

ASX & Media Release

28 February 2018

Clean Seas Positioned For Significant Growth in FY18 Profit

Clean Seas Seafood Limited (ASX: CSS), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, has reported a 25% increase in sales in H1 FY18 to \$20.4 million. The Company recorded a half-year loss after tax of \$3.9 million, which is a \$1.1 million improvement from H1 FY17. This result reflects the ongoing improvements achieved in H1 FY18 and also the significant impact of fish growth seasonality which causes reported results in H2 to be much stronger than H1 in each financial year. Key aspects of the result, compared to H1 FY17, include:

- **25% increase in sales revenue to \$20.4 million**
- **17% increase in sales volume to 1,270 tonnes**
- **Significant further improvement in domestic and international farm gate prices**
- **Live fish net growth increased 77% compared to H1 FY17 to 734 tonnes during H1 FY18, following a return to average seawater temperatures after cooler than average temperatures unfavourably impacted the prior year**
- **Live Fish biomass increased to 2,147 tonnes as at 31 December 2017, a 15% increase on the prior corresponding period**
- **Increased operating costs reflecting increased farm and hatchery production volumes, increased processing volumes and higher sales and marketing expenditure**
- **Positive cash flow from operations of \$1.8 million in H1 FY18 compared with a \$1.9 million net operational cash outflow in H1 FY17, reflecting stronger business fundamentals and improved credit terms negotiated with suppliers**
- **Cash balance of \$15.8 million at December 2017, with access to a further \$15 million of undrawn trade finance and lease facilities**

Significant Seasonality of Fish Growth Expected to Drive Strong H2 Profit

Yellowtail Kingfish record their strongest growth when seawater temperatures exceed 17 degrees Celsius. In the Spencer Gulf Region of South Australia, where cool water production is well recognised as enhancing the quality of our Spencer Gulf Hiramasa Kingfish, this means that fish growth mainly occurs between November and May. Historically only 15% to 35% of full year biomass growth occurs in H1 each financial year. Australian and International Accounting Standards require our fish to be valued at market value with increases in that value included in reported profit. This means that reported profit is much higher in H2, when historically 65% to 85% of full year biomass growth occurs, while operating costs are more evenly incurred during the year. In FY17 the Company recorded a \$5.0 million loss in H1 and a \$5.2 million profit in H2 to report a full year profit of \$0.2 million. As stated in the Outlook section below, the full year result in FY18 is expected to be significantly higher than in FY17 with the H2 FY18 result expected to exceed H2 FY17.

Revenue Growth on Target – With Continued Improvements in Farm Gate Pricing

The Company achieved continued sales growth at higher farm gate prices than H1 FY17 despite some evidence of increasing competition in the domestic Kingfish market. Sales revenue of \$20.4m in H1 FY18 increased by 25% compared to H1 FY17.

Sales volume of 1,270 tonnes of Yellowtail Kingfish in H1 FY18 increased by 17% over H1 FY17. Fresh product sales volumes increased 6% to 989 tonnes, with the large fresh farm gate increasing by \$1.55 to \$13.77 per kg. The large fresh category represented 67% of Clean Seas' volume and 73% of the Company's revenue in H1 FY18. Premium frozen product sales volume (excluding clearance stock) increased 47% year-on-year at over 40% higher farm gate prices.

The Company's farm gate price is its selling price less processing costs, freight and handling, sales commissions and packaging materials and is reported on a whole weight equivalent (WWE) basis. Farm gate price per kg for large fresh increased by 13% year-on-year during H1 FY18.

The improvement in farm gate prices in H1 FY18 was primarily driven by higher domestic and international selling prices. Farm gate prices are expected to continue to improve during H2 FY18 driven mainly by the benefit of reduced processing costs at Clean Seas' new in-house processing facility once all processing is transferred in Q4 FY18.

Royal Park Processing Plant Progressing Toward Full Production

Clean Seas' new in-house facility is now processing all fish for the Australian fresh market and a significant proportion of export fresh processing. It is expected that Royal Park will absorb the balance of the fresh processing and commence frozen processing in Q4 FY18. This has brought end-to-end quality control and will generate significant cost savings from which the Company expects to benefit in H2 FY18 and beyond.

The new liquid nitrogen rapid-freezing equipment has arrived at Royal Park and it is anticipated that installation will be completed and the equipment commissioned in Q3 FY18 with full production commencing in Q4 FY18. This is expected to materially increase the Company's market opportunities while lowering its cost of processing. This technology significantly reduces the freezing time and temperature which will improve freshness, texture and quality.

While Clean Seas will remain focussed on its ability to deliver the highest quality fresh Yellowtail Kingfish product globally, the flexibility provided by rapid freezing will enable Clean Seas to meet customer demand for premium quality frozen product and help smooth out any future imbalances between the rate of biomass growth and the ongoing expansion of market demand as the Company continues to increase production.

Sales Growth in Frozen Driving Inventory Improvements

Clean Seas has made further progress clearing the remaining product that had been frozen from the FY16 period of excess fresh fish production. In H1 FY18 the Company sold 127 tonnes, being almost half of this inventory that was held at June 2017, at higher prices than expected.

Sales and Marketing Relaunch Under Way

Clean Seas' new website (www.cleanseas.com.au) was launched in January 2018 featuring the Spencer Gulf Hiramasa Kingfish brand video and four new chef endorsement videos.

The formal relaunch to wholesalers and distributors began in Melbourne last week and will be progressively rolled out to key customers in Australia and overseas.

The Company's global customer activation program has commenced. The initial phase of the program will target 1400 restaurants on 3 continents over the next 4 months (Australia 560, Europe 490 and USA 350).

Over the coming weeks Clean Seas will switch from the traditional white poly boxes traditionally used by the Seafood Industry to a new 100% recyclable cardboard box with beautiful graphics that will showcase our unique product and the Spencer Gulf Hiramasa Kingfish brand.

The Company will shortly be launching its new digital marketing campaign (Facebook, Instagram, LinkedIn and Twitter) as part of the global re-launch of Spencer Gulf Hiramasa Kingfish. There will be an initial six-week campaign during which we will introduce our brand story (The Tale of Two Fish) through the Spencer Gulf Hiramasa Kingfish Video, the Chef Videos and a range of other brand images and stories.

Feed Litigation Process Progressing

The Company is progressing through the discovery and expert report stages of its litigation against Gibson's Limited, trading as Skretting Australia, in relation to what it alleges was taurine deficient feed supplied from December 2008 to July 2012. Gibson's Limited is defending the proceedings and has denied all liability to the Group. The Company expects the interlocutory stage to be completed in H2 FY18. A trial date is yet to be set.

Outlook

The Company reaffirms its previous FY18 guidance of:

- Sales volume increasing to 2,650 to 2,850 tonnes (+16% to +25%)
- Sales revenue increasing to \$43 million to \$47 million (+21% to +33%)
- Profit being significantly higher than FY17 based on increasing sales, higher biomass growth and higher farm gate prices

The Company will continue to invest in increased biomass to support the expected ongoing sales growth in FY19 and beyond. This will result in negative reported operating cash flows in H2 FY18 due to the requirement to record feed and other fish husbandry costs associated with the increased biomass as operating cash flow rather than investment. The Company is well funded to support this growth following the oversubscribed \$17.6 million (gross proceeds) Capital Raising undertaken in H1 FY18. This capital, combined with the \$15 million in undrawn trade finance and lease facilities as at December 2017 places the Company in a strong funding position.

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

Terry O'Brien
Chairman

David J Head
Managing Director and CEO

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CLEAN SEAS SEAFOOD LIMITED

ABN 61 094 380 435

APPENDIX 4D STATEMENT - HALF YEAR REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET HALF-YEAR ENDED 31 DECEMBER 2017

(Comparative figures being the half-year ended 31 December 2016)

	Half-Year ended December 2017	Half-Year ended December 2016	Period Movement up/(down)	Period Movement up/(down)
	\$ '000	\$ '000	\$ '000	%
Revenue from ordinary activities	20,372	16,254	4,118	25
EBITDA	(2,723)	(3,874)	1,151	30
EBIT	(3,840)	(4,870)	1,030	21
Profit / (Loss) from ordinary activities before tax	(3,868)	(4,955)	1,087	22
Income tax credit / (expense)	-	-	#VALUE!	
Profit / (Loss) from ordinary activities after tax attributable to members	(3,868)	(4,955)	1,087	22
Net tangible asset backing per ordinary share	\$0.037	\$0.031		

	Amount per security
Dividends (Ordinary Shares)	
Final dividend	cents/share Nil
Interim dividend	cents/share Nil

Record date for determining entitlements to dividends.

No dividend declared

Consistent with the decision taken in June 2012 not to carry future income tax benefits as an asset in the accounts the income tax benefit attributable to the December 2017 loss has not been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2017. The Group will continue to assess this treatment on an ongoing basis as Group profitability improves.

Details of the Group's performance for the first six months of FY 2018 are attached to this notice.

This report is all the half year information provided to the Australian Securities Exchange under listing rule 4.2A. The report also satisfies the half year reporting requirements of the Corporations Act 2001.

This half year financial report should be read in conjunction with the 2017 annual financial report.



Clean Seas Seafood Limited
Interim Consolidated Financial Statements
For the half-year ended 31 December 2017
ABN 61 094 380 435

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Directors' Report

The Directors of Clean Seas Seafood Limited present their Report together with the financial statements of the Consolidated Entity, being Clean Seas Seafood Limited ('the Company') and its Controlled Entity ('the Group' or 'Clean Seas') for the half-year ended 31 December 2017.

Director details

The following persons were Directors of Clean Seas Seafood Limited during or since the end of the financial half-year:

- Mr Terry O'Brien - Chairman
- Mr Paul Steere
- Mr Nick Burrows
- Mr Hagen Stehr
- Mr Marcus Stehr
- Mr David Head – Managing Director and CEO
- Mr Paul Robinson – Alternate Director for Mr Hagen Stehr

Company Secretary

The following person was Company Secretary of Clean Seas Seafood Limited during and since the end of the financial half-year:

- Mr Wayne Materne

Review of operations and financial results

Clean Seas Seafood Limited (ASX: CSS) has recorded a \$3.9 million pre-tax loss in H1 FY18 which compares to a \$5.0 million pre-tax loss in H1 FY17. This result reflects;

- Continued strong growth in Yellowtail Kingfish sales revenue in H1 FY18, increasing 25% over H1 FY17 to \$20.4 million
- Sales volume increased 17% over H1 FY17 to 1,270 tonnes in H1 FY18
- Significant improvement in domestic and international farm gate prices continued during H1 FY18, with further gains expected in H2 FY18 driven by reduced processing costs
- Live fish net growth increased 77% over H1 FY17 to 734 tonnes in H1 FY18
- Positive H1 FY18 cash flow from operations, up \$3.7 million from H1 FY17
- Cash balance of \$15.8 million as at 31 December 2017, with access to undrawn trade finance and lease facilities of \$15 million

Seasonality

The Group's underlying reported profit is subject to material seasonal fluctuation due to fish growth being the major contributor to profitability and Yellowtail Kingfish in South Australia having a seasonal strong growth period from October to May when the seawater temperatures are warmer. Historically 15% to 35% of biomass growth in a financial year has occurred in the first half of the financial year. Consequently, it is expected that the Group's future underlying reported profits will be materially higher in the second half of the financial year than the first half.

H1 Revenue Growth on Target – With Continued Improvements in Farm Gate Pricing

The Company achieved continued sales growth at higher farm gate prices than H1 FY17. Sales revenue of \$20.4m in H1 FY18 increased by 25% compared to H1 FY17.

Sales volume of 1,270 tonnes of Yellowtail Kingfish in H1 FY18 increased by 17% over H1 FY17. Fresh product sales volumes increased 6% to 989 tonnes, with the large fresh farm gate increasing by \$1.55 to \$13.77 per kg. The large fresh category represented 67% of Clean Seas' volume and 73% of the Company's revenue in H1 FY18. Premium frozen product sales volume (excluding clearance stock) increased 47% year-on-year at over 40% higher farm gate prices.

The Company's farm gate price is its selling price less processing costs, freight and handling, sales commissions and packaging materials and is reported on a whole weight equivalent (WWE) basis. Farm gate price per kg for large fresh increased by 13% year-on-year during H1 FY18.

The improvement in farm gate prices in H1 FY18 was primarily driven by higher domestic and international selling prices. Farm gate prices are expected to continue to improve during H2 FY18 driven mainly by the benefit of reduced processing costs at Clean Seas' new in-house processing facility once all processing is transferred in Q4 FY18.

Fish Health Remains Excellent with Growth Up 77%

Total biomass at 31 December 2017 of 2,147 tonnes is 15% higher than 12 months earlier. Fish health remains excellent.

Net growth of 734 tonnes in H1 FY18 was 77% higher than the 415 tonnes in H1 FY17, which was impacted by lower than average seawater temperatures.

Sea water temperature seasonality causes Yellowtail Kingfish growth in the Spencer Gulf of South Australia to be significantly higher in H2 than H1, with historically 15% to 35% of annual growth recorded in H1. Seawater temperatures in Q2 FY18 were around the long term average, compared with being approximately 1 degree cooler in Q2 FY17.

The Company is progressing plans to return to farming at its Fitzgerald Bay leases, at the top of the Spencer Gulf near Whyalla in South Australia, commencing with the 2019 year class fish in H1 FY19.

Royal Park Processing Plant Progressing Toward Full Production

Clean Seas' new in-house facility is now processing all fish for the Australian fresh market and a significant proportion of export fresh processing. It is expected that Royal Park will absorb the balance of the fresh processing and commence frozen processing in Q4 FY18. This has brought end-to-end quality control and will generate significant cost savings from which the Company expects to benefit in H2 FY18 and beyond.

The new liquid nitrogen rapid-freezing equipment has arrived at Royal Park and it is anticipated that installation will be completed and the equipment commissioned in Q3 FY18 with full production commencing in Q4 FY18. This is expected to materially increase the Company's market opportunities while lowering its cost of processing. This technology significantly reduces the freezing time and temperature which will improve freshness, texture and quality.

While Clean Seas will remain focussed on its ability to deliver the highest quality fresh Yellowtail Kingfish product globally, the flexibility provided by rapid freezing will enable Clean Seas to meet customer demand for premium quality frozen product and help smooth out any future imbalances between the rate of biomass growth and the ongoing expansion of market demand as the Company continues to increase production.

The Company is also implementing new packaging in H2 FY18, featuring high-quality printing on recyclable cardboard. This new design will enable better branding opportunities compared to the previous unbranded white polystyrene boxes, and with considerable environmental benefits. While these boxes will be more expensive, improved design and strength will deliver overall reduction in freight costs.

Sales Growth in Frozen Driving Inventory Improvements

Clean Seas has made further progress clearing the remaining product that had been frozen from the FY16 period of excess fresh fish production. In H1 FY18 the Company sold 127 tonnes, being almost half of the inventory that was held at June 2017, at higher prices than expected.

Strong Cash and Funding Position

At 31 December 2017 the Company held \$15.8 million of cash and in addition had access to undrawn trade finance and lease facilities of \$15.0 million.

Cash flow from operations in H1 FY18 was positive \$1.8 million, a \$3.7 million improvement from H1 FY17. This reflects continued improvement in the fundamentals of the business and improved credit terms negotiated with feed suppliers during Q2 FY18.

The cash balance also reflects completion of a successful \$17.6 million (gross proceeds) Capital Raise during Q2 FY18. This comprised;

- Oversubscribed \$7.0 million Institutional Placement
- \$8.9 million 1:10 Renounceable Rights Issue, with existing shareholders contributing 97% of this amount
- \$1.7 million Top Up Placement to sub-underwriters due to the strong shareholder response to the Renounceable Rights Issue

All components of the Capital Raise were priced at 6.0 cents per share. The strong response from our shareholders and Institutions demonstrates their support for the Company's strategic plan and decision to accelerate business growth.

Feed Litigation Process Progressing

The Company is progressing through the discovery and expert report stages of its litigation against Gibson's Limited, trading as Skretting Australia, in relation to what it alleges was taurine deficient feed supplied from December 2008 to July 2012. Gibson's Limited is defending the proceedings and has denied all liability to the Group. The Company expects the interlocutory stage to be completed in H2 FY18. A trial date is yet to be set.

Earnings Per Share

Basic loss per share was 0.27 cents in H1 FY18 and 0.43 cents in H1 FY17. Diluted loss per share was 0.27 cents in H1 FY18 and 0.43 cents in H1 FY17.

Dividend

No dividend has been declared.

Outlook

The Company reaffirms its previous FY18 guidance of:

- sales volume increasing to 2,650 to 2,850 tonnes (+16% to +25%)
- sales revenue increasing to \$43m to \$47m (+21% to +33%)
- profit significantly higher than FY17 based on increasing sales, higher live fish growth and higher farm gate prices

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

Auditor's Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 7 of this financial report and forms part of this Directors' Report.

Rounding of amounts

Clean Seas Seafood 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.



Terry O'Brien
Chairman

28 February 2018

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Independent Auditor's Review Report To the Members of Clean Seas Seafood Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Clean Seas Seafood Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Clean Seas Seafood Limited does not give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors Responsibility for the Half Year 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.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2017

	Notes	31-Dec-2017 \$'000	31-Dec-2016 \$'000
Revenue	6	20,372	16,254
Other income		59	12
Net loss arising from changes in fair value of Yellowtail Kingfish	8	(1,343)	(3,280)
Fish husbandry expense		(8,374)	(6,866)
Employee benefits expense		(4,492)	(3,053)
Fish processing and selling expense		(3,966)	(3,690)
Frozen inventory sold		(2,561)	(1,260)
Depreciation and amortisation	9	(1,117)	(996)
Other expenses		(2,418)	(1,991)
Loss before finance items and tax		(3,840)	(4,870)
Finance costs		(33)	(88)
Finance income		5	3
Loss before tax		(3,868)	(4,955)
Income tax benefit / (expense)		-	-
Loss for the period from continuing operations		(3,868)	(4,955)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(3,868)	(4,955)
Loss for the period and total comprehensive loss for the period			
Is attributable to owners of the parent.			
Earnings per share from continuing operations;			
Basic earnings per share (cents per share)	10	(0.27)	(0.43)
Diluted earnings per share (cents per share)	10	(0.27)	(0.43)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	31-Dec-2017 \$'000	30-Jun-2017 \$'000
Assets			
<i>Current</i>			
Cash and cash equivalents		15,807	524
Trade and other receivables		4,504	3,832
Inventories	7	6,656	3,521
Prepayments		654	418
Biological assets	8	27,133	32,105
Current assets		54,754	40,400
<i>Non-current</i>			
Property, plant and equipment	9	15,728	13,985
Biological assets		244	244
Other non-current assets		3,027	3,027
Non-current assets		18,999	17,256
TOTAL ASSETS		73,753	57,656
Liabilities			
<i>Current</i>			
Trade and other payables		7,024	4,083
Borrowings	13	710	330
Provisions		806	726
Current liabilities		8,540	5,139
<i>Non-current</i>			
Borrowings	13	831	832
Provisions		138	132
Non-current liabilities		969	964
TOTAL LIABILITIES		9,509	6,103
NET ASSETS		64,244	51,553
Equity			
Equity attributable to owners of the Parent:			
• share capital		182,342	165,998
• share rights reserve		387	172
• accumulated losses		(118,485)	(114,617)
TOTAL EQUITY		64,244	51,553

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2017

	Share Capital \$'000	Share Rights Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2017	165,998	172	(114,617)	51,553
Total comprehensive loss for the period	-	-	(3,868)	(3,868)
Rights issue and placements	16,344	-	-	16,344
Share rights reserve movement	-	215	-	215
Balance at 31 December 2017	182,342	387	(118,485)	64,244

For the half-year ended 31 December 2016

	Share Capital \$'000	Share Rights Reserve	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2016	157,736	-	(114,819)	42,917
Total comprehensive loss for the period	-	-	(4,955)	(4,955)
Share purchase plan and placement	8,261	-	-	8,261
Balance at 31 December 2016	165,997	-	(119,774)	46,223

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2017

	Notes	31-Dec-2017 \$'000	31-Dec-2016 \$'000
Operating activities			
Receipts from customers		19,915	17,643
Payments to suppliers (excluding feed)		(10,647)	(10,424)
Payments for fish feed		(3,525)	(6,040)
Payments for staff costs		(3,933)	(3,091)
Net cash provided by/(used in) operating activities		1,810	(1,912)
Investing activities			
Purchase of property, plant and equipment		(2,566)	(969)
Interest received		4	7
Net cash used in investing activities		(2,562)	(962)
Financing activities			
Gross proceeds from issue of shares		17,656	8,970
Transaction costs related to issues of shares		(1,282)	(709)
Proceeds from borrowings		-	808
Finance costs		(28)	(74)
Repayments of borrowings		(311)	(3,855)
Net cash provided by financing activities		16,035	5,140
Net change in cash and cash equivalents			
Net change in cash held		15,283	2,266
Cash and cash equivalents, beginning of period		524	598
Cash and cash equivalents, end of period		15,807	2,864

The accompanying notes form part of these financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

1 Nature of operations

Clean Seas Seafood Limited and its subsidiary's ('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 to produce juveniles of Southern Bluefin Tuna (SBT).

The Group continues to enhance its operations through new research and world's best practice techniques to deliver Hiramasa Yellowtail Kingfish of premium quality. The Tuna research and development activities of the Group currently focus on maintaining SBT broodstock until sufficient resources are available to further the propagation program in the future.

Refer to Note 11 for further information about the Group's operating segments.

2 General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2017 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2018.

3 Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2017.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

4 Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2017.

5 Seasonal fluctuations

The Group's underlying reported profit is subject to material seasonal fluctuation due to fish growth being the major contributor to profitability and Yellowtail Kingfish in South Australia having a seasonal strong growth period from October to May when the seawater temperatures are warmer. Historically 15% to 35% of biomass growth in a financial year has occurred in the first half of the financial year. Consequently, it is expected that the Group's future underlying reported profits will be materially higher in the second half of the financial year than the first half.

6 Revenue

	6 months to 31 December 2017 \$'000	6 months to 31 December 2016 \$'000
Sale of fresh finfish	16,664	14,580
Sale of frozen fish products	3,708	1,674
Total revenue	20,372	16,254

7 Inventories

	31-Dec-2017 \$'000	30-Jun-2017 \$'000
Fish feed	2,676	1,248
Frozen fish products	3,681	2,175
Other	299	98
Total inventories	6,656	3,521

8 Current Biological Assets – Live Fish

	6 months to 31 December 2017 \$'000	12 months to 30 June 2017 \$'000
Carrying amount at beginning of period / year	32,105	25,036
Adjusted for:		
Gain arising from physical changes at fair value less costs to sell	11,204	33,953
Decrease due to harvest for sale as fresh	(12,547)	(24,012)
Net gain / (loss) recognised in profit and loss	(1,343)	9,941
Decrease due to harvest for processing to frozen inventory	(3,629)	(2,872)
Carrying amount at end of period / year	27,133	32,105

9 Property, plant and equipment

The following table shows the movements in property, plant and equipment:

	Land & Buildings \$'000	Plant & Equipment \$'000	Total \$'000
Gross carrying amount			
Balance at 1 July 2017	3,913	28,607	32,520
Additions	113	2,747	2,860
Disposals	-	-	-
Balance at 31 December 2017	4,026	31,354	35,380
Depreciation and impairment			
Balance at 1 July 2017	(1,313)	(17,222)	(18,535)
Disposals	-	-	-
Depreciation	(44)	(1,073)	(1,117)
Balance at 31 December 2017	(1,357)	(18,295)	(19,652)
Carrying amount at 31 December 2017	2,669	13,059	15,728
Gross carrying amount			
Balance at 1 July 2016	3,913	25,649	29,562
Additions	-	2,979	2,979
Disposals	-	(21)	(21)
Balance at 30 June 2017	3,913	28,607	32,520
Depreciation and impairment			
Balance at 1 July 2016	(1,227)	(15,332)	(16,559)
Disposals	-	21	21
Depreciation	(86)	(1,911)	(1,997)
Balance at 30 June 2017	(1,313)	(17,222)	(18,535)
Carrying amount at 30 June 2017	2,600	11,385	13,985

10 Earnings per share

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

	6 months to December 2017	6 months to December 2016
Weighted average number of shares used in basic earnings per share	1,458,338,654	1,157,519,823
Shares deemed to be issued for no consideration in respect of share based payments	-	-
Weighted average number of shares used in diluted earnings per share	1,458,338,654	1,157,519,823

The potential exercise of share rights has been excluded from the diluted earnings per share calculation due to being antidilutive, in accordance with *AASB 133 Earnings Per Share*, paragraph 43.

11 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. Currently the segment includes Yellowtail Kingfish, Mulloway and some wild caught Tuna. 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.

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. This segment is currently scaled back apart from some strategic research projects.

During the six-month period to 31 December 2017, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

6 months to 31 December 2017	Finfish Sales \$'000	Tuna Operations \$'000	Unallocated \$'000	Total \$'000
Segment revenues	20,431	-	-	20,431
Segment operating profit / (loss) before tax	(3,632)	(208)	(28)	(3,868)
Segment assets	57,421	525	15,807	73,753

6 months to 31 December 2016	Finfish Sales \$'000	Tuna Operations \$'000	Unallocated \$'000	Total \$'000
Segment revenues	16,266	-	-	16,266
Segment operating profit / (loss) before tax	(4,683)	(187)	(85)	(4,955)
Segment assets	46,372	411	2,864	49,647

The Group's segment operating loss reconciles to the Group's loss before tax as presented in its financial statements as follows:

	6 months to December 2017 \$'000	6 months to December 2016 \$'000
Profit or loss		
Total reporting segment operating loss before tax	(3,840)	(4,870)
Items not allocated	-	-
Group operating loss before tax	(3,840)	(4,870)
Finance costs	(33)	(88)
Finance income	5	3
Group loss before tax	(3,868)	(4,955)

12 Contingent assets and liabilities

Clean Seas announced in June 2015 that it had commenced litigation against Gibson's Limited, trading as Skretting Australia, in relation to feed supplied from FY09 to FY12 which contained insufficient taurine. This resulted in mortalities and suppressed growth in the Yellowtail Kingfish stocks which caused substantial trading losses. In July 2016 Clean Seas announced that it had received the Independent Expert Forensic Accountant's Report which assessed the quantum of the Group's claim at \$34.5 million to \$39.1 million excluding interest and costs. Gibson's Limited is defending the proceedings and has denied all liability to the Group. A trial date is yet to be set. No amounts have been recognised in these accounts in relation to potential compensation or future litigation costs.

The Group also has unrecognised carry forward tax losses. This contingent asset is discussed in Note 9 to the financial statements in the 2016/17 Annual Report.

There are no other material contingent assets or liabilities.

13 Borrowings

Borrowings consist of the following:

	31-Dec-2017 \$'000	30-Jun-2017 \$'000
Current:		
• Bank trade finance facility	-	-
• Finance lease	271	263
• Other – insurance premium funding	439	67
Total borrowings – current	710	330
Non-current:		
• Finance lease	831	832
Total borrowings – non-current	831	832

The Group has a secured \$10.0 million (June 2017: \$7.0 million) Trade Finance Facility with Commonwealth Bank of Australia. This is an ongoing facility subject to annual review and is secured against all Group assets. At 31 December 2017 this facility was undrawn.

The Group also had a \$6.0 million (June 2017: \$2.0 million) secured Lease Finance and Project Specific Asset Finance Facility with Commonwealth Bank of Australia, of which \$1.0 million was utilised at 31 December 2017.

14 Fair value measurement of non-financial assets – Fair Value Hierarchy

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, 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 (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** Inputs for the asset or liability that is not based on observable market data (unobservable inputs)

The Group's biological assets (live fish) held for sale are valued at their fair value in accordance with Note 4.20 of the 2016/17 Annual Report. This valuation method satisfies the criteria for Level 2. At 31 December 2017 the Group has 2,147 tonnes of live fish held for sale valued at \$27.1 million (June 2017: 2,699 tonnes valued at \$32.1 million).

15 Capital Commitment

As at 31 December 2017 the Group has contracted for the purchase of various items of plant and equipment totalling \$1.2 million [June 2017: \$1.0 million].

16 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Directors' Declaration

- 1 In the opinion of the Directors of Clean Seas Seafood Limited:
 - a The consolidated financial statements and notes of Clean Seas Seafood Limited are in accordance with the *Corporations Act 2001*, including:
 - i Giving a true and fair view of its financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - ii Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
 - b There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Terry O'Brien
Chairman

Dated the 28th day of February 2018

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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 review of Clean Seas Seafood Limited for the half-year ended 31 December 2017. 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 February 2018

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 Company's financial position as at 31 December 2017 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*. As the auditor of Clean Seas Seafood Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

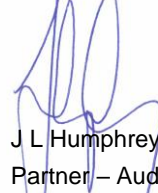
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 February 2018