Our Ref: SFG ASX Announce Appendix 4D Half Year Report 2017 (553)

28 February 2018

ANNOUNCEMENT 553

Company Announcements Office
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

By ASX Online
Number of pages: 24
(including this page)

Dear Sir

Seafarms Group Report for the Half-Year Ended 31 December 2017

Enclosed is Seafarms Group's Report for the half-year ended 31 December 2017 including ASX Appendix 4D.

Please telephone Harley Whitcombe on (08) 9321 4111 with any queries on the Company's 2017 Half-Year Report.

Yours faithfully
Seafarms Group Limited

Harley Whitcombe
Company Secretary

ENC

Seafarms Group Limited

ABN 50 009 317 846

Interim report
for the half-year 31 December 2017

Seafarms Group Limited
Appendix 4D
Half-year 31 December 2017

Name of entity
Seafarms Group Limited

ABN or equivalent company reference	Half-year
ABN 50 009 317 846	31 December 2017 (Previous corresponding period: 31 December 2016)

Results for announcement to the market

				$
Revenue from ordinary activities	Down	24.4%	to	19,919,584
Net loss for the period attributable to members	Down	8.1%	to	(9,978,955)
Loss from ordinary activities after tax attributable to members	Down	8.1%	to	(9,978,955)

Dividends / distributions	**Amount per security**	**Franked amount per security**
Final dividend (per share)	-	-
Interim dividend	-	-

	31 December 2017	**31 December 2016**
Net tangible asset backing (per share)	**0.02**	0.02

Seafarms Group Limited
ABN 50 009 317 846
Interim report - 31 December 2017

Contents

This financial report covers the consolidated financial statements for the consolidated entity consisting of Seafarms Group Limited and its subsidiaries. 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 is:
Seafarms Group Limited
Level 11, 225 St Georges Terrace
Perth, Western Australia 6000

Its principal place of business is:
Seafarms Group Limited
Level 11, 225 St Georges Terrace
Perth Western Australia 6000

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 2018. The Company has the power to amend and reissue the financial report.

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

Directors	Ian Norman Trahar B.Ec, MBA *Executive Chairman* Harley Ronald Whitcombe B.Bus, CPA Dr Christopher David Mitchell PhD, BSc (Hons), GAICD Paul John Favretto LL.B.
Secretary	Harley Ronald Whitcombe B.Bus, CPA
Principal registered office in Australia	Level 11, 225 St Georges Terrace Perth, Western Australia 6000 (08) 9321 4111
Share register	Computershare Investor Services Pty Limited GPO Box D182 Perth, Western Australia 6000 (08) 9323 2000
Auditor	Deloitte Touche Tohmatsu Chartered Accountants 123 St Georges Terrace Perth WA 6000
Bankers	HSBC Bank Australia Limited 190 St Georges Terrace Perth, Western Australia 6000 Australia and New Zealand Banking Group Limited 77 St Georges Terrace Perth WA 6000
Stock exchange listings	Seafarms Group Limited shares are listed on the Australian Securities Exchange. ASX code - **SFG**.
Website	www.seafarms.com.au
AFSL	Seafarms Group Limited is a corporate authorised representative (“CAR”) (Number 420079) of CO2 Group Financial Services Pty Ltd (ABN 92 142 542 774 AFSL 388086). The Group’s Authorised Representative numbers are: Seafarms Group Limited (CAR # 420079); Carbon Banc Limited (CAR # 420080); CO2 Australia Limited (CAR # 420081).

Directors' report

Directors

The names of the Directors of the company during or since the end of the half-year are:

Ian Norman Trahar (appointed 13 November 2001)
Harley Ronald Whitcombe (appointed 12 November 2001)
Dr Christopher David Mitchell (appointed 28 July 2005)
Paul John Favretto (appointed 18 December 2007)

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 2017 financial year reflects the investment being made by the Group in pursuing its expansion in aquaculture operations, ongoing forestry planting and carbon sink management.

	Consolidated Half-year	
	31 December 2017 $	31 December 2016 $
Total Revenue	**19,919,584**	26,359,646
Other gains/(losses)	**70,543**	(420,188)
Net loss after tax	**(9,978,955)**	(10,862,920)
Add back:		
Income tax expense	**3,576**	6,269,297
Finance expenses	**495,662**	669,925
EBIT	**(9,479,717)**	(3,923,698)
Cash and cash equivalents	**2,425,339**	7,003,312

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 half-year net loss after tax was $9,978,955 (31 December 2016: $10,862,920). Loss before interest and tax was $9,479,717 (31 December 2016: $3,923,698 loss). Revenue for the six months was down 24% to $19,919,584 (31 December 2016: $26,359,646). Basic loss per share was 0.72 cents (31 December 2016: 0.94 cents loss). No dividend was declared for the period.

As previously reported the Group has now restructured its environmental services business and continues to service long term contracts to its customers. In addition the environmental services business has extended its offering to include revegetation services to key clients.

Review of operations (continued)

Operations

The Group has two principal operating activities, aquaculture and environmental services as follows:

Aquaculture

An aquaculture development business that is developing Project Sea Dragon - an integrated prawn production enterprise that will operate across northern Australia, and Seafarm Queensland Pty Ltd which operates 160 hectares of prawn production in Cardwell (far north Queensland) where it produces circa 1,700 metric tonnes of black tiger and banana prawns which are distributed to Australian retailers and the domestic food service industry.

Queensland Operations

The Group has consolidated and streamlined operations across a number of sites establishing a Cardwell production hub. The Cardwell production hub continues to provide the platform for building the requisite management team systems, brand, logistics, science and management policy and procedures for the implementation and execution of Project Sea Dragon.

Through-put at the processing plant has been improved enabling the company to deliver larger orders to customers with its increased production at times of peak demand. Advances in husbandry continue to be made that enable the company to optimise production across its two species.

First half production was adversely affected by the endemic YHV7 virus as reported at the Annual General Meeting in November 2017 this resulted in lower sales numbers for the Christmas peak period. Restocking is now underway and full year production is expected to be in line with expectations which as previously advised is expected to align with Financial Year 2017 tonnage. The presence of endemic pathogens reinforces the importance of Seafarms' biosecurity strategy and development of specific pathogen free broodstock at its Exmouth facility and reduce the reliance on wild caught broodstock for Project Sea Dragon.

The Crystal Bay Prawns and Crystal Bay Tigers brand identities continue to be a strong marketing asset and the company continues to increase ranging and improve its offering to the domestic consumer.

Project Sea Dragon

The project ("PSD") entails a staged development over 7 years to create a 10,000 ha export focused low cost producer of high quality Australian Black Tiger prawns. PSD plans to:

- ‘Industrialise’ known processes and technology;
- Pursue and capture significant science upside using clear adoption pathways;
- Occupy a global production cost profile in the bottom quartile of lowest cost producers;
- Deploy an operational approach more akin to food manufacturing than farming;
- Embrace its clean sustainable biosecure credentials.

The half-year saw considerable progress in the development of Project Sea Dragon with several major milestones achieved.

A landmark Indigenous Land Use Agreement (ILUA) with the Legune Native Title Holders was agreed and signed between all Parties: the company, the Northern Land Council, the responsible PBC and the Northern Territory Government. The ILUA also meets all requirements in relation to Sacred Sites protection under the NT Sacred Sites Act and an Aboriginal Areas Protection Authority Certificate was issued accordingly.

A Project Development Agreement (PDA) with the Northern Territory Government was executed during the period. This agreement provides the development pathway for the full 10,000 ha project and provides tenure certainty for a number of sites identified as necessary for the project. The PDA also commits the Territory Government to upgrading key public infrastructure to enable effective project logistics.

Review of operations (continued)

Operations (continued)

Aquaculture (continued)

Project Sea Dragon (continued)

Major environmental and planning approvals for the project were also obtained. In addition to the approval obtained under the Environmental Protection and Biodiversity Act major Territory environmental and planning approvals have been obtained. These include a Non-pastoral Use Permit, a vegetation clearing permit that also constitutes planning approval and a Waste Discharge Licence. Development consent and a vegetation clearing permit has been issued for the breeding centre site at Bynoe Harbour an aquaculture licence was issued for the Bynoe Harbour site.

An additional breeding centre site at Gunn Point was identified during the period and relevant subdivision, planning and environmental applications have been made and are being assessed. The proposed development does not require further assessment under the NT Environment Assessment Act.

The completed Project Feasibility Study was stress-tested through a comprehensive Vendor Due Diligence undertaken by national and international specialists. This due diligence confirmed the robustness of the Feasibility Study.

Operations at the Exmouth quarantine and founder stock centre continues to operate successfully with the second generation of prawns that have been screened for all major known prawns pathogens being progressed through 2018.

With major licences to operate in place and the achievement of these major milestones during the reporting period the company continues to engage potential joint venture partners, investors, bankers and off-takers. The company continues to target the Dry Season of 2018 to commence construction.

The company continues to remain positive about PSD.

Environmental services

CO2 Australia ("*CO2A"*) is a diversified environmental services business with four core areas of activity:

- Land management and revegetation services - CO2A holds large, long-run contracts with private and government sector clients relating to land management and delivery of revegetation projects. This includes long-term management of over 26,000 ha of forest carbon projects and ongoing delivery of over 3,000 ha of revegetation works on behalf of Commonwealth and state governments;
- Consulting and advisory services - including in relation to Environmental Impact Statements (EIS), approvals, environmental offsets, ecological surveys and greenhouse emissions management. CO2A continues to expand its client base in this area, with current clients include industrial, mining, energy and government organisations, located primarily in the eastern states and Western Australia;
- Carbon project development and management - services are provided to individuals, private sector and government clients. This has been a particularly active segment, with the carbon credit supply from multiple projects being successfully bid into the Commonwealth's Emissions Reduction Fund under long-run supply agreements; and
- Carbon and biodiversity offsets - CO2A is well recognised by the market-place as a supplier of greenhouse emissions (carbon) and biodiversity offsetting solutions. Sales continue in this area to a variety of clients.

CO2 Asia, a sister subsidiary to CO2A, holds interests in clean-energy projects located in Asia generating a substantial supply of carbon credits, including Certified Emissions Reductions (CERs).

Equity raising

The Company successfully completed a capital raising in the half-year ended 31 December 2017 raising $2.2 million (after costs). The majority of the capital raising was in the form of a debt equity swap with Avatar Finance Pty Ltd to assist in the continuing development of Project Sea Dragon.

Matters subsequent to the end of the financial period

On 28 February 2018, the existing facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar, chairman of the group, was extended so as to be repayable on 15 March 2019. The facility is provided on normal commercial terms and conditions and at market rates. In addition Avatar Finance Pty Ltd has provided an additional facility for up to a further $3.7 million (see note 6 for more details).

These facilities have been drawn down to $10.0 million as at 28 February 2018.

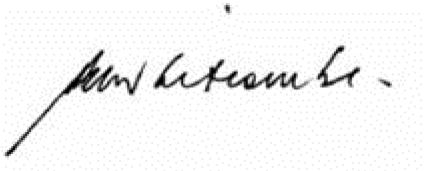
No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

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 6.

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.



Harley Ronald Whitcombe
Executive Director
Melbourne
28 February 2018

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Seafarms Group Limited
Level 11, 225 St Georges Terrace
PERTH WA 6000

28 February 2018

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 financial statements of Seafarms Group Limited for the half-year ended 31 December 2017 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

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants

Condensed consolidated statement of profit or loss

	Consolidated Half-year 31 December 2017 $	31 December 2016 $
Revenue from continuing operations	**19,919,584**	26,359,646
Other gains/(losses)	**70,543**	(420,188)
Fair value adjustment of biological assets	**(65,747)**	273,200
Fair value adjustment of finished goods	**(2,050,335)**	(355,777)
Cost of goods sold	**(15,894,259)**	(19,646,200)
Employee benefits expense	**(3,013,165)**	(2,923,891)
Depreciation and amortisation expense	**(992,424)**	(941,656)
Consulting expense	**(1,372,578)**	(1,245,795)
Legal fees	**(488,527)**	(44,722)
Travel	**(1,394,909)**	(722,116)
Insurance	**(127,649)**	(116,786)
Rent	**(208,373)**	(228,610)
Research and development	**(1,683,562)**	(1,584,315)
Other expenses	**(975,909)**	(965,581)
Marketing	**(81,352)**	(60,624)
Plantation costs	**(1,008,515)**	(1,073,175)
Finance costs	**(495,662)**	(669,925)
Share of loss from associates	**(112,540)**	(227,108)
Loss before income tax	**(9,975,379)**	(4,593,623)
Income tax expense	**(3,576)**	(6,269,297)
Loss for the period	**(9,978,955)**	(10,862,920)

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

	Consolidated Half-year	
	31 December 2017	31 December 2016
	$	$
Loss for the period	**(9,978,955)**	(10,862,920)
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Other comprehensive (loss)/income for the period, net of tax	**-**	-
Total comprehensive (loss) for the period	**(9,978,955)**	(10,862,920)
Total comprehensive (loss) for the period is attributable to:		
Owners of Seafarms Group Limited	**(9,978,955)**	(10,862,920)
	Cents	Cents
(Loss) per share for (losses) from continuing operations attributable to the ordinary equity holders of the Company:		
Basic (loss) per share	**(0.7)**	(0.9)
Diluted (loss) per share	**(0.7)**	(0.9)
(Loss) per share for (losses) attributable to the ordinary equity holders of the Company:		
Basic (loss) per share	**(0.7)**	(0.9)
Diluted (loss) per share	**(0.7)**	(0.9)

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

	Notes	**Consolidated** **31 December 2017** **$**	30 June 2017 $
ASSETS			
Current assets			
Cash and cash equivalents		**2,425,339**	11,874,838
Trade and other receivables		**4,892,360**	1,597,295
Inventories		**5,278,938**	7,708,673
Current tax receivables		**15,012**	15,786
Other current assets		**1,052,373**	1,003,078
Accrued income		**367,456**	912,701
Biological assets	4	**2,461,182**	4,530,997
Total current assets		**16,492,660**	27,643,368
Non-current assets			
Inventories		**184,923**	184,923
Investments accounted for using the equity method		**236,169**	348,708
Property, plant and equipment		**20,290,310**	19,302,139
Intangible assets		**3,461,576**	3,520,929
Total non-current assets		**24,172,978**	23,356,699
Total assets		**40,665,638**	51,000,067
LIABILITIES			
Current liabilities			
Trade and other payables		**4,061,883**	6,026,605
Borrowings		**2,743,635**	447,186
Provisions		**1,413,495**	1,433,910
Deferred revenue		**1,440,058**	1,848,392
Total current liabilities		**9,659,071**	9,756,093
Non-current liabilities			
Borrowings		**5,793,101**	8,223,763
Provisions		**271,124**	301,591
Total non-current liabilities		**6,064,225**	8,525,354
Total liabilities		**15,723,296**	18,281,447
Net assets		**24,942,342**	32,718,620
EQUITY			
Contributed equity		**103,702,772**	101,512,627
Other reserves		**5,252,773**	5,252,773
Accumulated losses		**(84,013,203)**	(74,046,780)
Total equity		**24,942,342**	32,718,620

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

Consolidated	Issued capital $	Share-based payments reserve $	Option premium $	Financial assets revaluation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	79,021,152	3,606,808	1,670,705	(24,740)	(54,271,316)	30,002,609
Loss for the period	-	-	-	-	(10,862,920)	(10,862,920)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(10,862,920)**	**(10,862,920)**
Contributions of equity, net of transaction costs and tax	10,428,953	-	-	-	-	10,428,953
Balance at 31 December 2016	**89,450,105**	**3,606,808**	**1,670,705**	**(24,740)**	**(65,134,236)**	**29,568,642**
Balance at 1 July 2017	101,512,627	3,606,808	1,670,705	(24,740)	(74,046,780)	32,718,620
Prior year adjustment (net of tax)	-	-	-	-	12,532	12,532
Restated total equity at the beginning of the financial period	**101,512,627**	**3,606,808**	**1,670,705**	**(24,740)**	**(74,034,248)**	**32,731,152**
Loss for the period	-	-	-	-	(9,978,955)	(9,978,955)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(9,978,955)**	**(9,978,955)**
Contributions of equity, net of transaction costs and tax	2,190,145	-	-	-	-	2,190,145
Balance at 31 December 2017	**103,702,772**	**3,606,808**	**1,670,705**	**(24,740)**	**(84,013,203)**	**24,942,342**

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

	Consolidated Half-year **31 December 2017 $**	31 December 2016 $
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**16,665,516**	16,183,862
Payments to suppliers and employees (inclusive of goods and services tax)	**(25,807,165)**	(25,819,478)
	(9,141,649)	(9,635,616)
Interest paid	**(495,662)**	(669,925)
Income taxes paid	**(3,557)**	-
Net cash (outflow) from operating activities	**(9,640,868)**	(10,305,541)
Cash flows from investing activities		
Payments for property, plant and equipment	**(1,911,386)**	(1,246,418)
Proceeds from other financial assets	**-**	313,190
Proceeds from sale of property, plant and equipment	**-**	2,000
Interest received	**28,912**	39,886
Net cash (outflow) from investing activities	**(1,882,474)**	(891,342)
Cash flows from financing activities		
(Payments)/Proceeds from issues of shares and other equity securities	**(309,856)**	10,428,953
Proceeds/(Repayment) of borrowings	**2,387,373**	(633,334)
(Loans to)/Loans from related parties	**(3,674)**	121,044
Net cash inflow from financing activities	**2,073,843**	9,916,663
Net (decrease) in cash and cash equivalents	**(9,449,499)**	(1,280,220)
Cash and cash equivalents at the beginning of the period	**11,874,838**	8,283,532
Cash and cash equivalents at end of period	**2,425,339**	7,003,312

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. 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 2016 annual financial report for the financial year ended 30 June 2017, 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

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

At 31 December 2017, the Group had net current assets of $6,833,589 (30 June 2017: $17,887,275), including $2,425,339 cash and cash equivalents (30 June 2017: $11,874,838) . For the half-year ended 31 December 2017, the Group incurred an operating cash outflow of $9,640,868 (31 December 2016: outflow $10,305,541) and a net loss for the period of $9,978,955 (31 December 2016: $10,862,920.

The Group continually monitors its cash flow requirements to ensure that it has sufficient funds to meet its contractual commitments and adjusts its spending, particularly with respect to discretionary development activity in relation to Project Sea Dragon and corporate overheads. The Directors are continuing to evaluate a range of funding options for the Company and the development of Project Sea Dragon.

Subsequent to year-end, the Group's existing facility with Avatar Finance Pty Ltd was extended so as to be repayable on 15 March 2019. The facility is provided on normal commercial terms and conditions and at market rates. In addition, Avatar Finance Pty Ltd has provided an additional facility for up to $3.7 million (see note 6 for more details).

These facilities have been drawn down to $10.0 million as at 28 February 2018.

The Directors believe that the Group's existing cash balances and available facilities, combined with expected cash inflows 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 and at the amounts stated in the financial report.

2 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.

Carbon Services

The establishment and management of carbon sinks and re-vegetation projects throughout Australia including the provision of abatement certificates generated from accredited forest carbon sinks owned by the Group and its customers, and trading in environmental credits.

Other

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

2 Segment information (continued)

(b) Primary reporting format - business segments

Half-year 31 December 2017	**Aquaculture**	**Carbon services**	**Other**	**Consolidated**
	$	**$**	**$**	**$**
Segment revenue				
Sales to external customers	16,312,402	2,852,727	674,703	19,839,832
Total sales revenue	16,312,402	2,852,727	674,703	19,839,832
Other revenue	49,347	-	30,405	79,752
Total segment revenue	16,361,749	2,852,727	705,108	19,919,584
Consolidated revenue				19,919,584
Segment (loss)/profit				
Segment (loss)/profit	**(8,374,925)**	**(138,301)**	**249,184**	(8,264,042)
Central administration and directors' salaries				(1,711,337)
Loss before income tax				(9,975,379)
Income tax expense				(3,576)
Loss for the half-year				(9,978,955)
Segment assets at 31 December 2017				
Segment assets	**31,935,656**	**6,703,194**	**(7,603)**	38,631,247
Unallocated assets				2,910,644
Total assets				41,541,891

Half-year 31 December 2016	**Aquaculture**	**Carbon services**	**Other**	**Consolidated**
	$	**$**	**$**	**$**
Segment revenue				
Sales to external customers	23,125,874	2,659,630	532,695	26,318,199
Total sales revenue	23,125,874	2,659,630	532,695	26,318,199
Other revenue	3,529	-	37,918	41,447
Total segment revenue	23,129,403	2,659,630	570,613	26,359,646
Consolidated revenue				26,359,646
Segment profit/(loss)				
Segment loss	**(2,841,074)**	**(550,680)**	**545,396**	(2,846,358)
Central administration and directors' salaries				(1,747,265)
Loss before income tax				(4,593,623)
Income tax benefit				(6,269,297)
Loss for the year				(10,862,920)
Segment assets at 30 June 2017				
Segment assets	**32,177,597**	**6,653,800**	**(4,490)**	38,826,907
Unallocated assets				12,173,160
Total assets				51,000,067

2 Segment information (continued)

(b) Primary reporting format - business segments (continued)

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 forest carbon sinks, 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.

3 Issuances, repurchases and repayments of equity securities

During the half-year reporting period, Seafarms Group Limited issued 41,666,666 ordinary shares (2017: 122,382,079) in the form of a debt equity swap with Avatar Finance Pty Ltd, and 49,999 options were exercised, raising $2,190,144 (2017: $10,428,953) net of $314,856 (2017: $585,434) issue costs.

4 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 trading derivatives and biological assets at fair value.

Trading derivatives of $184,965 (30 June 2017 $186,504) are valued using quoted prices in an active market, which are considered Level 1 in the fair value measurement hierarchy.

Biological assets of $2,461,182 (30 June 2017 $4,530,997) 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.

4 Fair value measurement (continued)

(c) Reconciliation of Level 3 fair value measurements

Biological assets	31 December 2017 $	30 June 2017 $
Livestock at fair value		
Opening Balance	**4,530,997**	3,325,639
Gain or Loss arising from changes in fair value less estimated point of sale costs	**(65,747)**	944,497
Increases due to purchases	**10,166,974**	3,586,501
Decreases due to harvest	**(12,171,042)**	(3,325,639)
Closing Balance	**2,461,182**	4,530,997

5 Related party transactions

(a) Loans to/from related parties

During the period, the Group had an $8.5 million credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar, Chairman of the Group, which is repayable on 15 March 2019. The amounts repaid and interest charged are disclosed in the following table:

	Consolidated	
	31 December 2017 $	30 June 2017 $
Loan from Avatar Finance Pty Ltd		
Beginning of the year	**8,000,000**	8,500,000
Loan repayments made	**(2,500,000)**	(500,000)
Interest charged	**178,068**	480,467
Interest paid	**(178,068)**	(480,467)
End of period	**5,500,000**	8,000,000

(b) Terms and conditions

The facility is provided on normal commercial terms and conditions and at market rates, and is to be repaid on 15 March 2019. The average interest rate on the loan during the period was 6.42% (2017: 6.19%).

6 Events occurring after the reporting period

On 28 February 2018, the existing facility with Avatar Finance Pty Ltd (Avatar), a company owned by Mr Ian Trahar, chairman of the group, was extended so as to be repayable on 15 March 2019 (Existing Facility). The Existing Facility is provided on normal commercial terms and conditions and at market rates and is secured. More details regarding the Existing Facility are set out in the notice of meeting for the Company's 2016 Annual General Meeting.

In addition, Avatar has provided an additional facility for up to a further $3.7 million (New Facility). The New Facility is provided on normal and usual commercial terms and conditions save that no interest or fees are payable and no security is granted in relation to the New Facility unless and until permitted under ASX Listing Rule 10.1. The New Facility can be drawn when the Existing Facility is fully drawn.

These facilities have been drawn down to $10.0 million as at 28 February 2018.

6 Events occurring after the reporting period (continued)

On 28 February 2018, ASX granted a waiver to permit the extension of the repayment date of the Existing Facility from 31 January 2019 to 15 March 2019. The terms of the waiver requires the following information to be announced:

(a) The terms of the Existing Facility must include a term that if an event of default occurs and Avatar exercise their rights under the security, Avatar nor any of its associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the security documents with respect to the Existing Facility, or otherwise deal with the assets of the Company or its subsidiaries, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person) appointed by Avatar exercising their power of sale under the security and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to Avatar in accordance with their legal entitlements.

(b) A summary of the material terms of the Existing Facility and related security documents are to be made in each annual report of the Company during the term of the security.

(c) Any variation to the terms of the Existing Facility or the Security documents which are not minor changes or inconsistent with the terms of the waiver, must be subject to shareholder approval.

(d) In addition to the terms of the waiver set out above, it required disclosure of the following information:
- The Company's plans to repay funds advanced under the Existing Facility by the due date for payment on 15 March 2019.
- It is anticipated that funds for repayment will be sourced from any or all of the following sources: cash flow from operations, new issues of securities and/or replacement debt facilities.

No other 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.

(a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statement and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

Harley Ronald Whitcombe
Executive Director
Melbourne

28 February 2018

Deloitte.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Seafarms Group Limited, which comprises the consolidated statement of financial position as at 31 December 2017, consolidated statement of profit and loss and comprehensive income, the consolidated statement of cash flows and the 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 of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 16.

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 consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Seafarms Group 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Seafarms Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 Seafarms Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants
Perth, 28 February 2018