

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 2020

(Comparative figures being the half-year ended 31 December 2019)

	Half-Year ended December 2020	Half-Year ended December 2019	Period Movement up/(down)	Period Movement up/(down)
	\$ '000	\$ '000	\$ '000	%
Revenue from ordinary activities	22,333	24,437	(2,104)	(9)
EBITDA	(19,286)	6,787	(26,073)	(384)
EBIT	(21,150)	5,101	(26,251)	(515)
Profit / (Loss) from ordinary activities before tax	(21,873)	4,596	(26,469)	(576)
Income tax credit / (expense)	-	-	-	-
Profit / (Loss) from ordinary activities after tax attributable to members	(21,873)	4,596	(26,469)	(576)
Net tangible asset backing per ordinary share	\$0.46	\$0.89		

	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 2020 loss has not been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2020. 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 2021 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 2020 annual financial report.



Clean Seas Seafood Limited
Interim Consolidated Financial Statements
For the half-year ended 31 December 2020
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 Entities ('the Group' or 'Clean Seas') for the half-year ended 31 December 2020.

Director details

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

- Mr. Travis Dillon – Chairman (Appointed 21 October 2020);
- Mr Marcus Stehr;
- Mr Gilbert Vergères;
- Mr Terry O'Brien (Resigned 20 October 2020);
- Mr Nick Burrows (Resigned 20 October 2020);
- Ms Raelene Murphy (Resigned 20 October 2020); and
- Mr David Head (Managing Director & CEO) (Retired 14 September 2020).

Company Secretary

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

- Ms Eryl Baron (Appointed 3 December 2020);
- Mr Rob Gratton; and
- Mr David Brown (Resigned 20 October 2020).

Review of operations and financial results

The Board and Management of Clean Seas report a statutory loss after tax for 1H FY21 of \$21.87 million, which compares to a statutory profit after tax of \$4.60 million in 1H FY20. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was a loss of \$5.10 million, which compared to a loss of \$1.34 million in 1H FY20.

Financial Performance	1H FY21	1H FY20	Change
Revenue (\$'000)	22,333	24,437	-9%
Volume (t)	1,444	1,406	3%
Operating Results¹			
Underlying Gross Profit (\$'000)	54	4,624	-4,570
Underlying EBITDA (\$'000)	(5,102)	(1,337)	-3,765
Revenue \$/kg	15.47	17.38	-1.91
Farmgate \$/k.g	12.27	13.41	-1.14
Production costs/kg	(12.23)	(10.13)	-2.10
Gross Profit/k.g	0.04	3.28	-3.24
Operating EBITDA/kg	(3.53)	(0.95)	-2.58
Production Metrics			
Net growth (tonnes)	696	1,069	-35%
Harvest volumes (tonnes)	1,748	1,600	9%
Closing Live Fish Biomass (tonnes)	3,394	3,621	-6%
Statutory Results			
Underlying Adjustments (\$'000)			
Impairment	(8,072)	-	
Restructuring costs	(1,381)	-	
Litigation Settlement & Expense	-	13,982	
AASB 141 SGARA and cost allocation	(4,731)	(5,858)	
Statutory EBITDA (\$'000)	(19,286)	6,787	-26,073
Statutory NPAT (\$'000)	(21,873)	4,596	-26,469
Cash Flow			
Receipts (\$'000)	20,179	24,578	-18%
Operating Cash Flow (\$'000)	(1,827)	(1,358)	-469

¹Underlying operating EBITDA in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by the Company's external auditors.

Financial Performance

Sales Volumes and Revenue

SALES PERFORMANCE SUMMARY			
Region	1H FY21	1H FY20	Change
Australia	781	779	0.3%
Europe	441	508	-13.2%
Americas	199	74	168.9%
Asia	23	45	-48.9%
Total sales volumes	1,444	1,406	2.7%
Group Revenue (\$'000)	22,333	24,437	-8.6%
<i>Sales revenue \$/k.g</i>	<i>15.47</i>	<i>17.38</i>	<i>-1.91</i>

Despite ongoing restrictions in certain markets, sales volumes for 1H FY21 of 1,444 tonnes exceeded 1H FY20 by 2.7% driven by diversification into new retail channels and markets, and from the recovery in existing restaurant business as restrictions eased in various markets around the world. Additionally, this sales result represents a substantial recovery on the 1,016 tonnes sold in 2H FY20.

The reduction in revenue \$/k.g by \$1.91 to \$15.47 reflects the Company's pivot into new markets and channels. To drive trials and establish long-term relationships with customers, Clean Seas has used surplus frozen inventory to accelerate channel diversification.

Australian sales volumes increased by 0.3% to 781 tonnes in 1H FY21 and represents 54% of total sales volumes for the period ending 31 December 2020. The result represents a significant achievement and demonstrates a growing awareness and demand for Kingfish in Australia, notwithstanding the ongoing disruptions caused by lockdowns and restrictions.

European sales benefitted from an easing of restrictions in Q1 FY21, however, during Q2 FY21 sales volumes contracted following the reinstatement of COVID-19 restrictions in various European markets from October. The lockdowns had a significant impact on the Fresh business; however, the development of new frozen channels has helped mitigate the decline in overall volumes.

Importantly, in North America, Clean Seas' sales volumes increased by 168.9% to 199 tonnes. This result was largely due to sales of 157 tonnes to Hofseth North America in support of retail launches in this market.

New Channels and Markets

Clean Seas' diversification into new channels and markets gained significant momentum in 1H FY21. The Company worked with its distribution partners in Australia and in Europe to open up new channels in mid-tier food service, retail and other home consumption channels. This resulted in new retail products being launched in supermarkets and specialty retail channels that had not previously featured Clean Seas' Kingfish. It has been particularly encouraging that as traditional high-end restaurant business has recovered, sales into these new channels have continued and been largely incremental to pre-COVID sales volumes, resulting in positive year-on-year growth versus pre-COVID levels as lockdowns have eased in specific markets.

In Clean Seas' major pre-COVID export market, Europe, the Company has successfully established a more significant customer base for its frozen products, utilising its innovative premium frozen technology, *SensoryFresh*. This has allowed Clean Seas to offset the higher airfreight charges as a result of COVID related transport disruptions. The development of these frozen channels and the use of seafreight brings the added benefit of a lower carbon footprint supply chain and further enhances Clean Seas' sustainability and environmental credentials.

The partnership with the Hofseth Group has developed strongly throughout 1H FY21. In support of significant retail and home meal kit launches, Clean Seas sold 157 tonnes (WWE) of Kingfish to Hofseth North America in September 2020. The expanding US sales footprint now has Clean Seas' Kingfish being sold across North America in over 250 stores (up from 80 at the time of the last shipment), in addition to now being in 3 leading home meal kit brands, and in a foodservice partnership with a leading national restaurant chain. These are all new channels in this market and the partnership represents a significant opportunity for Clean Seas to quickly reach the scale of operation that it needs to substantially reduce cost of production through leveraging its fixed costs and production assets.

Fish Health

In January 2021, Clean Seas reported that the Company had experienced an increase in fish mortalities within the Boston Bay marine leases. Clean Seas' other farming locations on the Spencer Gulf have been unaffected.

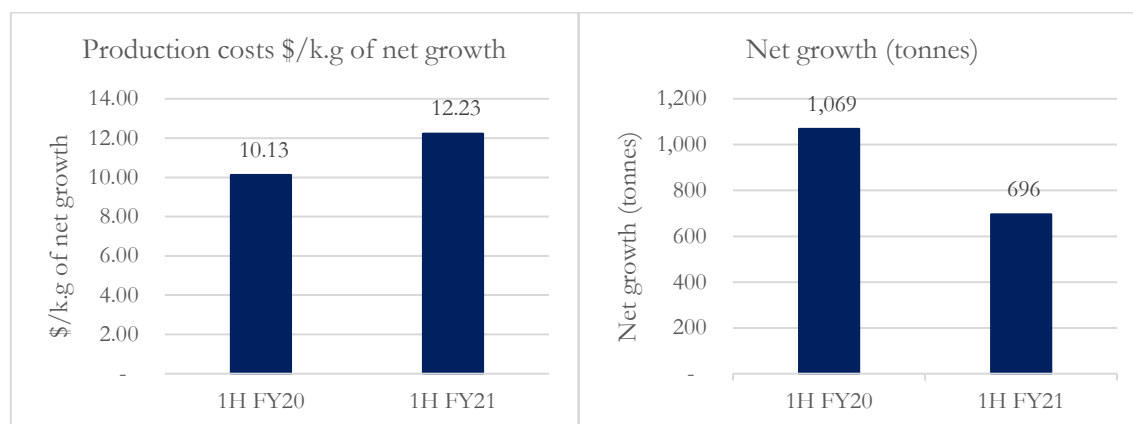
The Company has identified a range of contributing factors and taken multiple steps to mitigate the risk of further mortalities, including removing fish from the affected location. These measures have seen an improvement in fish health, however mortalities still remain elevated compared with historical levels.

The health of our fish is paramount and thus the Company continues to work closely with and take advice from our Veterinarian expert.

The Company increased its mortality provision by \$3.4 million in the 1H FY21 Financial Statements to reflect the increased level of mortalities.

Due to the COVID disruptions, Clean Seas currently has a surplus of live fish biomass and therefore does not expect any impact to sales volumes as a result of this production issue. The Company retains sufficient stocks of fish to service all current and forecast sales including those into the Company's new channels and markets.

Production & Overhead Costs



Clean Seas production costs comprise feed consumed (approximately 60%) and operating expenses for the Hatchery and Farms.

Production costs for 1H FY21 increased by \$2.10/k.g to \$12.23/k.g of net growth tonnes due to a number of factors, including:

- Surplus live fish biomass, which is contributing to an extended growout period;
- Decline in net growth tonnes for 1H FY21 (-35% compared to 1H FY20) due to a strategic COVID-19 driven decision to save cash by reducing Yr. Class 21 fingerling intake; and
- Increased mortalities due to fish health issues identified.

Due to an imbalance between sales and growth, in addition to the COVID-19 disruptions, Clean Seas has surplus live fish biomass and frozen inventory, which is contributing to an extended growout period. A longer growout contributes additional costs with only marginal returns. The Company has identified a number of projects to reduce farm and processing costs of production, and these projects, combined with increased scale from planned sales growth are expected to reduce costs of production and improve Clean Seas competitiveness in new and existing markets.

Clean Seas has made significant structural changes to reduce cost and promote efficiency, including the restructure of the Executive team, reducing the number of Board members and a consolidation of activities into its South Australian base. Overhead expenses, on an underlying basis, decreased from \$6.0 million in 1H FY20 to \$5.2 million in 1H FY21.

Underlying EBITDA

Reflecting the underlying performance of the business by excluding the impact of SGARA (\$4.7 million), Live Fish Impairment (\$8.1 million) and restructuring adjustments (\$1.4 million), underlying EBITDA declined by (\$3.7 million) to a loss of (\$5.1 million). Profitability has been impacted by an increase in production costs and a reduction in revenue/k.g due to increased price support provided to customer to open new markets and accelerate channel diversification.

Adjustment to underlying EBITDA include:

- **Impairment:** The \$8.07 million non-cash impairment reflects an increase in clearance inventory, lower expected future market prices and increased mortalities.
- **Restructuring costs:** In response to COVID-19, the Company identified a range of cost saving initiatives, which included a restructure of the executive team, which was a mixture of cash and non-cash items.
- **SGARA and cost allocation:** Live Fish biomass is accounted for in accordance with *AASB 141 'Agriculture'*.

Cash Flow

Cash flow summary (\$'000)	1H FY21	1H FY20	Change
Operating cash flow	(1,827)	(1,358)	-469
Investing cash flow	(1,630)	(865)	-765
Financing cash flow	(9,395)	17,837	-27,232
Net increase / (decrease) in cash held	(12,852)	15,614	-28,466

Operating cash flow

Cash receipts for 1H FY21 were \$20.2 million, an increase of \$2.1 million compared to 2H FY20, but down \$4.4 million on 1H FY20 (the comparison period). The improvement in cash receipts in comparison to 2H FY20 reflects improved operating conditions in Australia and the benefits of channel and market diversification.

Despite a \$4.4 million reduction in cash receipts in 1H FY21 due to COVID-19, operating cash flows only declined by \$0.5 million. The reduction in operating cash out flows was due to improved payment terms with key suppliers and a lower cost base following cost saving initiatives undertaken by the Company.

Investing cash flow

Clean Seas continued to invest in capex during the 1H FY21, which includes a split of maintenance and growth capex:

- Growth capex: \$0.5 million feed automation upgrade.
- Maintenance capex: \$1.13 million on new cages, nets, grid and vessel improvements.

Financing cash flow

Financing activities during 1H FY21 largely comprised the repayment of short-term seasonal debt.

During 1H FY20 Clean Seas completed a Convertible Note Issue (\$13.2 million net of costs) and Placement with Bonafide Wealth Management AG (\$6.4 million net of costs).

Funding

Current cash and undrawn facilities (\$m)	Dec-20	Jun-20	Change
Cash at bank	9.3	22.2	-12.9
Undrawn working capital facility	10.6	3.5	7.1
Undrawn senior debt facility	14.0	14.0	-
Undrawn asset finance facility	3.2	2.7	0.5
Total cash and undrawn facilities	37.1	42.4	-5.3

In December 2020, Clean Seas renewed its debt facility with the Commonwealth Bank of Australia and retained existing facility limits totalling \$32.15 million. These facilities will provide sufficient headroom for working capital and will fund planned capital investment projects, including those that will deliver increased production capacity and automation.

Since June 2020 cash and undrawn working capital facilities have decreased by \$5.8 million, which largely reflects the repayment of seasonal short-term debt.

Earnings Per Share

Basic (loss) / earnings per share was (19.76) cents in 1H FY21 and 5.17 cents in 1H FY20. Diluted (loss) / earnings per share was (19.76) cents in 1H FY21 and 5.05 cents in 1H FY20.

Dividend

No dividend has been declared.

Outlook

It is the Company's view that whilst the ongoing COVID-19 disruptions may reshape the timing of achieving its growth strategy, the ongoing entry into retail product distribution is expected to deliver long-term growth from new channels that will complement Clean Seas' existing restaurant and premium food service business.

The Company has the advantage of an exceptional product and importantly the Company has maintained a strong balance sheet throughout the pandemic and the capacity to leverage inventory for both strategic growth and as a source of funding during this period of uncertainty.

The Board has considered the material economic uncertainty associated with the COVID-19 pandemic and in assessing the potential financial impact on the Group's ability to generate positive cash flows, to comply with financial covenants and to meet debts as and when they fall due. At the date of this report, the Board is of the opinion that the Group will continue to manage the impacts of COVID-19 and will continue to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

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

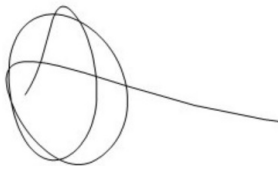
Auditor's Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 11 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.

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

Travis Dillon
Chairman

26 February 2021

Auditor's Independence Declaration

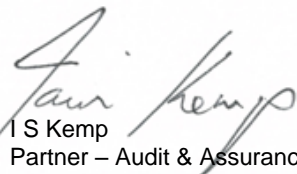
To the Directors of Clean Seas Seafood Limited

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 year ended 31 December 2020, 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



I S Kemp
Partner – Audit & Assurance

Adelaide, 26 February 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

	Notes	31-Dec-2020 \$'000	31-Dec-2019 \$'000
Revenue	6	22,333	24,437
Other income	7	1,215	15,122
Net (loss) / gain arising from changes in fair value of Yellowtail Kingfish	10	(2,364)	(1,250)
Fish husbandry expense		(12,225)	(12,911)
Employee benefits expense		(7,606)	(6,199)
Fish processing and selling expense		(5,681)	(5,697)
Costs of goods sold – frozen inventory		(5,292)	(4,368)
Impairment - biological assets & frozen inventory	9/10	(8,072)	-
Depreciation and amortisation	11/12	(1,864)	(1,686)
Other expenses		(1,594)	(2,347)
(Loss)/profit before finance items and tax		(21,150)	5,101
Finance costs		(728)	(508)
Finance income		5	3
(Loss)/profit before tax		(21,873)	4,596
Income tax benefit / (expense)		-	-
(Loss)/profit for the period from continuing operations		(21,873)	4,596
Other comprehensive income for the period, net of tax		-	-
(Loss)/profit comprehensive loss for the period		(21,873)	4,596
(Loss)/profit 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)	13	(19.76)	5.17
Diluted earnings per share (cents per share)	13	(19.76)	5.05

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31-Dec-2020 \$'000	30-Jun-2020 \$'000
Assets			
<i>Current</i>			
Cash and cash equivalents	8	9,317	22,169
Trade and other receivables		5,599	2,973
Inventories	9	14,652	10,891
Prepayments		604	1,072
Biological assets	10	31,422	49,783
Current assets		61,594	86,888
<i>Non-current</i>			
Property, plant and equipment	11	16,379	16,092
Right-of-use assets	12	408	539
Biological assets		244	244
Intangible assets		2,957	2,957
Non-current assets		19,988	19,832
TOTAL ASSETS		81,582	106,720
Liabilities			
<i>Current</i>			
Trade and other payables		10,627	6,423
Borrowings	16	2,920	10,925
Provisions		1,173	1,175
Current liabilities		14,720	18,523
<i>Non-current</i>			
Convertible notes	17	10,265	13,075
Borrowings	16	1,790	2,340
Provisions		262	324
Non-current liabilities		12,317	15,739
TOTAL LIABILITIES		27,037	34,262
NET ASSETS		54,545	72,458
Equity			
Equity attributable to owners of the Parent:			
• share capital	18	200,393	195,937
• share rights reserve		270	766
• accumulated losses		(146,118)	(124,245)
TOTAL EQUITY		54,545	72,458

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	Share Capital \$'000	Share Rights Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2020	195,937	766	(124,245)	72,458
Total comprehensive profit for the period	-	-	(21,873)	(21,873)
Share rights reserve movement	1,328	(496)	-	832
Convertible note converted to shares	2,925	-	-	2,925
STI paid via share issue	203	-	-	203
Balance at 31 December 2020	200,393	270	(146,118)	54,545

For the half-year ended 31 December 2019

	Share Capital \$'000	Share Rights Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2019	182,436	897	(109,791)	73,542
Total comprehensive profit for the period	-	-	4,596	4,596
Rights issue and placement	6,408	-	-	6,408
Share rights reserve movement	475	(193)	-	282
Balance at 31 December 2019	189,319	704	(105,195)	84,828

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

	Notes	31-Dec-2020 \$'000	31-Dec-2019 \$'000
Operating activities			
Receipts from customers		20,179	24,578
Payments to suppliers (excluding feed)		(13,137)	(14,101)
Payments for fish feed		(4,279)	(6,718)
Payments to employees		(6,064)	(5,134)
Government grants received		1,254	17
Insurance proceeds received		220	-
Net cash used in operating activities		(1,827)	(1,358)
Investing activities			
Purchase of property, plant and equipment		(1,635)	(868)
Interest received		5	3
Net cash used in investing activities		(1,630)	(865)
Financing activities			
Gross proceeds from issue of shares		-	6,600
Transaction costs related to issues of shares		(26)	(192)
Gross proceeds from issue of convertible notes		-	13,869
Transaction costs related to issues of convertible notes		-	(651)
Proceeds from borrowings		1,378	-
Repayments of borrowings		(10,038)	(1,450)
Finance costs		(709)	(339)
Net cash (used in) / provided by financing activities		(9,395)	17,837
Net change in cash and cash equivalents		(12,852)	15,614
Cash and cash equivalents, beginning of period		22,169	(6,271)
Cash and cash equivalents, end of period	8	9,317	9,343

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 subsidiaries' ('the Group') principal activities include finfish sales and tuna operations. These activities comprise the following:

- Finfish sales – The propagation, growout and sale of Yellowtail Kingfish; and
- Tuna operations – Research and development activities 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 14 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 2020 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 2020 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 26 February 2021.

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 2020.

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 2020.

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 2020 \$'000	6 months to 31 December 2019 \$'000
Sale of fresh finfish	16,067	19,757
Sale of frozen fish products	6,266	4,680
Total revenue	22,333	24,437

7 Other income

	6 months to 31 December 2020 \$'000	6 months to 31 December 2019 \$'000
Litigation settlement	-	15,000
Government Stimulus (Jobkeeper)	978	-
Diesel fuel rebate	79	65
Other income	158	57
Total other income	1,215	15,122

From April 2020, the Group qualified for Jobkeeper for certain qualifying employees. For the period ending 31 December 2020 the Group had recognised other income of \$0.98 million.

On the 23 December 2019, the Group's legal action against Gibson's Ltd in respect of what the Company alleged, and Gibson's Ltd denied, was defective feed supplied to the Company and fed to the Company's Yellowtail Kingfish between December 2008 and July 2012 was settled for a payment to the Company for \$15 million inclusive of costs. The payment was received in full on 16 January 2020.

8 Cash and cash equivalents

	31-Dec-2020 \$'000	30-Jun-2020 \$'000
Cash and cash equivalents	9,317	22,169
Total cash and cash equivalents	9,317	22,169

9 Inventories

	31-Dec-2020 \$'000	30-Jun-2020 \$'000
Frozen fish products	12,736	15,352
(Less) impairment	(366)	(6,713)
Frozen fish products (at NRV)	12,370	8,639
Fish feed (at cost)	1,847	1,665
Other (at cost)	435	587
Total inventories	14,652	10,891

At 31 December 2020, the Group recognised an impairment of \$0.37 million to ensure that inventory is stated at the lower of cost and net realisable value (NRV). Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date.

10 Current Biological Assets – Live Fish

	6 months to 31 December 2020 \$'000	12 months to 30 June 2020 \$'000
Live Yellowtail Kingfish – Held for Sale		
Carrying amount at beginning of period / year	49,783	56,585
Adjusted for:		
Gain arising from physical changes at fair value less costs to sell	10,276	44,312
Decrease due to harvest for sale as fresh	(12,640)	(25,801)
Net (loss) / gain recognised in profit and loss	(2,364)	18,511
Decrease due to impairment	(7,706)	(9,100)
Decrease due to harvest for processing to frozen inventory	(8,291)	(16,213)
Carrying amount at end of period / year	31,422	49,783

At 31 December 2020, the Group recognised an impairment of \$7.7 million to ensure that Live fish inventory is stated at fair value in accordance with *AASB 141 Agriculture*.

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

11 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 2020	4,244	39,152	43,396
Additions	-	2,020	2,020
Disposals	-	-	-
Balance at 31 December 2020	4,244	41,172	45,416
Depreciation and impairment			
Balance at 1 July 2020	(1,667)	(25,637)	(27,304)
Disposals	-	-	-
Depreciation	(82)	(1,651)	(1,733)
Balance at 31 December 2020	(1,749)	(27,288)	(29,037)
Carrying amount at 31 December 2020	2,495	13,884	16,379
Gross carrying amount			
Balance 1 July 2019	4,186	36,836	41,022
Additions	58	2,316	2,374
Disposals	-	-	-
Balance 30 June 2020	4,244	39,152	43,396
Depreciation and impairment			
Balance 1 July 2019	(1,504)	(22,649)	(24,153)
Disposals	-	-	-
Depreciation	(163)	(2,988)	(3,151)
Balance 30 June 2020	(1,667)	(25,637)	(27,304)
Carrying amount 30 June 2020	2,577	13,515	16,092

12 Right-of-use assets

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

	31-Dec-2020 \$'000	30-Jun-2020 \$'000
Gross carrying amount		
Opening balance	829	560
Additions	-	-
Remeasure lease	-	269
Total at end of period / year	829	829
Amortisation and impairment		
Balance at 1 July 2020	(290)	-
Amortisation	(131)	(290)
Total at end of period / year	(421)	(290)
Carrying amount at end of period / year	408	539

The main leased site is the Royal Park processing plant in Adelaide, South Australia. The lease has a minimum term of 4 years to March 2021 with subsequent renewal options of 2 years, 3 years and 3 years and includes a right of first refusal to purchase.

In June 2020, the Group remeasured the Royal Park lease to include the renewal option of 2 years and gave notice of termination for its Melbourne office.

13 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 2020	6 months to 31 December 2019
Weighted average number of shares used in basic earnings per share	110,673,771	88,860,052
Shares deemed to be issued for no consideration in respect of share based payments	-	5,116,267
Weighted average number of shares used in diluted earnings per share	110,673,771	93,976,319

The potential exercise of share rights has been excluded from the diluted earnings per share calculation for 6 months to 31 December 2020 due to being antidilutive, in accordance with *IASB 133 Earnings Per Share*, paragraph 43. This was not applicable for the 6 months to 31 December 2019.

14 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 2020, 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 2020	Finfish Sales \$'000	Tuna Operations \$'000	Unallocated \$'000	Total \$'000
Segment revenues	22,333	-	-	22,333
Segment operating loss before tax	(21,002)	(148)	(723)	(21,873)
Segment assets	71,810	455	9,317	81,582

6 months to 31 December 2019	Finfish Sales \$'000	Tuna Operations \$'000	Unallocated \$'000	Total \$'000
Segment revenues	24,437	-	-	24,437
Segment operating profit / (loss) before tax	5,253	(152)	(505)	4,596
Segment assets	88,445	455	24,343	113,243

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 2020 \$'000	6 months to 31 December 2019 \$'000
Profit or loss		
Total reporting segment operating (loss)/profit before tax	(21,150)	5,101
Items not allocated	-	-
Group operating (loss)/profit before finance items and tax	(21,150)	5,101
Finance costs	(728)	(508)
Finance income	5	3
Group (loss)/profit before tax	(21,873)	4,596

15 Contingent assets and liabilities

The Group also has unrecognised carry forward tax losses. This contingent asset is discussed in Note 9 to the financial statements in the 2019/20 Annual Report.

There are no other material contingent assets or liabilities.

16 Borrowings

Borrowings consist of the following:

	31-Dec-2020 \$'000	30-Jun-2020 \$'000
Current:		
• Trade Finance Facility	1,363	8,496
• Lease liabilities – bank	1,242	1,304
• Lease liabilities – other	210	249
• Insurance premium funding	105	876
Total borrowings – current	2,920	10,925
Non-current:		
• Lease liabilities – bank	1,565	2,029
• Lease liabilities – other	225	311
Total borrowings – non-current	1,790	2,340

In December 2020, the Group renewed its Finance Facility with Commonwealth Bank of Australia, with a facility limit to \$32.15 million. The Finance Facility comprises \$12 million Trade Finance Facility, \$14 million Market Rate Loan Facility, \$6 million Equipment Finance Facility and \$150,000 Corporate Card Facility. This is an ongoing facility subject to annual review and is secured against all Group assets.

As at 31 December 2020, the Group had utilised \$1.3 million of the \$12 million Trade Finance Facility.

The Group is subject to financial covenants, including operating cash flows and current ratio, which are reviewed quarterly. The Group was compliant with all its covenants as at 31 December 2020.

17 Convertible notes

	31-Dec-2020 \$'000	30-Jun-2020 \$'000
Convertible notes:		
• at beginning of period / year	13,770	15,403
• conversions to shares during period / year	(2,925)	(1,633)
Total convertible notes at end of period / year	10,845	13,770
Transaction costs capitalised:		
• at beginning of period / year	(695)	-
• transaction costs capitalised during period / year	(30)	(854)
• transaction costs amortised during period / year	145	159
Total transaction costs at end of period / year	(580)	(695)
Total convertible notes (net of transaction costs) at end of period / year	10,265	13,075

The Company issued 15,403,097 convertible notes with a face value of \$1.00 each. The interest rate payable to Noteholders is 8% per annum payable half yearly in arrears. The convertible notes are due to mature on 22 November 2022. Noteholders have the right to convert some or all of their Notes to Shares on a quarterly basis before the maturity date. Notes are issued in accordance with the prospectus dated 15 October 2019. The Notes are unsecured, but rank ahead of shares in a wind up. During the period to December 2020, 2,924,997 notes were converted into shares. Subsequent to 31 December 2020 a further 365,893 convertible notes were converted to 481,090 shares.

The costs associated with the notes are amortised to the profit and loss over the term of the notes.

18 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-2020 Shares	30-Jun-2020 Shares	31-Dec-2020 \$'000	30-Jun-2020 \$'000
Shares issued and fully paid:				
• at beginning of the year	105,977,370	83,498,060	195,937	182,436
• share placements (i)	-	18,241,506	-	11,393
• convertible notes	5,565,732	3,558,905	2,925	1,633
• STI paid via equity	369,649	-	203	-
• share rights	1,296,874	678,899	1,328	475
Total contributed equity	113,209,625	105,977,370	200,393	195,937

Notes:

- (i) Share Placement with Hofseth & Nevera LLC and Bonafide Wealth Management.

19 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 2019/20 Annual Report. This valuation method satisfies the criteria for Level 2. At 31 December 2020 the Group has 3,394 tonnes of live fish held for sale valued at \$31.4 million (June 2020: 4,435 tonnes valued at \$49.8 million).

20 Capital Commitment

As at 31 December 2020 the Group has contracted for the purchase of various items of plant and equipment totalling \$0.67 million [June 2020: \$0.78 million].

21 Post-reporting date events

Subsequent to 31 December 2020 a further 365,893 convertible notes were converted to 481,090 shares.

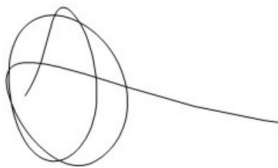
There are no other matters or circumstances that have arisen between the reporting date and the date of authorisation that have significantly affected or may significantly affect either:

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

Directors' Declaration

- 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 2020 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:

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

Travis Dillon
Chairman

Dated the 26th day of February 2021

Independent Auditor's 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 2020, 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 Group as at 31 December 2020, 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 Group's financial position as at 31 December 2020 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.

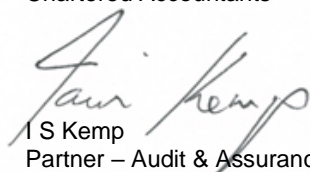
A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards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



I S Kemp
Partner – Audit & Assurance

Adelaide, 26 February 2021