ASX Announcement | 27 February 2024

Seafarms Group Limited (ASX: SFG)

SFG ASX Announcement No: 768

Appendix 4D

Half Year Report – 31 December 2023

Seafarms Group Limited (ASX: SFG) today announced its interim financial results for the six months ending 31 December 2023 (H1 FY24).

Key points:

- **Revenue** from the Seafarms Queensland operations **up 28%** to **$20,324,041** PCP (31 December 2022: $15,925,138).
- The Group's **net loss** after tax of $6,003,711 was **$6,636,926 (52.5%) lower** compared to PCP primarily due to a reduction of construction expenditure on Project Sea Dragon (PSD).
- Total production of **697 tonnes** (half year to 31 December 2022: **594 tonnes**).
- **Cash and cash equivalents** were **$6,839,769** (30 June 2023: $8,453,527) with the cash outflow attributable to continued expenditure on prawn farming operations in Queensland and Project Sea Dragon (PSD).
- Queensland operations continues to **develop its broodstock domestication program** with ponds stocked with high health larvae without the use of wild caught broodstock and reducing the risk of introducing disease from the wild.
- **Project Sea Dragon** is currently **producing export product** from Seafarms Queensland operations **to build the export market** for PSD.
- Despite recent (22 February) Federal Court decision in favour of Canstruct, the **SFG Board remains committed to Project Sea Dragon.**

Mr Dyer, CEO of SFG said:

"I am particularly pleased with the performance of the Queensland operations with increased volume, a developing export program, and a proven domestication program that protect us from wild catch diseases.

"With the Queensland operations being the proving ground for Project Sea Dragon, we are well placed to enter a new phase of the development of the Seafarms Group.

"As advised to the market previously, the judgment delivered by the Federal Court in the Canstruct case was surprising. On review of the judgement, our view is that it contains significant errors in both fact and law. Those significant errors provide a sound basis for an appeal that ultimately, we believe, will be successful.

"Despite the judge's decision to the contrary, we remain of the view that PSD is solvent because it is paying all of its debts as and when they fall due."

This announcement has been approved by the Board.

Ends.

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Seafarms Group Limited is a corporate authorised representative ("CAR") (Number 420079) of CO2 Group Financial Services Pty Ltd (ABN: 92 142 542 774 AFSL 388086)

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About Seafarms Group

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

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Seafarms Group Limited
Appendix 4D
Half-year report



1. Company details

Name of entity:	Seafarms Group Limited
ABN:	50 009 317 846
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	27.6%	to	20,324,041
Loss from ordinary activities attributable to the members of Seafarms Group Limited	down	52.5%	to	(6,003,711)
Loss for the half-year attributable to the members of Seafarms Group Limited	down	52.5%	to	(6,003,711)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group amounted to $6,003,711 (31 December 2022: $12,640,637).

3. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

4. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.57	0.71

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Seafarms Group Limited

ABN 50 009 317 846

Half-year Report - 31 December 2023

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Seafarms Group Limited
Corporate directory
31 December 2023

Directors	Ian Norman Trahar, B.Ec, MBA *Non-executive Chairman (Director since 13 November 2001)* Harley Ronald Whitcombe, B.Bus, CPA *Executive Director (since 20 May 2022)* Rodney John Dyer B.E, (Mech) *Executive Director (since 20 May 2022)*
Company secretary	Harley Ronald Whitcombe, B.Bus, CPA
Registered office	Unit 5, 3 Swan Crescent Winnellie Darwin, NT 0820 Telephone No: (08) 9216 5280
Share register	Computershare Investor Services Pty Limited GPO Box D182 Perth, WA 6000 Telephone No: (08) 9323 2000 Facsimile No: (08 9323 2033
Auditor	Pitcher Partners Level 38, 345 Queen Street Brisbane QLD 4000
Bankers	HSBC Bank Australia Limited 190 St Georges Terrace Perth WA 6000 Commonwealth Bank of Australia Level 21, 180 Ann Street Brisbane QLD 4000 Australia and New Zealand Banking Group Limited 77 St Georges Terrace Perth WA 6000
Stock exchange listing	Seafarms Group Limited shares are listed on the Australian Securities Exchange (ASX code: SFG)
Website	www.seafarms.com.au

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Seafarms Group Limited (referred to hereafter as the 'Company' or 'Parent Entity' or 'SFG') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

The following persons were directors of Seafarms Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ian Trahar
Rodney Dyer
Harley Whitcombe

Review of operations

The loss for the Group amounted to $6,003,711 (31 December 2022: $12,640,637).

The overall financial performance during the first half of the 2024 financial year reflects the investment being made by the Group in pursuing the funding and development of Project Sea Dragon.

	Consolidated	
	2023	**2022**
	$	**$**
Total Revenue	20,324,041	15,925,138
Net Loss before and after tax for the period	(6,003,711)	(12,640,637)
Adjust for:	-	-
Interest income	(21,832)	(19,445)
Finance costs	174,491	110,125
Earnings before Interest and tax (EBIT)	(5,851,052)	(12,549,957)

	31 December 2023	**30 June 2023**
Cash and cash equivalents	6,839,769	8,453,527

Review of Operations

Operating results

The Group's net loss after tax of $6,003,711 for the first six months of the financial year 2024 was $6,636,926 lower than prior period primarily due to a reduction of construction expenditure on Project Sea Dragon (PSD).

Cash and cash equivalents were $6,839,769 (30 June 2023: $8,453,527) with the cash outflow attributable to continued expenditure on prawn farming operations in Queensland and Project Sea Dragon (PSD).

Basic loss per share from continuing operations for the six months was 0.12 cents (31 December 2022: 0.26 cents loss).

Queensland Operations

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

Revenue from the Queensland operations for the six months ended 31 December 2023 was up 28% to $20,324,041 (31 December 2022: $15,925,138).

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

Total production for the half year was 697 tonnes (half year to 31 December 2022: 594 tonnes) of Banana prawns. The Queensland operations results reflects the growing demand for Crystal Bay © Banana prawns and ongoing improvement in operational performance over the same period in the previous half year. It provides an encouraging outlook for the full year performance.

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

Project Sea Dragon

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

The founder stock centre in Exmouth continues to improve the quality and performance of broodstock. In addition to improving broodstock for Project Sea Dragon, the Exmouth broodstock is being crossed with Queensland broodstock for use in the Queensland operations with preliminary but encouraging results.

As reported last year, in February 2023 Project Sea Dragon Pty Limited (**PSD**) entered into voluntary administration and in March 2023 entered into a Deed of Company Arrangement (**DOCA**) with its creditors. Canstruct subsequently challenged that DOCA in the Federal Court and were successful in preventing the administrators from undertaking the DOCA. PSD and SFG defended the application to set aside the DOCA and the matter was heard on 14 and 15 August 2023.

On 22 February 2024 the Federal Court found in favour of Canstruct to set aside the DOCA. There is no immediate impact to PSD's parent, Seafarms Group Limited (SFG). SFG does not become liable to Canstruct by operation of this judgment. SFG and PSD maintain their position that PSD has met its liabilities under the construction contracts with Canstruct as determined by an Independent Certifier.

The Federal Court also ordered that PSD be placed into liquidation, a natural consequence of overturning the DOCA. However the Court also initiated a stay of execution of that order until the expiry of the appeal period (being 28 days from 22 February 2024). PSD and SFG intend to appeal the decision and will be seeking a further stay of the order until the appeal is heard.

Accordingly Project Sea Dragon will continue its business as usual.

PSD is currently producing export product from Seafarms Queensland operations to build the export market for PSD and continues to be very active in pursuing funding for Project Sea Dragon.

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Market development

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

There is clear domestic demand for high quality, fresh Australian prawns, available 52 weeks per year. Capturing this opportunity, Crystal Bay Prawns® (Banana Prawn) production was increased to meet existing customer requirements. The company delivered on its contractual commitments for the half year with good results.

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

Material Risks

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

The risks associated with Project Sea Dragon are the ability of the Group to continue to fund the ongoing costs of the project development and the impact of this on the going concern of the Group in the absence of additional project funding. Mitigation of this risk would be to substantially reduce or cease additional funding of the project and or to secure short term funding.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial half-year ending 31 December 2023.

Matters subsequent to the end of the financial half-year
On 22 February 2024 the Federal Court found in favour of Canstruct to set aside the DOCA. There is no immediate impact to PSD's parent, Seafarms Group Limited (SFG). SFG does not become liable to Canstruct by operation of this judgment. SFG and PSD maintain their position that PSD has met its liabilities under the construction contracts with Canstruct as determined by an Independent Certifier.

The Federal Court also ordered that PSD be placed into liquidation, a natural consequence of overturning the DOCA. However, the Court also initiated a stay of execution of that order until the expiry of the appeal period (being 28 days from 22 February 2024). PSD and SFG intend to appeal the decision and will be seeking a further stay of the order until the appeal is heard.

As at 31 December 2023 PSD has the following net assets excluding intercompany balances which were accounted for on the basis that the DOCA was expected to be executed by the Administrator.

Current Assets	363,625
Non-current assets	1,398,241
Liabilities	(5,175,848)
Net Assets	(3,313,982)

In the event that PSD were to go into liquidation the assets and liabilities of PSD at the time would be deconsolidated from the Group.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

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

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

On behalf of the directors



Harley Ronald Whitcombe
Secretary

27 February 2024

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

Auditor's Independence Declaration

In relation to the independent auditor's review for the half-year ended 31 December 2023, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

Pitcher Partners

PITCHER PARTNERS

DAN COLWELL
Partner

Brisbane, Queensland
27 February 2024

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Brisbane Sydney Newcastle Melbourne Adelaide Perth

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Seafarms Group Limited
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General information

The condensed financial statements cover Seafarms Group Limited as a Group consisting of Seafarms Group Limited (referred to hereafter as the 'Company' or 'Parent Entity' or 'SFG') and the entities it controlled (referred to hereafter as the 'Group') the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Seafarms Group Limited's functional and presentation currency.

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

Unit 5, 3 Swan Crescent
Winnellie
Darwin NT 0820

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2024.

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

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Seafarms Group Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

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	Note	Consolidated 31 December 2023 $	Consolidated 31 December 2022 $
Revenue	3	20,324,041	15,925,138
Other income		21,832	19,445
Expenses			
Finance costs		(174,491)	(110,125)
Change biological assets		(4,661,010)	(268,053)
Change in finished good inventory		(1,758,190)	1,800,309
Feed and consumables		(4,770,593)	(7,476,234)
Energy Costs		(1,699,508)	(2,132,294)
Employee benefits expense		(6,518,854)	(5,870,871)
Depreciation and amortisation expense		(1,293,460)	(876,573)
Construction Costs	4	56,139	(6,750,088)
Other Expenses		(5,529,617)	(6,901,291)
Loss for the half-year attributable to the members of Seafarms Group Limited		(6,003,711)	(12,640,637)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year attributable to the members of Seafarms Group Limited		(6,003,711)	(12,640,637)
		Cents	**Cents**
Basic earnings (loss) per share		(0.12)	(0.26)
Diluted earnings (loss) per share		(0.12)	(0.26)

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

Seafarms Group Limited
Condensed consolidated statement of financial position
As at 31 December 2023

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	Note	Consolidated 31 December 2023 $	Consolidated 30 June 2023 $
Assets			
Current assets			
Cash and cash equivalents		6,839,769	8,453,527
Trade and other receivables	5	7,686,656	5,468,207
Inventories	6	2,548,472	7,680,854
Biological assets	7	2,313,835	4,072,025
Other current assets		1,414,742	1,460,119
Total current assets		20,803,474	27,134,732
Non-current assets			
Property, plant and equipment		16,761,879	17,682,481
Right-of-use assets		495,068	381,690
Other financial assets		331,999	331,999
Total non-current assets		17,588,946	18,396,170
Total assets		38,392,420	45,530,902
Liabilities			
Current liabilities			
Trade and other payables		4,113,402	4,695,821
Lease liabilities		3,151,148	3,005,826
Employee benefits obligations		1,303,977	1,121,223
Provisions	8	600,000	1,000,000
Total current liabilities		9,168,527	9,822,870
Non-current liabilities			
Lease liabilities		670,696	1,142,892
Employee benefits obligations		357,741	366,264
Provisions	8	83,922	83,631
Total non-current liabilities		1,112,359	1,592,787
Total liabilities		10,280,886	11,415,657
Net assets		28,111,534	34,115,245
Equity			
Issued capital		300,316,736	300,316,736
Reserves		14,832,725	14,832,725
Accumulated losses		(287,037,927)	(281,034,216)
Total equity		28,111,534	34,115,245

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

Seafarms Group Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022	300,316,736	14,832,725	(265,678,314)	49,471,147
Loss for the half-year	-	-	(12,640,637)	(12,640,637)
Other comprehensive income for the half-year	-	-	-	-
Total comprehensive income for the half-year	-	-	(12,640,637)	(12,640,637)
Balance at 31 December 2022	300,316,736	14,832,725	(278,318,951)	36,830,510

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2023	300,316,736	14,832,725	(281,034,216)	34,115,245
Loss for the half-year	-	-	(6,003,711)	(6,003,711)
Other comprehensive income for the half-year	-	-	-	-
Total comprehensive income for the half-year	-	-	(6,003,711)	(6,003,711)
Balance at 31 December 2023	300,316,736	14,832,725	(287,037,927)	28,111,534

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

Seafarms Group Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2023

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	Consolidated	
	For 6 months to 31 December 2023 $	For 6 months to 31 December 2022 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	18,105,593	12,939,438
Payments to suppliers and employees (inclusive of GST)	(18,753,582)	(26,027,712)
Interest received	21,832	19,445
Interest and other finance costs paid	(174,491)	(110,125)
Net cash used in operating activities	(800,648)	(13,178,954)
Cash flows from investing activities		
Purchase of property, plant and equipment	(140,786)	(1,960,854)
Payment of deposits	-	(331,999)
Net cash used in investing activities	(140,786)	(2,292,853)
Cash flows from financing activities		
Repayment of lease liabilities	(672,324)	(296,872)
Net cash used in financing activities	(672,324)	(296,872)
Net decrease in cash and cash equivalents	(1,613,758)	(15,768,679)
Cash and cash equivalents at the beginning of the financial half-year	8,453,527	36,195,529
Cash and cash equivalents at the end of the financial half-year	6,839,769	20,426,850

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

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Note 1. Material accounting policy information

(a) Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(b) Basis of preparation of half-year report

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2023.

(c) Going concern

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

For the six-month period ended 31 December 2023, the Group incurred an operating cash outflow of $800,648 and a net loss for the period of $6,003,711.

As at 31 December 2023, the Group had net current assets of $11,634,947 including $6,839,769 cash and cash equivalents.

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

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

There are uncertainties in achieving these and as a result, the directors have concluded that a material uncertainty exists that may cast doubt on the Group’s ability to continue as a going concern and its ability to realise its assets and discharge its liabilities in the ordinary course of business and at the amounts stated in the financial statements.

However in light of the cash available at 31 December 2023, tthe forecast cash flow and potential funding and expense reduction alternatives the directors are of the opinion that the Company and the Group will continue to operate as a going concern and therefore the accounts have been prepared on a going concern basis.

However, if the matters referred to above do not eventuate, there is a material uncertainty which may cast significant doubt

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Note 1. Material accounting policy information (continued)

as to whether the Group will continue as a going concern and, therefore, realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statement does not include any adjustment relating to the recoverability and classification of recorded assets amounts or to the amounts and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

(d) Rounding of amounts

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

Note 2. Operating segments information

The Group is organised into a single operating segment "Aquaculture" which is represented by the consolidated condensed financial statements and related notes of the Group.

Note 3. Revenue

	Consolidated	
	31 December 2023 $	31 December 2022 $
Revenue from contracts with customers		
Sales of fresh products	11,564,957	9,763,231
Sales of frozen products	8,415,518	6,121,254
Other sales revenue	262,700	772
	20,243,175	15,885,257
Other revenue		
Services Income	80,866	39,881
Revenue	20,324,041	15,925,138

Note 4. Construction expenditure

	Consolidated	
	31 December 2023 $	31 December 2022 $
Construction costs – Project Sea Dragon	343,861	2,711,035
Provision for contract liabilities	-	4,039,053
Reversal of rehabilitation provision	(400,000)	-
	(56,139)	6,750,088

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Note 4. Construction expenditure (continued)

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

Partial reversal of the rehabilitation provision raised in June 2023 has been processed according to the provisions of the lease agreement.

Note 5. Current assets - Trade and other receivables

	Consolidated	
	31 December 2023 $	30 June 2023 $
Trade receivables	3,603,089	1,373,693
Other receivables	3,689,800	3,689,800
Loans to employees	43,822	30,878
	3,733,622	3,720,678
GST receivable	349,945	373,836
	7,686,656	5,468,207

Demand for the Group's produce is seasonal, with a sales peak in December. Trade receivables are therefore seasonally higher at 31 December in comparison to financial year end. The balance of trade receivables at 31 December 2022 was $3,981,314.

Other receivables includes $3,500,000 relating to the DOCA which is held in trust by the administrators of Project Sea Dragon Pty Ltd.

Note 6. Current assets - inventories

	Consolidated	
	31 December 2023 $	30 June 2023 $
Finished goods - at cost	841,352	5,568,903
Feed and consumables	1,707,120	2,111,951
	2,548,472	7,680,854

Due to demand for fresh product during the latter part of the calendar year, inventory volumes and value is reduced at 31 December 2023 whilst inventory levels of frozen products are higher as at 30 June 2023 to ensure continued supply into the wholesale market during reduced production periods.

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Note 7. Current assets - Biological assets

	Consolidated	
	31 December 2023 $	30 June 2023 $
Livestock		
Opening balance	4,072,025	2,454,171
Gain (loss) arising from changes in fair values less estimated point of sale costs	10,421,858	20,738,586
Transfer to Inventories	(12,180,048)	(19,120,732)
Closing balance	2,313,835	4,072,025

The value of biological assets/inventory is subject to change based on the timing of the Group's crop cycles (which varies from season to season), production planning decisions, and crop performance. Further explanatory commentary on the operating performance of the group's aquaculture operations is included in the Directors Report which accompanies these condensed financial statements.

The Group measures biological assets at fair value.

Biological assets of $2,313,835 (30 June 2023: $4,072,025) are valued utilising unobservable inputs including survival rates, average growth rates, feed costs, feed conversion ratio, power costs, the harvest weight of prawns, mortality rates, processing costs and the sale price of harvested prawns to customers. These are considered Level 3 inputs in the fair value measurement hierarchy set out in AASB13, *Fair Value Measurement.*

Valuation processes

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

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

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

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

Note 8. Provisions

Current liabilities	Consolidated	
	31 December 2023 $	30 June 2023 $
Make good provision	600,000	1,000,000

The current make-good provision at 31 December 2023 of $600,000 represents an estimate of the cost of rehabilitating Project Sea Dragon project sites. This liability would only become payable in the event that the Group no longer proceeded to develop Project Sea Dragon on those sites.

Note 8. Provisions (continued)

Non-current liabilities	Consolidated	
	31 December 2023	30 June 2023
Lease make good	83,922	83,631

Note 9. Events after the reporting period

On 22 February 2024 the Federal Court found in favour of Canstruct to set aside the DOCA. There is no immediate impact to PSD's parent, Seafarms Group Limited (SFG). SFG does not become liable to Canstruct by operation of this judgment. SFG and PSD maintain their position that PSD has met its liabilities under the construction contracts with Canstruct as determined by an Independent Certifier.

The Federal Court also ordered that PSD be placed into liquidation, a natural consequence of overturning the DOCA. However, the Court also initiated a stay of execution of that order until the expiry of the appeal period (being 28 days from 22 February 2024). PSD and SFG intend to appeal the decision and will be seeking a further stay of the order until the appeal is heard.

As at 31 December 2023 PSD has the following net assets excluding intercompany balances which were accounted for on the basis that the DOCA was expected to be executed by the Administrator.

Current Assets	363,625
Non-current assets	1,398,241
Liabilities	(5,175,848)
Net Assets	(3,313,982)

In the event that PSD were to go into liquidation the assets and liabilities of PSD at the time would be deconsolidated from the Group.

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In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001.*

On behalf of the Board

Harley Ronald Whitcombe
Secretary

27 February 2024

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

Conclusion

We have reviewed the half-year financial report of Seafarms Group Limited (the 'Company') and its controlled entities (the 'Group'), which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the Group incurred an operating cash outflow of $800,648 and a net loss of $6,003,711 for the half-year ended 31 December 2023. As at 31 December 2023, the Group had net current assets of $11,634,947, including cash and cash equivalents of $6,839,769. As stated in Note 1(c), these events and conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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Emphasis of matter – Events after the reporting period

We draw attention to Note 9 in the financial report which describes the Federal Court's orders dated 22 February 2024, in respect to the Group's legal dispute with Canstruct Pty Ltd. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Pitcher Partners

PITCHER PARTNERS

DAN COLWELL
Partner

Brisbane, Queensland
27 February 2024

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