




Leading sustainable aquaculture.

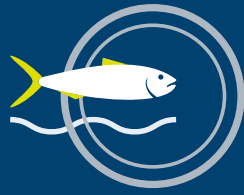
ANNUAL REPORT 2022



An underwater photograph of several salmon swimming in clear, turquoise water. The fish are in various positions, some in the foreground and others in the background, creating a sense of depth. The lighting is bright, highlighting the scales and fins of the fish. A semi-transparent white diamond shape is overlaid on the image, containing the text.

OUR VISION

*“To be a global leader
in aquaculture, inspiring
culinary experiences
around the world
through our sustainable
premium seafood.”*



Our Story: Ocean to Plate

Clean Seas is the global leader in the full cycle breeding, production and sale of Yellowtail Kingfish and is renowned world-wide for its exceptionally high quality fish. Our company is recognised for innovation and it's high degree of expertise in the farming of Yellowtail Kingfish. We are the largest producer of aquaculture Yellowtail Kingfish outside of Japan. Our diverse customer base has long appreciated the consistently high quality of our fish and our reliability in supplying our fresh and frozen range to markets all over the world 52 weeks of the year.

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WHO WE ARE

Our Location

Our Hatchery and Farms are located on South Australia's Spencer Gulf. This location is critical to the outcomes we have been able to achieve for our fish, with the proximity to the cold waters off the Southern Ocean there's a constant movement of oceanic water coming into the Gulf. The Gulf spans more than 22,000km². This vast area allows for constant

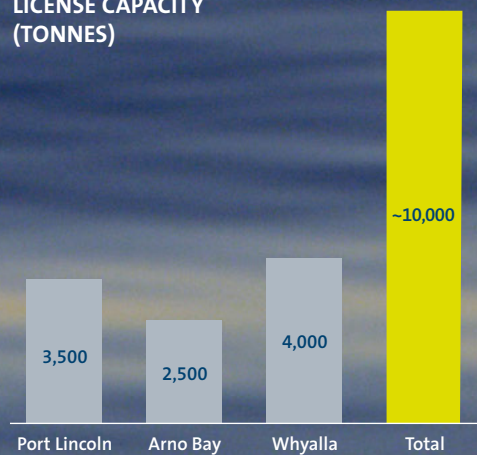
flushing, through our farming environment, into the Gulf and then back out again. Due to low rainfall and the absence of rivers in the region, the Gulf has low amounts of organic materials, herbicides, pesticides, and other pollutants from land farming flowing into it. This unique location allows Clean Seas to produce our mighty Spencer Gulf Kingfish.

Existing inshore licenses allowing production of up to 10,000 tonnes.

SPENCER GULF AREA



LICENSE CAPACITY (TONNES)



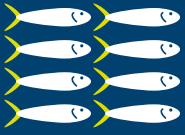
WHAT WE DO

Yellowtail Kingfish, Clean Seas is committed to continual innovation and development

Clean Seas Yellowtail Kingfish are indigenous to the remote crystal clear waters of the Spencer Gulf, which we believe gives us a significant advantage in terms of the quality of our product and in our sustainability credentials. As the global leader in full cycle breeding and farming of Yellowtail Kingfish, Clean Seas is committed to innovating and developing all aspects of aquaculture and business processes from hatchery to farm through to processing and on to our customers. All with the view to providing the highest quality products possible while maintaining and improving sustainability into the future.

FULL CYCLE BREEDING, PRODUCTION AND SALES





WHAT WE DO

Hatcheries

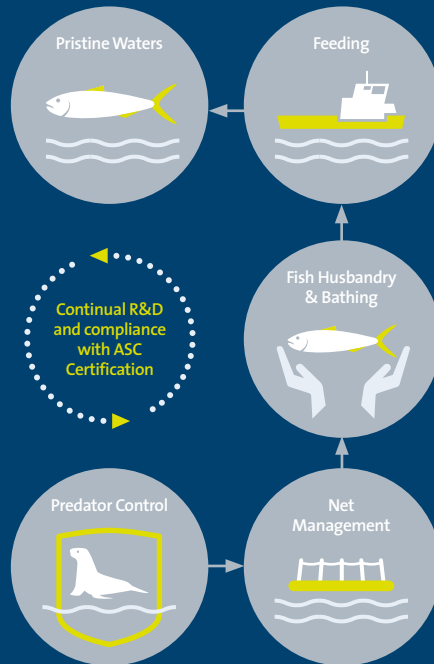
The mighty Spencer Gulf Kingfish story starts in Arno Bay, where life begins for all our fish. Our team of dedicated scientists oversee this critical process. Each year the hatchery produces over one million fingerlings from our unique, selectively bred broodstock that are indigenous to the waters of the Spencer Gulf. The care, time, and effort that our team put in at this vital stage, ensure these little fish flourish and get the best possible start in life. After approximately 3 months our fish are ready to go to sea. The fingerlings can be moved into open sea pens in the pristine waters of South Australia's Spencer Gulf.



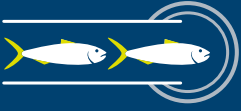
WHAT WE DO

Marine Farms

While at sea our fish continue to be fed specifically formulated feeds which are nutritionally balanced for optimal health and growth. Our practices are sustainable and certified by the Aquaculture Stewardship Council (ASC). Safeguarded against predators and encountering minimal stress along the way, our fish remain at sea for up to 24 months, and are humanely harvested once they reach the optimal size for each market. Minimising stress on our fish throughout the process has and will remain our priority.







WHAT WE DO

Processing

Our Royal Park processing plant in Adelaide processes our fish for markets around the world. Fresh Spencer Gulf Kingfish is delivered to customers around the world twice per week, 52 weeks per year. It is distributed to markets across Europe, North America, and Asia within four days of harvest. Our SensoryFresh™ (premium frozen) product is shipped around the world in specialised -35°C refrigerated containers. Our unique freezing technology and cold storage capabilities give our products a clear advantage versus all other frozen Kingfish offerings. This provides end-to-end quality control from egg-to-customer, thus increasing the Company's market opportunities and delivering significant cost and carbon footprint benefits. While Clean Seas remains focussed on its ability to deliver the highest quality fresh Yellowtail Kingfish products globally, the flexibility provided by liquid nitrogen rapid freezing enables Clean Seas to meet customer demand for premium quality frozen products to both food service and retail. Another benefit of the nitrogen freezing technology is that it also supports balancing the rate of biomass growth and provides flexibility to support the ongoing expansion of market demand across a multitude of channels.



Highly
awarded and
sustainable

Australian Food Awards
“Best Fish” 2016, 2017 & 2018



Delicious Produce Awards 2018
Gold Medal Winner “From the Sea”



Food SA Industry Awards
2018 Primary Producer of the Year



Gold Standard Accreditation
in Sustainable Aquaculture



South Australian Export
Awards “Overall Exporter
of the Year” 2019



WHAT WE DO

Markets

Our Spencer Gulf Kingfish from South Australia brand is featured on menus in many of the best restaurants around the world including but not limited to Melbourne, Sydney, Milan, New York City, London, Vienna, Barcelona, Hamburg, Lisbon, Oslo, Zurich, Paris, Rome, Frankfurt, Munich, Los Angeles, Toronto, Venice, Berlin, Geneva, Shanghai, Hong Kong, Bangkok and many more. Our South Australian Yellowtail brand has given Clean Seas the ability to diversify into new channels and markets, particularly specialty retailers, mainstream foodservice, home meal kits companies and supermarkets. The Clean Seas SensoryFresh™ nitrogen frozen product range represents a significant advantage over the other frozen offerings in the market. Recent product testing with a leading European distributor showed SensoryFresh™ is vastly superior to the competing products. Utilisation of the frozen product supply chain with SensoryFresh™ enables Clean Seas to reach new markets and develop channels around the world that are not easily accessible with fresh fish. The cost and carbon footprint advantages of sea freight versus air freight allows for more competitive pricing to enable profitable volume growth in global markets.

Chairman's Report



"I am pleased to present the 2022 Annual Report for Clean Seas Seafood Limited (ASX:CSS, OSE:ASX)."

I would like to begin by acknowledging the Indigenous communities of Australia, and in particular the Kurna and Barngarla people on whose land and waters we farm and conduct our business. We pay our respects to their Elders past and present.

Despite lingering effects of the global pandemic, and ongoing economic uncertainty, the financial year ended 30 June 2022 has been a successful one for Clean Seas.

Our team has made significant progress against the strategic plan and delivered a financial performance exceeding our expectations. We have leveraged the sale of excess frozen inventory to build awareness and expand market and channel penetration. We have benefitted from a growing awareness and acceptance of Yellowtail Kingfish globally, and the strong resonance of commercial messaging, highlighting quality, culinary flexibility and Spencer Gulf provenance has delivered substantial growth in sales volume and revenue.

Equally important in achieving our financial performance was our ability to substantially improve working capital, and the reduction in inventory months cover to 12 in June 2022 from a peak of 27 in June 2020 was key to achieving the improvement in financial performance and cash flow. With excess live fish biomass and frozen inventory cleared, production costs reduced by 19% and we expect further improvement in costs in FY23. To achieve this in an environment of high inflation and rising commodity prices is an outstanding result.

Our strong commercial performance and reduced cost base has allowed us to deliver a positive operating cash flow in FY22 and we are on track to achieve our goal of being operating profit and cash flow positive in FY23.

At a Board level we welcomed Katelyn Adams as a Director in June 2021, and with her 15 years of accounting and board experience, servicing predominantly ASX listed companies, she is now Chair of the Company's Audit and Risk and Remuneration and Nominations Committees. To ensure the highest standards of Board oversight and accountability are met, the Board and Senior Management team have engaged with a specialist corporate governance and board leadership consultancy.

Our Company was founded on full lifecycle breeding and farming values, and to growing of a native fish in its natural environment give us significant quality and sustainability benefits. This unique growout proposition allows us to produce a premium, ocean reared product in the perfect environment for Yellowtail Kingfish. We also apply this philosophy to other aspects of our supply chain, with our best practice liquid nitrogen **SensoryFresh™** freezing technology allowing us to deliver our Spencer Gulf provenance using a low cost and low carbon footprint frozen supply chain.

To further enhance our sustainability narrative, this year we announced an exciting collaboration to assess the methane mitigation potential of Asparagopsis. This innovative project

seeks to find a sustainable solution to offset the carbon and nitrogen typically generated through aquaculture operations while producing a product that has been shown to substantially reduce the methane emissions of cattle. A successful outcome would provide significant sustainability benefits to both aquaculture and agriculture and reduce Clean Seas' cost of production and represents an exciting window into the future of sustainable protein production.

Speaking of the future, our team remain focussed on building commercial opportunities, leveraging our unique species and farming model. We expect to increase production in FY23 to maintain year on year sales volumes and optimal frozen inventory levels, and with strong demand and premium pricing delivered in H2 FY22 expected to be maintained in FY23, this will translate into positive cash flow and operating profits.

Work will also continue on defining an appropriate level of investment in infrastructure, which will focus on unlocking the benefits from increased scale and improved operational leverage, while managing financial risk, and we expect to be able to show our progress in this respect over the next 12 months.

We are justifiably proud of what the entire Clean Seas team has achieved, and now have the foundations in place to deliver a truly successful and financially viable business. We are on track to achieve our goal, namely being the highest quality, most sustainable and lowest cost producer of Yellowtail Kingfish globally.

Thank you for your support of our business and best wishes to you all.

Travis Dillon
Chairman

FY22 Performance Highlights

FY22 highlights the turnaround and strong foundation

RECORD SALES
VOLUMES OF

3,757 TONNES

Up 19% on FY21

COST OF
PRODUCTION OF

\$12.38 /KG

Reduced by 19% from FY21

RECORD REVENUE OF

\$66.2 MILLION

Up 37% on FY21

RECORD OPERATING
CASH FLOW OF

\$6.2 MILLION

REDUCED
INVENTORY COVER

FROM 16 to
12 months

SIGNIFICANT AVAILABLE
CASH AND FUNDING OF

\$39.6 MILLION



Meet our Board and Management



Travis Dillon
Chairman, Independent Non-Executive Director (Joined October 2020)

Travis has extensive agribusiness experience, with a strong commercial and strategic mindset. He was formerly CEO & MD of Ruralco Holdings and is currently Chairman of Terragen Holdings Limited (ASX:TGH), Chairman of Select Harvests Limited (ASX:SVH), Non-Executive Director of Lifeline Australia and member of the CSIRO Agriculture and Food Advisory Committee.



Gilbert Vergères
Non-Executive Director (Joined March 2020)

Gilbert has more than 30 years of experience in the financial industry, worked for several Swiss private banks, and was Managing Director and Member of the Board of an asset management company before joining Bonafide as a Partner in 2013. Bonafide is a boutique asset management company focusing and investing in the aquaculture and seafood sectors globally.



Katelyn Adams
Independent Non-Executive Director (Joined June 2021)

Katelyn has over 15 years of accounting and board experience, servicing predominantly ASX listed companies. Katelyn is a Chartered Accountant and Partner of the Corporate Advisory division of HLB Mann Judd in Adelaide, as well as the Company Secretary of various listed and private companies. Katelyn has extensive knowledge in corporate governance, ASX Listing Rule requirements, IPO and capital raising processes, and is also the Chair of the Audit and Risk, and the Remuneration and Nominations Committees.



Rob Gratton
Chief Executive Officer (Joined March 2019)

Rob has over 25 years' experience in Banking, Corporate Finance and Accounting in Australia, the USA and UK, including CFO & Co Sec roles at Jurlique and kikki.K, and senior finance positions at JP Morgan Investment Bank in London and New York.



Marcus Stehr
Independent Non-Executive Director (Joined September 2000)

Marcus is a founding Director and has over 30 years of hands on experience in marine finfish aquaculture operations encompassing Tuna, Kingfish and Mulloway. Marcus is Managing Director of Australian Tuna Fisheries Pty Ltd and holds leadership roles in a number of industry Associations. Member of the Remuneration and Nominations Committee.



David Brown
Chief Financial Officer (Joined January 2018)

David has over 14 years' experience in Corporate Finance and Accounting roles across breadth of industries and is a Chartered Accountant. Prior to Clean Seas, David held senior positions at KPMG and Grant Thornton specialising in Corporate Finance.



OUR COMPETITIVE ADVANTAGE

Our competitive advantage and opportunities

Clean Seas competitive advantage begins with its unsurpassed cold water farmed product, a native species being produced in its natural waters, and is the outcome of 20 years of Kingfish selective breeding and farming experience. The market for Kingfish, and indeed for sustainably sourced protein continues to grow, and our Spencer Gulf Kingfish from South Australia as well as South Australian Yellowtail Kingfish are the leading full cycle bred and farmed Kingfish brands. Clean Seas holds market leadership positions in Australia and Europe, with access to the largest (North America) and fastest growing (Asia) Kingfish markets in the world.

Markets

- > Global (farmed) Kingfish market has grown at an average of over 29% per annum over the last 10 years, yet the species is still relatively unknown compared to other premium seafood.
- > Clean Seas has market leadership in Australia and Europe with strong market growth potential in Europe where per capita consumption rates are less than 10% of Australia.

Products

- > Farmed Kingfish attracts premium pricing versus wild caught due to its consistent high quality and reliable year-round supply. Hiramasa is considered the premium Kingfish species.

Spencer Gulf:

- Only cold water farmed Kingfish outside Japan.
- Leading full cycle bred and farmed Kingfish brands.
- Sustainable proposition not available to ranches and wild caught production.
- Unique Spencer Gulf provenance story.
- Sensory research in Australia judged as Best in Class.
- Outstanding flexibility whether raw or cooked, fresh or frozen.

SensoryFresh™:

- World leading freezing technologies provide strong product quality advantages over traditional frozen processes and supply chains.

Breeding & farming

- > Clean Seas is the global leader in full life cycle breeding and farming of Yellowtail Kingfish.
- > 20 years selective breeding, established infrastructure and intellectual property is a key competitive advantage and a significant, sustainable and economic advantage.
- > The cold waters of the Spencer Gulf provide a truly unique, pristine environment for the ocean farming of Kingfish.
- > Clean Seas scale provides opportunity for automation not (economically) available to other smaller farmers.
- > *Seriola Lalandi* (Hiramasa) is native to the Spencer Gulf and thrives in this environment.

Supply chain

- > In house processing of whole fresh and value added products provides end-to-end control from egg to customer.
- > Liquid nitrogen technology provides scope for further new product development and channel diversification.
- > SensoryFresh™ and Icefresh™ technologies allow for lower cost shipping options without impacting on product quality.

People & culture

- > A restructured executive team provides the leadership and experience to profitably grow the business and bring agility and efficiency.
- > Deeply skilled global sales and marketing organisation will be key to future growth.
- > Highly experienced and deeply passionate farm and breeding teams represent a strong source of competitive advantage.
- > High calibre Board with strong experience in aquaculture, food industry and international business.

Stakeholder funding & communities

- > Long standing and positive social licence with local Spencer Gulf communities – in strong contrast to other aquaculture operators in other parts of the world.
- > Supportive regulatory environment.
- > High level of engagement and support from local, state and national governments.
- > AUS-UK free trade agreement expected to improve competitive position.
- > Committed and loyal group of approximately 4,000+ shareholders.
- > Supportive and engaged banking partner.

Funding

- > Funding headroom with cash and undrawn facilities of \$39.6m (including \$12.9m in cash) at 30 June 2022.

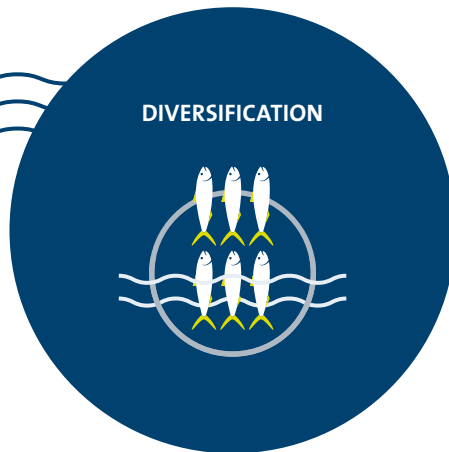
Clean Seas is the global leader in full life cycle breeding and farming of Yellowtail Kingfish.





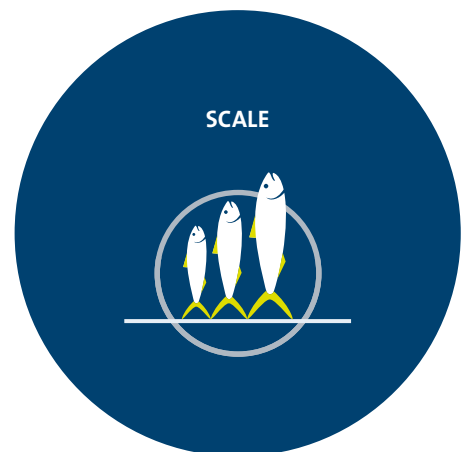
STRATEGIC OBJECTIVES

Building scale around a premium and sustainable farming operation



Growth (Markets & Products)

- > Clean Seas focus for the next 12 to 24 months is to continue to diversify into new markets and channels and consolidate and maximise the premium restaurant business.
- > Offering customers the ability to choose a high quality, flexible product, grown sustainably in its natural waters.



Costs of Production

- > Clean Seas has made significant structural changes to reduce cost and promote efficiency.
- > Reducing excess inventory will substantially reduce Clean Seas' costs of production, and when combined with increased scale and automation Clean Seas will realise increased competitiveness in new and existing markets.



Consolidated Financial Statements

For the year ended 30 June 2022

ABN 61 094 380 435



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Directors' Report

The Directors of Clean Seas Seafood Limited ('Clean Seas') present their Report together with the financial statements of the Consolidated Entity, being Clean Seas Seafood Limited ('the Company') and its Controlled Entities ('the Group') for the for the year ended 30 June 2022.

DIRECTORS

The following persons held office as Directors of Clean Seas during and since the end of the financial year:

- Mr Travis Dillon – Chairman;
- Ms Katelyn Adams;
- Mr Marcus Stehr; and
- Mr Gilbert Vergères.

COMPANY SECRETARY

The following persons were Company Secretary of Clean Seas during and since the end of the financial year:

- Eryl Baron (Joint Company Secretary); and
- Rob Gratton (Joint Company Secretary).

PRINCIPAL ACTIVITIES

The principal activities of the consolidated Group during the financial year were:

- The propagation of Spencer Gulf Hiramasa Yellowtail Kingfish, producing fingerlings for sale and growout; and
- The growout of Spencer Gulf Hiramasa Yellowtail Kingfish for harvest and sale.

The Group continues to enhance its operations through new research and the application of the world's best practice techniques to deliver Spencer Gulf Hiramasa Kingfish of premium quality.

The Group recognised an impairment of \$0.2 million to remove the remaining Southern Bluefin Tuna (SBT) due to the age and health of the remaining fish and sold its SBT quota. While the Group retains the intellectual property to restart these operations at a later date, there are currently no plans to undertake further SBT research programs.

The consolidated financial statements are presented in Australian Dollars ('\$AUD'), which is also the functional currency of the Parent Company.

Directors' Report (Continued)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Board and Management of Clean Seas report a statutory profit after tax for the year of \$8.7 million, which compares to a statutory loss after tax of \$32.1 million in FY21.

Financial performance

\$'000	FY22	FY21	Change (Fav/Unfav)
Revenue	66,164	48,460	37%
Tonnes	3,757	3,166	19%
Operating Results¹			
Revenue \$/kg	17.61	15.31	2.30
Farmgate \$/kg	14.20	12.37	1.83
Production costs \$/kg	(12.38)	(15.29)	2.91
Underlying gross profit \$/kg	1.82	(2.92)	4.74
Indirect & R&D costs \$/kg	(3.10)	(3.43)	0.33
Underlying operating EBITDA \$/kg	(1.28)	(6.35)	5.07
Statutory Results (\$'000)			
Underlying gross profit¹	6,835	(9,279)	16,114
Underlying operating EBITDA¹	(4,824)	(20,131)	15,307
Underlying adjustments			
Impairment	(211)	(9,882)	n/a
Restructuring costs	–	(1,381)	n/a
AASB 141 SGARA and cost allocation	18,328	4,517	13,811
Total underlying adjustments	18,117	(6,746)	24,863
Statutory EBITDA	13,293	(26,877)	40,170
Statutory NPAT	8,676	(32,097)	40,773
Production Metrics (tonnes)			
Net growth	3,152	2,229	41%
Harvest volumes	2,919	3,416	-15%
Closing Live Fish biomass	3,509	3,295	6%
Frozen inventory	164	1,056	-84%

- Underlying EBITDA and Gross Profit in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by the Company's external auditors.

FINANCIAL PERFORMANCE

Sales volumes and revenue

Sales performance summary

Region	FY18	FY19	FY20	FY21	FY22
Australia	1,381	1,439	1,332	1,809	2,153
Europe	1,050	1,023	813	904	1,237
North America	92	116	226	406	307
Asia	117	120	53	47	60
Total sales volumes (tonnes)	2,640	2,698	2,424	3,166	3,757
Group revenue (\$'000)	41,650	46,149	40,313	48,460	66,164
Revenue \$/kg	15.78	17.10	16.63	15.31	17.61

Clean Seas' achieved revenue of \$66.2 million in FY22, representing a 37% increase on FY21 revenue and 64% on FY20 revenue. The result highlights the Company's ability to grow both sales volumes and Revenue \$/kg.

Total sales volumes for FY22 of 3,757 tonnes, represent a 19% increase on FY21, reflecting the unprecedented and broad demand for Kingfish globally. This has been achieved despite ongoing uncertainty and disruption to markets and supply chains and highlights the continued growth in awareness and appetite for Yellowtail Kingfish globally.

Australian sales volumes increased by 19% to 2,153 tonnes in FY22 and represent 62% of total sales volumes. The result represents a significant achievement and demonstrates the growing demand for Kingfish in the premium food service sector in Australia.

Sales volumes in Europe increased by 37% to 1,237 tonnes in FY22. The rebound in the European market was driven by the demand for premium frozen Kingfish.

During FY21 sales in North America included 282 tonnes of clearance frozen sales to Hofseth North America in support of retail launches in this market. Due to strong demand in higher margin channels globally, these programs did not continue in FY22. Sales in North America were largely to premium customers, and the 307 tonnes achieved in FY22 represented a 165% increase on pre-pandemic (FY19) sales.

Sales mix

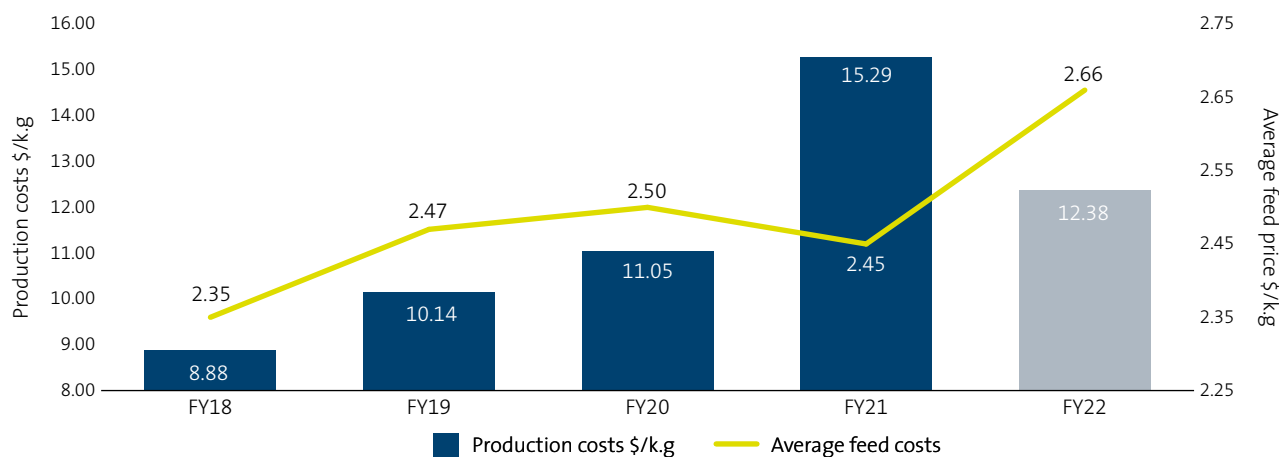
	FY18	FY19	FY20	FY21	FY22
Fresh	1,978	2,138	1,836	2,159	2,549
Frozen	662	560	588	1,007	1,208
Total sales volumes (tonnes)	2,640	2,698	2,424	3,166	3,757
Fresh revenue \$/kg	17.02	17.36	17.38	16.92	19.29
Frozen revenue \$/kg	12.06	16.14	14.30	11.84	14.06
Revenue \$/kg	15.78	17.10	16.63	15.31	17.61

Due to the COVID-19 disruptions in FY20, Clean Seas had surplus live fish biomass and frozen inventory. The Company was able to use excess inventory in FY22 to substantially grow Frozen sales volumes by 20%. Due to demand exceeding supply, frozen revenue per kg increased to \$14.06/kg in FY22, and in Q4 FY22 revenue \$ per kg reached \$18.45/kg.

Approximately 819 tonnes or 68% of total frozen sales in FY22 were sold into the European market. This reflects the Company's strategic decision to establish a more significant customer base for its frozen products, utilising its innovative premium frozen technology, SensoryFresh. This has allowed Clean Seas to offset the higher airfreight charges as a result of COVID-related transport disruptions with greater utilisation of a lower cost and lower carbon footprint frozen supply chain.

The Fresh business continued its rebound following the FY20 disruption and reached 2,549 tonnes in FY22, representing a growth of 18% on FY21. Revenue \$/kg increased by 14% to record highs of \$19.29/kg.

Production costs



Production costs were elevated in FY21 in comparison to historical periods due to the additional cost of holding excess inventory, which was driven by the FY20 COVID-19 disruption. The Company has made substantial progress to rectify inventory levels, with this, Clean Seas has seen production costs reduce to \$12.38/kg in FY22.

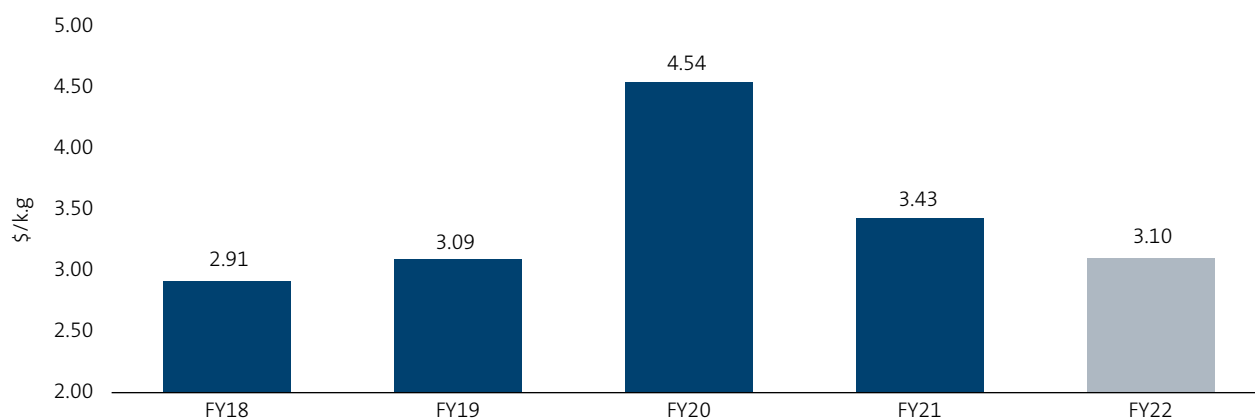
Production costs are expected to continue to decrease in future years, however, the cost of feed has put significant pressure on costs, with average feed cost per kg reaching \$2.66/kg for the full year FY22, and in Q4 FY22 feed prices reached approximately \$2.80/kg. With feed representing approximately 60% of total production cost, further increases in the cost of feed will slow the company's ability to return to historical lows in FY18.

Underlying gross profit

The improvement in Underlying Gross Profit to \$1.82/kg reflects improvements in pricing and production costs. More importantly, it reflects the progress made against the strategic plan which focused on using surplus inventory to drive trials and long-term growth in the food service market and maximize the conversion of excess frozen inventory into cash.

Despite increasing feed costs, Underlying Gross Profit is ahead of expectations due to improved pricing, and Clean Seas expects to achieve further improvements in Gross Profit per kg due to month-on-month growth in farmgate revenue per kg for both fresh and frozen products.

Indirect costs



The downward trend in indirect cost \$/kg continued in FY22, reducing by \$0.33/kg to \$3.10/kg in FY22. The improvement in indirect costs represents improved operational leverage, reduction in spending across sales & marketing and lower frozen storage costs due to lower inventory holdings, which was in line with our strategy to improve the working capital position.

Underlying EBITDA

Reflecting the underlying performance of the business by excluding the impact of SGARA and historical costs adjustments (\$18.3 million), and biological asset Impairment (\$0.2 million), underlying EBITDA improved to a loss of (\$4.8 million).

Profitability was primarily impacted by the discounted sell-through of surplus frozen inventory in Q1 FY22, and by elevated production costs resulting from the carrying cost of excess frozen inventory and live biomass. These factors have been partially offset by the rebound in revenue per kg as the Company rectified its inventory imbalance and benefitted from increased awareness and demand for its high quality Yellowtail Kingfish.

Adjustments to underlying EBITDA include:

- **Impairment:** The SBT operations is not a current focus for the Group, and until sufficient resources are available there are no plans to undertake further SBT research programs as a consequence the Group has recognised an impairment of \$211k to remove the remaining Southern Bluefin Tuna due to the age and health of the remaining fish; and
- **SGARA and cost allocation:** Live fish biomass and frozen inventory is accounted for in accordance with AASB 141 *Agriculture*. Under AASB 141, the Company is required to recognise a gain or loss in the Profit and Loss when changes occur to live fish biomass (i.e. net growth) or expected future profits (i.e. movements in Farmgate \$/kg). For the purposes of calculating Underlying EBITDA, the Company eliminates these entries. Furthermore, to calculate Underlying EBITDA, the Company has included the required entries to reflect a historical cost Profit and Loss.

Statutory net profit

Clean Seas has delivered a statutory profit in FY22 of \$8.7 million driven by improvement in operating earnings coupled with a significant increase in the growth of Live Fish biomass asset (+41%) and increase in valuation. Under AASB 141, the Company is required to recognise a gain or loss in the Profit and Loss when changes occur to live fish biomass (i.e. net growth) or expected future profits (i.e. changes in valuation).

CASH FLOW

Cash flow summary

\$'000	FY18	FY19	FY20	FY21	FY22
Underlying operating cash flow	(6,815)	(8,200)	(14,033)	(9,196)	6,218
Underling adjustment					
Restructuring costs	–	–	–	(637)	–
Litigation settlement & expense	–	(1,142)	14,007	–	–
Statutory operating cash flow	(6,815)	(9,342)	(26)	(9,833)	6,218
Investing cash flow	(4,854)	(3,220)	(2,411)	(3,323)	(5,753)
Financing cash flow	16,679	757	30,877	21,059	(17,555)
Net increase/(decrease) in cash held	5,010	(11,805)	28,440	7,903	(17,090)

Operating cash flow

Cash receipts for the full year ended 30 June 2022 reached \$67.4 million, which exceeded FY21 by \$22 million, representing a 50% increase. The significant growth in cash receipts reflects the improved operating conditions in Australia and Europe following the lifting of COVID-19 restrictions. Furthermore, the Company benefited from:

- Optimising working capital by selling down frozen inventory by 892 tonnes to 164 tonnes at 30 June 22 and was compounded by a 19% increase in revenue per kg for frozen products to \$14.06/kg; and
- Continued growth in fresh sales volumes (+18% on FY21) and revenue per kg (+14%).

Feed payments increased by 13% to \$22.3 million in FY22 driven by an increase in Live Fish biomass growth by 41% and a 9% increase in the average feed price. While payments to suppliers increased by 9% driven by the higher cost of freight and increase operating costs associated with a growing biomass.

The growth in cash receipts more than offset the increase in costs, which allowed Clean Seas to report a Full Year of operating cash flow of \$6.2 million.

Directors' Report (Continued)

Investing cash flow

Clean Seas continued to invest in capex during FY22, which includes a split of maintenance and growth capex:

- Growth capex: \$2.1 million for two vessels;
- Maintenance capex: \$3.9 million in new cages, nets, vehicles and processing plant improvements; and
- Investment in IceFresh™ defrosting technology of \$0.8 million.

The Company also received \$0.8 million in Government Grants and sold its Southern Bluefin Tuna quota for \$0.2 million.

Financing cash flow

During FY22 Clean Seas focused on reducing debt and further strengthening our balance sheet, which included the repayment of convertible notes (\$6.7 million) and short and medium term debt (\$13.2 million).

FUNDING

Current cash and undrawn facilities

(\$'000)	FY18	FY19	FY20	FY21	FY22
Cash at bank	5,534	1,004	22,169	30,072	12,982
Undrawn working capital facility	10,000	4,725	3,504	2,529	10,163
Undrawn senior debt facility	–	–	14,000	14,000	12,009
Undrawn asset finance facility	3,868	1,679	2,667	3,713	4,418
Total cash and undrawn facilities	19,402	7,408	42,340	50,314	39,572

In December 2021, Clean Seas renewed its debt facility with the Commonwealth Bank of Australia and retained existing facility limits totalling \$32.15 million. The Finance Facility comprises a \$12 million Trade Finance Facility, \$14 million Market Rate Loan Facility, \$6 million Equipment Finance Facility and \$150,000 Corporate Card Facility. This is an ongoing facility subject to annual review and is secured against all Group assets.

The Group is subject to financial covenants, including operating cash flows and current ratio, which are reviewed quarterly. The Group was compliant with all its covenants as at 30 June 2022.

At 30 June 2022, the Company had utilised \$1.84 million of its working capital facility to fund feed payments and approximately \$2 million to invest in growth assets (vessels). The undrawn facilities will provide sufficient headroom for working capital and fund planned capital investment projects.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

There are no other matters or circumstances that have arisen since the end of the year that has significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

The Company has made significant progress against its strategic objectives, building channel and market awareness, growing sales volumes and revenues, reducing costs and strengthening its balance sheet. The Company expects strong demand for its premium ocean-reared Kingfish to continue, and aims to leverage this by:

- Highlighting the quality, flexibility and Spencer Gulf provenance of its Yellowtail Kingfish;
- Maintaining and improving key financial and operating metrics including Kingfish survival rates, Gross Profit/kg, indirect costs and inventory months cover;
- Tight cost controls throughout all aspects of the business; and
- Targeted investments in resources and infrastructure to grow production capacity and improve production efficiencies, including feed automation.

INFORMATION ON DIRECTORS AND KEY MANAGEMENT

Mr Travis Dillon – Chairman, Independent Non-Executive Director

Mr Dillon was appointed to the Company Board on 21 October 2020.

Mr Dillon holds an Advanced Diploma of Agriculture (RBM), a Master of Business Administration from Australian Institute of Business and is a Member of the Australian Institute of Company Directors.

Mr Dillon has extensive agribusiness experience, with a strong commercial and strategic mindset. He was formerly CEO & MD of Ruralco Holdings and is currently Chairman of Terragen Holdings Limited (ASX:TGH), Chairman of Select Harvests Limited (ASX:SVH), Non-Executive Director of Lifeline Australia and member of the CSIRO Agriculture and Food Advisory Committee.

Mr Dillon's shareholding at signing date was 118,176 shares.

Ms Katelyn Adams – Independent Non-Executive Director

Ms Adams was appointed to the Company Board on 1 June 2021. She is also the Chair of the Audit and Risk, and the Remuneration and Nominations Committees.

Ms Adams has over 15 years of accounting and board experience, servicing predominantly ASX listed companies. Katelyn is a Chartered Accountant and Partner of the Corporate Advisory division of HLB Mann Judd in Adelaide, as well as the Company Secretary of various listed and private companies. Katelyn has extensive knowledge in corporate governance, ASX Listing Rule requirements, IPO and capital raising processes, as well as a strong technical accounting background.

Ms Adams holds a Bachelor of Commerce and is a Chartered Accountant.

Ms Adams did not hold any shares in Clean Seas at the date of this report.

Mr Marcus Stehr – Non-Executive Director

Mr Stehr was appointed to the Company Board on incorporation in September 2000. He was a member of the Remuneration and Nominations Committee.

Mr Stehr's technical qualifications include Master Class 4 Fishing/Trading Skippers certificates, MED 1 and Dive Master certificates. Commercial qualifications include business management courses spanning post graduate studies in Business and completion of the Company Director's Course. He is a Fellow of the Australian Institute of Company Directors.

Mr. Stehr has more than 25 years hands on experience in marine finfish aquaculture operations encompassing Tuna, Kingfish and Mulloway.

In addition to being Managing Director of Australian Tuna Fisheries Pty Ltd (a major shareholder in Clean Seas), Stehr Group Pty Ltd and Sanchez Tuna Pty Ltd, Mr Stehr makes a strong contribution to the Australian fishing and aquaculture industries as:

- Board member of the Australian Southern Bluefin Tuna Industry Association Ltd;
- Director of the Australian Maritime and Fisheries Academy (Australian Fisheries Academy Ltd);
- Industry member of Southern Bluefin Tuna Fishery Management Advisory Committee; and
- Industry representative on the Southern Bluefin Tuna Management Advisory Committee.

Mr Stehr's shareholding at signing date was 117,930 shares.

Directors' Report (Continued)

Mr Gilbert Vergères – Non-Executive Director

Mr Vergères was appointed to the Company Board on 3 March 2020.

Mr Vergères is one of three Partners of Bonafide Wealth Management AG, who, through their mutual investment funds is Clean Seas' largest shareholder. Based in Liechtenstein, Bonafide Wealth Management AG was established in 2008 to focus exclusively in the Fish & Seafood Sector and is today considered one of the pre-eminent global investors in aquaculture.

Mr Vergères had a long career in Finance in Switzerland, where he worked at several Swiss private banks. In 1998, he started his own business operations and has been Managing Director and member of the Board of Directors at an asset management company until 2013 before establishing the Bonafide Global Fish Fund with his two partners in 2012.

Mr Vergères is located in Asia reflecting the Bonafide Funds focus on aquaculture investments in the Asia Pacific region.

Mr Vergères shareholding at signing date was 320,176 shares.

Ms Eryl Baron – Company Secretary

Ms Baron (AGIA) was appointed as Company Secretary on 3 December 2020. Ms Baron has an extensive background in providing corporate secretarial and corporate governance services to listed companies in a wide range of industries.

Mr Rob Gratton – Chief Executive Officer

Mr Gratton was appointed as Chief Executive Officer on 3 December 2020 having been acting in the role since August 2020, and was appointed Joint Company Secretary on 4 June 2019. Mr Gratton was previously Clean Seas' Chief Financial Officer. He has over 20 years' experience in Banking, Corporate Finance and Accounting roles in Australia, the United Kingdom and United States. Mr Gratton was CFO and Company Secretary at Jurlique and kikki.K, and has also held senior positions at JP Morgan Investment Bank in London and New York, after starting his career at Westpac in Australia.

Mr David Brown – Chief Financial Officer

Mr Brown was appointed as Chief Financial Officer on 3 December 2020, having previously been Group Controller and Joint Company Secretary. He has over 14 years' experience in Corporate Finance and Accounting roles across breadth of industries and is a Chartered Accountant. Prior to commencing with Clean Seas, Mr Brown held senior positions at KPMG and Grant Thornton specialising in Corporate Finance.

DIRECTORS' MEETINGS

The number of Board meetings and meetings of Board Committees held during the year, and the number of meetings attended by each Director is as follows:

Director's name	Board Meetings		Audit and Risk Committee		Remuneration and Nominations Committee	
	A	B	A	B	A	B
Travis Dillion	10	10	5	5	4	4
Katelyn Adams	10	10	5	5	4	4
Marcus Stehr	10	10	5	5	–	–
Gilbert Vergères	10	10	–	–	4	4

Where:

Column A is the number of meetings the Director was entitled to attend as a member.

Column B is the number of meetings the Director attended (all Directors are entitled to attend Committee meetings).

UNISSUED SHARES UNDER OPTION

There are no share options issued at the date of this report.

The Company issued 2,959,302 share rights during the financial year. The Company had 3,275,069 share rights, which remain outstanding at 30 June 2022. Further details are provided in the Remuneration Report.

Post 30 June 2022, 30,000 shares were issued as a result of exercising share rights.

SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE

The Company issued 18,483 shares during the financial year as a result of the exercise of share rights.

REMUNERATION REPORT (AUDITED)

The Directors of Clean Seas Seafood Limited ('the Group') present the Remuneration Report for Non-Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

- (a) Principles used to determine the nature and amount of remuneration;
- (b) Details of remuneration;
- (c) Service agreements;
- (d) Bonuses included in remuneration; and
- (e) Other information.

(a) Principles used to determine the nature and amount of remuneration

The principles of the Group's executive remuneration strategy and supporting incentive programs and frameworks are:

- to attract and retain high calibre senior executives;
- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The Board has established a Remuneration and Nominations Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The advice of independent remuneration consultants is taken from time to time so as to establish that Directors' fees and Executive remunerations are in line with market standards, however, Clean Seas did not use remuneration consultants in FY22.

Non-Executive Director remuneration

In accordance with best practice corporate governance, the remuneration of Non-Executive Directors is structured separately from that of Executive Directors and Senior Executives.

The Company's Non-Executive Directors receive only fees (including statutory superannuation where applicable) for their services and the reimbursement of reasonable expenses. The Board reviews its fees to ensure the Company's Non-Executive Directors are fairly remunerated for their services, recognising the level of skill and experience required to conduct the role and to have in place a fee scale which enables the Company to attract and retain talented Non-Executive Directors.

Non-Executive Directors do not receive any shares, options or other securities in addition to their remuneration and are not eligible to participate in any Company share plans or any other incentive plans that may be in operation. They do not receive any retirement benefits other than compulsory superannuation where applicable.

During FY21, the Board elected to reduce the number of Non-Executive Directors from 5 to 4. Additionally, the Directors agreed to a 20% reduction in their fees, effective from 1st August 2020 until 30 June 2021. The 20% reduction was removed from 1 July 2022.

Directors' Report (Continued)

The aggregate remuneration paid to all the Non-Executive Directors (inclusive of statutory superannuation) may not exceed the current "fee pool" limit of \$600,000, which was set at the 2018 AGM on 13 November 2018. This 'fee pool' is only available to Non-Executive Directors, as Board membership is taken into account in determining the remuneration paid to Executive Directors as part of their normal employment conditions. In FY22 total fees paid to Non-Executive Directors was \$400,500.

The fees payable to Non-Executive Director and Committee fees are summarised below:

Changes in Non-Executive Directors and committee fees

	2022 \$	2021 ¹ \$	Change \$
Chairman	150,000 ²	120,000 ²	30,000
Non-Executive Director	70,000	56,000	14,000
Audit and Risk Committee Chair	15,000	12,000	3,000
Audit and Risk Committee member	7,500	6,000	1,500
Remuneration & Nomination Committee Chair	12,000	9,600	2,400
Remuneration & Nomination Committee member	6,000	4,800	1,200

1. The above table reflects the annualised Non-Executive Director and Committee fees following the to the 20% reduction applied from 1 August 2020 to 30 June 2021.
2. Chairman's fees are inclusive of all committee fees.

Executive remuneration

The remuneration structure adopted by the Group for FY22 consists of the following components:

- fixed remuneration being annual salary and benefits;
- short term incentives, being cash bonuses; and
- long term incentives, being share based remuneration, in the case of the CEO and Senior Executives.

The Remuneration and Nominations Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Executive Team.

The payment of bonuses is reviewed by the Remuneration and Nominations Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses must be linked to pre-determined performance criteria.

Short Term Incentive (STI)

The Group's performance measures involve the use of annual performance objectives, metrics and performance appraisals. Financial targets are based on Operating EBITDA while non-financial targets are based on strategic goals set in relation to the main priorities for each position.

The performance measures are set annually after consultation with the Directors and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for business improvement, expansion and profit and cover financial and non-financial measures.

The Key Performance Indicators ('KPI's') for the KMP in FY22 are summarised as follows:

- **CEO:** Operating EBITDA in FY22, workplace health and safety, leadership & culture, funding, stakeholder management and biomass capacity; and
- **CFO:** Operating EBITDA in FY22, funding, capital projects, workplace health and safety and culture.

Directors' Report (Continued)

Long Term Incentive (LTI)

The Company maintains an annual Long Term Incentive (LTI) plan for Executives. This plan grants share rights to eligible employees, and the Rights have the potential to vest into Ordinary Shares over a three year period, subject to the Company delivering increased shareholder value.

The Company's LTI Plan has primarily been linked to share price and EPS growth delivery over a three year performance period and is underpinned by the Company's longer term vision. Given the significant targeted growth trajectory and in recognition of the volatility and inherent operational risks in aquaculture and their impact on future results, the Company has elected to include annual vesting assessments. The annual vesting is weighted towards the delivery of EPS growth in each year. If EPS growth target is not achieved, vesting for that year lapses unless the target for the following year is achieved. Summary of LTI's granted is presented below.

Share right tranche	Grant date	Valuation price	Exercise price	Number of rights	Vesting dates
FY21 Tranche 1	21-Jan-22	0.520	nil	426,067	30-Jun-23
FY21 Tranche 2	21-Jan-22	0.415	nil	426,066	30-Jun-23
FY21 Tranche 3	21-Jan-22	0.344	nil	426,066	30-Jun-23
FY22 Tranche 1	21-Jan-22	0.625	nil	1,681,103	30-Jun-23

No share rights vested into Ordinary Shares in FY22 for key management.

Performance reviews

Management have regular annual performance reviews in accordance with established procedures.

Pursuant to the Board's and Board Committee's respective Charters, the Board conducts annual evaluations of its performance, the performance of its Committees, the Chairman, individual Directors and the key governance processes that support the Board's work. The respective Board Committee Charters also require the Committees to evaluate their performance and composition at least annually to determine whether they are functioning effectively by reference to current best practice. This evaluation is presented to the Board for review.

Voting and comments made at the Company's last Annual General Meeting

The resolution for adoption of the Remuneration Report for the financial year ending 30 June 2021 was passed by 97.3% of votes in a poll at the Company's 2021 Annual General Meeting. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

The Directors consider that the relevant remuneration packages of the Board and Executives are appropriate.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following measures in respect of the current financial year and the previous five financial years:

Item	2022	2021	2020	2019	2018 ¹	2017
Basic EPS (cents)	5.26	(27.36)	(15.57)	1.73	4.33	0.02
Profit/(loss) before tax (\$'000)	8,676	(32,097)	(14,454)	1,446	3,380	202
Profit/(loss) after tax (\$'000)	8,676	(32,097)	(14,454)	1,446	3,380	202
Net assets (\$'000)	80,742	68,532	72,458	73,542	71,769	51,553
Share price at 30 June (cents) ¹	52.0	52.5	55.5	90.5	5.0	4.6

1. Earnings per share for the period ended 30 June 2018 was restated in order for the calculation to incorporate the 20:1 share consolidation, which was completed on 3 December 2018.

(b) Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ('KMP') of the Group are shown in the table below:

Director and other Key Management Personnel remuneration (\$)

Employee	Year	Short term employee benefits			Post-employment benefits		Long-term benefits	Termination benefits	Share-based payments	Performance based percentage of remuneration	
		Cash salary and fees	Bonus	Non-monetary benefits	Superannuation	Long service leave					Termination payments
Non-Executive Directors											
Travis Dillon ¹ Chairman, Independent	2022	150,000	-	-	-	-	-	-	-	150,000	0%
	2021	87,500	-	-	-	-	-	-	-	87,500	0%
Katelyn Adams ² Independent	2022	97,000	-	-	-	-	-	-	-	97,000	0%
	2021	5,567	-	-	-	-	-	-	-	5,567	0%
Marcus Stehr Independent	2022	70,455	-	-	7,045	-	-	-	-	77,500	0%
	2021	56,682	-	-	5,385	-	-	-	-	62,067	0%
Gilbert Vergères	2022	76,000	-	-	-	-	-	-	-	76,000	0%
	2021	62,000	-	-	-	-	-	-	-	62,000	0%
Terry O'Brien ³ Independent	2022	-	-	-	-	-	-	-	-	-	0%
	2021	38,555	-	-	-	-	-	-	-	38,555	0%
Nick Burrows ³ Independent	2022	-	-	-	-	-	-	-	-	-	0%
	2021	25,783	-	-	-	-	-	-	-	25,783	0%
Raelene Murphy ³ Independent	2022	-	-	-	-	-	-	-	-	-	0%
	2021	21,958	-	-	-	-	-	-	-	21,958	0%
Other Key Management Personnel											
David Head Managing Director & CEO ⁴	2022	-	-	-	-	-	-	-	-	-	0%
	2021	97,692	-	-	4,808	-	-	-	-	102,500	0%
Rob Gratton – CEO ⁵	2022	428,462	106,875	-	27,500	12,369	-	-	140,063	715,269	35%
	2021	381,929	70,000	-	25,000	5,745	-	-	-	482,674	15%
David Brown – CFO ⁶	2022	246,682	97,500	-	27,500	16,690	-	-	114,199	502,571	42%
	2021	217,774	39,000	-	20,689	7,325	-	-	28,530	313,318	22%
2022 Total	2022	1,068,599	204,375	-	62,045	29,059	-	-	254,262	1,618,340	28%
2021 Total	2021	995,440	109,000	-	55,882	13,070	-	-	28,530	1,201,922	11%

1. Appointed on 21 October 2020.

2. Appointed on 1 June 2021.

3. Retired as Directors on 19 October 2020.

4. Ceased to be a KMP on the 27 August 2020.

5. Rob Gratton commenced as CEO from 27 August 2020, he was previously CFO.

6. Commenced as CFO from 27 August 2020.

Directors' Report (Continued)

(c) Service agreements

Remuneration and other terms of employment for the Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary (\$)	Motor vehicle/ allowance	Term of agreement	Notice period
Rob Gratton (CEO)	422,500	Yes	Ongoing	9 months
David Brown (CFO)	297,500	No	Ongoing	3 months

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration	Maximum at risk – STI	Maximum at risk – LTI
<i>Other Key Management Personnel</i>			
Rob Gratton	49%	15%	36%
David Brown	49%	15%	36%

(d) Bonuses included in remuneration

Details of the short-term incentive cash bonuses awarded as remuneration to each Key Management Personnel for FY22, the percentage of the available bonus that was awarded in the financial year and the percentage that was forfeited because the performance criteria were not achieved is set out below. No part of the bonus carries forward to future years. The awarded bonuses have been recognised in FY22.

	Included in remuneration (\$)	Percentage vested during the year	Percentage forfeited during the year
<i>Other Key Management Personnel</i>			
Rob Gratton	106,875	75%	25%
David Brown	97,500	100%	–

(e) Other information

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2022 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

Year ended 30 June 2022 – ordinary shares

Personnel	Balance at start of year	Granted as remuneration	Received on exercise	Other changes ¹	Held at the end of reporting period
T Dillon	70,176	–	–	48,000	118,176
K Adams	–	–	–	–	–
M Stehr	117,930	–	–	–	117,930
G Vergeres	320,176	–	–	–	320,176
R Gratton	455,647	–	–	–	455,647
D Brown	–	–	–	–	–
Totals	963,929			48,000	1,011,929

1. Changes are on market purchases and disposals, purchases via Placement and personnel ceasing to be a KMP.

No options to acquire shares are held by Key Management Personnel.

Directors' Report (Continued)

Share rights held by Key Management Personnel

Share rights granted under the LTI Equity Incentive Plan are set out below:

Year ended 30 June 2022 – share rights

Personnel	Balance at start of year	Other changes	Granted as remuneration	Exercised	Lapsed	Held at the end of reporting period
R Gratton	138,877	–	1,158,525	–	–	1,297,402
D Brown	106,829	–	669,369	–	–	776,198
Totals	245,706	–	1,827,894	–	–	2,073,600

The share rights will vest if specified performance targets are achieved and the Executive remains employed by the Company for three years including the year for which the share rights were granted, or in other circumstances agreed with the executive or at the discretion of the Board. Each share right on exercise converts to one ordinary share, subject to adjustment in specified circumstances. No amount is payable on vesting or exercise.

None of the share rights have vested or were exercisable at the end of the reporting period.

Other transactions with Key Management Personnel

The Group's related parties comprise its key management and entities associated with key management.

A substantial shareholder in Clean Seas Seafood Limited is Australian Tuna Fisheries Pty Ltd (ATF) (Marcus Stehr is a Director). ATF and its associated entities controlled 3.77% of issued shares at 30 June 2022 (2021: 4.68%) and it is associated with Stehr Group Pty Ltd, H & A Stehr Superannuation Fund, Sanchez Tuna Pty Ltd and Marcus Stehr Australia Pty Ltd. These transactions were as follows:

	2022 \$'000	2021 \$'000
Australian Tuna Fisheries Pty Ltd:		
– Receipts for ice, expenses, SBT quota lease and contract labour	4	3
– Payments for towing, contract labour, fish feed, marina and net shed rent and electricity	(1,545)	(536)
Stehr Group Pty Ltd		
– Payments for office rent	(36)	(45)
Marcus Stehr Australia Pty Ltd		
– Receipt from the sale of SBT Quota	175	–

The following balances are outstanding as at the reporting date in relation to transactions with related parties:

	2022 \$'000	2021 \$'000
Current payables		
– Australian Tuna Fisheries Pty Ltd	–	59
– Stehr Group Pty Ltd	–	–
Current receivables		
– Marcus Stehr Australia Pty Ltd	–	–

END OF AUDITED REMUNERATION REPORT.

WORKPLACE HEALTH AND SAFETY

Year Ended 30 June	2022	2021
Lost time injury frequency rate based on a lost shift	4.2	7.8

Clean Seas Lost Time Injury Frequency Rate (LTIFR) decreased to 4.2 in FY22 compared to 7.8 in FY21 (per million hours worked.) A total of 63 days was lost in FY22 due to one medically treated injury. The Group has again placed significant focus in the areas of compliance with best practice standards for plant and chemical management; and strengthen our 'Safety First' Culture. Clean Seas continues to promote the values and behaviours that make Clean Seas a great place to work. We've increased our focus on 'how' we carry out our duties as well as 'what' we do every day.

STAKEHOLDER ENGAGEMENT

Clean Seas has maintained its commitment to engaging with its customers, suppliers, investors, and the community.

Clean Seas has supported the Port Lincoln High School, Cleve Area School and Whyalla Secondary College, providing course content and site visits to help inspire careers in aquaculture, and contributed to the Dive into Aquaculture pilot program for industry pathways. In FY22 Clean Seas established a scholarship with the Playford Trust to provide financial support and an internship program to two undergraduates in a marine science discipline.

Clean Seas is an active supporter of local community and environmental initiatives and in FY22 Clean Seas sponsored the Mortlock Shield, Port Lincoln Business Excellence Awards, SALT festival, the West Coast Youth fundraiser, Port Lincoln History Group and Clean Up Australia Day.

THIRD PARTY ACCREDITATIONS

Through our accreditation with the Aquaculture Stewardship Council (ASC) and Friends of the Sea we have demonstrated the importance of our animal welfare, sustainability, and environmental credentials. The ASC is an independent, international non-profit organisation that manages the world's leading certification and labelling programme for responsible aquaculture. This important certification recognises that customers around the world are increasingly looking for sustainable and responsibly farmed seafood products and underpins everything we do at Clean Seas.

Clean Seas is committed to managing its farming operations using best practice methods and practices to grow world class, high quality Yellowtail Kingfish whilst ensuring that the environment and ecology of the waters farmed remain pristine and safeguard the long term sustainability of our operations.

Clean Seas champions world's best practice in sustainability and intentionally exceeds stringent government regulations to ensure viable stocks for the future. Consequently, we were the first Aquaculture company in the Southern Hemisphere certified sustainable by the internationally recognised Friends of the Sea accreditation system, which audits seafood operations in over 50 countries. Environmental impact is managed by fallowing and stocking limits and is strictly monitored by the South Australian government.

SUSTAINABILITY

Clean Seas was founded with sustainability as a core value, with initial R&D focussed on closing the lifecycle of Yellowtail Kingfish, reducing reliance on wild stocks and flow on impacts to the marine ecosystem. These values are reflected in the Company's ongoing operations.

Clean Seas' Yellowtail Kingfish breeds and grows naturally in the waters of Spencer Gulf, meaning that farming here is ideal for the fish and the business. The Company's farm locations within the vast waters of Spencer Gulf allow for site rotations and fallowing periods. For land-based operations, including the Arno Bay hatchery facility Clean Seas sources its electricity from a GreenPower™ certified supplier.

Clean Seas seeks to continue to enhance its sustainability credentials, through projects which are focused on reducing the Group's future impact on climate change.

Asparagopsis collaboration with CH4

In August 2022, Clean Seas and CH4 announced an R&D collaboration to assess the methane mitigation potential of Asparagopsis at Clean Seas' Arno Bay hatchery. This innovative R&D collaboration seeks a sustainable solution to offset the carbon and nitrogen typically generated through aquaculture, while providing a product that has been shown to substantially reduce the methane emissions of cattle. Clean Seas will make available existing infrastructure at its Arno Bay hatchery, whilst CH4 will contribute the funding and resources required to operate the facility. A successful outcome would provide significant sustainability benefits to both aquaculture and agriculture and reduce Clean Seas' cost of production.

Kingfish diet development

Clean Seas continues to work closely with feed suppliers and conduct extensive in-house research to improve feed formulations, integrate alternative ingredients with enhanced sustainability credentials and improve the overall performance of its Yellowtail Kingfish feeds.

ENVIRONMENTAL LEGISLATION

The Group's operations are subject to Commonwealth and State regulations governing marine and hatchery operations, processing, land tenure and use, environmental requirements including site specific environmental licences, permits and statutory authorisations, workplace health and safety and trade and export.

The Group's management regularly and routinely monitor compliance with the relevant environmental regulations and compliance is regularly reported to the Board.

The Group has well established procedures to monitor and manage compliance with existing environmental regulations and new regulations as they come into force.

The Directors believe that all regulations have been met during the period covered by this Annual Financial Report and are not aware of any significant environmental incidents arising from the operations of the consolidated entity during the financial year.

Further information in relation to specific regulated areas of the operation is as follows:

- The Arno Bay Hatchery is licensed to operate under an Aquaculture Land based Category C License issued by the South Australian Minister for Primary Industries and Regional Development under the *Aquaculture Act 2001*. The licensee is required to comply with the requirements of all statutes, regulations, by-laws, ordinances, rules, notices or orders lawfully given pursuant to the *Aquaculture Act 2001*, Aquaculture Regulations 2016, Environment Protection (Water Quality) Policy 2015 and the *Livestock Act 1997*. Clean Seas has not recorded any breaches of the license requirements;
- The Group operates 22 marine aquaculture licences issued by The South Australian Minister for Agriculture, Food and Fisheries under the *Aquaculture Act 2001*. The licensee is required to comply with the requirements of all statutes, regulations, by-laws, ordinances, rules, notices or orders lawfully given pursuant to the *Aquaculture Act 2001*, Aquaculture Regulations 2016, Environment Protection (Water Quality) Policy 2015 and the *Livestock Act 1997*. There has been no material recorded breaches of the license requirements; and
- The Royal Park processing plant is licensed by the South Australian Environment Protection Authority under Part 6 of the *Environment Protection Act 1993* to operate as a fish processing works. The Licensee must be aware of and comply with their obligations under the *Environment Protection Act 1993*, the Environment Protection Regulations 2009, the Environment Protection Policies made under the *Environment Protection Act 1993* and the requirements of any National Environment Protection Measure which operates as an Environment Protection Policy under the *Environment Protection Act 1993*. Clean Seas has not recorded any breaches of the licence requirements.

INDEMNITIES GIVEN TO AND INSURANCE PREMIUMS PAID FOR DIRECTORS, OFFICERS AND AUDITORS

Under rules 50 and 51 of the Company's Constitution, each of the Company's Directors, the Company Secretary and every other person who is an officer is indemnified to the extent permitted by law and Directors and Officers Liability Insurance has been implemented. The terms of the insurance contract prohibit the Company from disclosing the level of premium paid.

Each Director, Company Secretary, CFO and CEO has entered into a Deed of Indemnity and Access which indemnifies a Director or officer against liabilities arising as a result of acting as a Director or officer subject to certain exclusions and provides for related legal costs to be paid by the Company. The Deed requires the Company to maintain an insurance policy against any liability incurred by a Director or officer in his or her capacity as a Director or officer during that person's term of office and seven years thereafter. It also provides a Director or officer with a right of access to Board papers and other documentation while in office and for seven years thereafter.

The consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the consolidated entity or any related entity against a liability incurred by the auditor. During the financial year, the consolidated entity has not paid a premium in respect of a contract to insure the auditor of the consolidated entity or any related entity.

NON-AUDIT SERVICES

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 28 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 35 of this financial report and forms part of this Directors' Report.

PROCEEDINGS OF BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

ROUNDING OF AMOUNTS

Clean Seas is a type of Company referred to in ASIC Class Order 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the Class Order.

Signed in accordance with a resolution of the Directors.



Travis Dillon
Chairman

31 August 2022

Auditor's Independence Declaration



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Adelaide SA 5000
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Adelaide SA 5001
T +61 8 8372 6666

Auditor's Independence Declaration

To the Directors of Clean Seas Seafood Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Clean Seas Seafood Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized signature of the Grant Thornton firm name in a cursive script.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized signature of I S Kemp in a cursive script.

I S Kemp
Partner – Audit & Assurance

Adelaide, 31 August 2022

www.grantthornton.com.au
ACN-130 913 594

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Corporate Governance Statement

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX. The Appendix 4G will particularise each Recommendation that needs to be reported against by the Company and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on the Company's Website <https://www.cleanseas.com.au/investors/corporate-governance/>.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue	6	66,164	48,460
Other income	7	369	1,454
Net gain arising from changes in fair value of biological assets	15	20,036	1,444
Fish husbandry expense	8	(32,115)	(29,549)
Employee benefits expense	24.1	(13,367)	(13,784)
Fish processing and selling expense		(12,702)	(10,982)
Frozen selling expense		(11,001)	(10,618)
Impairment – frozen inventory and biological assets	14/15/17	(211)	(9,882)
Depreciation and amortisation expense	16/18/19	(3,832)	(3,810)
Other expenses		(3,880)	(3,420)
Profit/(Loss) before finance items and tax		9,461	(30,687)
Finance costs	9	(786)	(1,415)
Finance income	9	1	5
Profit/(Loss) before tax		8,676	(32,097)
Income tax benefit/(expense)	10	–	–
Profit/(Loss) for the year after tax		8,676	(32,097)
Other comprehensive income for the year, net of tax		–	–
Total comprehensive profit/(loss) for the year		8,676	(32,097)
Earnings per share from continuing operations:			
Basic earnings per share (cents per share)	26.1	5.26	(27.36)
Diluted earnings per share (cents per share)	26.1	4.86	(27.36)

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Assets			
<i>Current</i>			
Cash and cash equivalents	11	12,982	30,072
Trade and other receivables	12	5,299	6,383
Inventories	14	7,693	11,252
Prepayments		1,943	1,565
Biological assets	15	49,591	32,505
Current assets		77,508	81,777
<i>Non-current</i>			
Property, plant and equipment	16	17,543	15,955
Right-of-use assets	19	736	288
Biological assets	17	117	244
Intangible assets	18	3,554	3,736
Non-current assets		21,950	20,223
TOTAL ASSETS		99,458	102,000
Liabilities			
<i>Current</i>			
Trade and other payables	20	9,456	8,900
Borrowings	21	4,532	12,030
Provisions	23	1,335	1,253
Current liabilities		15,323	22,183
<i>Non-current</i>			
Convertible notes	22	–	9,551
Borrowings	21	3,093	1,434
Provisions	23	300	300
Non-current liabilities		3,393	11,285
TOTAL LIABILITIES		18,716	33,468
NET ASSETS		80,742	68,532
Equity			
Equity attributable to owners of the Parent:			
– Share capital	25.1	227,901	224,772
– Share rights reserve	25.2	507	102
– Accumulated losses		(147,666)	(156,342)
TOTAL EQUITY		80,742	68,532

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Notes	Share capital \$'000	Share rights reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020		195,937	766	(124,245)	72,458
Loss for the year				(32,097)	(32,097)
Share placement	25.1	23,359	-	-	23,359
Convertible note conversions	25.1	3,763	-	-	3,763
STI paid via shares	25.1	203	-	-	203
Share rights reserve movement	25.2	1,510	(664)	-	846
Balance at 30 June 2021		224,772	102	(156,342)	68,532
Profit for the year				8,676	8,676
Share placement	25.1	(345)	-	-	(345)
Convertible note conversions	25.1	3,457	-	-	3,457
Share rights reserve movement	25.2	17	405	-	422
Balance at 30 June 2022		227,901	507	(147,666)	80,742

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Operating activities			
Receipts from customers		67,376	44,940
Payments to suppliers excluding feed		(27,448)	(25,225)
Payments for feed		(22,282)	(19,767)
Payments to employees		(11,428)	(11,405)
Litigation and insurance proceeds		–	370
Government grants received		–	1,254
Net cash used in operating activities	27	6,218	(9,833)
Investing activities			
Purchase of property, plant and equipment		(6,004)	(3,328)
Purchase of intangible asset		(779)	–
Proceeds from Government Grants		813	–
Proceeds from sale of property, plant and equipment		41	–
Proceeds from sale of intangible asset		175	–
Interest received		1	5
Net cash used in investing activities		(5,753)	(3,323)
Financing activities			
Gross proceeds from issue of shares		–	24,973
Share issue expenses		(1,124)	(890)
Repayment of convertible notes		(6,662)	–
Proceeds from borrowings		4,156	10,849
Repayment of borrowings		(13,167)	(12,647)
Interest paid		(758)	(1,226)
Net cash from financing activities		(17,555)	21,059
Net change in cash and cash equivalents		(17,090)	7,903
Cash and cash equivalents at beginning of year		30,072	22,169
Cash and cash equivalents at end of year	11	12,982	30,072

Note: This statement should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

1. NATURE OF OPERATIONS

Clean Seas Seafood Limited and its subsidiaries ('the Group') principal activities include finfish sales and tuna operations. These activities comprise the following:

- **Finfish sales** – The propagation, growout and sale of Yellowtail Kingfish; and
- **Tuna operations** – Research and development activities relating to Southern Bluefin Tuna.

During the period the Group discontinued its Tuna operations, which is not a focus for the Group, and until sufficient resources are available there are no plans to undertake further Southern Bluefin Tuna (SBT) research programs. As a consequence, the Group recognised an impairment to remove the remaining Southern Bluefin Tuna due to the age and health of the remaining fish and sold its SBT quota.

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). Clean Seas Seafood Limited is a for-profit entity for the purpose of preparing the financial statements.

Clean Seas Seafood Limited is the Group's Ultimate Parent Company and is an ASX listed Public Company (ASX:CSS) incorporated and domiciled in Australia. The Group also has a secondary listing on Euronext Growth Oslo (OSE:CSS). The address of its registered office and its principal place of business is 7 Frederick Road, Royal Park, SA, Australia, 5014.

The consolidated financial statements for the year ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 31 August 2022.

3. CHANGES IN ACCOUNTING POLICIES

3.1 New and revised standards that are effective for these financial statements

There have been no new or revised standards became effective for the first time to annual periods beginning on or after 1 July 2021.

3.2 Accounting standards issued but not yet effective and not being adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

The accounting standards that have not been early adopted for the year ended 30 June 2022 but will be applicable to the Group in future reporting periods have been reviewed and they have been considered to be insignificant to the Group.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and its subsidiaries as of 30 June 2022. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Notes to the Consolidated Financial Statements (Continued)

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

4.3 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian Dollars ('\$AUD'), which is also the functional currency of the Parent Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.4 Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group's two operating segments are:

- **Finfish Sales:** All finfish grow out and sales other than propagated Southern Bluefin Tuna ("SBT"). Currently the segment includes Yellowtail Kingfish of various sizes. All fish produced are aggregated as one reportable segment as the fish are similar in nature, they are grown and distributed to similar types of customers and they are subject to a similar regulatory environment; and
- **Tuna Operations:** Propagated Southern Bluefin Tuna operations are treated as a separate segment. All costs associated with the breeding, grow out and sales of SBT are aggregated into one reportable segment. During FY22 the Group discontinued its Tuna operations, which is not a focus for the Group, and until sufficient resources are available there are no plans to undertake further Southern Bluefin Tuna (SBT) research programs. As a consequence, the Group recognised an impairment to remove the remaining Southern Bluefin Tuna due to the age and health of the remaining fish and sold its SBT quota.

Each of these operating segments is managed separately as they require different technologies, resources and capabilities and are at a different stage of development.

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements.

Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

4.5 Revenue

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Notes to the Consolidated Financial Statements (Continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest income

Interest income and expenses are reported on an accrual basis using the effective interest method.

Government grants

The Group applies AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* in accounting for the JobKeeper wage subsidy, whereby a credit is recognised in other income over the period necessary to match the benefit of the credit with the costs for which they are intended to compensate.

4.6 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs (see Note 9).

4.8 Intangible assets

Recognition of intangible assets

Acquired intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. Acquired fish quotas, water leases and licences and Icefresh™ are capitalised on the basis of costs incurred to acquire.

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives once they are ready for use, where these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 4.11.

The following useful lives are applied:

- **Primary Industries and Regions South Australia (PIRSA) water leases and licences:** indefinite; and
- **Icefresh™:** 15 years.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

4.9 Property, plant and equipment

Land and buildings

Freehold land and buildings are recognised at their cost less accumulated depreciation and impairment losses.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Plant and equipment

Plant and equipment is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Plant and equipment also includes leasehold property held under a finance lease (see Note 4.10). These assets are subsequently measured using the cost model, being cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, plant and equipment. The following depreciation rates are applied:

- buildings: 2.5% – 13%;
- vessels: 5% – 7.5%;
- cages and nets: 10% – 33%;
- motor vehicles: 12.5% – 15%;
- computers: 25% – 33%; and
- other plant and equipment: 5% – 33%.

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

4.10 Leased assets

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Notes to the Consolidated Financial Statements (Continued)

The lease liability is presented as Borrowings in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' note 4.9.

4.11 Impairment testing of other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.12 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost;
- Financial assets at fair value through profit or loss (FVTPL);
- Debt instruments at fair value through other comprehensive income (FVTOCI); and
- Equity instruments at FVTOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category. The change in classification has not impacted the carrying value of the Group's financial assets.

Impairment of financial assets

The Group uses a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group have assessed the impact of the impairment model and no adjustment was required in Group's financial statements.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.14 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office ('ATO') and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full. The Group does not currently recognise deferred tax assets and liabilities due to uncertainty regarding the utilisation of prior year losses in future years.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Clean Seas Seafood Limited and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation from 1 July 2007. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.16 Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Share rights reserve represents, in accordance with AASB 2 *Share-based Payment*, the allocated fair value at grant date of share rights that have been granted and remain outstanding at the reporting date. The value determined is recognised evenly over the financial years in which services are provided as specified by the performance period for each grant of share rights, subject to subsequent revision of the number of share rights expected to vest and the number that ultimately vest. The recognised value of share rights that vest and are exercised is transferred to share capital on the issue of shares.

Retained earnings/accumulated losses include all current and prior period retained profits and losses.

All transactions with owners of the Parent are recorded separately within equity.

4.17 Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and annual leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group's liabilities for long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Post-employment benefit plans

The Group provides post-employment benefits through various defined contribution plans.

Defined contribution plans

The Group pays fixed contributions into independent entities in relation to various plans for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

4.18 Share-based employee remuneration

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and earnings per share growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share rights reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share rights expected to vest.

Non-market vesting conditions are included in assumptions about the number of share rights that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share rights ultimately exercised are different to that estimated on vesting.

Upon exercise of share rights, the proceeds received and the accumulated amount in the share rights reserve applicable to those share rights, net of any directly attributable transaction costs, are allocated to share capital.

4.19 Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

4.20 Biological assets

Biological assets comprise live fish held for sale and Broodstock.

Live fish held for sale are valued at their fair value less costs to sell in accordance with AASB141 *Agriculture*. Estimated fair values are based on the number and size of fish held at the reporting date, actual selling prices achieved in the three weeks following the reporting date and other relevant factors, including allowance for future mortality, assessed as impacting fair value in accordance with AASB141.

Broodstock are valued at their fair value less costs to sell in accordance with AASB141 *Agriculture*. Estimated fair values take into account the valuation of live fish held for sale and estimated value as Broodstock.

In the Directors' opinion, insurance cover is currently not available at commercially acceptable rates for the live Yellowtail Kingfish held for sale or the Broodstock. The Directors have therefore chosen to actively manage the risks as the preferred alternative and review this on an annual basis.

4.21 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

4.22 Rounding of amounts

The Parent Entity has applied the relief available to it under ASIC Class Order 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000, or in certain cases, the nearest dollar.

4.23 Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Fair value of live fish held for sale and Broodstock

Management values live fish held for sale at their fair value less costs to sell in accordance with AASB141 *Agriculture*. Estimated fair values are based on the number and size of fish held at the reporting date, actual selling prices achieved in the three weeks following the reporting date and other relevant factors, including allowance for future mortality, assessed as impacting fair value in accordance with AASB141. These estimates may vary from net sale proceeds ultimately achieved. Broodstock was revalued during FY22.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in relevant tax jurisdictions in relation to the value of accessible carried forward losses into future years (see Note 4.14).

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.11).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and other forms of obsolescence.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes that may reduce future selling prices.

Notes to the Consolidated Financial Statements (Continued)

5. OPERATING SEGMENTS

Management currently identifies the Group's two segments as finfish sales and tuna operations as detailed in Note 1. These operating segments are monitored by the Group's Chief Executive Officer and strategic decisions are made on the basis of adjusted segment operating results.

Segment information for the reporting period is as follows:

	Finfish sales 2022 \$'000	Tuna operations 2022 \$'000	Unallocated 2022 \$'000	Total 2022 \$'000
Revenue				
From external customers	66,164	–	–	66,164
Segment revenues	66,164	–	–	66,164
Other income	369	–	–	369
Net gain from changes in value of fish	20,036	–	–	20,036
Fish husbandry expense	(32,115)	–	–	(32,115)
Employee benefits expense	(13,367)	–	–	(13,367)
Fish processing and selling expense	(12,702)	–	–	(12,702)
Frozen selling expense	(11,001)	–	–	(11,001)
Impairment – frozen inventory and biological assets	–	(211)	–	(211)
Depreciation and amortisation	(3,817)	(15)	–	(3,832)
Other expenses	(3,880)	–	–	(3,880)
Finance costs and income	–	–	(785)	(785)
Segment operating profit before tax	9,687	(226)	(785)	8,676
Segment assets 2022	86,476	–	12,982	99,458

	Finfish sales 2021 \$'000	Tuna operations 2021 \$'000	Unallocated 2021 \$'000	Total 2021 \$'000
Revenue				
From external customers	48,460	–	–	48,460
Segment revenues	48,460	–	–	48,460
Other income	1,454	–	–	1,454
Net gain from changes in value of fish	1,444	–	–	1,444
Fish husbandry expense	(29,549)	–	–	(29,549)
Employee benefits expense	(13,784)	–	–	(13,784)
Fish processing and selling expense	(10,982)	–	–	(10,982)
Frozen selling expense	(10,618)	–	–	(10,618)
Impairment – frozen inventory and biological assets	(9,882)	–	–	(9,882)
Depreciation and amortisation	(3,789)	(21)	–	(3,810)
Other expenses	(3,131)	(289)	–	(3,420)
Finance costs and income	–	–	(1,410)	(1,410)
Segment operating loss before tax	(30,377)	(310)	(1,410)	(32,097)
Segment assets 2021	71,494	434	30,072	102,000

Notes to the Consolidated Financial Statements (Continued)

No segment liabilities are disclosed because there is no measure of segment liabilities regularly reported to the Group's Chief Executive Officer. Unallocated operating income and expense consists of net interest and unallocated assets consist of cash and cash equivalents.

Revenues from external customers in the Group's domicile, Australia, as well as its major other markets have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue 2022 \$'000	Non-current assets 2022 \$'000	Revenue 2021 \$'000	Non-current assets 2021 \$'000
Australia	39,020	21,950	30,378	20,223
Europe	21,583	–	13,507	–
Other countries	5,561	–	4,575	–
Total	66,164	21,950	48,460	20,223

During 2022 \$4.01 million or 6% (2021: \$2.9 million or 6%) of the Group's revenues depended on a single customer in the finfish sales segment.

6. REVENUE

Revenue for the reporting periods consist of the following:

	2022 \$'000	2021 \$'000
Sale of fresh fish products	49,059	36,323
Sale of frozen fish products	17,105	12,137
Total	66,164	48,460

7. OTHER INCOME

	2022 \$'000	2021 \$'000
Government stimulus (JobKeeper)	–	978
Other income	369	476
Total other income	369	1,454

From April 2020, the Group qualified for JobKeeper for certain qualifying employees. At 30 June 2021 the Group had recognised other income of \$0.98 million (FY20 \$0.84 million). JobKeeper was not received in FY22.

Notes to the Consolidated Financial Statements (Continued)

8. FISH HUSBANDRY EXPENSE

Fish husbandry expense consist of the following:

	2022 \$'000	2021 \$'000
Fish feed	21,328	20,069
Farm operating expense	9,038	7,788
Hatchery operating expense	1,749	1,692
Total fish husbandry expense	32,115	29,549

9. FINANCE INCOME AND FINANCE COSTS

Finance income for the reporting periods consist of the following:

	2022 \$'000	2021 \$'000
Interest income from cash and cash equivalents	1	5

Finance costs for the reporting periods consist of the following:

	2022 \$'000	2021 \$'000
Interest expenses for borrowings at amortised cost:		
– Convertible note	560	1,153
– Leases	109	162
– Other borrowings	117	100
Total	786	1,415

Notes to the Consolidated Financial Statements (Continued)

10. INCOME TAX EXPENSE

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of 30% (2021: 26%) and the reported tax expense in profit or loss are as follows:

	2022 \$'000	2021 \$'000
Profit/(Loss) before tax	8,676	(32,097)
Domestic tax rate for Clean Seas Seafood Limited	30%	26%
Expected tax expense/(income)	2,603	(8,345)
Adjustment for R&D tax incentive refund – corporate tax rate component	–	–
Current year tax expense added to/(offset against) prior year tax losses	–	–
Adjustment for derecognition of tax losses	–	8,345
Utilisation of tax losses not previously recognised	(2,603)	–
Adjustment for tax-exempt income	–	–
Actual tax expense/(income)	–	–
Tax expense comprises:		
– R&D tax incentive refund – corporate tax rate component	–	–
– Deferred tax expense	–	–
Tax expense/(income)	–	–

Due to uncertainty regarding the utilisation of prior year tax losses in future years, the tax losses are not recognised as an asset. At 30 June 2022, carried forward tax losses are estimated to be \$77 million (2021: \$94 million) and non-refundable R&D tax offsets are estimated to be \$18 million (2021: \$14.3 million).

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2022 \$'000	2021 \$'000
Cash at bank	12,982	30,072

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	2022 \$'000	2021 \$'000
Trade receivables, gross	4,841	6,151
Allowance for credit losses	(58)	(76)
Trade receivables	4,783	6,075
Other receivables	516	308
Total	5,299	6,383

Notes to the Consolidated Financial Statements (Continued)

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

	Expected credit loss rate		Carrying amount		Allowance for expected losses	
	2022 %	2021 %	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Not overdue	1.0%	0.6%	4,251	4,430	43	26
0 to 3 months overdue	2.6%	2.9%	583	1,719	15	50
3 to 6 months overdue	0.0%	0.0%	–	2	–	–
Over 6 months overdue	0.0%	0.0%	7	–	–	–
Total			4,841	6,151	58	76

The movement in the allowance for credit losses can be reconciled as follows:

	2022 \$'000	2021 \$'000
Reconciliation of allowance for credit losses		
Balance at 1 July	76	76
Amounts written off/(uncollectable)	(18)	–
Additional provision recognised	–	–
Impairment loss reversed	–	–
Balance 30 June	58	76

An analysis of unimpaired trade receivables that are past due is given in Note 34.3.

13. FINANCIAL ASSETS AND LIABILITIES

13.1 Categories of financial assets and liabilities

Note 4.12 provides a description of each category of financial assets and financial liabilities and the related accounting policies.

	Notes	2022 \$'000	2021 \$'000
Financial assets at amortised cost			
Cash and cash equivalents	11	12,982	30,072
Trade and other receivables	12	5,299	6,383
Totals		18,281	36,455

	Notes	2022 \$'000	2021 \$'000
Other liabilities			
Convertible note	22	–	9,551
Borrowings	21	7,625	13,464
Trade and other payables	20	9,456	8,900
Totals		17,081	31,915

No financial assets or liabilities are recognised at Fair Value through Other Comprehensive Income or Fair Value through Profit or loss.

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 34.

Notes to the Consolidated Financial Statements (Continued)

13.2 Other financial assets and liabilities

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- cash and cash equivalents;
- trade and other receivables;
- trade and other payables; and
- borrowings.

14. INVENTORIES

Inventories consist of the following:

	2022 \$'000	2021 \$'000
Frozen fish products	2,148	11,411
(Less) impairment	–	(2,176)
Frozen fish products	2,148	9,235
Fish feed (at cost)	4,555	1,355
Other (at cost)	990	662
Total	7,693	11,252

At 30 June 2021, the Group recognised an impairment of \$2.2 million to ensure that inventory is stated at the lower of cost and net realisable value (NRV). Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. There was no impairment recognised for the period ending 30 June 2022.

15. BIOLOGICAL ASSETS – CURRENT

	2022 \$'000	2021 \$'000
Live Yellowtail Kingfish – held for sale		
Carrying amount at beginning of period	32,505	49,783
Adjusted for:		
Gain from physical changes at fair value less costs to sell	56,091	29,677
Decrease due to harvest for sale as fresh	(36,055)	(28,233)
Net gain recognised in profit and loss	20,036	1,444
Decrease due to impairment	–	(7,706)
Decrease due to harvest for processing to frozen inventory	(2,950)	(11,016)
Carrying amount at end of period	49,591	32,505

The closing biomass comprised 3,509 tonnes at an average weight of 2.19kg comprising:

- Year Class 2020: 269 tonnes at an average weight of 5.98 kg;
- Year Class 2021: 1,960 tonnes at an average weight of 3.32 kg; and
- Year Class 2022: 1,280 tonnes at an average weight of 1.32 kg.

In FY21 closing biomass of 3,295 tonnes at an average weight of 2.46kg comprising:

- Year Class 2019: 463 tonnes at an average weight of 5.90 kg;
- Year Class 2020: 2,265 tonnes of YC20 at an average weight of 4.15 kg; and
- Year Class 2021: 567 tonnes YC21 at an average weight of 0.8 kg.

During FY22 harvests totalled 2,919 tonnes (FY21: 3,416 tonnes).

Notes to the Consolidated Financial Statements (Continued)

During FY21, the Group recognised an impairment of \$7.7 million to ensure that Live fish inventory is stated at fair value in accordance with AASB 141 *Agriculture*. There has been no further impairments recognised in the period to 30 June 2022.

There is inherent uncertainty in the biomass estimate and resultant live fish valuation. This is common to all such valuations and best practice methodology is used to facilitate reliable estimates. biomass is estimated using a model that simulates fish growth. Actual growth will invariably differ to some extent, which is monitored and stock records adjusted via harvest counts and weights, periodic sample weight checks, physical counts on transfer to sea cages and subsequent splitting of cages, mortality counts and reconciliation of the perpetual records after physical counts and on cage closeout.

16. PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment and their carrying amount are as follows:

	Land & buildings \$'000	Plant & equipment \$'000	Total \$'000
Gross carrying amount			
Balance 1 July 2021	4,366	42,452	46,818
Additions	71	5,128	5,199
Disposals	–	(65)	(65)
Balance 30 June 2022	4,437	47,515	51,952
Depreciation and impairment			
Balance 1 July 2021	(1,826)	(29,037)	(30,863)
Disposals	–	38	38
Depreciation	(104)	(3,480)	(3,584)
Balance 30 June 2022	(1,930)	(32,479)	(34,409)
Carrying amount 30 June 2022	2,507	15,036	17,543

	Land & buildings \$'000	Plant & equipment \$'000	Total \$'000
Gross carrying amount			
Balance 1 July 2020	4,244	39,152	43,396
Additions	122	3,300	3,422
Disposals	–	–	–
Balance 30 June 2021	4,366	42,452	46,818
Depreciation and impairment			
Balance 1 July 2020	(1,667)	(25,637)	(27,304)
Disposals	–	–	–
Depreciation	(159)	(3,400)	(3,559)
Balance 30 June 2021	(1,826)	(29,037)	(30,863)
Carrying amount 30 June 2021	2,540	13,415	15,955

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

The Property, Plant and Equipment has been pledged as security for the Group's bank borrowings (see Note 21).

Notes to the Consolidated Financial Statements (Continued)

17. BIOLOGICAL ASSETS – NON-CURRENT

Finfish Broodstock	2022 \$'000	2021 \$'000
Carrying amount at beginning of period	244	244
FV gain from revaluation of YTK Broodstock	84	-
Impairment of SBT Broodstock	(211)	-
Carrying amount at end of period	117	244

18. INTANGIBLE ASSETS

Details of the Group's intangible assets and their carrying amounts are as follows:

	Ice Fresh licence \$'000	PIRSA leases and licences \$'000	Southern Bluefin Tuna quota \$'000	Total \$'000
Net carrying amount				
Balance at 1 July 2021	779	2,827	130	3,736
Addition	-	-	-	-
Amortisation	(52)	-	-	(52)
Disposal	-	-	(130)	(130)
Net carrying amount 30 June 2022	727	2,827	-	3,554
Balance at 1 July 2020	-	2,827	130	2,957
Addition	779	-	-	779
Amortisation	-	-	-	-
Net carrying amount 30 June 2021	779	2,827	130	3,736

At each reporting date, the Directors review intangible assets for impairment.

Impairment assessment

The Group operates one cash generating unit comprising fin-fish operations.

The recoverable amount of the consolidated entity's non-current assets has been determined by value-in-use cash flow projections from financial budgets for FY23 as reviewed by the Board. In establishing the cash flow projections, due consideration was given to the economic impacts associated with macroeconomic trends. The discounted cash flow model is based on a 3-year projection period and extrapolated for a further 2 years, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating unit is most sensitive. The following key assumptions were used in the discounted cash flow model for the finfish operation:

- 10.6% discount rate; and
- 2.5% long term revenue and operating cost growth rate.

The discount rate of 10.6% reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the finfish operation, the risk free rate and the volatility of the share price relative to market movements. Sensitivity analysis indicates that headroom continues to be present if the discount rate is increased to 18.5%.

Management believes the projected 2.5% revenue growth rate is prudent and justified, based on the general market conditions. Sensitivity analysis on the long-term growth rate indicates that headroom continues to be present if growth rate is reduced to 0.5%.

Accordingly, the Group has concluded that no impairment is required based on current market and economic conditions and expected future performance.

Notes to the Consolidated Financial Statements (Continued)

19. RIGHT-OF-USE ASSETS

The following table shows the movements in right-of-use assets:

	2022 \$'000	2021 \$'000
Opening carrying amount	288	539
Remeasure lease	644	-
Amortisation	(196)	(251)
Closing carrying amount	736	288

The main leased site is the Royal Park processing plant in Adelaide, South Australia. The lease has a minimum term of 2 years to March 2023 and two subsequent renewal options of 3 years and includes a right of first refusal to purchase.

During FY22, the Group remeasured the Royal Park lease to include the renewal option of 3 years, expiring 16 March 2026.

20. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	2022 \$'000	2021 \$'000
Current:		
- Trade payables	6,690	5,167
- Related party payables	-	59
- Other payables	2,766	3,674
Total trade and other payables	9,456	8,900

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

21. BORROWINGS

Borrowings consist of the following:

	2022 \$'000	2021 \$'000
Current:		
- Trade finance facility	1,837	9,471
- Lease liabilities – bank (note 33.1)	1,054	977
- Lease liabilities – other (note 33.2)	181	187
- Insurance premium funding	1,460	1,395
Total borrowings – current	4,532	12,030
Non-current:		
- Cash advance facility	1,991	-
- Lease liabilities – bank (note 33.1)	528	1,310
- Lease liabilities – other (note 33.2)	574	124
Total borrowings – non-current	3,093	1,434

Notes to the Consolidated Financial Statements (Continued)

In December 2021, the Group renewed its Finance Facility with Commonwealth Bank of Australia, with a facility limit to \$32.15 million. The Finance Facility comprises \$12 million Trade Finance Facility, \$14 million Market Rate Loan Facility, \$6 million Equipment Finance Facility and \$150,000 Corporate Card Facility. This is an ongoing facility subject to annual review and is secured against all Group assets.

The Group is subject to financial covenants, including operating cash flows and current ratio, which are reviewed quarterly. The Group was compliant with all its covenants as at 30 June 2022.

22. CONVERTIBLE NOTES

	2022 \$'000	2021 \$'000
Convertible notes:		
At beginning of year	10,007	13,770
Conversions to shares during year	(3,345)	(3,763)
Notes redeemed	(6,662)	-
Total convertible notes at end of year	-	10,007
Transaction costs capitalised:		
At beginning of period/year	(456)	(695)
Transaction costs capitalised during year	-	(60)
Transaction costs amortised during year	456	299
Total transaction costs at end of year	-	(456)
Total convertible notes (net of transaction costs) at end of year	-	9,551

On the 28 July 2021, The Directors of Clean Seas announced that the Company has given notice to the holder of Convertible Notes (ASX:CSSG) that the Company will fully redeem all outstanding Convertible Notes on the 27 August 2021.

Of the 15,403,907 Convertible Notes issued on or before 20 January 2020, a total of 8,854,562 notes have been converted by Noteholders to Ordinary Shares, and the remaining notes were redeemed by the Company for approximately \$6.7 million.

23. PROVISIONS

The carrying amounts and movements in the provisions account are as follows:

	Annual leave \$'000	Long service leave \$'000	Total \$'000
Carrying amount 1 July 2021	881	672	1,553
Additional provisions	723	163	886
Amount utilised	(635)	(169)	(804)
Carrying amount 30 June 2022	969	666	1,635
Current employee benefit provision	969	366	1,335
Non-current employee benefit provision	-	300	300

Notes to the Consolidated Financial Statements (Continued)

24. EMPLOYEE REMUNERATION

24.1 Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2022 \$'000	2021 \$'000
Salaries and wages	9,525	9,145
Termination payments	–	1,329
Superannuation – defined contribution plans	905	828
Leave entitlement accrual adjustment	1,151	946
Short term incentive	486	589
Long term incentive – share rights	422	49
Other on-costs	878	898
Total	13,367	13,784

On 27th August 2020, the Company announced that the Managing Director & CEO Mr David Head would retire from his role with the Company in October 2020. Along with Mr Head, the Company announced other changes to its Executive team. In total, termination payments for FY21 was \$1.3 million, which comprised approximately \$0.8 million in share rights granted in FY21.

24.2 Share-based employee remuneration

The Company granted a total of 2,959,302 FY22 LTI share rights to senior executives during the year (FY21 no share rights were granted to Executives). The share rights will vest if specified performance targets are achieved and the executive remains employed by the Company for three years including the year for which the share rights were granted, or in other circumstances agreed with the executive or at the discretion of the Board. Each share right on exercise converts to one ordinary share, subject to adjustment in specified circumstances. On exercise of share rights, a dividend equivalent issue of additional shares replicates the benefit of any dividends paid on ordinary shares during the performance period. No amount is payable on vesting or exercise. During FY22 18,483 fully paid ordinary shares (FY21 1,495,062) were issued on the exercise of vested share rights and nil share rights lapsed (FY21 821,676).

The valuation of share rights has remained consistent with prior issues. One-third of the valuation at the end of the first year is expensed in the first year. Two-thirds of the valuation in the second year, less the amount expensed in the first year, is expensed in the second year. The final valuation at the end of the third year, less amounts expensed in the previous two years, is expensed or written back in the third year. Each year is subject to further review of the number of share rights expected to vest, in accordance with AASB 2 *Share-based Payment*.

The share rights valuation has been prepared by an Independent Valuation expert using a Black Scholes model. The valuation is based on the fair value at grant date of the equity instruments granted. For the FY21 and FY22 LTI share rights, which were granted in FY22 the valuation includes Clean Seas share price on 21 January 2022 being \$0.625 with adjustments for future dividends, volatility and achievement of EPS and share price targets.

Share right tranche	Grant date	Valuation price	Exercise price	Number of rights	Vesting dates
FY21 Tranche 1	21-Jan-22	0.520	nil	426,067	30-Jun-23
FY21 Tranche 2	21-Jan-22	0.415	nil	426,066	30-Jun-23
FY21 Tranche 3	21-Jan-22	0.344	nil	426,066	30-Jun-23
FY22 Tranche 1	21-Jan-22	0.625	nil	1,681,103	30-Jun-23

Notes to the Consolidated Financial Statements (Continued)

25. EQUITY

25.1 Share capital

The share capital of Clean Seas Seafood Limited consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at a shareholders' meeting.

	2022 Shares	2021 Shares	2022 \$'000	2021 \$'000
Shares issued and fully paid:				
– At beginning of the year	158,648,059	105,977,370	224,772	195,937
– Share placements ⁽ⁱ⁾	–	43,859,650	(345)	23,359
– Convertible notes	6,686,141	6,946,328	3,457	3,763
– Share rights	18,483	1,495,062	17	1,510
– STI paid via equity	–	369,649	–	203
Total contributed equity at 30 June	165,352,683	158,648,059	227,901	224,772

(i) Clean Seas Seafood completed an institutional placement to raise \$25 million (\$23 million net of costs). In FY22 the group recognised costs of \$345k which related to services rendered in relation to the institutional placement.

25.2 Share rights reserve

The Company has granted share rights to certain executives as part of their remuneration arrangements as a Long Term Incentive (LTI). Share rights outstanding are as follows:

	2022 Share rights	2021 Share rights	2022 \$'000	2021 \$'000
Share rights outstanding:				
– At beginning of the year	334,250	2,650,988	102	766
– Granted during the year/changes to share rights already granted	2,959,302	–	422	846
– Exercised during the year	(18,483)	(1,495,062)	(17)	(1,510)
– Lapsed during the year	–	(821,676)	–	–
Total share rights at 30 June	3,275,069	334,250	507	102

Details of these share rights are provided at note 24.2.

Notes to the Consolidated Financial Statements (Continued)

26. EARNINGS PER SHARE AND DIVIDENDS

26.1 Earnings per share

Basic earnings per share have been calculated using the profit/(loss) attributable to shareholders of Clean Seas Seafood Limited as the numerator (i.e. no adjustments to profit were necessary in 2022 or 2021).

Diluted earnings per share have been calculated using the profit/(loss) attributable to shareholders of Clean Seas Seafood Limited adjusted for Convertible note interest as the numerator.

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2022 '000	2021 '000
Amounts in thousand shares:		
– Weighted average number of shares used in basic earnings per share	165,091	117,319
– Shares deemed to be issued for no consideration in respect of share-based payments and convertible notes	2,033	–
Weighted average number of shares used in diluted earnings per share	167,124	117,319

26.2 Dividends

Dividends paid and proposed

	2022 \$'000	2021 \$'000
Dividends declared during the year	–	–

Franking credits

	Parent	
	2022 \$'000	2021 \$'000
The amount of the franking credits available for subsequent reporting periods are:		
– Balance at the end of the reporting period	–	–
– Franking credits that will arise from the payment of the amount of provision for income tax	–	–
– Franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period	–	–
– Franking credits that will arise from the receipt of dividends recognised as receivables at the end of reporting period	–	–
Total franking credits available	–	–

Notes to the Consolidated Financial Statements (Continued)

27. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2022 \$'000	2021 \$'000
Profit/(Loss) for the year	8,676	(32,097)
Adjustments for:		
– Depreciation and amortisation	3,832	3,810
– LTI share rights expense	422	846
– STI paid via equity	–	203
– Net interest expense included in investing and financing	785	1,410
– Non-cash insurance expense	1,986	1,480
– Net gain from the sale of non-current assets	59	
Net changes in working capital:		
– Change in inventories	3,559	(361)
– Change in trade and other receivables	1,084	(3,410)
– Change in prepayments	(378)	(493)
– Change in biological assets	(17,086)	17,278
– Change in trade and other payables	2,498	952
– Change in other employee obligations	82	54
– Changes offset in investing	699	495
Net cash used in operating activities	6,218	(9,833)

28. AUDITOR REMUNERATION

	2022 \$	2021 \$
Audit and review of financial statements	118,032	104,471
Other services		
– Taxation compliance	14,650	11,950
– Other tax services	3,100	36,250
Total other service remuneration	17,750	48,200
Total auditor's remuneration	135,782	152,671

Notes to the Consolidated Financial Statements (Continued)

29. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

The Group's related parties comprise its key management and entities associated with key management. The Remuneration Report in the Directors' Report sets out the remuneration of directors and specified executives.

A substantial shareholder in Clean Seas Seafood Limited is Australian Tuna Fisheries Pty Ltd (ATF) (Marcus Stehr is a Director). ATF and its associated entities controlled 3.77% of issued shares at 30 June 2022 (2021: 4.68%) and it is associated with Stehr Group Pty Ltd, H & A Stehr Superannuation Fund, Sanchez Tuna Pty Ltd and Marcus Stehr Australia Pty Ltd. These transactions were as follows:

	2022 \$'000	2021 \$'000
Australian Tuna Fisheries Pty Ltd:		
– Receipts for ice, expenses, SBT quota lease and contract labour	4	3
– Payments for towing, contract labour, fish feed, marina and net shed rent and electricity	(1,545)	(536)
Stehr Group Pty Ltd		
– Payments for office rent	(36)	(45)
Marcus Stehr Australia Pty Ltd		
– Receipt from the sale of SBT Quota	175	–

The following balances are outstanding as at the reporting date in relation to transactions with related parties:

	2022 \$'000	2021 \$'000
Current payables		
– Australian Tuna Fisheries Pty Ltd	–	59

The totals of remuneration paid or payable to the key management personnel of the Group during the year are as follows:

	2022 \$	2021 \$
Short-term employee benefits	1,272,974	1,104,440
Post-employment benefits	62,045	55,882
Long-term benefits	283,321	41,600
Total Remuneration	1,618,340	1,201,922

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2022.

30. CONTINGENT ASSETS AND LIABILITIES

The Group has unrecognised carry forward tax losses. This contingent asset is discussed in Note 10.

At 30 June 2022, the Group has bank guarantees of \$55,000 (2021: \$68,229).

There are no other material contingent assets or liabilities.

Notes to the Consolidated Financial Statements (Continued)

31. CAPITAL COMMITMENTS

	2022 \$'000	2021 \$'000
Property, plant and equipment	611	1,005

Capital commitments relate to items of plant and equipment and site works where funds have been committed but the assets not yet received. The amounts are expected to be paid to suppliers in FY23.

32. INTERESTS IN SUBSIDIARIES

Set out below are details of the subsidiaries held directly by the Group:

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Group proportion of ownership interests	
			30 June 2022	30 June 2021
Clean Seas Aquaculture Growout Pty Ltd	Australia	Growout and sale of Yellowtail Kingfish	100%	100%
Clean Seas Seafood International Pty Ltd	Australia	Sale of Yellowtail Kingfish	100%	100%

33. LEASES

33.1 Lease liabilities – bank

The Group holds a number of motor vehicles and plant & equipment under lease arrangements with the Commonwealth Bank of Australia. The net carrying amount of these assets is \$2.2 million (2021: \$2.4 million).

The Group's lease liabilities, which are secured by the related assets held under leases, are classified as follows:

	2022 \$'000	2021 \$'000
Lease liabilities – bank		
Current:		
– Lease liabilities – bank	1,054	977
Non-current:		
– Lease liabilities – bank	528	1,310

Notes to the Consolidated Financial Statements (Continued)

Future minimum lease payments at the end of each reporting period under review were as follows:

	Minimum lease payments due			
	Within 1 year \$'000	1-5 years \$'000	After 5 years \$'000	Total \$'000
30 June 2022				
Lease payments	1,106	556	–	1,662
Finance charges	(52)	(28)	–	(80)
Net present values	1,054	528	–	1,582
30 June 2021				
Lease payments	1,068	1,358	–	2,426
Finance charges	(91)	(48)	–	(139)
Net present values	977	1,310	–	2,287

33.2 Lease liabilities – other

	2022 \$'000	2021 \$'000
Current:		
– Lease liabilities	181	187
Non-current:		
– Lease liabilities	574	124

	Minimum lease payments due			
	Within 1 year \$'000	1-5 years \$'000	After 5 years \$'000	Total \$'000
30 June 2022				
Lease payments	208	608	–	816
Finance charges	(27)	(34)	–	(61)
Net present values	181	574	–	755
30 June 2021				
Lease payments	198	126	–	324
Finance charges	(11)	(2)	–	(13)
Net present values	187	124	–	311

Notes to the Consolidated Financial Statements (Continued)

34. FINANCIAL INSTRUMENT RISK

34.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 13.1. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its head office, in close cooperation with the Board of Directors, and focuses on actively managing those risks to secure the Group's short to medium-term cash flows.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

34.2 Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency sensitivity

Most of the Group's transactions are carried out in Australian dollars (AUD). Exposures to currency exchange rates mainly arise from the Group's overseas sales, which are currently primarily denominated in Euro (EUR).

To mitigate the Group's exposure to foreign currency risk, non-AUD cash flows are monitored, customer payments are credited to foreign currency bank accounts and converted to AUD on a managed basis and forward exchange contracts may be entered into in accordance with the Group's risk management policies. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into AUD at the closing rate:

	Short term exposure			Long term exposure		
	EUR A\$'000	USD A\$'000	Other A\$'000	EUR A\$'000	USD A\$'000	Other A\$'000
30 June 2022						
– Financial assets	2,742	942	18	–	–	–
– Financial liabilities	(257)	(201)	(19)	–	–	–
Total exposure	2,485	741	(1)	–	–	–
30 June 2021						
– Financial assets	3,411	1,907	25	–	–	–
– Financial liabilities	(625)	(30)	(817)	–	–	–
Total exposure	2,786	1,877	(792)	–	–	–

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the AUD/EUR exchange rate 'all other things being equal'. It assumes a +/- 5% change in this exchange rate for the year ended at 30 June 2022 (2021 +/- 5%). The sensitivity analysis is based on the impact on the Group's valuation of live fish held for sale.

Profit and Equity Increase/(Decrease)	Increase 5% A\$'000	Decrease 5% A\$'000
30 June 2022	(1,241)	1,372
30 June 2021	(886)	980

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing.

Notes to the Consolidated Financial Statements (Continued)

34.3 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting trade credit to customers and investing surplus funds. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2022 \$'000	2021 \$'000
Classes of financial assets		
Carrying amounts:		
– Cash and cash equivalents	12,982	30,072
– Trade and other receivables	5,299	6,383
Total	18,281	36,455

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 30 June reporting dates under review are of good credit quality.

At 30 June, the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 30 June analysed by the length of time past due, are:

	2022 \$'000	2021 \$'000
Not more three (3) months	583	1,719
More than three (3) months but not more than six (6) months	7	3
More than six (6) months but not more than one (1) year	–	–
More than one (1) year	–	–
Total	590	1,722

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 24 months before 30 June 2022 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

On the above basis the expected credit loss for trade receivables as at 30 June 2022 and recognised a provision for \$58k.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Notes to the Consolidated Financial Statements (Continued)

34.4 Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling monthly projection. Net cash requirements are compared to available cash and borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

As at 30 June 2022, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
	Within 6 months \$'000	6 – 12 months \$'000	1 – 5 years \$'000	5+ years \$'000
30 June 2022				
Trade and other payables	9,456	–	–	–
Cash advance facility	–	–	1,991	–
Trade finance facility	1,837	–	–	–
Insurance premium funding	1,294	166	–	–
Finance lease obligations	528	526	528	–
Lease obligations	91	90	574	–
Total	13,206	782	3,093	–

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

	Current		Non-current	
	Within 6 months \$'000	6 – 12 months \$'000	1 – 5 years \$'000	5+ years \$'000
30 June 2021				
Convertible notes	–	–	9,551	–
Trade finance facility	9,471	–	–	–
Trade and other payables	8,900	–	–	–
Finance lease obligations	477	500	1,310	–
Lease obligations	101	86	124	–
Insurance premium funding	1,008	387	–	–
Total	19,957	973	10,985	–

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Notes to the Consolidated Financial Statements (Continued)

35. FAIR VALUE MEASUREMENT

35.1 Fair value measurement of non-financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- **Level 3:** unobservable inputs for the asset or liability.

The following table shows the various Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 June 2022:

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Biological assets – current	–	–	49,591	49,591
Biological assets – non-current	–	–	117	117
Southern bluefin tuna quota	–	–	–	–
Total	–	–	49,708	49,708

30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Biological assets – current	–	–	32,505	32,505
Biological assets – non-current	–	–	244	244
Southern bluefin tuna quota	–	–	130	130
Total	–	–	32,879	32,879

The fair values of the biological assets are determined in accordance with Note 4.20.

Valuation processes

The biological assets of the Group are considered Level 3 and are valued internally by the Group as there is no observable market for them. The value is based on the estimated exit price per kilogram and the value changes for the average weight of each fish as it progresses through the growth and transformation cycle. The average weight of the fish is sample measured periodically and the value is determined by applying the average weight to the estimated weight.

The average lifecycle of Large Kingfish is approximately 2 years to minimum initial harvest size (harvest weight 4.5 kg), while for Small Kingfish (harvest weight 1.5 kg) it is approximately 1 year. The value per fish is based on this weight estimate adjusted for future mortalities and multiplied by the expected market price at the relevant point of transformation. Significant changes in any of the significant unobservable inputs in isolation would result in significant changes in fair value measurement.

The net increment/(decrement) in the fair value of Kingfish is recognised as income/(expense) in the reporting period.

The current fair value per kg for Large Kingfish is \$15.75/kg (FY21: \$12.79/kg) and for Small Kingfish \$12.75/kg (FY21:\$10.00). Kingfish which are less than 250 grams are valued at \$3.00 per fish.

Notes to the Consolidated Financial Statements (Continued)

36. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group considers the issue of new shares, dividends, return of capital to shareholders and sale of assets to reduce debt.

The Group has satisfied its covenant obligations for the Finance Facility Commonwealth Bank of Australia at 30 June 2022.

37. PARENT ENTITY INFORMATION

Information relating to Clean Seas Seafood Limited ('the Parent Entity'):

	2022 \$'000	2021 \$'000
Statement of financial position		
Current assets	10,969	28,736
Total assets	90,262	111,743
Current liabilities	6,110	15,165
Total liabilities	8,723	26,309
Net assets	81,539	85,434
Issued capital	227,902	224,773
Share rights reserve	507	102
Accumulated losses	(146,870)	(139,441)
Total equity	81,539	85,434
Statement of profit or loss and other comprehensive income		
Profit/(Loss) for the year	(7,429)	(8,234)
Other comprehensive income	-	-
Total comprehensive income	(7,429)	(8,234)

The Parent Entity has \$65,840 capital commitments to purchase plant and equipment (2021: Nil). Refer Note 31 for further details of the commitment.

The Parent Entity has not entered into a Deed of Cross Guarantee. Refer Note 30 in relation to contingent assets and liabilities.

38. POST-REPORTING DATE EVENTS

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

Directors' Declaration


In the opinion of the Directors of Clean Seas Seafood Limited:

- The consolidated financial statements and notes of Clean Seas Seafood Limited are in accordance with the *Corporations Act 2001*, including:
 - Giving a true and fair view of its financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
 - Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- There are reasonable grounds to believe that Clean Seas Seafood Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2022.

Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

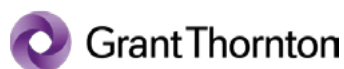
Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, consisting of a stylized 'T' and 'D' followed by a long horizontal line extending to the right.

Travis Dillon
Chairman

Dated the 31 day of August 2022

Independent Auditor's Report



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Independent Auditor's Report

To the Members of Clean Seas Seafood Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Clean Seas Seafood Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards, which complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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
<p>Impairment of intangible assets Note 18</p> <p>As at 30 June 2022, the Group's intangible assets of \$3,554,000 comprise Primary Industries and Regions South Australia (PIRSA) Water Leases and Licences, and the Ice Fresh Licence.</p> <p>The Group is required to perform an annual impairment test of intangible assets with an indefinite useful life and those not ready for use in accordance with AASB 136 <i>Impairment of Assets</i>.</p> <p>Management has tested the intangibles for impairment by comparing the carrying amount with the recoverable amount. The recoverable amount was determined on a value-in-use basis.</p> <p>The Group's computations require several estimates and assumptions. Therefore, an inherent risk is involved in determining these material assets' value.</p> <p>We have determined this is a key audit matter due to the judgements and estimates required in calculating the recoverable amount on a value-in-use basis.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • enquiring with management to obtain and document an understanding of management's process and controls related to the assessment of impairment, including management's calculation of the recoverable amount; • assessing management's identification of the appropriate cash-generating unit; • evaluating management's value-in-use calculations to assess for reasonableness of: <ul style="list-style-type: none"> – mathematical accuracy of the calculations; – management's ability to forecast accurately; – forecasted cash flows to be derived by the intangible assets; – other inputs applied to the value-in-use calculations, including discount rates, expected terminal value, and cash flow adjustments; – the sensitivity of the significant inputs and assumptions made by management in preparing its calculation; • evaluating the model against the requirements of AASB 136; and • assessing the adequacy of the Group's disclosures within the financial statements regarding the judgements and estimates used by management to assess the recoverable value of the intangible assets.

Valuation of biological assets

Note 15 and 17

The Group holds biological assets, including Kingfish measured at \$49,708,000 as at 30 June 2022. AASB 141 *Agriculture* requires these assets to be measured at fair value less costs of disposal.

Estimating the fair value is a complex process involving several judgements and estimates. Due to the nature of the asset, the valuation technique includes a model that uses a number of inputs from internal sources.

This area is a key audit matter due to the complex nature of the estimate and judgements applied.

Our procedures included, amongst others:

- enquiring with management to obtain and document an understanding of management's process and controls related to the valuation methodology applied to biological assets;
- assessing the inputs used in the valuation model including comparing to actual performance subsequent to reporting date and the historical performance of the Group;
- reviewing the historical accuracy of the Group's assessment of the fair value of Kingfish by comparing it to actual outcomes; and
- assessing the adequacy of the Group's disclosures within the financial statements regarding the judgements and estimates used by management in their valuation of biological assets.

Information other than the financial report and auditor's report thereon

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 2022, 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 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 Group's ability 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 have 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.

Independent Auditor's Report (Continued)

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Clean Seas Seafood Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 31 August 2022

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 27 July 2022.

ORDINARY SHARE CAPITAL (QUOTED)

165,352,683 fully paid ordinary shares are held by 3,923 shareholders.

SUBSTANTIAL SHAREHOLDERS

The number of shares held by substantial shareholders and their associates, as stated on their most recent Substantial Shareholder notice, are set out below:

Shareholder	Number of shares
Bonafide Wealth Management AG ¹	28,800,700
Regal Funds Management Pty Ltd (RFM) ²	8,296,654
GCI CSS (Hofseth & Nevera) LLC ³	10,100,000

1. Notice released to ASX on 29 October 2021.
2. Notice released to ASX on 7 June 2022.
3. Notice released to ASX on 7 July 2021.

VOTING RIGHTS

Ordinary Shares: On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each fully paid share shall have one vote.

Distribution of equity security holders – ordinary shares

Holding	Number of holders
1 – 1,000	774
1,001 – 5,000	1,671
5,001 – 10,000	545
10,001 – 100,000	819
100,001+	114
Total	3,923

ASX Additional Information (Continued)

There were 583 holders of less than a marketable parcel of ordinary shares (less than \$500).

Twenty (20) largest shareholders	Ordinary shares	
	Number of shares held	Percentage of issued shares
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	39,643,446	23.98%
CITICORP NOMINEES PTY LIMITED	28,353,454	17.15%
BNP PARIBAS NOMS PTY LTD <DRP>	8,357,114	5.05%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	6,416,763	3.88%
AUSTRALIAN TUNA FISHERIES PTY LTD	5,162,837	3.12%
UBS NOMINEES PTY LTD	4,873,956	2.95%
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	3,211,873	1.94%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,837,530	1.72%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,742,036	1.05%
DHC CAPITAL PTY LTD <HEAD FAMILY A/C>	1,652,565	1.00%
BRISQOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	1,611,329	0.97%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,599,898	0.97%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,321,917	0.80%
FERNBOW PTY LTD <THE HOLLAND SUPER ACCOUNT>	1,080,000	0.65%
MR HAGEN HEINZ STEHR & MRS ANNA STEHR <H & A STEHR SUPER FUND A/C>	1,063,853	0.64%
CROFTON PARK DEVELOPMENTS PTY LTD <THE BROUGHAM SUPERFUND A/C>	755,921	0.46%
MR MURRAY JOHN GILBERT & MR MARTIN PETER GILBERT <GILBERT FAMILY SUPER #2 A/C>	734,324	0.44%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	720,597	0.44%
MRS VALERIA VANSELOW	650,000	0.39%
MS KYLIE LYNETTE NUSKE & MR MATTHEW JAMES COOK <VISION SPLENDID SUPER A/C>	608,592	0.37%
Total securities of top 20 holdings	112,398,005	67.97%

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange. The Company's securities have a secondary listing on the Euronext Growth Oslo/Norway ("OSE").

ON MARKET BUY BACK

There is no current on market buy back.

REGISTERED OFFICE

The address and telephone number of the Company's registered office are:

7 Frederick Road, Royal Park SA 5014
Telephone: +61 1800 870 073

SHARE REGISTRY

The address and telephone number of the Company's share registry, Boardroom Pty Limited, are:

Boardroom Pty Limited, Level 12, 225 George Street, Sydney New South Wales 2000
Telephone: (02) 9290 9600

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