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 2018

(Comparative figures being the half-year ended 31 December 2017)

	Half-Year ended December 2018	Half-Year ended December 2017	Period Movement up/(down)	Period Movement up/(down)
	$ '000	$ '000	$ '000	%
Revenue from ordinary activities	**21,585**	20,372	1,213	6
EBITDA	**(2,860)**	(2,723)	(137)	(5)
EBIT	**(4,365)**	(3,840)	(525)	(14)
Profit / (Loss) from ordinary activities before tax	**(4,422)**	(3,868)	(554)	(14)
Income tax credit / (expense)	**-**	-	-	-
Profit / (Loss) from ordinary activities after tax attributable to members	**(4,422)**	(3,868)	(554)	(14)
Net tangible asset backing per ordinary share (1)	**$0.77**	$0.73		

Dividends (Ordinary Shares)		**Amount per security**
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 2018 loss has not been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2018. 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 2019 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 2018 annual financial report.

(1) NTA backing per ordinary share at December 2017 has been restated to reflect the 20:1 Share Consolidation implemented on 3 December 2018.

ASX & Media Release

28 February 2019

Clean Seas H1 FY19 Result Continues Solid Trajectory

Highlights:

- **H1 FY19 sales revenue of $21.6m and sales volume of 1,264 tonnes exceeded H1 FY18 by 11% and 8% respectively (excluding frozen clearance sales)**
- **The sales momentum achieved during the December quarter (+23%) has continued into CY19, with January sales volume up 30% and revenue up 33% year-on-year (excluding frozen clearance sales)**
- **H1 FY19 loss after tax of $4.4 million compared with $3.9 million loss in H1 FY18, mainly reflecting continuing investment in biomass**
- **Further improvement in domestic and international fresh product farm gate prices**
- **Live fish net growth increased 32% over H1 FY18 to 966 tonnes in H1 FY19**
- **Cash and undrawn trade finance and lease facilities of $15.2 million as at 31 December 2018**
- **Mediation of the Skretting feed litigation commenced on 28 February 2019 and is expected to conclude in early March 2019. Should settlement not be achieved, the trial is set to commence on 30 September 2019**
- **The Company reaffirms its target for sales revenue of $47 to $50 million in FY19, an 18%+ increase from the $39.7 million in FY18 (excluding frozen clearance sales)**

Clean Seas Seafood Limited (ASX: CSS), the global leader in full cycle breeding, production and sale of Yellowtail Kingfish, is pleased to present its H1 FY19 financial results report.

Significant Seasonality of Fish Growth is Reflected in H1 Loss

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 Clean Seas' Spencer Gulf Hiramasa Kingfish, this means that fish growth mainly occurs between November and May.

Historically, 15% to 35% of each year's biomass growth occurs in H1 of 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 the Company typically reports profit that is much higher in each H2, when historically 65% to 85% of full year biomass growth occurs, whereas farming and operating costs are more evenly incurred during the year.

In FY18, the Company recorded a $3.9 million loss in H1 and a $7.3 million profit in H2 to report a full year profit of $3.4 million. The increased statutory loss after tax of $4.4 million in H1 FY19 mainly reflects the increased farming costs associated with biomass having increased from 2,147 tonnes at December 2017 to 3,189 tonnes at December 2018 to facilitate the planned sales growth in H2 FY19 and beyond.

Sales Growth Accelerates in Q2 FY19 – With Improvement in Farm Gate Pricing

Clean Seas' ***Spencer Gulf Hiramasa Kingfish*** remains the pre-eminent Yellowtail Kingfish with clear market leadership positions in both Australia and Europe.

Sales volume in Q2 FY19 of 702 tonnes exceeded Q2 FY18 by 23% and exceeded Q1 FY19 by 25%. Q2 fresh product sales of 550 tonnes were up 6% from Q2 FY18 and up 9% from Q1 FY19. Q2 premium frozen product sales of 152 tonnes tripled the sales in Q2 FY18 and were up 157% from Q1 FY19.

Sales volume in H1 FY19 totalled 1,274 tonnes. Excluding frozen clearance sales, the 1,264 tonnes in H1 FY19 was 8% higher than H1 FY18. Frozen clearance sales were completed during H1 FY19 with the sale of the final 10 tonnes of surplus frozen product from FY16 and FY17.

Sales revenue of $21.6 million in H1 FY19 was 11% above H1 FY18 (excluding frozen clearance sales).

The significant improvement in sales during the December quarter has continued into CY19, with January sales volume up 30% and sales revenue up 33% year-on-year (excluding frozen clearance sales).

Fresh product sales volume increased 6% to 1,053 tonnes in H1 FY19 at higher farm gate prices, with the large fresh farm gate increasing by $0.56 (4%) to $14.33 per kg. The large fresh category represented 70% of volume and 74% of revenue in H1 FY19.

Premium frozen product sales volume increased 19% over H1 FY18 to 211 tonnes at similar farm gate prices. This category now mainly represents ***SensoryFresh*** products which became fully available in the main European markets in Q2 FY19, with this driving the strong sales performance in Q2.

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.

The Company's Chef Activation Marketing Program has been successful in stimulating end user demand, as evidenced by Q2 sales growing by 23% year-on-year. This program remains a key part of the Company's marketing and growth strategy, and has been expanded to incorporate the new ***SensoryFresh*** products.

Following visits to 1,565 restaurants and high end food service outlets in H2 FY18, the Company visited a further 540 potential customers in H1 FY19 with a similar level of activity planned for H2 FY19. Results continue to be very encouraging, with 42% of chefs visited to date who are not currently using our ***Spencer Gulf Hiramasa Kingfish*** indicating they intend to start buying our Large Fresh and/or ***SensoryFresh*** products.

Fish Health Remains Excellent with Growth Up 32%

Net growth of 966 tonnes in H1 FY19 was 32% higher than the 734 tonnes in H1 FY18.

Total biomass at 31 December 2018 was 3,189 tonnes. Fish health remains excellent. This biomass level positions the Company well for further sales growth in FY19 and beyond as Clean Seas continues expansion of ***Spencer Gulf Hiramasa Kingfish*** in global markets, as has been seen with the 23% increase in sales volume achieved in Q2 FY19 over the prior year.
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, later in 2019. The Federal Government has

supported this expansion through awarding a $2.5 million Regional Jobs and Investment Packages Grant, with the first quarterly payment of $0.4 million received during Q2 FY19.

Feed Litigation Update

The Company's legal action against Gibson's Ltd in the Supreme Court of South Australia is continuing in respect of what the Company maintains were defective feeds supplied to the Company and fed to the Company's Yellowtail Kingfish between December 2008 and July 2012. The interlocutory steps in the litigation have been completed with both parties having completed discovery and the exchange of initial and responding experts reports on liability and quantum. Gibson's Limited, trading as Skretting Australia, is defending the proceedings and has denied all liability to the Group.

The trial has been scheduled to commence on 30 September 2019. A pre-trial mediation has commenced on 28 February 2019 with the outcome expected to be known in early March 2019. The matter will proceed to trial if a satisfactory outcome cannot be achieved though the mediation process.

Outlook

The Company reaffirms its previous guidance that it is targeting sales volumes in FY19 of 2,750 to 3,000 tonnes, a 17%+ increase from the 2,353 tonnes in FY18. This is targeted to generate sales revenue of $47 to $50 million, an 18%+ increase from the $39.7 million in FY18 on the same basis. Further double digit sales growth is expected to continue in FY20 and beyond.

The Company intends to continue to invest to develop its sales and marketing capabilities to support long term sales growth in Europe and to expand its presence in the US and Asian markets. This investment together with investment in increased biomass will support the planned sales growth.

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
Interim Consolidated Financial Statements
For the half-year ended 31 December 2018

ABN 61 094 380 435

Contents

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 2018.

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 Nick Burrows
- Ms Raelene Murphy (appointed 1 July 2018)
- Ms Helen Sawczak (appointed 1 July 2018)
- Mr Marcus Stehr
- Mr David Head – Managing Director and CEO

Company Secretary

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

- Ms Helga Linacre (appointed 26 February 2019)
- Mr Wayne Materne (retired 26 February 2019)

Review of operations and financial results

Clean Seas Seafood Limited (ASX: CSS) has recorded a $4.4 million pre-tax loss in H1 FY19 which compares to a $3.9 million pre-tax loss in H1 FY18. This result reflects;

- Continued strong growth in Yellowtail Kingfish sales revenue in H1 FY19, increasing 11% over H1 FY18 to $21.6 million (excluding frozen clearance sales)
- H1 FY19 sales volume of 1,264 tonnes exceeded H1 FY18 by 8% (excluding frozen clearance sales)
- Live fish net growth increased 32% over H1 FY18 to 966 tonnes in H1 FY19
- Cash and undrawn trade finance and lease facilities of $15.2 million as at 31 December 2018

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 FY19 – With Improvement in Farm Gate Pricing

Sales volume in H1 FY19 totalled 1,274 tonnes. Excluding frozen clearance sales, the 1,264 tonnes in H1 FY19 was 8% higher than H1 FY18.

Sales revenue of $21.6 million in H1 FY19 was 11% above H1 FY18 (excluding frozen clearance sales).

Fresh product sales volume increased 6% to 1,053 tonnes in H1 FY19 at higher farm gate prices, with the large fresh farm gate increasing by $0.56 (4%) to $14.33 per kg. The large fresh category represented 70% of volume and 74% of revenue in H1 FY19.

Premium frozen product sales volume (excluding clearance stock) increased 19% over H1 FY18 to 211 tonnes at similar farm gate prices. This category now mainly represents SensoryFresh products which became fully available in the main European markets in Q2 FY19, with this driving the strong sales performance in Q2.

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.

The Chef Activation Program which stimulates end user demand, as evidenced by the 8% increase in H1 sales, and is a key part of the Company's marketing and growth strategy. This program has been expanded to incorporate the new SensoryFresh products. Following visits to 1,565 restaurants and high end food service outlets in H2 FY18, a further 540 potential customers were visited in H1 FY19 with a similar level of activity planned for H2 FY19. Results continue to be very encouraging, with 42% of chefs visited to date who are not currently using our Spencer Gulf Hiramasa Kingfish indicating they intend to start buying our Large Fresh and/or SensoryFresh products.

Fish Health Remains Excellent with Growth Up 32%

Net growth of 966 tonnes in H1 FY19 was 32% higher than the 734 tonnes in H1 FY18.

Total biomass at 31 December 2018 was 3,189 tonnes. Fish health remains excellent. This biomass level positions the Company well for further sales growth in FY19 and beyond as Clean Seas continues expansion of Spencer Gulf Hiramasa Kingfish in global markets, as has been seen with the 8% increase in sales volume achieved in H1 FY19 over the prior year.

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 net growth recorded in H1. In FY18 22% of full-year net growth was recorded in H1 FY18. Seawater temperatures in H1 FY19 were around the long term average.

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, later in 2019. The Federal Government has supported this expansion through awarding a $2.5 million Regional Jobs and Investment Packages Grant, with the first quarterly payment of $0.4 million received during H1 FY19.

H1 FY19 Cash Flow Report Highlights Investment in Future Growth

Cash flow from operations in H1 FY19 reflects a $1.1 million increase in receipts from customers and increased operating cash outflows driven by the Company's ongoing investment in biomass to support sales growth in FY19 and beyond. The costs of increasing the Live Fish inventory are included in Net Cash Used in Operating Activities.

Capital expenditure of $1.9 million in H1 FY19 was $0.7 million below H1 FY18 and is mainly related to investment in farm infrastructure.

At 31 December 2018 the Company held cash and undrawn trade finance and lease facilities of $15.2 million as at 31 December 2018.

Feed Litigation Process Progressing

The Company's legal action against Gibson's Ltd in the Supreme Court of South Australia, in respect of what the Company maintains were defective feeds supplied to the Company and fed to the Company's Yellowtail Kingfish between December 2008 and July 2012, continues. The interlocutory steps in the litigation have been completed with both parties having completed discovery and the exchange of initial and responding expert's reports on liability and quantum. Gibson's Limited, trading as Skretting Australia, is defending the proceedings and has denied all liability to the Group.

The trial has been scheduled to commence on 30 September 2019. A pre-trial mediation has been scheduled to commence on 28 February 2019 with the outcome expected to be known in early March 2019. The matter will proceed to trial if a satisfactory outcome cannot be achieved though the mediation process.

Earnings Per Share

Basic loss per share was 5.30 cents in H1 FY19 and 5.30 cents in H1 FY18. Diluted loss per share was 5.30 cents in H1 FY19 and 5.30 cents in H1 FY18.

Earnings per share for the period ended 31 December 2017 was restated in order for the calculation to incorporate the 20:1 share consolidation, which was completed on 3 December 2018.

Dividend

No dividend has been declared.

Outlook

The Company reaffirms its previous guidance that it is targeting sales volumes in FY19 of 2,750 to 3,000 tonnes, a 17%+ increase from the 2,353 tonnes in FY18 (which excludes frozen clearance products). This is targeted to generate sales revenue of $47 to $50 million, an 18%+ increase from the $39.7 million in FY18 on the same basis. Further double digit sales growth is expected to continue in FY20 and beyond.

The Company intends to continue to invest to develop its sales and marketing capabilities to support long term sales growth in Europe and to expand its presence in the US and Asian markets. This investment together with investment in increased biomass will support the planned sales growth.

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 2019

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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 2018. 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2018

	Notes	31-Dec-2018 $'000	31-Dec-2017 $'000
Revenue	6	**21,585**	20,372
Other income		**242**	59
Net gain / (loss) arising from changes in fair value of Yellowtail Kingfish	9	**2,410**	(1,343)
Fish husbandry expense		**(11,589)**	(8,374)
Employee benefits expense		**(5,731)**	(4,492)
Fish processing and selling expense		**(5,420)**	(3,966)
Costs of goods sold – frozen inventory		**(3,224)**	(2,561)
Depreciation and amortisation	10	**(1,505)**	(1,117)
Other expenses		**(1,133)**	(2,418)
Loss before finance items and tax		**(4,365)**	(3,840)
Finance costs		**(62)**	(33)
Finance income		**5**	5
Loss before tax		**(4,422)**	(3,868)
Income tax benefit / (expense)		**-**	-
Loss for the period from continuing operations		**(4,422)**	(3,868)
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive loss for the period		**(4,422)**	(3,868)
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)	11	**(5.30)**	(5.30)
Diluted earnings per share (cents per share)	11	**(5.30)**	(5.30)

The accompanying notes form part of these financial statements.

Earnings per share for the period ended 31 December 2017 was restated in order for the calculation to incorporate the 20:1 share consolidation, which was completed on 3 December 2018.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	31-Dec-2018 $'000	30-Jun-2018 $'000
Assets			
Current			
Cash and cash equivalents	7	**1,955**	5,534
Trade and other receivables		**6,571**	5,133
Inventories	8	**6,906**	5,484
Prepayments		**1,295**	581
Biological assets	9	**42,963**	45,229
Current assets		**59,690**	61,961
Non-current			
Property, plant and equipment	10	**17,211**	16,500
Biological assets		**244**	244
Intangible assets		**2,957**	2,957
Non-current assets		**20,412**	19,701
TOTAL ASSETS		**80,102**	81,662
Liabilities			
Current			
Trade and other payables		**7,666**	6,504
Bank overdraft	7	**677**	-
Borrowings	14	**1,598**	622
Provisions		**901**	862
Current liabilities		**10,842**	7,988
Non-current			
Borrowings	14	**1,635**	1,727
Provisions		**208**	178
Non-current liabilities		**1,843**	1,905
TOTAL LIABILITIES		**12,685**	9,893
NET ASSETS		**67,417**	71,769
Equity			
Equity attributable to owners of the Parent:			
• share capital	15	**182,436**	182,345
• share rights reserve		**640**	661
• accumulated losses		**(115,659)**	(111,237)
TOTAL EQUITY		**67,417**	71,769

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

	Share Capital $'000	Share Rights Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Balance at 1 July 2018	**182,345**	**661**	**(111,237)**	**71,769**
Total comprehensive loss for the period	**-**	**-**	**(4,422)**	**(4,422)**
Share rights reserve movement	**91**	**(21)**	**-**	**70**
Balance at 31 December 2018	**182,436**	**640**	**(115,659)**	**67,417**

For the half-year ended 31 December 2017

	Share Capital $'000	Share Rights Reserve	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**

The accompanying notes form part of these financial statements

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Consolidated Statement of Cash Flows

For the half-year ended 31 December 2018

	Notes	31-Dec-2018 $'000	31-Dec-2017 $'000
Operating activities			
Receipts from customers		**21,048**	19,915
Payments to suppliers (excluding feed)		**(12,205)**	(10,647)
Payments for fish feed		**(5,583)**	(3,525)
Payments to employees		**(5,091)**	(3,933)
Net cash provided by/(used in) operating activities		**(1,831)**	1,810
Investing activities			
Purchase of property, plant and equipment		**(1,894)**	(2,566)
Interest received		**5**	4
Net cash used in investing activities		**(1,889)**	(2,562)
Financing activities			
Gross proceeds from issue of shares		**-**	17,656
Transaction costs related to issues of shares		**-**	(1,282)
Finance costs		**(63)**	(28)
Repayments of borrowings		**(473)**	(311)
Net cash provided by financing activities		**(536)**	16,035
Net change in cash and cash equivalents		**(4,256)**	15,283
Cash and cash equivalents, beginning of period		**5,534**	524
Cash and cash equivalents, end of period	7	**1,278**	15,807

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 ('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 12 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 2018 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 2018 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 2019.

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 2018 with the exception of the adoption of AASB 9 *Financial Instruments (2014)* and AASB 15 *Revenue from Contracts with Customers*.

The Group has adopted AASB 9 and AASB 15 at 1 July 2018. AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time and over time. AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

There have been no significant changes to the Group's financial performance and position as a result of the adoption of the new and amended accounting standards and interpretations effective for annual reporting periods beginning on or after 1 January 2018.

3.1 Revenue

AASB 15 provides new guidance for determining when the Group should recognise revenue. The new revenue recognition model is based on the principle that revenue is recognised when control of a good or service is transferred to a customer – either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, or how much revenue is recognised.

The Group's revenue is largely comprised of contracts with customers for the sale of fresh and frozen fish products. The Group has concluded that revenue from the sale should be recognised at the point in time when a customer obtain control of goods. Revenue is measured be reference to the fair value of consideration received or receivable, excluding sales taxes, rebates and trade discounts.

There has been no impact on the Group's previously reported financial performance or financial position following the adoption of AASB 15.

3.2 Financial Instruments

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement requirements.* AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedging and a new impairment model for financial assets. The Group adopted AASB 9 from 1 July 2018 and the standard has been applied retrospectively.

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)
- 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

AASB 9 introduces a new impairment model which requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses. The new model applies to the Group's trade receivables.

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 measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9.

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 2018.

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 2018 $'000	6 months to 31 December 2017 $'000
Sale of fresh finfish	**18,089**	16,664
Sale of frozen fish products	**3,496**	3,708
Total revenue	**21,585**	20,372

7 Cash and cash equivalents

	31-Dec-2018 $'000	30-Jun-2018 $'000
Cash at bank and in hand	**1,955**	5,534
Cash and cash equivalents in the statement of financial position	**1,955**	5,534
Bank overdraft used for cash management purposes	**(677)**	-
Cash and cash equivalents in the statement of cash flow	**1,278**	5,534

In January 2019, the Group secured a $2 million increase to the Trade Finance Facility with Commonwealth Bank of Australia, which increased the facility limit to $12 million. This is an ongoing facility subject to annual review and is secured against all Group assets. At 31 December 2018 this facility was drawn down by $0.68 million.

8 Inventories

	31-Dec-2018 $'000	30-Jun-2018 $'000
Frozen fish products	**4,556**	2,518
Fish feed	**2,114**	2,839
Other	**236**	127
Total inventories	**6,906**	5,484

9 Current Biological Assets – Live Fish

	6 months to 31 December 2018 $'000	12 months to 30 June 2018 $'000
Carrying amount at beginning of period / year	**45,229**	32,105
Adjusted for:		
Gain arising from physical changes at fair value less costs to sell	**16,499**	43,915
Decrease due to harvest for sale as fresh	**(14,089)**	(25,732)
Net gain recognised in profit and loss	**2,410**	18,183
Decrease due to harvest for processing to frozen inventory	**(4,676)**	(5,059)
Carrying amount at end of period / year	**42,963**	45,229

10 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 2018	**4,028**	**33,546**	**37,574**
Additions	**-**	**2,216**	**2,216**
Disposals	**-**	**-**	**-**
Balance at 31 December 2018	**4,028**	**35,762**	**39,790**
Depreciation and impairment			
Balance at 1 July 2018	**(1,403)**	**(19,671)**	**(21,074)**
Disposals	**-**	**-**	**-**
Depreciation	**(46)**	**(1,459)**	**(1,505)**
Balance at 31 December 2018	**(1,449)**	**(21,130)**	**(22,579)**
Carrying amount at 31 December 2018	**2,579**	**14,632**	**17,211**
Gross carrying amount			
Balance at 1 July 2017	3,913	28,607	32,520
Additions	115	4,939	5,054
Disposals	-	-	-
Balance at 30 June 2018	4,028	33,546	37,574
Depreciation and impairment			
Balance at 1 July 2017	(1,313)	(17,222)	(18,535)
Disposals	-	-	-
Depreciation	(90)	(2,449)	(2,539)
Balance at 30 June 2018	(1,403)	(19,671)	(21,074)
Carrying amount at 30 June 2018	2,625	13,875	16,500

11 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 31 December 2018	6 months to 31 December 2017
Weighted average number of shares used in basic earnings per share	**83,374,401**	72,916,933
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	**83,374,401**	72,916,933

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.

The weighted average number of shares used in basic and diluted earnings for the period ended 31 December 2017 has been restated in order for the calculation to incorporate the 20:1 share consolidation, which was completed on the 3 December 2018.

12 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 2018, 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 2018	**Finfish Sales $'000**	**Tuna Operations $'000**	**Unallocated $'000**	**Total $'000**
Segment revenues	**21,585**	**-**	**-**	**21,585**
Segment operating profit / (loss) before tax	**(4,205)**	**(160)**	**(57)**	**(4,422)**
Segment assets	**77,692**	**455**	**1,955**	**80,102**

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

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 31 December 2018 $'000	6 months to 31 December 2017 $'000
Profit or loss		
Total reporting segment operating loss before tax	**(4,365)**	(3,840)
Items not allocated	**-**	-
Group operating loss before finance items and tax	**(4,365)**	(3,840)
Finance costs	**(62)**	(33)
Finance income	**5**	5
Group loss before tax	**(4,422)**	(3,868)

13 Contingent assets and liabilities

The litigation against Gibson's Limited, trading as Skretting Australia, in respect of what the Company maintains were defective feeds supplied to the Company and fed to the Company's Yellowtail Kingfish between December 2008 and July 2012, continues. The interlocutory steps in the litigation have been completed with both parties having completed discovery and the exchange of initial and responding expert's reports on liability and quantum. Gibson's Limited, trading as Skretting Australia, is defending the proceedings and has denied all liability to the Group.

The trial has been scheduled to commence on 30 September 2019. A pre-trial mediation has been scheduled to commence on 28 February 2019 with the outcome expected to be known in early March 2019. The matter will proceed to trial if a satisfactory outcome cannot be achieved through the mediation process.

The Group also has unrecognised carry forward tax losses. This contingent asset is discussed in Note 8 to the financial statements in the 2017/18 Annual Report.

There are no other material contingent assets or liabilities.

14 Borrowings

Borrowings consist of the following:

	31-Dec-2018 $'000	30-Jun-2018 $'000
Current:		
• Finance lease	**494**	475
• Other – insurance premium funding	**1,104**	147
Total borrowings – current	**1,598**	622
Non-current:		
• Finance lease	**1,635**	1,727
Total borrowings – non-current	**1,635**	1,727

The Group has a $6.0 million (June 2018: $6.0 million) secured Lease Finance and Project Specific Asset Finance Facility with Commonwealth Bank of Australia, of which $2.1 million was utilised at 31 December 2018.

15 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.

	31-Dec-2018 Shares	30-Jun-2018 Shares	31-Dec-2018 $'000	30-Jun-2018 $'000
Shares issued and fully paid:				
• at beginning of the year	**1,667,314,190**	1,373,043,448	**182,345**	165,998
• consolidation of share capital (1:20)(i)	**(1,583,946,896)**	-	**-**	-
• share issue (ii)	**130,766**	294,270,742	**91**	16,347
Total contributed equity at 30 June	**83,498,060**	1,667,314,190	**182,436**	182,345

Notes:

(i) On 3 December 2018, the Group's shares were consolidated on a 1:20 basis.

(ii) On 21 December 2018, the Group issued 130,766 fully paid ordinary shares on the exercise of vested Share Rights.

16 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 2017/18 Annual Report. This valuation method satisfies the criteria for Level 2. At 31 December 2018 the Group has 3,189 tonnes of live fish held for sale valued at $42.9 million (June 2018: 3,606 tonnes valued at $45.2 million).

17 Capital Commitment

As at 31 December 2018 the Group has contracted for the purchase of various items of plant and equipment totalling $0.87 million [June 2018: $0.05 million].

18 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 2018 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 2019

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Independent Auditor's Review Report

To the Members of Clean Seas Seafood Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Clean Seas Seafood Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

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 2018 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 February 2019