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 4.

(b) Cash at bank and on hand

Of the cash at bank and on hand, \$630 (2022: \$2,250) is non-interest bearing, and \$8,040,000 (2022: \$82,862) is in accounts that earn interest.

(c) Deposits at call

Deposits at call are interest bearing.

13 Current assets - Trade and other receivables

	2023 \$	2022 \$
Trade receivables	1,373,693	994,855
Loss allowance	-	-
	<u>1,373,693</u>	<u>994,855</u>
Other receivables	3,689,800	3,406
Loans to employees	30,878	22,570
Goods and services tax (GST) receivable	373,836	346,641
	<u>4,094,514</u>	<u>372,617</u>
	<u>5,468,207</u>	<u>1,367,472</u>

Other receivables includes \$3,500,000 relating to the DOCA which is held in trust by the administrators (note 23(a)).

(a) Trade receivables

As of 30 June 2023, trade receivables of \$374,332 (2022: \$364,237) were past due but not impaired.

	2023 \$	2022 \$
Up to 3 months	276,206	80,531
3 to 6 months	98,126	283,706
	<u>374,332</u>	<u>364,237</u>

14 Current assets - Inventories

	2023	2022
	\$	\$
Finished goods	5,502,362	6,102,427
Feed and consumables at cost	2,178,492	2,103,626
	7,680,854	8,206,053

Finished goods are harvested prawns from the Group's aquaculture operations in North Queensland.

Feed and consumables relate wholly to the Group's aquaculture operations.

15 Current assets - Other current assets

	2023	2022
	\$	\$
Prepayments	1,370,205	1,270,531
Deposits paid	89,914	48,714
	1,460,119	1,319,245

16 Current assets - Biological assets

	2023	2022
	\$	\$
<i>Livestock</i>		
Opening Balance	2,454,171	2,223,845
Gain arising from changes in fair value less estimated costs to sell	20,738,586	11,407,888
Transferred to inventories	(19,120,732)	(11,177,562)
Closing Balance	4,072,025	2,454,171

The balance of \$4,072,025 (2022:\$2,454,171) comprises the hatchery live crop of \$500,000 (2022: \$502,457), carried at current replacement cost, and live prawns of \$3,572,025 (2022: \$2,042,714) carried at fair value less estimated costs to sell.

The Group has classified live prawn as level 3 in the fair value hierarchy (refer note 1(b) for explanation of levels), since one or more of the significant inputs is not based on observable market data.

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 3-6 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.

16 Current assets - Biological assets (continued)

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.

Sensitivity Analysis - Biological Assets

Based on the market prices and weights used at 30 June 2023, with all other variables held constant, the consolidated group's profit for the period would change as follows:

- A pricing increase/decrease of 1% would have been a change of \$93,690 higher/lower;
- A feed price increase/decrease of 1% would have been a change of \$20,420 lower/higher;
- A weight increase/decrease of 1% would have been a change of \$44,218 higher/lower.

Risk management strategies for biological assets

The Group is exposed to risks arising from environmental and climatic changes and market prices.

The Group has strong operating procedures to prevent and mitigate the impact of disease and environmental risks.

The Group is exposed to some risks arising from fluctuations in the price and demand of prawn. To mitigate those risks the Group continues to focus on producing a high quality product that is well sought after in the market. Where appropriate the Group will also enter into supply contracts.

17 Non-current assets - Property, plant and equipment

	Freehold land \$	Freehold buildings \$	Ponds \$	Plant and equipment \$	Leasehold improvements \$	Assets under construction \$	Total \$
At 1 July 2021							
Cost or fair value	2,010,000	5,000,198	7,919,543	18,356,096	31,908	1,440,612	34,758,357
Accumulated depreciation	-	(783,483)	(2,514,052)	(9,505,633)	(16,238)	-	(12,819,406)
Net book amount	2,010,000	4,216,715	5,405,491	8,850,463	15,670	1,440,612	21,938,951
Year ended 30 June 2022							
Opening net book amount	2,010,000	4,216,715	5,405,491	8,850,463	15,670	1,440,612	21,938,951
Additions	-	-	-	625,568	-	12,028,622	12,654,190
Disposals	-	-	-	(193,034)	-	-	(193,034)
Depreciation charge	-	(214,537)	(395,976)	(1,885,099)	(2,170)	-	(2,497,782)
Transfers	-	-	-	(31,595)	-	31,595	-
Impairment loss	-	-	-	(1,448,480)	(12,984)	(13,500,829)	(14,962,293)
Closing net book amount	2,010,000	4,002,178	5,009,515	5,917,823	516	-	16,940,032
At 30 June 2022							
Cost or fair value	2,010,000	5,000,198	7,919,543	17,179,693	20,013	-	32,129,447
Accumulated depreciation	-	(998,020)	(2,910,028)	(11,261,870)	(19,497)	-	(15,189,415)
Net book amount	2,010,000	4,002,178	5,009,515	5,917,823	516	-	16,940,032

17 Non-current assets - Property, plant and equipment (continued)

	Freehold land \$	Freehold buildings \$	Ponds \$	Plant and equipment \$	Leasehold improvements \$	Assets under construction \$	Total \$
Cost	2,010,000	5,000,198	7,919,543	18,628,173	32,997	13,500,829	47,091,740
Impairment	-	-	-	(1,448,480)	(12,984)	(13,500,829)	(14,962,293)
Subtotal	2,010,000	5,000,198	7,919,543	17,179,693	20,013	-	32,129,447
Accumulated depreciation	-	(998,020)	(2,910,028)	(11,261,870)	(19,497)	-	(15,189,415)
Net book amount	2,010,000	4,002,178	5,009,515	5,917,823	516	-	16,940,032
Year ended 30 June 2023							
Opening WDV	2,010,000	4,002,178	5,009,515	5,917,823	516	-	16,940,032
Additions	-	1,237,097	-	1,226,888	-	-	2,463,985
Depreciation charge	-	(338,241)	(395,987)	(986,792)	(516)	-	(1,721,536)
Impairment loss	-	-	-	-	-	-	-
Closing WDV	2,010,000	4,901,034	4,613,528	6,157,919	-	-	4,181,652
At 30 June 2023							
Cost	2,010,000	6,237,295	7,919,543	19,855,061	32,997	13,500,829	49,555,725
Impairment	-	-	-	(1,448,480)	(12,984)	(13,500,829)	(14,962,293)
Subtotal	2,010,000	6,237,295	7,919,543	18,406,581	20,013	-	34,593,432
Accumulated depreciation	-	(1,336,261)	(3,306,015)	(12,248,662)	(20,013)	-	(16,910,951)
Net book amount	2,010,000	4,901,034	4,613,528	6,157,919	-	-	17,682,481

17 Non-current assets - Property, plant and equipment (continued)

Queensland aquaculture CGU ('QLDAQ')

As at 30 June 2023 the carrying value of property, plant and equipment for the Queensland Aquaculture cash-generating-unit ("CGU") was \$16,749,492 (2022: \$16,940,032).

Management's approach and the key assumptions used to determine the CGU's FVLCO in FY2023 were as follows:

CGU	Unobservable inputs	2023	2022	Approach in determining key assumptions
QLDAQ	Cost of disposal	5%	5%	Estimated based on the company's experience with disposal of assets and on industry benchmarks
	Sales price per hectare	\$62,000 to \$91,000	\$59,000 to \$85,000	Based on an independent valuation of the properties.

No impairment was necessary for QLDAQ in either 2023 or 2022.

Non-current assets pledged as security

The Group has provided a mortgage over Lot 166 on Crown Plan CWL3563 & Lot 183 on Crown Plan CWL3484 to a third party investor when entering into the Legune lease agreement.

PSD aquaculture CGU ('PSDAQ')

Impairment PSD

The Group has considered whether the PSD Work-in-progress assets would be impaired as required by AASB 136 *Impairment of Assets* in light of the Project currently being incomplete and construction at Legune and Bynoe Harbour is on hold. The Group has determined that in light of these factors and that future funding for the project is uncertain that the assets should be fully impaired.

As a result of this assessment, a total impairment charge of \$14,962,293 was recognised as at 30 June 2022. All subsequent expenditure on Project Sea Dragon has been expensed as incurred.

18 Non-current assets - Right-of-use assets

	Leasehold land \$	Leased buildings \$	Leased plant and equipment \$	Total \$
At 1 July 2021				
Cost or fair value	21,624,847	1,771,123	1,265,820	24,661,790
Accumulated depreciation	(1,850,243)	(877,528)	(811,255)	(3,539,026)
Net book amount	19,774,604	893,595	454,565	21,122,764
Year ended 30 June 2022				
Opening net book amount	19,774,604	893,595	454,565	21,122,764
Additions	-	267,382	-	267,382
Disposals	-	(32,004)	(38,208)	(70,212)
Depreciation charge	(725,764)	(447,279)	(293,523)	(1,466,566)
Impairment loss	(2,771,019)	(681,694)	(28,134)	(3,480,847)
Remeasurement	(16,277,821)	-	-	(16,277,821)
Closing net book amount	-	-	94,700	94,700
At 30 June 2022				
Cost or fair value	2,576,007	1,305,714	1,184,148	5,065,869
Accumulated depreciation	(2,576,007)	(1,305,714)	(1,089,448)	(4,971,169)
Net book amount	-	-	94,700	94,700

	Leasehold land \$	Leased Buildings \$	Leased Plant and equipment \$	Total \$
At 1 July 2022				
Cost	21,624,847	1,987,408	1,212,282	24,824,537
Impairment	(19,048,840)	(681,694)	(28,134)	(19,758,668)
Subtotal	2,576,007	1,305,714	1,184,148	5,065,869
Accumulated depreciation	(2,576,007)	(1,305,714)	(1,089,448)	(4,971,169)
Net book value	-	-	94,700	94,700
Year ended 30 June 2023				
Opening WDV	-	-	94,700	94,700
Additions	2,100,509	487,650	140,165	2,728,324
Depreciation charge	-	(214,533)	(126,292)	(340,825)
Impairment loss	(2,100,509)	-	-	(2,100,509)
Closing WDV	-	273,117	108,573	381,690
At 30 June 2023				
Cost	23,725,356	2,475,058	1,352,447	27,552,861
Impairment	(21,149,349)	(681,694)	(28,134)	(21,859,177)
Subtotal	2,576,007	1,793,364	1,324,313	5,693,684
Accumulated depreciation	(2,576,007)	(1,520,247)	(1,215,740)	(5,311,994)
Net Book Value	-	273,117	108,573	381,690

Lease - Legune station

As stated in Note 3, a modification of the term of the Legune Station lease was required as a result of a change in the non-cancellable period of the lease. This resulted in an increase in the lease liabilities by \$2,100,510 and an addition to the right of use assets by the same amount. The right of use asset has been fully impaired given that project financing for Project Sea Dragon has not yet been obtained.

18 Non-current assets - Right-of-use assets (continued)

Depreciation methods and useful lives

The leased land is depreciated using the minimum lease term of 18 months.

19 Non-current assets - Deferred tax assets

	2023	2022
	\$	\$
The balance comprises temporary differences attributable to:		
Fair value	154,868	502,872
Work in progress	11,457,572	11,457,572
Provisions	404,585	385,488
Accruals	622,921	2,007,290
Borrowings	1,250,000	1,250,000
Other deductible expenses	2,327,969	3,938,295
Depreciable assets	691,445	1,224,759
Accrued interest	253,425	13,827
Lease assets and liabilities	965,911	737,820
Prepayments	(227,928)	(2,049)
Unpaid super	15,166	17,731
Net deferred tax assets	17,915,934	21,533,605
Deferred tax balances not recognised	(17,915,934)	(21,533,605)
	-	-
Movements:		
Total for the year	3,617,671	(16,308,941)
Amount of deferred tax assets not recognisable	(3,617,671)	16,308,941
Closing balance at 30 June	-	-

Unrecognised tax losses

As at balance date, the Group has not recognised the following deferred tax assets in respect of unused tax losses:

Tax losses (revenue in nature)	41,069,326	33,614,997
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20 Other non-current assets

	2023	2022
	\$	\$
Loan to AAM Licensees Pty Ltd	5,000,000	5,000,000
Expected loss on non-current loan	(5,000,000)	(5,000,000)
Secured assets pledged as security	331,999	-
	331,999	-

The loan to AAM Licensees Pty Ltd was provided on 12 December 2018, interest free.

As disclosed in note 3(b), the receivable forms part of the series of arrangements in relation to Legune, as at 30 June 2023, repayment of the loan is dependent on a number of factors one of which being the financial close of Stage 1 of PSD of 1120ha by December 2023. The Company considers it unlikely that this milestone will be achieved and therefore has recognised an expected loss on this loan in the profit and loss.

20 Other non-current assets (continued)

(a) Cash not available for use

\$331,999 (2022: \$nil) is held as security for bank facilities and office lease guarantees.

21 Current liabilities - Trade and other payables

	2023 \$	2022 \$ (Restated)
Trade payables	3,252,700	1,249,236
Accrued expenses	1,089,249	2,197,734
PAYG payable	109,822	229,352
Other payables	244,050	242,804
	4,695,821	3,919,126

* Trade payables includes \$1,900,000 relating to the DOCA which is due to be paid by the administrators on execution of the DOCA (note 23(a)).

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

22 Liabilities - Borrowings

Leases

The group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 5 years.

Extension and termination options, and residual value guarantees are included in a number of property and equipment leases of the group. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Some property and equipment lease payments contain variable lease payments that are linked to consumer price index and are included in the calculations of right-of-use assets and lease liabilities in relation to these leases.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

See note 1(i) for the other accounting policies relevant to lease accounting.

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from Financing activities.

22 Liabilities - Borrowings (continued)

	Opening balance 1 July 2022 \$	Cash movement \$	Non-cash movement \$	Closing Balance 30 June 2023 \$
Current borrowings				
Lease liabilities	1,902,251	(1,516,130)	2,619,705	3,005,826
Total current borrowings	1,902,251	(1,516,130)	2,619,705	3,005,826
Non-current borrowings				
Lease liabilities	1,034,272		108,620	1,142,892
Total non-current borrowings	1,034,272	-	108,620	1,142,892
Total Borrowings	2,936,523	(1,516,130)	2,728,325	4,148,718

	Opening balance 1 July 2021 \$	Cash movement \$	Non-cash movement \$	Closing Balance 30 June 2022 \$
Current borrowings				
Bank loans	303,363	(303,363)	-	-
Loans from related parties	14,759,571	-	(14,759,571)	-
Other loans	12,000,000	(5,000,000)	(7,000,000)	-
Lease liabilities	2,834,462	(3,884,234)	2,952,023	1,902,251
Total current borrowings	29,897,396	(9,187,597)	(18,807,548)	1,902,251
Non-current borrowings				
Lease liabilities	18,382,047	-	(17,347,775)	1,034,272
Total non-current borrowings	18,382,047	-	(17,347,775)	1,034,272
Total Borrowings	48,279,443	(9,187,597)	(36,155,323)	2,936,523

23 Provisions

	Current \$	2023 Non- current \$	Total \$	Current \$	2022 Non- current \$	Total \$
Make good provision	1,000,000	83,631	1,083,631	10,309	124,591	134,900
Provision for contractual liabilities	-	-	-	8,730,094	-	8,730,094
	1,000,000	83,631	1,083,631	8,740,403	124,591	8,864,994

(a) Information about individual provisions and significant estimates

Make good provision

The balance of construction liabilities as at 30 June 2023 of \$1,000,000 is an estimate of the cost of rehabilitating Project Sea Dragon project sites. This liability would only become payable in the event that the Company no longer proceeded to develop Project Sea Dragon on those sites.

23 Provisions (continued)

Make good provision (continued)

The Group is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

Provision for construction liabilities

In the prior year the Company provisioned the sum of \$8,730,094 for the claims against Project Sea Dragon Pty Limited (PSD) by Canstruct with respect to construction work for Project Sea Dragon. The directors expressly noted that the provision was not an acknowledgement of debt. After completion of the 2022 Annual Report the directors received independent advice that the entire claim by Canstruct could be validly disputed by PSD. The directors formed the view that the provision in the 2022 Annual Report was incorrect and should have been noted as a contingent claim.

The Company continues to dispute the claims by Canstruct in their entirety.

On 13 February 2023, PSD was placed into voluntary administration and on 23 March 2023 a Deed of Company Arrangement (DOCA) was executed. The DOCA has the effect of extinguishing all amounts owing to creditors as at the date of the appointment of the administrators including the amount claimed by Canstruct (which was disputed as to the entire amount of the claim). The accounts of PSD and the Group have been prepared on this basis and a provision for contract liabilities as it relates to the construction contract is no longer required.

Subsequently Canstruct has undertaken legal proceedings seeking to have the DOCA terminated. In the event Canstruct are successful then PSD would be placed into liquidation which would have the same effect of extinguishing all amounts currently recognised as payable to creditors of PSD. It would also have the effect of extinguishing all claims against PSD including the disputed claim by Canstruct.

(b) Movements in provisions

Movements in each class of provision during the financial period, other than employee benefits, are set out below:

	Make good provision	Provision for construction liabilities	Total
	\$	\$	\$
2023			
Carrying amount at start of year	134,900	8,730,094	8,864,994
- additional provisions recognised	1,000,000	4,257,310	5,257,310
- recognised in current liabilities	-	(1,607,083)	(1,607,083)
- provisions no longer required	(51,269)	(11,380,321)	(11,431,590)
Carrying amount at end of period	1,083,631	-	1,083,631
2022			
Carrying amount at start of year	134,109	-	134,109
- additional provisions recognised	791	8,730,094	8,730,885
Carrying amount at end of period	134,900	8,730,094	8,864,994

24 Employee benefit obligations

	Current	2023 Non-current	Total	Current	2022 Non-current	Total
	\$	\$	\$	\$	\$	\$
Leave obligations	1,121,223	366,264	1,487,487	1,349,694	35,718	1,385,412

Leave obligations

The leave obligations cover the Group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 1(w).

25 Issued capital

(a) Share capital

	Notes	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares					
Fully paid		4,836,599,179	4,836,599,179	300,316,435	300,316,435
Convertible preference shares		30,150,190	30,150,190	301	301
		4,866,749,369	4,866,749,369	300,316,736	300,316,736

(b) Movements in ordinary share capital

	Number of shares	\$
Opening balance 1 July 2021	2,422,641,490	172,421,643
Equity raising	1,954,234,964	107,482,943
Subscriptions	45,454,545	2,500,000
Debt conversion	413,818,183	21,932,364
Exercise of listed options - proceeds received	449,997	43,762
Less: Transaction costs arising on share issues	-	(4,064,277)
Balance 30 June 2022	4,836,599,179	300,316,435
	Number of shares	\$
Opening balance 1 July 2022	4,836,599,179	300,316,435
Balance 30 June 2023	4,836,599,179	300,316,435

(c) Convertible preference shares

The convertible preference shares were issued at \$0.00001. To convert to fully paid ordinary shares each holder is required to pay \$0.06499. Conversion can occur at any time at the election of the holders. Conversion of convertible preference shares may only be made in multiples of 1,000 convertible preference shares at a conversion ratio of 1 convertible preference share to 1 fully paid ordinary share. There is no debt component linked to the convertible preference shares and no maturity date.

25 Issued capital (continued)

(c) Convertible preference shares (continued)

The convertible preference shares have limited voting rights as described in ASX Listing Rule 6.3 and are entitled to the payment of a dividend equal to one hundred thousandth of any dividends declared in respect of ordinary shares and such dividend will rank in priority over ordinary shares for payment. Dividends on convertible preference shares will not be cumulative.

(d) Options

Unlisted options

Information relating to the Group's Employee Option Plan and options issued to employees and executives of the Group, including details of options issued, exercised and lapsed during the financial period and options outstanding at the end of the financial period, is set out in note 35.

On 12 December 2018, the Group issued 30,000,000 unlisted share options to AAM Investment Partners as part of the Legune lease transaction. The options have an exercise period of 5 years from 12 December 2018 to 12 December 2023 at an exercise price of \$0.097 per unlisted option. At the 30 June 2023, these unlisted options remain unexercised.

On 24 August 2021, the Group issued 1,447,806,216 unlisted options. Of these options, 225,000 have been converted to shares in FY22. The options were issued to equity investors at nil consideration, thus no fair value has been assessed. The balance of the 1,447,581,216 options expire 13 August 2024. The exercise price of the options are \$0.0975.

Listed options

The Company had no listed options at year end (2022: nil).

26 Reserves

(a) Other reserves

	2023	2022
	\$	\$
Financial assets revaluation reserve	(24,740)	(24,740)
Share-based payments	13,186,760	13,186,760
Option premium reserve	1,670,705	1,670,705
	14,832,725	14,832,725

Movements:

Share-based payments

Opening balance	13,186,760	10,371,472
Employee share plan expense	-	2,815,288
Balance 30 June	13,186,760	13,186,760

(b) Nature and purpose of other reserves

(1) Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the issue of shares held by the Seafarms Employee Share Trust to employees

26 Reserves (continued)

(i) *Share-based payments (continued)*

- the grant date fair value of options issued to third parties but not exercised.

(ii) *Option premium*

The option premium represents the fair value of 47,734,412 Seafarms Group Limited options issued historically.

(iii) *Financial assets revaluation reserve*

Changes in the fair value of financial assets are taken to the financial assets revaluation reserve.

27 Key management personnel disclosures

(a) Key management personnel compensation

	2023	2022
	\$	(Restated) \$
Short-term employee benefits	1,579,729	2,559,877
Post-employment benefits	81,651	177,562
Long-term benefits	6,170	12,455
Termination benefits	-	3,120,308
Share-based payments	-	2,815,288
	<u>1,667,550</u>	<u>8,685,490</u>

28 Remuneration of auditors

During the year the following fees were agreed for services provided by the auditor of the Seafarms Group Limited:

Audit services

	2023	2022
	\$	\$
<i>Pitcher Partners</i>		
Audit and review of financial reports	180,000	-
<i>Deloitte Touche Tohmatsu</i>		
Audit and review of financial reports	-	275,000
Total auditors' remuneration	<u>180,000</u>	<u>275,000</u>

29 Commitments

Capital commitments

The Group has no material capital commitments as at 30 June 2023 (30 June 2022: Nil).

30 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 31.

30 Related party transactions (continued)

(b) Loans to/from related parties

There were no loans to or from related parties in the current year.

During the 2022 financial year, the Group had a \$15.2 million a credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar who is a non- executive director of the Group. The amounts repaid and interest charged are disclosed in the following table:

	2023	2022
	\$	\$
<i>Loan from Avatar Finance Pty Ltd</i>		
Beginning of the year	-	14,759,571
Debt equity conversion	-	(14,647,273)
Gain on equity conversion	-	(274,402)
Interest charged	-	248,469
Interest paid	-	(86,365)
End of period	-	-

(c) Terms and conditions

The facility from Avatar Finance Pty Ltd prior to the new arrangements was provided on normal commercial terms and conditions and at market rates and is to be repaid on 15 September 2021. The average interest rate on the loan during the year was 4.47% (2022: 4.63%).

On 30 November 2020 it was agreed, by Avatar Finance Pty Ltd and Seafarms, that the repayment date of this facility would be extended from 15 September 2021 to 15 March 2022 and no line fee would be payable after 15 September 2021. However the loan was converted to equity in August 2021.

31 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2023 %	2022 %
Seafarms Operations Pty Limited (formerly Seafarms Operations Limited)	Australia	Ordinary	100	100
Seafarm Hinchinbrook Pty Ltd	Australia	Ordinary	100	100
Project Sea Dragon Pty Ltd	Australia	Ordinary	100	100
Marine Harvest Australia Pty Ltd	Australia	Ordinary	100	100
Marine Farms Pty Ltd	Australia	Ordinary	100	100
PSD Construction Employment Pty Ltd	Australia	Ordinary	100	100
Seafarm Queensland Pty Ltd	Australia	Ordinary	100	100
PSD Operations Employment Pty Ltd	Australia	Ordinary	100	100
Project Sea Dragon Finance Pty Ltd	Australia	Ordinary	100	100
PSD Infrastructure Co Pty Ltd	Australia	Ordinary	100	100

32 Events occurring after the reporting period

At the date of this report no other matter or circumstance has occurred subsequent to 30 June 2023 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

33 Reconciliation of loss for the year to net cash flows from operating activities

	2023	2022
	\$	(Restated) \$
Loss for the year	(15,355,902)	(86,272,763)
Depreciation and amortisation	2,062,361	3,964,347
Impairment of right-of-use assets	2,100,509	3,480,847
Impairment of PSD Pre-Development costs	-	13,500,829
Impairment of plant and equipment and leasehold improvements	-	1,461,464
Non-cash employee benefits expense	-	2,815,288
Accrued interest	-	162,104
Net losses on sale of non-current assets	-	192,250
Gain on issue of debt equity	-	(549,311)
Accrued interest for Legune land	-	1,684,901
Expected loss on non-current loan	-	5,000,000
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors and receivables	(4,100,735)	673,110
Increase/(decrease) in other current assets	(140,874)	(257,573)
Increase/(decrease) in inventories	525,199	2,115,810
Increase/(decrease) in biological assets	(1,617,854)	(230,326)
Increase/(decrease) in trade creditors	776,695	(4,894,080)
Increase/(decrease) in provisions	(7,740,402)	8,730,094
Increase/(decrease) in current employee obligation	(228,471)	-
Increase/(decrease) in non current employee obligations	330,546	-
Increase/(decrease) in non current provisions	(40,960)	-
Net cash outflow from operating activities	(23,429,888)	(48,423,009)

34 Earnings per share

(a) Basic earnings per share

	2023	2022
	Cents	Cents (Restated)
Basic earnings per share from continuing operations	(0.32)	(1.88)
Total basic earnings per share attributable to the ordinary owners of the Company	(0.32)	(1.88)

(b) Diluted earnings per share

	2023	2022
	Cents	Cents (Restated)
Diluted earnings per share from continuing operations	(0.32)	(1.88)
Total basic earnings per share attributable to the ordinary owners of the Company	(0.32)	(1.88)

34 Earnings per share (continued)

(c) Reconciliation of earnings used in calculating earnings per share

	2023	2022
	\$	\$ (Restated)
<i>Basic earnings per share</i>		
Loss from continuing operations	<u>(15,355,902)</u>	<u>(86,272,763)</u>
	(15,355,902)	(86,272,763)
<i>Diluted earnings per share</i>		
Loss from continuing operations	<u>(15,355,902)</u>	<u>(86,272,763)</u>
Loss from continuing operations attributable to the ordinary equity holders of the Company	<u>(15,355,902)</u>	<u>(86,272,763)</u>

Due to the net loss position of the Group, any conversion to shares would be anti-dilutive.

(d) Weighted average number of shares used as denominator

	30 June	30 June
	2023	2022
	Number	Number
Weighted average number of ordinary and diluted shares used as the denominator in calculating basic earnings per share	<u>4,836,599,179</u>	<u>4,577,241,006</u>

35 Share-based payments

Share based compensation payments are provided to employees in accordance with the "Seafarms Group Employee Incentive Plan" as detailed in the remuneration report.

The fair value of the equity instruments granted is adjusted to reflect market Vesting Conditions, but excludes the impact of any non-market Vesting Conditions. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The variables in the valuation model are the share price on the date of the award, the duration of the award, the risk free interest rate, share price volatility and dividend yield. The inputs used for each of the current schemes is provided below.

Scheme	Risk free interest rate	Share price volatility	Dividend yield	Value (cents per share)
Unlisted options	0.66% - 1.28%	66.3% - 68.1%	-	2.8 - 3.7

35 Share-based payments (continued)

	2023		2022	
	Weighted average exercise price (cents per unit)	Number of shares options	Weighted average exercise price (cents per unit)	Number of shares options
Outstanding at beginning of the year	7.15	100,000,000	9.70	35,000,000
Granted during the year*	-	-	7.15	220,000,000
Forfeited during the year**	7.15	(100,000,000)	7.00	(120,000,000)
Expired during the year	-	-	10.00	(35,000,000)
Outstanding at the end of the year	-	-	7.15	100,000,000

*Includes 100,000,000 granted and vested and 120,000,000 granted but not vested.

** These options were forfeited when the relevant employees ceased being an employee of the Company. The terms and conditions relating to these options are contained in the Seafarms Group Employee Incentive Plan as approved by shareholders at the AGMs held on 15 December 2020.

The options outstanding at 30 June 2022 had a weighted average exercise price of 7.15 cents per option and remaining contractual life less than 1 year. The inputs into the Black Scholes model are as follows:

	30 June 2022
Weighted average share price (cents per share)	5.7
Weighted average exercise price (cents per share)	7.2
Expected volatility	66.3%
Expected life (years)	4.99-5
Risk-free interest rate	0.66%
Expected dividends yield	0%

For all awards, the volatility assumption is representative of the level of uncertainty expected in the movements of the Group's share price over the life of the award. The assessment of the volatility includes the historic volatility of the market price of the Group's share and the mean reversion tendency of volatilities. The expected volatility of each company in the peer group is determined based on the historic volatility of the companies' share prices. In making this assumption, eighteen months of historic volatility was used.

36 Contingent liabilities

The Group has possible obligations relating to the suspension and termination of contracts relating to Project Sea Dragon. Refer to note 23 for further information.

Secured liabilities and assets pledged as security

The Group has a \$80,000 (2022: \$80,000) facility on its company credit cards and has been required to provide guarantee facilities of \$397,956 (2022: \$273,205) in respect of office leases and a guarantee of \$267,840 (2022: \$133,920) in favour of Great Barrier Reef Marine Parks. The Group maintains term deposits with the bank to secure these facilities. Due to a change in bankers, some deposits have been temporarily duplicated in the year ending June 2023.

37 Parent entity financial information

(a) Summary financial information

The individual consolidated financial statements for the Parent entity, Seafarms Group Limited, show the following aggregate amounts:

	2023 \$	2022 \$ (Restated)
Balance sheet		
Current assets	10,639,718	35,113,456
Non-current assets	25,389,931	19,068,040
Total assets	36,029,649	54,181,496
Current liabilities	(1,306,162)	(1,335,197)
Non-current liabilities	(608,242)	(529,395)
Total liabilities	(1,914,404)	(1,864,592)
Net assets	34,115,245	52,316,904
<i>Shareholders' equity</i>		
Issued capital	300,306,107	300,306,107
Reserves	14,857,465	14,857,465
Accumulated losses	(281,048,327)	(262,846,668)
Total equity	34,115,245	52,316,904
Loss for the period	(18,201,659)	(83,136,353)
Total comprehensive loss	(18,201,659)	(83,136,353)

(b) Guarantees of the Parent entity

The Parent entity has guaranteed the obligations of Project Sea Dragon Pty Limited under the agreement for the lease of the Legune property.

(c) Contractual commitments for the acquisition of property, plant or equipment

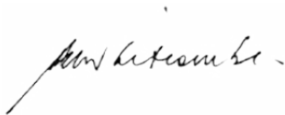
As at 30 June 2023 and 30 June 2022, the Parent entity had no contractual commitments for the acquisition of property, plant or equipment.

In the Directors' opinion:

- (a) the consolidated financial statements and notes set out on pages 23 to 68 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial period ended on that date, and
- (b) the financial statements and notes set out on pages 23 to 68 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Harley Ronald Whitcombe
Company Secretary
Perth
30 August 2023

Independent Auditor's Report to the Members of Seafarms Group Limited**Report on the Audit of the Financial Report***Opinion*

We have audited the financial report of Seafarms Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the Group incurred an operating cash outflow of \$23,429,888 and a net loss of \$15,355,902 for the year ended 30 June 2023. As at 30 June 2023, the Group had net current assets of \$17,311,862, including cash and cash equivalents of \$8,453,527. As stated in Note 1(c), these events and 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 opinion is not modified in respect of this matter.

Emphasis of Matter – Restatement of comparatives

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Accounting for Project Sea Dragon contractual dispute, voluntary administration, and legal case Refer to notes 10, 13, 21 and 23	
<p>During the 2023 financial year, the following events occurred with respect to a significant capital project being undertaken by the Group, known as Project Sea Dragon (the Project):</p> <ul style="list-style-type: none"> • Significant final claims were submitted by the principal construction contractor (the Contractor) on the project. The contract was initially terminated by the Group in the 2022 financial year. A provision of \$8,730,094 was recognised at 30 June 2022 in respect of these claims. • The amount of the final progress claims was disputed by the Group, with no amount being paid towards settlement of those claims. • During the year an adjudication decision was handed down under the security of payments legislation in the Northern Territory, assessing a liability of \$12,769,145 in respect of the claims. • The Project entity, Project Sea Dragon Pty Ltd (PSD), was placed into voluntary administration by its directors following withdrawal of funding support by its parent entity, Seafarms Group Limited. • Creditors of PSD agreed to a Deed of Company Arrangement (DOCA) which prescribed settlement terms of creditor claims against PSD, and for control of PSD to be returned to its Directors. • The Contractor subsequently sought, and was granted, an injunction with respect to the execution of the terms of the DOCA, and has submitted a claim disputing the validity of the DOCA and the administration process. The dispute remains before the courts as at the date of the financial statements. • The financial statements of the Group recognise the liabilities of PSD at 30 June 2023 to the extent prescribed by the DOCA (\$1,900,000 – refer Note 21) and include a receivable for amounts contributed by Seafarms Group Limited to the Administrator of PSD as prescribed under the DOCA (\$3,500,000 - refer Note 13). 	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining correspondence from, and holding discussions with the Group’s legal advisors to assess: <ul style="list-style-type: none"> - The financial reporting consequences if the legal claim by the Contractor is successful; - The basis for the Group’s reported assessment of the probability of the claim being successful; • Agreeing the amounts of liabilities and assets recognised to the amounts prescribed in the DOCA; • Recalculating amounts recognised in profit and loss as a result of the accounting for the DOCA; and • Assessing the adequacy of financial statement disclosures.

This has been assessed as a key audit matter due to the complex nature of these events and their pervasiveness to the financial statements, as well as the significant judgements made by management in applying the requirements of Australian Accounting Standards to account for the effects of these events in the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of biological assets Refer to note 3(a)(i) and 16</p> <p>As at 30 June 2023 the Group held \$4,072,025 of biological assets. This balance comprises live prawn crops of \$3,572,025 carried at fair value less estimated costs to sell, and prawn broodstock of \$500,000 carried at current replacement cost.</p> <p>Live prawn crops are valued using a model which requires management to exercise significant judgement in respect of:</p> <ul style="list-style-type: none"> • Survival rates • Harvest average body weight • Average production cost per kilogram • Sales price per type and category of prawn; and • Costs to sell <p>Prawn broodstock is valued using a model which estimates the costs to replace existing broodstock (which are internally produced domesticated animals) with wild caught broodstock, including trawler and shipping costs.</p> <p>This was assessed as a key audit matter due to the significant judgements and assumptions required for inputs used in the valuation of these assets under a level 3 fair value methodology.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding and evaluating the design and implementation of the relevant controls associated with the valuation of biological assets; • Assessing and concluding on the appropriateness of the valuation methodologies adopted; • Assessing and challenging the key assumptions in the valuation models, through: <ul style="list-style-type: none"> - Comparison of survival rate and harvest average body rate to historical actual results achieved in previous harvests - Comparison of average production costs against actual historical costs - Comparison of sales and cost to sell assumptions against recent historical, forecast, and actual post balance date sales prices net of actual and forecast costs to sell. - Examining support for replacement cost assumptions applied by management; • Undertaking sensitivity analysis on the valuation outcome by applying reasonably possible alternative assumptions; and • Assessing the adequacy of the disclosures in the financial statements.
<p>Valuation of non-current assets – Queensland Aquaculture Refer to Note 17</p> <p>As at 30 June 2023 the carrying value of property, plant and equipment for the Queensland Aquaculture cash-generating unit (CGU) was \$16,749,492 as disclosed in Note 17.</p> <p>Management has identified an indicator of impairment relating to the Queensland Aquaculture CGU as at 30 June 2023. In response, management assessed the recoverable amount of the CGU using the Fair Value Less Cost of Disposal (FVLCD) of the CGU. In order to determine the FVLCD of the CGU, management obtained independent valuations which subsequently required the exercise of significant judgement in respect of:</p> <ul style="list-style-type: none"> • Identification of the assets included within the scope of the valuations; and • The estimated fair value per hectare of the land on which the CGU is operated, which is used as the basis for valuation of all assets integral to the aquaculture operation. <p>The recoverable amount was compared against the carrying value of the CGU in assessing whether the CGU assets were impaired.</p> <p>This was assessed as a key audit matter due to the significant judgements and assumptions required in measuring the recoverable amount of the CGU.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding and evaluating the design and implementation of the relevant controls associated with assessing non-current assets for impairment, and the impairment assessment itself (including the determination of recoverable amount); • Evaluating whether management's identification of impairment indicators was adequately supported; • Assessing whether management's impairment assessment was performed in accordance with the prescribed requirements of AASB 136 <i>Impairment of Assets</i>; • Obtaining an understanding of the work of the expert engaged by management to provide the independent valuations, including: <ul style="list-style-type: none"> - Evaluating the independence, competence, capabilities and objectives of the expert; - Evaluating the data (comparable sales information) relied on by the expert in deriving the valuations and confirming the expert's position was supported by this data. - Evaluating and concluding on the appropriateness of the expert's work for the purpose intended by management; • Reperforming the impairment calculation; and • Assessing the adequacy of the disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 19 of the directors' report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Seafarms Group Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Emphasis of Matter – Restatement of comparatives


We draw attention to Section (f) of the remuneration report which describes the restatement of comparative figures due to a prior period error. Our opinion is not modified in respect of this matter.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pitcher Partners

PITCHER PARTNERS



DAN COLWELL
Partner

Brisbane, Queensland
30 August 2023

Seafarms Group Limited
Shareholder information

The Shareholder information set out below was applicable as at 31 July 2023.

A. Distribution of equity securities

Analysis of the number of equity security holders by size of holding and the total percentage of securities in that class held by the holders in each category:

Holding	Ordinary Shares		
	No. of Holders	No. of Shares	%
1 - 1000	259	59,543	-%
1,001 - 5,000	466	1,522,761	0.03%
5,001 - 10,000	767	6,174,383	0.13%
10,001 - 100,000	2,735	117,876,940	2.44%
100,001 and over	1,873	4,710,965,552	97.40%
	6,100	4,836,599,179	100.00%

The number of shareholders holding less than a marketable parcel of shares are	3,863	90,462,190	1.87%
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B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Mutual Trust Pty Ltd	952,347,727	19.69
Avatar Industries Pty Ltd (HIN)	630,160,950	13.03
Avatar Finance Pty Ltd	312,727,273	6.47
Nippon Suisan Kaisha Ltd	283,230,208	5.86
Avatar Industries Pty Ltd	245,791,047	5.08
Gabor Holdings Pty Ltd (The Tricorp A/C)	197,230,722	4.08
USB Nominees Pty Ltd	162,681,098	3.36
Rubi Holdings Pty Ltd <John Rubino S/F A/C>	114,546,091	2.37
Perpetual Corporate Trust Limited <Pastoral Dev Cattle A/C>	90,909,091	1.88
Fifty Second Celebration Pty Ltd <JC McBain Family A/c>	81,048,296	1.68
Pinnacle Superannuation P/L <PJF S/F A/C>	40,462,120	0.84
Thirty Fifth Celebration Pty Ltd <JC McBain Super Fund A/c>	40,000,000	0.83
Narrow Lane Pty Ltd <Super Fund A/C>	32,045,683	0.66
Ace Property Holdings Pty Ltd	24,600,000	0.51
Mr Robert Scott Wynd	24,411,036	0.50
Wilbow Group Pty Ltd <Wilbow Group A/C>	23,636,364	0.49
Permfast Pty Limited <Heyworth Super Fund A/C>	23,094,553	0.48
Mr Xi Yu Zhang	22,798,226	0.47
Wilbow Group Pty Ltd	21,718,368	0.45
Gabor Holdings Pty Ltd	21,016,472	0.43
	3,344,455,325	69.16

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Gabor Holdings Pty Ltd	1,411,603,263	29.19%
Janet Heather Cameron	952,347,727	19.69%