



ASX Announcement | 28 February 2022

Seafarms Group Limited (ASX: SFG)

SFG ASX Announcement No: 720

## Seafarms Group Limited Results for the Half-Year ended 31 December 2021

Attached is the Seafarms Group Limited Report for the half-year ended 31 December 2021 including ASX Appendix 4D.

Ends.

Authorised by the Board of Seafarms Group Limited.

For further information, please contact:

### Seafarms Group

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Company Secretary  
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### About Seafarms Group

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

**Seafarms Group Limited**  
ABN 50 009 317 846

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Darwin, NT 0800, Australia  
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# **Seafarms Group Limited**

ABN 50 009 317 846

## **Interim financial report for the half-year 31 December 2021**

# Seafarms Group Limited

## Appendix 4D

### Half-year 31 December 2021

Name of entity  
Seafarms Group Limited

ABN or equivalent company  
reference

ABN 50 009 317 846

Half-year

31 December 2021

(Previous corresponding period: 31 December 2020)

#### Results for announcement to the market

|   |      | %      |    | \$           |
|---|------|--------|----|--------------|
| Revenue from ordinary activities                                | Up   | 2.96   | to | 15,379,722   |
| Net loss for the period attributable to members                 | Down | 187.93 | to | (36,885,319) |
| Loss from ordinary activities after tax attributable to members | Down | 187.93 | to | (36,885,319) |

#### Dividends / distributions

|  | Amount per<br>security             | Franked<br>amount per<br>security  |
|--|------------------------------------|------------------------------------|
| Final dividend (per share)             | -                                  | -                                  |
| Interim dividend                       | -                                  | -                                  |
|  | <b>31 December<br/>2021<br/>\$</b> | <b>31 December<br/>2020<br/>\$</b> |
| Net tangible asset backing (per share) | <b>0.02</b>                        | <b>0.01</b>                        |

# Seafarms Group Limited

ABN 50 009 317 846

## Interim financial report - 31 December 2021

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This financial report covers the consolidated financial statements for the consolidated entity consisting of Seafarms Group Limited ("the Company") and its subsidiaries (together referred to as "the Group"). The financial report is presented in the Australian currency.

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

Seafarms Group Limited  
Level 6, 66 Smith Street  
Darwin, NT 0800

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on page 2 which is not part of this financial report.

The financial report was authorised for issue by the Directors on 28 February 2022.

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

|   |  |
|---|--|
| <b>Directors</b>                                | Michael Peter McMahon<br><i>Executive Chairman</i><br>Ian Brannan<br>Ian Norman Trahar B.Ec, MBA<br>Paul John Favretto LL.B.<br>Hisami Sakai<br>Naoto Sato               |
| <b>Secretary</b>                                | Ian Brannan  |
| <b>Principal registered office in Australia</b> | Level 6, 66 Smith Street<br>Darwin, NT 0800<br>(08) 9216 5200  |
| <b>Share register</b>                           | Computershare Investor Services Pty Limited<br>GPO Box D182<br>Perth, WA 6000<br>(08) 9323 2000  |
| <b>Auditor</b>                                  | Deloitte Touche Tohmatsu<br>Chartered Accountants<br>Level 11, 24 Mitchell Street<br>Darwin NT 0800  |
| <b>Bankers</b>                                  | HSBC Bank Australia Limited<br>190 St Georges Terrace<br>Perth, WA 6000<br><br>Australia and New Zealand Banking Group Limited<br>77 St Georges Terrace<br>Perth WA 6000 |
| <b>Stock exchange listings</b>                  | Seafarms Group Limited shares are listed on the<br>Australian Securities Exchange.<br>ASX code - SFG.  |
| <b>Website</b>                                  | <a href="http://www.seafarms.com.au">www.seafarms.com.au</a>   |

## Directors' report

### Directors

The following persons held office as Directors of Seafarms Group Limited during the financial period:

Michael Peter McMahon (appointed 29 October 2021)  
 Ian Brannan (appointed 29 October 2021)  
 Harley Ronald Whitcombe (resigned 29 October 2021)  
 Ian Norman Trahar  
 Dr Christopher David Mitchell (resigned 30 November 2021)  
 Paul John Favretto (resigned 28 January 2022)  
 Hisami Sakai  
 Naoto Sato

The above-named Directors held office during and since the end of the half-year unless otherwise stated.

### Company financial performance

The overall financial performance during the first half of the 2022 financial year reflects the investment being made by the Group in pursuing its expansion in aquaculture operations.

|  | <b>Consolidated</b> |              |
|--|---------------------|--------------|
|  | <b>Half-year</b>    |              |
|  | <b>31 December</b>  | 31 December  |
|  | <b>2021</b>         | 2020         |
|  | <b>\$</b>           | <b>\$</b>    |
| Total Revenue                                | <b>15,379,722</b>   | 14,937,260   |
| Net loss before and after tax for the period | <b>(36,885,319)</b> | (12,810,687) |
| <b>Add back:</b>                             |                     |              |
| Finance expenses                             | <b>1,818,735</b>    | 2,158,306    |
| Earnings before interest and tax (EBIT)      | <b>(35,066,584)</b> | (10,652,381) |
| Cash and cash equivalents                    | <b>69,991,695</b>   | 5,522,921    |

The Directors do not believe that they are able to provide any further comment or predictions on the Group's future financial performance other than what is included in the Group's ASX releases.

### Review of operations

#### *Operating results*

The Group's six months of the financial year 2022 net loss after tax of \$36,885,319 was \$24,074,632 higher than prior period primarily due to the \$23,325,187 of the Project Sea Dragon (PSD) Pre-Development expenses.

Cash and cash equivalents increased to \$69,991,695 (30 June 2021: \$497,112) due to raising in equity. A total of \$132,786,705 was raised during the year and options exercised to a value of \$43,762. In addition, in August 2021, two related party loans were converted to equity and raised the total of \$22,760,000.

Basic loss per share from continuing operations for the six months was 0.85 cents (31 December 2020: 0.53 cents loss).

#### *Queensland Operations*

Seafarms Queensland Pty Ltd has the capacity to operate 132.5 hectares of prawn production ponds in Cardwell and Ingham (far North Queensland) where it produces up to 1,700 metric tonnes of black tiger and banana prawns that are distributed to Australian retailers and the domestic food service industry.

## **Review of operations (continued)**

### *Queensland Operations (continued)*

Revenue from the Queensland operations for the six months was up 2.96% to \$15,379,722 (31 December 2020: \$14,937,260).

### *Project Sea Dragon*

Construction progressively mobilised through the first half of FY22. The Board provided a cost update to the market in October 2021 as well as an update on the financing on the 1 November 2021. Also, on the 1st November, the Board announced to the market that a review of Project Sea Dragon was being commenced. The outcomes of the review will be disclosed to the market in March 2022.

Legume grow out construction continued until Christmas before being suspended for the wet season until the end of March 2022. This suspension is in line with contractual agreements. The main construction has been at Legune in the Northern Territory. Currently there are 21 x 1ha nursery ponds under construction with 8 of those ponds having embankments at full height. Work on the pre-cast pond inlet and outlet structures in Darwin are progressing. Additionally, earthworks for Farm 1, access roads, the seawater intake and the settlement pond has commenced with over 300 hectares cleared to date.

There is domestic and international demand for high quality product and the initial focus for Project Sea Dragon is on the ability to meet high specification requirements in export markets. Critical for the project is meeting export cost and price points. The project review is also examining lower cost and lower capital options to deliver product to market in the early phases at the same time corroborating managements key operating assumptions.

A number of workstreams were commenced covering all elements of the value chain, construction costs and operational capability.

The review was broadened to include the existing Queensland operations and how they complement Project Sea Dragon. All underlying principles, critical assumptions and economics have been challenged.

### *Covid-19*

The pandemic continued to influence the environment within which the company operated during the half-year. Border closures, lockdowns and changes to regulations resulted in interrupted interstate travel and distribution.

## **Significant changes in the state of affairs**

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

## **Matters subsequent to the end of the financial period**

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

## **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

**Seafarms Group Limited**  
**Directors' report**  
**31 December 2021**  
(continued)

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

On behalf of the Directors.



Michael Peter McMahon  
Executive Chairman  
28 February 2022

The Board of Directors  
Seafarms Group Limited  
Level 6, 66 Smith Street  
Darwin, NT 0800

25 February 2022

Dear Board Members

**Seafarms Group Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Seafarms Group Limited.

As lead audit partner for the review of the half year financial report of Seafarms Group Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Malvin Prasad  
Partner  
Chartered Accountants

**Seafarms Group Limited**  
**Condensed consolidated statement of profit or loss and other comprehensive loss**  
**For the half-year 31 December 2021**

|  |              | <b>Consolidated<br/>Half-year</b> |                             |
|--|--------------|-----------------------------------|-----------------------------|
|  |              | <b>31 December<br/>2021</b>       | <b>31 December<br/>2020</b> |
|  | <b>Notes</b> | <b>\$</b>                         | <b>\$</b>                   |
| <b>Revenue from continuing operations</b>              |              | <b>15,379,722</b>                 | 14,937,260                  |
| Other gains**  |              | -                                 | 1,388,700                   |
| Other income   |              | <b>33,665</b>                     | 4,930                       |
| Fair value adjustment of biological assets             |              | <b>(24,658)</b>                   | 296,926                     |
| Net realisable value adjustment of finished goods      |              | <b>(1,447,353)</b>                | (1,499,114)                 |
| Cost of goods sold                                     |              | <b>(13,643,119)</b>               | (13,752,750)                |
| Employee benefits expense                              |              | <b>(3,081,295)</b>                | (3,261,049)                 |
| Depreciation and amortisation expense                  |              | <b>(1,989,041)</b>                | (2,037,218)                 |
| Consulting expense                                     |              | <b>(1,499,899)</b>                | (2,031,179)                 |
| Legal fees   |              | <b>(621,327)</b>                  | (1,469,964)                 |
| Travel   |              | <b>(171,352)</b>                  | (78,180)                    |
| Insurance  |              | <b>(653,963)</b>                  | (654,445)                   |
| Rent   |              | <b>(13,750)</b>                   | (20,065)                    |
| Research and development                               |              | <b>(267,099)</b>                  | (517,993)                   |
| Marketing  |              | <b>(69,378)</b>                   | (4,556)                     |
| Founder Stock Centre*                                  |              | <b>(1,021,503)</b>                | (1,318,761)                 |
| PSD Pre-Development expenses                           | 4            | <b>(23,325,187)</b>               | -                           |
| Impairment losses                                      | 6            | <b>(1,440,612)</b>                | -                           |
| Other expenses   |              | <b>(1,210,435)</b>                | (634,923)                   |
| Finance costs  |              | <b>(1,818,735)</b>                | (2,158,306)                 |
| <b>Loss before and after income tax for the period</b> |              | <b>(36,885,319)</b>               | (12,810,687)                |

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

**Seafarms Group Limited**  
**Condensed consolidated statement of profit or loss and other comprehensive loss**  
**For the half-year 31 December 2021**  
(continued)

|   | <b>Consolidated<br/>Half-year<br/>31 December<br/>2021<br/>\$</b> | 31 December<br>2020<br>\$ |
|---|---|---------------------------|
| <b>Loss for the period</b>  | <b>(36,885,319)</b>   | (12,810,687)              |
| <b>Other comprehensive (loss)/income</b><br><i>Items that may be reclassified to profit or loss</i> |   |                           |
| <b>Other comprehensive (loss)/income for the period, net of tax</b>                                 | <u>-</u>  | <u>-</u>                  |
| <b>Total comprehensive loss for the period</b>  | <u><b>(36,885,319)</b></u>  | <u>(12,810,687)</u>       |
| Total comprehensive loss for the period is attributable to:   |   |                           |
| Owners of Seafarms Group Limited  | <u><b>(36,885,319)</b></u>  | <u>(12,810,687)</u>       |
|   | <b>Cents</b>  | Cents                     |
| <b>Loss per share from operations attributable to the ordinary equity holders of the Company:</b>   |   |                           |
| Basic loss per share  | <b>(0.85)</b>   | (0.53)                    |
| Diluted loss per share  | <b>(0.85)</b>   | (0.53)                    |

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

**Seafarms Group Limited**  
**Condensed consolidated statement of financial position**  
**As at 31 December 2021**

|                                      |       | <b>Consolidated</b>  |               |
|--------------------------------------|-------|----------------------|---------------|
|                                      |       | <b>31 December</b>   | 30 June       |
|                                      |       | <b>2021</b>          | 2021          |
|                                      | Notes | \$                   | \$            |
| <b>ASSETS</b>                        |       |                      |               |
| <b>Current assets</b>                |       |                      |               |
| Cash and cash equivalents            | 7     | <b>69,991,695</b>    | 497,112       |
| Trade and other receivables          |       | <b>5,555,218</b>     | 2,040,581     |
| Inventories                          |       | <b>2,972,823</b>     | 10,321,864    |
| Other current assets                 |       | <b>1,141,206</b>     | 1,061,672     |
| Biological assets                    | 10    | <b>3,345,218</b>     | 2,223,845     |
| <b>Total current assets</b>          |       | <b>83,006,160</b>    | 16,145,074    |
| <b>Non-current assets</b>            |       |                      |               |
| Property, plant and equipment        |       | <b>30,108,709</b>    | 21,938,951    |
| Right-of-use assets                  |       | <b>20,652,983</b>    | 21,122,764    |
| Other non-current assets             |       | <b>5,000,000</b>     | 5,000,000     |
| <b>Total non-current assets</b>      |       | <b>55,761,692</b>    | 48,061,715    |
| <b>Total assets</b>                  |       | <b>138,767,852</b>   | 64,206,789    |
| <b>LIABILITIES</b>                   |       |                      |               |
| <b>Current liabilities</b>           |       |                      |               |
| Trade and other payables             |       | <b>15,596,854</b>    | 9,165,278     |
| Borrowings                           | 8     | <b>5,743,589</b>     | 27,062,934    |
| Lease liabilities                    |       | <b>745,792</b>       | 2,834,462     |
| Provisions                           |       | <b>1,236,874</b>     | 1,558,977     |
| <b>Total current liabilities</b>     |       | <b>23,323,109</b>    | 40,621,651    |
| <b>Non-current liabilities</b>       |       |                      |               |
| Lease liabilities                    |       | <b>18,044,744</b>    | 18,382,047    |
| Provisions                           |       | <b>269,600</b>       | 169,261       |
| <b>Total non-current liabilities</b> |       | <b>18,314,344</b>    | 18,551,308    |
| <b>Total liabilities</b>             |       | <b>41,637,453</b>    | 59,172,959    |
| <b>Net assets</b>                    |       | <b>97,130,399</b>    | 5,033,830     |
| <b>EQUITY</b>                        |       |                      |               |
| Contributed equity                   |       | <b>300,866,047</b>   | 172,421,944   |
| Other reserves                       | 9(a)  | <b>12,555,222</b>    | 12,017,437    |
| Accumulated losses                   |       | <b>(216,290,870)</b> | (179,405,551) |
| <b>Total equity</b>                  |       | <b>97,130,399</b>    | 5,033,830     |

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

**Seafarms Group Limited**  
**Condensed consolidated statement of changes in equity**  
**For the half-year 31 December 2021**

| <b>Consolidated</b>   | <b>Issued capital<br/>\$</b> | <b>Other equity*<br/>\$</b> | <b>Share-based payments reserve<br/>\$</b> | <b>Options premium reserve<br/>\$</b> | <b>Financial assets revaluation reserve<br/>\$</b> | <b>Accumulated losses<br/>\$</b> | <b>Total equity<br/>\$</b> |
|---|------------------------------|-----------------------------|--|---------------------------------------|--|----------------------------------|----------------------------|
| <b>Balance at 1 July 2020</b>   | 169,793,845                  | 2,261,000                   | 10,371,472                                 | 1,670,705                             | (24,740)   | (153,650,005)                    | 30,422,277                 |
| Loss for the period   | -                            | -                           | -  | -                                     | -  | (12,810,687)                     | (12,810,687)               |
| <b>Total comprehensive loss for the period</b>                                  | -                            | -                           | -  | -                                     | -  | <b>(12,810,687)</b>              | <b>(12,810,687)</b>        |
| Contributions of equity & debt equity conversion net of transaction costs & tax | 21,182                       | -                           | -  | -                                     | -  | -                                | 21,182                     |
| <b>Balance at 31 December 2020</b>  | <b>169,815,027</b>           | <b>2,261,000</b>            | <b>10,371,472</b>                          | <b>1,670,705</b>                      | <b>(24,740)</b>                                    | <b>(166,460,692)</b>             | <b>17,632,772</b>          |
| <b>Consolidated</b>   | <b>Issued capital<br/>\$</b> | <b>Other equity*<br/>\$</b> | <b>Share-based payments reserve<br/>\$</b> | <b>Options premium reserve<br/>\$</b> | <b>Financial assets revaluation reserve<br/>\$</b> | <b>Accumulated losses<br/>\$</b> | <b>Total equity<br/>\$</b> |
| <b>Balance at 1 July 2021</b>   | 169,830,626                  | 2,591,318                   | 10,371,472                                 | 1,670,705                             | (24,740)   | (179,405,551)                    | 5,033,830                  |
| Loss for the period   | -                            | -                           | -  | -                                     | -  | (36,885,319)                     | (36,885,319)               |
| <b>Total comprehensive loss for the period</b>                                  | -                            | -                           | -  | -                                     | -  | <b>(36,885,319)</b>              | <b>(36,885,319)</b>        |
| Contributions of equity & debt equity conversion net of transaction costs & tax | 128,722,428                  | -                           | -  | -                                     | -  | -                                | 128,722,428                |
| Value of conversion rights on convertible loan                                  | -                            | (278,325)                   | -  | -                                     | -  | -                                | (278,325)                  |
| Employee share schemes - value of employee services                             | -                            | -                           | 537,785                                    | -                                     | -  | -                                | 537,785                    |
|   | 128,722,428                  | (278,325)                   | 537,785                                    | -                                     | -  | -                                | 128,981,888                |
| <b>Balance at 31 December 2021</b>  | <b>298,553,054</b>           | <b>2,312,993</b>            | <b>10,909,257</b>                          | <b>1,670,705</b>                      | <b>(24,740)</b>                                    | <b>(216,290,870)</b>             | <b>97,130,399</b>          |

\* The amount shown for other equity is the value of the conversion rights relating to the Avatar Finance Pty Ltd convertible loan. The fair value of equity was determined using an option price model. This is recognised and included in shareholder's equity. The amount recorded as capital distribution represents the difference between the face value of the loan and the fair value of the convertible loan instrument (including the loan and conversion right). Refer note 8 and note 9 for further detail.

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

**Seafarms Group Limited**  
**Condensed consolidated statement of cash flows**  
**For the half-year 31 December 2021**

|   | <b>Consolidated<br/>Half-year</b> |                     |
|---|-----------------------------------|---------------------|
|   | <b>31 December<br/>2021</b>       | 31 December<br>2020 |
|   | \$                                | \$                  |
| <b>Cash flows from operating activities</b>                               |                                   |                     |
| Receipts from customers (inclusive of goods and services tax)             | <b>13,436,433</b>                 | 11,769,094          |
| Payments to suppliers and employees (inclusive of goods and services tax) | <b>(11,459,050)</b>               | (16,031,295)        |
| Payments to suppliers for PSD Pre-Development expenses                    | <b>(23,325,187)</b>               | -                   |
|   | <b>(21,347,804)</b>               | (4,262,201)         |
| Interest paid   | <b>(1,639,339)</b>                | (1,178,480)         |
| <b>Net cash outflow from operating activities</b>                         | <b>(22,987,143)</b>               | (5,440,681)         |
| <b>Cash flows from investing activities</b>                               |                                   |                     |
| Purchase of property, plant and equipment                                 | <b>(11,080,573)</b>               | (465,574)           |
| <b>Net cash outflow from investing activities</b>                         | <b>(11,080,573)</b>               | (465,574)           |
| <b>Cash flows from financing activities</b>                               |                                   |                     |
| Proceeds from issue of shares   | <b>105,962,429</b>                | 21,178              |
| Proceeds from borrowings  | <b>1,485,310</b>                  | 7,000,000           |
| Repayment of borrowings   | <b>(1,045,084)</b>                | (632,599)           |
| Lease payments  | <b>(2,840,356)</b>                | (1,425,458)         |
| <b>Net cash inflow from financing activities</b>                          | <b>103,562,299</b>                | 4,963,121           |
| <b>Net increase/(decrease) in cash and cash equivalents</b>               | <b>69,494,583</b>                 | (943,134)           |
| Cash and cash equivalents at the beginning of the period                  | <b>497,112</b>                    | 6,466,055           |
| <b>Cash and cash equivalents at end of period</b>                         | <b>69,991,695</b>                 | 5,522,921           |

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

## **1 Summary of significant accounting policies**

### **(a) Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

### **(b) Basis of preparation of half-year report**

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2021 annual financial report for the financial year ended 30 June 2021 except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### **(c) Going concern**

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the six-month period ended 31 December 2021, the Group incurred an operating cash outflow of \$23,548,334 (31 December 2020: outflow \$5,440,681) and a net loss for the period of \$36,885,319 (31 December 2020: \$12,810,687).

At 31 December 2021, the Group had net current assets of \$59,683,051 (30 June 2021 net current liabilities: \$24,476,577), including \$69,991,695 cash and cash equivalents (30 June 2021: \$497,112).

The Group continually monitors cash flow requirements to ensure that it has sufficient funds to meet its contractual commitments and non-discretionary corporate overheads and adjusts its spending accordingly.

The Directors believe that the Group's existing cash balances and available facilities, net of expected cash outflows from the Group's operations, will be sufficient to enable the Group to realise its assets and settle its liabilities and commitments in the normal course of business at the amounts stated in the financial report.

## **2 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### **(a) Critical accounting estimates**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial period are discussed below.

#### ***Biological assets***

The fair value of biological assets is estimated using a discounted cash flow model which incorporates a number of assumptions. Management is required to exercise significant judgement in estimating the underlying cash flows where those assumptions are not based on observable market data ('Level 3' inputs). The most significant assumptions requiring management judgement in the valuation of prawns are in respect of the survival rate, harvest average body weight, average market price, discount rate and average production cost per kilogram until harvest-ready.

#### ***Estimated impairment of other non-current assets***

Determining whether other non-current assets are impaired requires either an estimation of the value in use of the cash-generating units to which the assets have been allocated, or an estimation of the fair value less costs of disposal of each of the assets. The value in use calculation requires the Directors to estimate future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The fair value less cost of disposal calculation requires the Directors to estimate the fair value less cost of disposal of the assets in an arms length transaction between willing and knowledgeable parties. If the estimated fair value less cost of disposal is lower than the carrying value of the asset an impairment loss may arise.

#### ***Impairment of financial assets***

The loss allowances for financial assets are based on assumptions about the risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

#### ***Recognition of a financial asset***

The Group assesses the loan provided to AAM Licensee Pty Ltd for which repayment is dependent on financial close occurring as payments solely of principal and interest. As such the Group has recognised a financial asset. The assessment of whether the contractual terms gives rise to a financial asset requires the application of judgement.

#### ***Lease term and valuation***

The Group makes estimates and assumptions in relation to exercising the extension options included in lease agreements based on enforceability and economic incentives attached to the leases. The estimate of the incremental borrowing rate applied to the lease liabilities represents the market interest rate adjusted for asset and terms specific variables.

#### ***Convertible note***

Determining the fair value of the convertible loan at the transaction date, required management judgement in the determination of an appropriate market interest rate and volatility. Management uses historical volatility of the Group to determine an appropriate level of volatility expected, commensurate with the expected option life.

## **2 Critical accounting estimates and judgements (continued)**

### **(b) Critical judgements in applying the entity's accounting policies**

#### **Measurement of right-of-use asset and lease liability - Legune Station**

The Group and the Legune station investor entered into a series of agreements in relation to the Legune land lease arrangement. The Group considered these agreements as linked to ensure the substance of the arrangement is considered and accounted for as one transaction.

The estimation, at inception of the lease, of the items outlined below require significant management judgement:

- The likelihood that the purchase option will be exercised;
- The likelihood of extending the lease contract beyond the first period of the first and second break clauses at 30 years and 60 years, respectively;
- Assessment of 'other direct costs' such as unlisted share options associated with the lease contract and the treatment of those costs as either an addition to the right-of-use asset, or an expense in the period of entering into the lease;
- Valuation of these other direct costs such as unlisted share options;
- The depreciation period / method; and
- The interest rate implicit in the lease contract and the impact of this rate on the discounted amount of the lease liability as well as the right-of-use asset.

Where any of the assumptions made in relation to the items outlined above are different to what is expected, a material adjustment to the assets and liabilities of the Group and the amounts reported through the profit and loss may arise.

#### **Unlisted options**

In determining the fair value of share based payments granted during the year, key estimates requiring management judgement are the volatility and expected life input assumed within the option pricing model. The Group uses historical volatility of the Company to determine an appropriate level of volatility expected, commensurate with the expected option life.

#### **Project Sea Dragon capitalisation policy**

The Group incurred costs associated with Project Sea Dragon (Project). The Group has identified the phases the Project may go through in determining whether costs associated with the Project are eligible for capitalisation.

These phases include the pre-development, development, and operating phase. The Group uses the following approach in determining Project costs eligible for capitalisation:

- Identify the total expenditure being incurred at the various stages of the Project
- Determine the nature of the underlying expenditure. Only directly attributable costs relating to the Project are eligible for capitalisation.
- Development costs are distinguished from pre-development costs. Only costs incurred during the development stage of the Project are eligible for capitalisation. Pre-development costs are expensed.
- Based on the extent of expected future economic benefits that will flow to the Group, only the development costs that are considered recoverable are capitalised.

#### **Impairment PSD**

The Group has considered whether the PSD Work-in-progress assets would be impaired as required by AASB 136 Impairment of Assets in light of the review of the Project that is currently incomplete. The Group has determined that the recoverable amount of the project, exceeds the carrying amount, and therefore has not identified any impairment to be recognised.

## 2 Critical accounting estimates and judgements (continued)

The recoverability of the PSD WIP balance is dependent on the outcome of the PSD project review which will be finalised in March 2022. In the circumstance where the PSD project review decision is to cease, the total amount of the project capitalised to date being \$11M would be tested and may require impairment to its recoverable amount, being the higher of its value in use and fair value less cost of disposal.

## 3 Segment information

### (a) Description of segments

#### Business segments

##### *Aquaculture*

Development of a large scale land-based aquaculture project in Northern Australia by Project Sea Dragon Pty Ltd, and prawn aquaculture operations in North Queensland, acquired 6 January 2014 and 31 October 2014.

##### *Other*

'Other' is the aggregation of the Group's other operating segments that are not separately reportable.

### (b) Segments

#### Half-year 31 December 2021

|  | Aquaculture<br>\$ | Other<br>\$ | Consolidated<br>\$ |
|--|-------------------|-------------|--------------------|
| <b>Segment revenue</b>                         |                   |             |                    |
| Sales to external customers                    | 15,220,440        |             | 15,220,440         |
| Total sales revenue                            | 15,220,440        | -           | 15,220,440         |
| Other revenue                                  | 155,189           | 4,093       | 159,282            |
| <b>Total segment revenue</b>                   | 15,375,629        | 4,093       | 15,379,722         |
| <b>Consolidated revenue</b>                    |                   |             | 15,379,722         |
| <b>Segment loss</b>                            |                   |             |                    |
| Segment loss                                   | (33,419,667)      | (3,110,565) | (36,530,232)       |
| Central administration and Directors' salaries |                   |             | (355,087)          |
| Loss before income tax                         |                   |             | (36,885,319)       |
| Income tax benefit                             |                   |             | -                  |
| <b>Loss for the half year</b>                  |                   |             | (36,885,319)       |
| <b>Segment assets at 31 December 2021</b>      |                   |             |                    |
| Segment assets                                 | 92,884,229        | 45,883,623  | 138,767,852        |
| Unallocated assets                             |                   |             | -                  |
| <b>Total assets</b>                            |                   |             | 138,767,852        |

### 3 Segment information (continued)

#### (b) Segments (continued)

| Half-year 31 December 2020                     | Aquaculture<br>\$ | Other<br>\$ | Consolidated<br>\$ |
|--|-------------------|-------------|--------------------|
| <b>Segment revenue</b>                         |                   |             |                    |
| Sales to external customers                    | 14,887,013        | -           | 14,887,013         |
| Total sales revenue                            | 14,887,013        | -           | 14,887,013         |
| Other revenue                                  |                   | 50,247      | 50,247             |
| <b>Total segment revenue</b>                   | 14,887,013        | 50,247      | 14,937,260         |
| <b>Consolidated revenue</b>                    |                   |             | 14,937,260         |
| <b>Segment loss</b>                            |                   |             |                    |
| Segment loss                                   | (11,234,034)      | (1,230,379) | (12,464,413)       |
| Central administration and Directors' salaries |                   |             | (723,134)          |
| Loss before income tax                         |                   |             | (13,187,547)       |
| Income tax expense                             |                   |             | -                  |
| <b>Loss for the half-year</b>                  |                   |             | (13,187,547)       |
| <b>Segment assets at 31 December 2020</b>      |                   |             |                    |
| Segment assets                                 | 64,694,237        | 3,206,107   | 67,900,344         |
| Unallocated assets                             |                   |             | -                  |
| <b>Total assets</b>                            |                   |             | 67,900,344         |

Segment revenues, expenses, and assets are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributed to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment assets do not include income taxes.

Segment profit represents the profit earned by each segment without allocation of central administration costs and Directors' salaries, share of profit of associates, investment revenue and finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### 4 PSD Pre-Development expenses

Project Sea Dragon (PSD or the Project) is a proposed, large-scale, integrated, land-based prawn aquaculture project being developed in Northern Australia. PSD is designed to be a staged development of up to 10,000 hectares of prawn production ponds, supported by a series of geographically separate facilities across Northern Australia.

Planned Stage 1 of the PSD includes the Legume Grow-out Facility would see approximately 1,120 hectares of land-based production ponds at Legume Station in the Northern Territory as well as the development of the necessary facilities at the other sites (Exmouth and Bynoe). There has been significant expenditure incurred on the Project and the Board has considered how to account for the capital expenditures and taking into account the principles established by the accounting standards and how these might be applied.

Costs that do not meet the capitalisation criteria's have been expensed and recognised in this Pre- Development cost account amounting to \$23,325,187.

### 5 Issuances, repurchases and repayments of equity securities

A total of 449,997 options were exercised during the period, at \$0.097 per share, amounting to \$43,762.

## 6 Impairment losses

This note provide details of the items included as impairment losses on the condensed consolidated statement of profit or loss:

|                             | <b>Consolidated</b> |             |
|-----------------------------|---------------------|-------------|
|                             | <b>Half-year</b>    |             |
|                             | <b>31 December</b>  | 31 December |
|                             | <b>2021</b>         | 2020        |
|                             | \$                  | \$          |
| Impairment of project costs | <b>1,440,612</b>    | -           |

The impairment of project costs relate to the carrying amount of capital works at Bynoe (refer to Note 2(b) for further details).

The Group has considered whether the PSD capital assets would be impaired as required by AASB 136 *Impairment of Assets* in light of the review of the Project that is currently incomplete. The Group has determined that the recoverable amount of the capital works at Bynoe, is less than the carrying amount, and has therefore recognised an impairment loss of \$1.4M.

## 7 Cash and cash equivalents

|                          | <b>Consolidated</b> |         |
|--------------------------|---------------------|---------|
|                          | <b>31 December</b>  | 30 June |
|                          | <b>2021</b>         | 2021    |
|                          | \$                  | \$      |
| Cash at bank and in hand | <b>69,578,803</b>   | 85,112  |
| Deposits at call         | <b>412,892</b>      | 412,000 |
|                          | <b>69,991,695</b>   | 497,112 |

### (a) Cash not available for use

\$412,892 (2021: \$412,000) is held as security for bank facilities and lease guarantees.

## 8 Current liabilities - Borrowings

|                                    | <b>Consolidated</b> |            |
|------------------------------------|---------------------|------------|
|                                    | <b>31 December</b>  | 30 June    |
|                                    | <b>2021</b>         | 2021       |
|                                    | \$                  | \$         |
| <b>Secured</b>                     |                     |            |
| Bank loans                         | <b>743,589</b>      | 303,363    |
| Loans from related parties         | -                   | 14,759,571 |
| Other loan                         | <b>5,000,000</b>    | 5,000,000  |
| Total secured current borrowings   | <b>5,743,589</b>    | 20,062,934 |
| <b>Unsecured</b>                   |                     |            |
| Other loans                        | -                   | 7,000,000  |
| Total unsecured current borrowings | -                   | 7,000,000  |
| Total current borrowings           | <b>5,743,589</b>    | 27,062,934 |

## 8 Current liabilities - Borrowings (continued)

### (a) Other loan

The \$5,000,000 loan from AAM Licensees Pty Ltd was provided on 12 December 2018, at an interest rate of 7% per annum, and was due to be repaid on 11 December 2021. The Group has the option to settle up 50% of interest accruing on the loan by issuing Seafarms Group Limited shares. This option has not been exercised during the current reporting period. On 26 February 2021 it was agreed that the repayment date of this loan would be extended to 15 April 2022, all other terms of the loan remained unchanged.

A \$7,000,000 loan from an unrelated party, on normal and usual terms, was repayable on the earlier of an equity raising or 30 September 2021. On 25 February 2021 it was agreed that the repayment date of this loan would be extended from the earlier of an equity raising or 30 September 2021. In August 2021, the full balance of the loan was converted to equity.

## 9 Reserves

### (a) Other reserves

|                                      | <b>Consolidated</b> |            |
|--------------------------------------|---------------------|------------|
|                                      | <b>31 December</b>  | 30 June    |
|                                      | <b>2021</b>         | 2021       |
|                                      | <b>\$</b>           | <b>\$</b>  |
| Financial assets revaluation reserve | <b>(24,740)</b>     | (24,740)   |
| Share-based payments                 | <b>10,909,257</b>   | 10,371,472 |
| Option premium reserve               | <b>1,670,705</b>    | 1,670,705  |
|                                      | <b>12,555,222</b>   | 12,017,437 |

### (b) Nature and purpose of other reserves

#### (i) Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the issue of shares held by the Employee Share Trust to employees
- the grant date fair value of options issued to third parties but not exercised.

In determining the fair value of share based payments granted during the period, a key estimate requiring management judgement is the volatility and expected life input assumed within the option pricing model. The Group uses historical volatility of the Company to determine an appropriate level of volatility expected, commensurate with the expected option life.

#### (ii) Option premium

The option premium represents the fair value of 47,734,412 Seafarms Group Limited options issued as part of the consideration for the Ranger takeover bid.

#### (iii) Financial assets revaluation reserve

Changes in the fair value of assets classified as available for sale assets are taken to the financial assets revaluation reserve. Amounts are recognised in profit and loss when associated assets are sold or impaired.

## 10 Fair value measurement

This note provides information about how the Group determines fair values of various financial assets including biological assets and financial liabilities.

### (a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group holds biological assets at fair value.

Biological assets of \$3,345,218 (30 June 2021: \$2,223,844) are valued utilising unobservable inputs including survival rates, average growth rates, feed costs, feed conversion ratio, power costs, the harvest weight of prawns, mortality rates, processing costs and the sale price of harvested prawns to customers. These are considered Level 3 inputs in the fair value measurement hierarchy set out in AASB13, *Fair Value Measurement*.

There have been no transfers between Level 1 and Level 2 in the period.

### (b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

### (c) Reconciliation of Level 3 fair value measurements

|  | 31 December<br>2021<br>\$ | 30 June<br>2021<br>\$ |
|--|---------------------------|-----------------------|
| <b>Biological assets</b>   |                           |                       |
| <b>Livestock at fair value</b>   |                           |                       |
| Opening Balance  | 2,223,844                 | 2,683,903             |
| (Loss) or Gain arising from changes in fair value less estimated point of sale costs | (24,658)                  | 101,744               |
| Increases due to purchases   | 5,937,914                 | 2,122,104             |
| Decreases due to harvest   | (4,791,882)               | (2,683,906)           |
| <b>Closing Balance</b>   | <b>3,345,218</b>          | <b>2,223,844</b>      |

## 11 Related party transactions

### (a) Loans to/from related parties

During the period, the Group had a \$15.2 million credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar who is a Director of the Group. The amounts repaid and interest charged are disclosed in the following table:

## **11 Related party transactions (continued)**

### **(a) Loans to/from related parties (continued)**

|   | <b>Consolidated</b> |                   |
|---|---------------------|-------------------|
|   | <b>31 December</b>  | <b>30 June</b>    |
|   | <b>2021</b>         | <b>2021</b>       |
|   | <b>\$</b>           | <b>\$</b>         |
| <i>Loan from Avatar Finance Pty Ltd</i> |                     |                   |
| Beginning of the year                   | <b>14,759,571</b>   | 9,337,490         |
| Debt equity conversion                  | <b>(15,200,000)</b> | -                 |
| Loans advanced                          | -                   | 4,800,000         |
| Equity portion of convertible loan      | <b>278,325</b>      | (330,318)         |
| Interest charged                        | <b>248,469</b>      | 1,475,714         |
| Interest paid                           | <b>(86,365)</b>     | (523,315)         |
| End of period                           | <b>-</b>            | <b>14,759,571</b> |

Interest expense is calculated by applying the effective interest rate of 15% to the liability component.

### **(b) Terms and conditions**

The facility from Avatar Finance Pty Ltd prior to the new arrangements was provided on normal commercial terms and conditions and at market rates, and was due to be repaid on 15 September 2021. The average interest rate on the loan during the period was 4.66% (2020: 4.06%).

On 30 November 2020 it was agreed, by Avatar Finance Pty Ltd and Seafarms, that the repayment date of this facility would be extended from 15 September 2021 to 15 March 2022 and no line fee would be payable after 15 September 2021. However, the loan was converted to equity in August 2021.

The Group has pledged LOT 166 ON CROWN PLAN CWL3565 & LOT 183 ON CROWN PLAN CWL3484 as security to Avatar Finance Pty Ltd when entering into the Legume lease agreement.

## **12 Events occurring after the reporting period**

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

**Seafarms Group Limited**  
**Directors' declaration**  
**31 December 2021**

In accordance with a resolution of the Directors of Seafarms Group Limited, I state that in the opinion of the Directors:

- The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - Giving a true and fair view of the financial position as at 31 December 2021 and the performance for the half-year ended on that date of the consolidated entity; and
  - Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Michael Peter McMahon  
Executive Chairman  
28 February 2022

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

## *Conclusion*

We have reviewed the half-year financial report of Seafarms Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 6 to 20.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## *Basis for Conclusion*

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

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

### ***Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Prasad*

**Malvin Prasad**

Partner

Chartered Accountants

Darwin, 25 February 2022