Our Ref: SFG ASX Announcement Appendix 4D Half Year Report 2018 (596)

28 February 2019

ANNOUNCEMENT 596

Company Announcements Office
Australian Securities Exchange
Level 6
20 Bridge Street
SYDNEY NSW 2000

By ASX Online
Number of pages: 34
(including this page)

Dear Sir

RE: Seafarms Group Report for the Half-Year Ended 31 December 2018

Enclosed is Seafarms Group's Report for the half-year ended 31 December 2018 including ASX Appendix 4D.

For any queries regarding this announcement please contact Mr Harley Whitcombe (08) 9216 5200.

Yours faithfully
Seafarms Group Limited

Harley Whitcombe
Company Secretary

ENC

Seafarms Group Limited
ABN: 50 009 317 846

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About Seafarms Group

Seafarms Group Limited (ASX: SFG) is an ASX listed holding company with separate subsidiary aquaculture companies., Seafarm Operations Pty Ltd operates aquaculture operations in northern Queensland, producing high-quality seafood. Seafarms is currently the largest producer of farmed prawns – growing, processing and distributing the well-known Crystal Bay Prawns™ premium brand.

For further information refer the company's web site: www.seafarms.com.au

Project Sea Dragon

Project Sea Dragon Pty Ltd is developing Australia's largest integrated land-based prawn aquaculture project in northern Australia designed to produce high quality, year-round reliable volumes for export markets.

For further information refer the company's web site: www.seafarms.com.au/about-project-sea-dragon/

Seafarms Group Limited

ABN 50 009 317 846

Interim report
for the half-year 31 December 2018

Seafarms Group Limited
Appendix 4D
Half-year 31 December 2018

Name of entity
Seafarms Group Limited

ABN or equivalent company reference	Half-year
ABN 50 009 317 846	31 December 2018 (Previous corresponding period: 31 December 2017)

Results for announcement to the market

				$
Revenue from ordinary activities	Up	9.4%	to	17,933,884
Net loss for the period attributable to members	Up	32.7%	to	(13,242,151)
Loss from ordinary activities after tax attributable to members	Up	32.7%	to	(13,242,151)

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

	31 December 2018	**31 December 2017**
Net tangible asset backing (per share)	**0.02**	0.02

Seafarms Group Limited
ABN 50 009 317 846
Interim report - 31 December 2018

Contents

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 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 2019. 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. Hisami Sakai Naoto Sato - Alternate for Hisami Sakai
Secretary	Harley Ronald Whitcombe B.Bus, CPA
Principal registered office in Australia	Level 11, 225 St Georges Terrace Perth, Western Australia 6000 (08) 9216 5200
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

Directors' report

Directors

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

Ian Norman Trahar
Harley Ronald Whitcombe
Dr Christopher David Mitchell
Paul John Favretto
Hisami Sakai (appointed 7 August 2018)
Naoto Sato - Alternate for Hisami Sakai (appointed 7 August 2018)

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 2019 financial year reflects the investment being made by the Group in pursuing its expansion in aquaculture operations.

The Group has now demerged its environmental services business and is focused exclusively on improving performance at its east coast aquaculture operations and developing its world-class Project Sea Dragon project. The demerged operations are presented as discontinued operations in these financial statements.

	Consolidated Half-year	
	31 December 2018 $	31 December 2017 $
Total Revenue	**17,933,884**	16,392,155
Other gains/(losses)	**-**	45,327
Net loss after tax from continuing operations	**(13,837,975)**	(9,911,755)
Net profit/(loss) after tax from discontinued operations	**595,824**	(67,196)
Net loss for the period	**(13,242,151)**	(9,978,951)
Add back:		
Income tax (benefit)/expense	**-**	(102,471)
Finance expenses	**925,640**	487,070
EBIT	**(12,316,511)**	(9,594,352)
Cash and cash equivalents	**8,523,900**	2,425,339

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 from continuing and discontinued operations was $13,242,151 (31 December 2017: $9,978,951). Loss before interest and tax from continuing and discontinued operations was $12,316,511 (31 December 2017: $9,594,352 loss). Revenue from continuing operations for the six months was up 9% to $17,933,884 (31 December 2017: $16,392,155). Basic loss per share from continuing and discontinued operations was 0.82 cents (31 December 2017: 0.71 cents loss). No dividend was declared for the period.

Review of operations (continued)

Operations

Seafarm Queensland Pty Ltd operates 160 hectares of prawn production ponds in Cardwell and Innisfail (far north Queensland) where it produces circa 1,700 metric tonnes of black tiger and banana prawns that are distributed to Australian retailers and the domestic food service industry.

Collectively the Cardwell, Innisfail and Flying Fish Point 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.

Advances in husbandry continue to be made that enables the Group to optimise production across its two species. Biosecurity and production improvements have resulted in enhanced outcomes, including improved growth rates and food conversion ratios. Furthermore, enhanced surveillance and testing has resulted in no biosecurity issues or disease events for a twelve-month period.

First half operating results were impacted by the timing of broodstock availability and associated delays to stocking, resulting in lower yields and smaller animals. As a result, total production for the total Christmas crop was below expectations

The business continues to put in place mechanisms to improve broodstock availability, including investment in domestication and specific pathogen free animals.

Through-put at the processing plant has been further improved enhancing the Group’s ability to deliver larger orders to customers with its increased production at times of peak demand. As a consequence of the Nissui investment, further expansion and improvement at the Cardwell processing plant are underway to enable high quality export grade product to be produced. The upgrade is expected to be commissioned in March with first exports to commence in April 2019.

The Exmouth Founder Stock Centre continues to perform to expectations with second generation, specific pathogen free animals being produced. These animals will provide the founder stock for Project Sea Dragon hatchery and breeding operations in Darwin.

The Crystal Bay Prawns and Crystal Bay Tigers brand identities continue to be strong marketing assets and the company continues to increase its ranges 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 project is being developed across multiple sites at Exmouth (Western Australia), Point Ceylon at Bynoe Harbour (near Darwin), Gunn Point (near Darwin), Legune Pastoral Lease (Northern Territory) and Kununurra (Western Australia). The geographic separation of sites is designed to facilitate biosecurity. Each of the facilities is designed to deliver key product in the prawn supply production chain:

- Exmouth - specific pathogen free prawns
- Bynoe Harbour - improved prawn broodstock, and prawn post-larvae
- Gunn Point - post larvae
- Legune - prawn grow-out
- Kununurra - semi-individual quick frozen raw and cooked prawns for consumers.

Review of operations (continued)

Operations (continued)

Project Sea Dragon (continued)

Integration of the value-chain in this way provides for production efficiencies and enables the highest quality to be maintained at all points of the value-chain.

The half-year continued to see PSD progress with several major milestones achieved.

Final completion of the previously announced investment by Nippon Suisan Kaisha (Nissui) in Seafarms (to a 14.99% holding) occurred at the beginning of the half-year. Details of the transaction were outlined in the Directors' report accompanying the Seafarms 2018 Annual Report. Implementation of the Nissui agreement proceeded smoothly with the demerger of the carbon business which was approved by shareholders at an Extraordinary General Meeting held on 16 July 2018 and the appointment and subsequent confirmation of Mr Hisami Sakai of Nissui as a Director of Seafarms Group Limited.

Seafarms also received its Aquaculture Licence for the Legune site during the half year. This is the last of the major government approvals together with the Non-Pastoral Use Permit, Aboriginal Areas Protection Authority Sacred Sites Certificate and the EPBC Act approval that enables Seafarms to conduct an aquaculture enterprise on the Pastoral Lease. A series of secondary approvals such as the vegetation clearing/development permit and approved management plans were also obtained such that construction is fully approved to commence.

The program at Exmouth continued to develop Specific Pathogen-Free animals with the second generation of the initial cohort of animals in production. Not only is this a key element of the Project Sea Dragon biosecurity strategy, as previously described, but the ultimate goal is that by developing a fully domesticated population of animals, the company will not need to recruit animals from the wild.

With the construction window in the far North of Australia restricted to the Dry Season, it is necessary to have the processes and arrangements in place to maximise this window. To this end the Group commenced the tender process for both limited works to be undertaken prior to financial close and the first series of packages to enable work to be undertaken in the 2019 dry season.

The early works packages included:

- An expansion of the Exmouth facility to enable PSD to house its Specific Pathogen-Free broodstock
- The quarrying and crushing of 300,000m3 of material to sheet internal roads and establish set-down
- Establishing access to the Bynoe Harbour site to enable tenderers to price work packages and to enable initial site clearing to commence

All works were satisfactorily completed on time and on budget.

The project delivery team developed a tender and procurement strategy including approval of the Australian Industry Participation Plan. The company is in a position to let substantial tender packages for construction during the Dry Season, subject to finance.

The Group continued to work closely with Legune Native Title Holders, the Northern Land Council and the Top-End Body Corporate through the Project Committee established under the Legune Indigenous Land Use Agreement (ILUA). The Committee implemented the cultural protocols required to support the ILUA and is developing a package of cultural awareness training.

Immediately prior to the end of the calendar year AAM Investment Group (AAMIG), as Trustee of the Pastoral Development Trust, completed the acquisition of Legune Perpetual Pastoral Lease from its previous owners, with Seafarms holding a sub-lease for a 90-year maximum period with break clauses at 30 and 60 years. The lease is registered sufficiently to secure the tenure to meet the requirements of the proposed staged 10,000 ha prawn pond development. The sub-lease not only secures tenure but includes a co-operation agreement that ensures access and complementary management of the property. Seafarms and AAMIG have identified a number of complementary works that can be undertake to the benefit of both PSD and the pastoral operations. The agreement with AAMIG also provides Seafarms with an option to purchase the property. This secure tenure arrangement reduces the initial capital required to develop the project.

Equity raising

The Company completed a placement to Nippon Suisan Kaisha Limited (Nissui) on 7 August 2018 after shareholder approval was received to complete the transaction which included the divestment of CO2 Australia Limited and its subsidiaries. The placement was for $24.99 million at $0.10 per share.

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 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
Perth
28 February 2019

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 2019

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 2018, 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

	Notes	Consolidated Half-year 31 December 2018 $	31 December 2017 $
Revenue from continuing operations		**17,933,884**	16,392,155
Other gains		**-**	45,327
Fair value adjustment of biological assets		**(296,802)**	(65,747)
Fair value adjustment of finished goods		**220,593**	(2,050,335)
Cost of goods sold		**(16,862,710)**	(15,751,305)
Employee benefits expense		**(2,856,935)**	(2,058,342)
Depreciation and amortisation expense		**(929,558)**	(762,746)
Consulting expense		**(2,580,048)**	(1,306,029)
Legal fees		**(1,474,209)**	(488,527)
Travel		**(1,141,281)**	(1,421,226)
Insurance		**(140,129)**	(93,306)
Rent		**(121,753)**	(102,865)
Research and development		**(3,396,613)**	(1,039,573)
Marketing		**(116,511)**	(80,635)
Other expenses		**(1,150,263)**	(744,002)
Finance costs		**(925,640)**	(487,070)
Loss before income tax		**(13,837,975)**	(10,014,226)
Income tax benefit		**-**	102,471
Loss from continuing operations		**(13,837,975)**	(9,911,755)
Profit/(Loss) from discontinued operation	4	**595,824**	(67,196)
Loss for the period		**(13,242,151)**	(9,978,951)

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

	Consolidated Half-year 31 December 2018 $	31 December 2017 $
Loss for the period	**(13,242,151)**	(9,978,951)
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	**(13,242,151)**	(9,978,951)
Total comprehensive (loss) for the period is attributable to:		
Owners of Seafarms Group Limited	**(13,242,151)**	(9,978,951)
	Cents	Cents
(Loss) per share from continuing and discontinued operations attributable to the ordinary equity holders of the Company:		
Basic (loss) per share	**(0.82)**	(0.71)
Diluted (loss) per share	**(0.82)**	(0.71)
(Loss) per share from continuing operations attributable to the ordinary equity holders of the Company:		
Basic (loss) per share	**(0.85)**	(0.86)
Diluted (loss) per share	**(0.85)**	(0.86)

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

		Consolidated	
	Notes	**31 December 2018 $**	30 June 2018 $
ASSETS			
Current assets			
Cash and cash equivalents		**8,523,900**	4,139,603
Trade and other receivables		**7,117,217**	3,962,346
Inventories		**4,771,493**	7,294,677
Other current assets		**654,189**	1,049,691
Accrued income		**-**	939,061
Biological assets	11	**4,942,100**	5,781,325
Total current assets		**26,008,899**	23,166,703
Non-current assets			
Inventories		**-**	184,923
Investments accounted for using the equity method		**-**	409,268
Property, plant and equipment	5	**42,960,491**	20,130,079
Intangible assets		**1,207,187**	2,419,027
Other non-current assets	6	**5,017,641**	-
Total non-current assets		**49,185,319**	23,143,297
Total assets		**75,194,218**	46,310,000
LIABILITIES			
Current liabilities			
Trade and other payables		**5,228,252**	8,890,367
Borrowings	7	**4,887,636**	2,958,701
Provisions		**1,164,447**	1,520,318
Deferred revenue		**-**	1,807,140
Total current liabilities		**11,280,335**	15,176,526
Non-current liabilities			
Borrowings	8	**33,473,376**	15,047,233
Provisions		**174,803**	243,438
Total non-current liabilities		**33,648,179**	15,290,671
Total liabilities		**44,928,514**	30,467,197
Net assets		**30,265,704**	15,842,803
EQUITY			
Contributed equity		**128,653,838**	103,674,332
Other reserves	9(a)	**11,472,052**	6,162,534
Accumulated losses		**(109,860,186)**	(93,994,063)
Total equity		**30,265,704**	15,842,803

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 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	-	-	-	-	(9,978,951)	(9,978,951)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(9,978,951)**	**(9,978,951)**
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)**	**(84,013,199)**	**24,942,346**
Balance at 1 July 2018	103,674,332	4,516,569	1,670,705	(24,740)	(93,994,063)	15,842,803
Loss for the period	-	-	-	-	(13,242,151)	(13,242,151)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(13,242,151)**	**(13,242,151)**
Contributions of equity, net of transaction costs and tax	24,979,506	-	-	-	-	24,979,506
Recognition of share-based payments	-	5,231,386	-	-	-	5,231,386
Revaluation of share-based payments	-	78,132	-	-	-	78,132
De-merger of Carbon Entities	-	-	-	-	(2,623,972)	(2,623,972)
	24,979,506	5,309,518	-	-	(2,623,972)	27,665,052
Balance at 31 December 2018	**128,653,838**	**9,826,087**	**1,670,705**	**(24,740)**	**(109,860,186)**	**30,265,704**

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

	Consolidated Half-year **31 December 2018 $**	31 December 2017 $
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**13,892,330**	16,665,516
Payments to suppliers and employees (inclusive of goods and services tax)	**(30,006,120)**	(25,807,165)
	(16,113,790)	(9,141,649)
Interest paid	**(925,640)**	(495,662)
Income taxes paid	**-**	(3,557)
Net cash (outflow) from operating activities	**(17,039,430)**	(9,640,868)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,252,870)**	(1,911,386)
Interest received	**45,884**	28,912
Net cash (outflow) from investing activities	**(2,206,986)**	(1,882,474)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	**24,979,506**	(309,856)
(Repayment)/Proceeds of borrowings	**(1,348,793)**	2,387,373
(Loans to)/Loans from related parties	**-**	(3,674)
Net cash inflow from financing activities	**23,630,713**	2,073,843
Net increase/(decrease) in cash and cash equivalents	**4,384,297**	(9,449,499)
Cash and cash equivalents at the beginning of the period	**4,139,603**	11,874,838
Cash and cash equivalents at end of period	**8,523,900**	2,425,339

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 2018 annual financial report for the financial year ended 30 June 2018 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 2018, the Group had net current assets of $14,728,564 (30 June 2018: $7,990,177), including $8,523,900 cash and cash equivalents (30 June 2018: $4,139,603) . For the half-year ended 31 December 2018, the Group incurred an operating cash outflow of $17,039,403 (31 December 2017: outflow $9,640,868) and a net loss for the period of $13,242,151 (31 December 2018: $9,978,951).

The Group continually monitors its 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. Of particular note the Group has discretion to defer non-committed expenditure on the development of Project Sea Dragon until such time as it achieves financial close on planned fund-raising activities. As such the Group is able to ensure that capital commitments are not entered into until there is certainty over the related funding. The Directors are continuing to evaluate a range of funding options for the Group and this remains a priority focus area.

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.

(d) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

1 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Land other than leasehold land is not depreciated. Depreciation on other is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Freehold buildings	10 - 50 years
- Ponds	10 - 50 years
- Plant and equipment	2 - 15 years
- Leasehold improvements	Length of lease
- Vehicles	3 - 30 years
- Furniture, fittings and equipment	5 years
- Leasehold land	Length of lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(e) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to disposed of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(f) New accounting standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

(i) AASB 15 *Revenue from contracts with customers*
The new standard has been applied from 1 July 2018 replacing AASB 118 *Revenue* and establishes a comprehensive framework for determining the timing and quantum of revenue recognised. The main premise of the new standard is that an entity shall recognise revenue when control of a good or service transfers to a customer. Under AASB 15, revenue is required to be allocated to each performance obligation and recognised as the performance obligations have been achieved, which can be at a point in time, or over time.

As stated in the Company’s 2018 annual financial report, the Group completed a coordinated review of the potential impacts of the new standard on the Group’s results and disclosures. The group’s conclusions at that time, summarised here, was that the implementation of AASB 15 would not materially change the assessment of revenue.

The Group has elected to implement AASB 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 July 2018). However, as a result of the coordinated review of the potential impacts of the new standard, the Company has not recorded any adjustment to the opening balance of the Group’s equity. The comparative information provided continues to be accounted for in accordance with the Group’s previous accounting policies outlined in the Group’s 2018 annual financial report.

1 Summary of significant accounting policies (continued)

(f) New accounting standards and interpretations (continued)

(i) AASB 15 *Revenue from contracts with customers* (continued)

Revenue recognition

(a) Recognition and measurement

The following revenue accounting policy applies to the Group in accordance with AASB 15.

Sale of products

The Group sells fresh and frozen prawns to customers. A sale is recognised when control of the product has transferred, being when the product is delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the product has been shipped to the location specified by the customer and the customer accepts the product.

Revenue from sales is recognised based on the arrangement agreed between the customer and the Group. The arrangements in place do not commit customers to purchasing a specified quantity or type of product nor commit the Group to deliver the same but set out the terms and conditions that apply between the parties at the time an order is placed by a customer and accepted by the Group. The terms and conditions cover, as appropriate to the customer, pricing, settlement of liabilities, return policies and any other negotiated performance obligations.

No element of financing is present in the pricing arrangement. Settlement terms range from cash-on-delivery to credit terms ranging from 7 to 30 days. Terms reflect negotiations with customers, policies, procedures and controls as it relates to customer credit risk.

For customers who purchase on credit a receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) AASB 9 *Financial instruments*
This standard has been applied from 1 July 2018 and replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for the calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139.

Non-derivative financial assets

(a) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

1 Summary of significant accounting policies (continued)

(f) New accounting standards and interpretations (continued)

(ii) AASB 9 *Financial instruments* (continued)

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group subsequently measures assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables

Non derivative financial liabilities

(a) Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

(b) Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on normal commercial terms.

1 Summary of significant accounting policies (continued)

(g) Other standards and interpretations

The adoption of the below has not had any material impact on the disclosures or the amounts reported in these financial statements.

AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions

AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

(h) Standards and interpretations in issue not yet adopted

The following new or amended standards issued by the AASB are relevant to current operations and may impact the Group in the period of initial application. They are available for early adoption but have not been applied in preparing this financial report.

AASB 16 *Leases*

The Group continues to monitor and quantify the effect of the new standard with each change to its leasing portfolio and any subsequent lease modifications. The Group note that given the Legune lease is classified as a finance lease under AASB 117 *Leases* there will be no significant impact on the Statement of financial position and Statement of profit or loss and other comprehensive on transition to AASB 16 *Leases*.

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 goodwill and other non-current assets

Determining whether goodwill and other non-current assets are impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. 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.

2 Critical accounting estimates and judgements (continued)

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.

The carrying amount of goodwill at 31 December 2018 was $1,207,187 (30 June 2018: $1,207,187). No impairment losses were assessed in 2018.

Recognition of a financial asset

The Group assessed the loan provided to AAM Licensees 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.

Classification of leases as financing or operating in nature

The Group and the Legune station investor entered into a series of agreements in relation to the Legune land lease arrangement. The Group has considered these agreements as linked to ensure the substance of the arrangement is considered and accounted for as one transaction. Management has determined, based on an evaluation of the terms and conditions, that the Group will obtain the significant risks and rewards of the property and as such have determined the lease to be a finance lease.

Measurement of finance lease asset and liability

The estimation, at the 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 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 lease asset, or an expense in the period of entering into the lease;
- Valuation of these other direct costs such as the unlisted share options, refer unlisted options judgements below;
- 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 was expected, a material adjustment to the assets and liabilities of the Group and amounts reported through profit or loss may arise.

Unlisted options

In determining the fair value of share based payments granted during the period, 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.

3 Issuances, repurchases and repayments of equity securities

On 7 August 2018 Seafarms Group Limited issued 249,877,657 ordinary shares to Nippon Suisan Kaisha Limited after shareholder approval was received on 16 July 2018 (2018: 41,666,666), and 276,446 options were exercised on 5 November 2018, raising $24,979,506 (2018: $2,190,145) net of $35,075 (2018: $314,856) issue costs.

4 Discontinued operation

(a) Description

On 23 May 2018 the Group announced an agreement with Nippon Suisan Kaisha (Nissui) that included a $24.99 million equity investment in Seafarms. This investment will assist with the development of the Company's world class Project Sea Dragon. One of the conditions of this agreement was that the Group divest its existing carbon sequestration, trading and environmental services business.

On 15 June 2018, the Group sent out a Notice of Extraordinary General Meeting of shareholders to be held on 16 July 2018. This meeting was primarily being held to seek approval for the demerger of CO2 Australia Group from the Seafarms Group.

On 16 July 2018, at the extraordinary general meeting, the Group received shareholder approval for the demerger, which was completed on 23 July 2018.

Consequently, the carbon sequestration, trading and environmental services business is being reported as a discontinued operation.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented is for the period ended 23 July 2018 and the half-year ended 31 December 2017.

	23 July 2018 $	31 December 2017 $
Revenue	**758,446**	3,527,430
Other gains	**843**	25,216
Cost of goods sold	**310,558**	(142,954)
Employee benefit expense	**(109,870)**	(954,823)
Depreciation and amortisation expense	**(14,131)**	(229,679)
Consulting expense	**-**	(66,548)
Travel	**(127)**	26,317
Insurance	**(5,676)**	(34,343)
Rent	**(18,437)**	(105,508)
Research and development	**(82,004)**	(643,989)
Other expenses	**(28,013)**	(231,905)
Marketing	**-**	(716)
Plantation costs	**(204,028)**	(1,008,515)
Finance costs	**(367)**	(8,592)
Share of loss from associates	**(11,370)**	(112,540)
Profit before income tax	**595,824**	38,851
Income tax (expense)/benefit	**-**	(106,047)
Profit/(loss) from discontinued operation	**595,824**	(67,196)
Net cash (outflow) from operating activities	**(952,473)**	902,152
Net cash (outflow) from investing activities	**(20,223)**	(1,067,603)
Net cash (outflow) from financing activities	**(99,633)**	(287,563)
Net (decrease) in cash generated by the subsidiary	**(1,072,329)**	(453,014)

4 Discontinued operation (continued)

(c) Assets and liabilities classified as a discontinued operation

The carrying amount of assets and liabilities as at the date of demerger, 23 July 2018 were:

	23 July 2018 $
Current assets	
Trade receivables	**2,148,488**
Other current assets	**371,690**
Accrued income	**301,208**
	2,821,386
Non-current assets	
Inventories	**184,923**
Property, plant and equipment	**1,063,214**
Intangible assets	**1,211,840**
Investment in associate	**193,005**
	2,652,982
Total assets	**5,474,368**
Current liabilities	
Cash and cash equivalents	**28,240**
Trade and other payables	**594,519**
Borrowings	**3,856**
Provisions	**318,515**
Deferred revenue	**1,889,762**
	2,834,892
Non-current liabilities	
Provisions	**15,504**
Total liabilities	**2,850,396**
Net assets	**2,623,972**

5 Property, plant and equipment

Consolidated	**Freehold land** $	**Freehold buildings** $	**Ponds** $	**Plant and equipment** $	**Leasehold improvements** $	**Leased plant and equipment** $	**Carbon sinks** $	**Total** $
At 1 July 2017								
Cost or fair value	2,719,799	1,581,830	6,781,774	12,000,323	426,459	379,173	4,201,540	28,090,898
Accumulated depreciation	-	(210,891)	(1,072,367)	(4,043,661)	(355,548)	(68,072)	(3,038,220)	(8,788,759)
Net book amount	2,719,799	1,370,939	5,709,407	7,956,662	70,911	311,101	1,163,320	19,302,139
Year ended 30 June 2018								
Opening net book amount	2,719,799	1,370,939	5,709,407	7,956,662	70,911	311,101	1,163,320	19,302,139
Additions	-	-	-	2,972,609	2,260	426,265	-	3,401,134
Disposals	(709,799)	-	-	(10,954)	-	-	-	(720,753)
Depreciation & amortisation charge	-	(70,538)	(339,088)	(1,153,280)	(18,135)	(80,384)	(191,016)	(1,852,441)
Closing net book amount	2,010,000	1,300,401	5,370,319	9,765,037	55,036	656,982	972,304	20,130,079
At 30 June 2018								
Cost or fair value	2,010,000	1,581,830	6,781,774	14,509,981	428,719	805,438	4,201,540	30,319,282
Accumulated depreciation	-	(281,429)	(1,411,455)	(4,744,944)	(373,683)	(148,456)	(3,229,236)	(10,189,203)
Net book amount	2,010,000	1,300,401	5,370,319	9,765,037	55,036	656,982	972,304	20,130,079

5 Property, plant and equipment (continued)

Consolidated	**Freehold land** $	**Leasehold land** $	**Freehold buildings** $	**Ponds** $	**Plant and equipment** $	**Leasehold improvements** $	**Leased plant and equipment** $	**Carbon sinks** $	**Total** $
At 1 July 2018									
Cost or fair value	2,010,000	-	1,581,830	6,781,774	14,509,981	428,719	805,438	4,201,540	30,319,282
Accumulated depreciation	-	-	(281,429)	(1,411,455)	(4,744,944)	(373,683)	(148,456)	(3,229,236)	(10,189,203)
Net book amount	2,010,000	-	1,300,401	5,370,319	9,765,037	55,036	656,982	972,304	20,130,079
Year ended 31 December 2018									
Opening net book amount	2,010,000	-	1,300,401	5,370,319	9,765,037	55,036	656,982	972,304	20,130,079
Additions	-	21,521,231	-	71,663	3,162,811	1,337	124,212	-	24,881,254
Assets included in a disposal group classified as other disposals	-	-	-	-	(34,402)	(32,455)	(34,127)	(962,229)	(1,063,213)
Disposals	-	-	-	-	-	-	(43,940)	-	(43,940)
Depreciation & amortisation charge	-	(39,308)	(45,272)	(241,208)	(598,491)	(2,403)	(6,932)	(10,075)	(943,689)
Closing net book amount	2,010,000	21,481,923	1,255,129	5,200,774	12,294,955	21,515	696,195	-	42,960,491
At 31 December 2018									
Cost or fair value	2,010,000	21,521,231	1,581,830	6,781,774	17,172,150	31,908	849,420	-	49,948,313
Accumulated depreciation	-	(39,308)	(326,701)	(1,581,000)	(4,877,195)	(10,393)	(153,225)	-	(6,987,822)
Net book amount	2,010,000	21,481,923	1,255,129	5,200,774	12,294,955	21,515	696,195	-	42,960,491

5 Property, plant and equipment (continued)

Finance lease - Legune station

On 15 February 2015, the Group entered into the Legune Station Access and Option Agreement. Under the agreement, the Group had the option to acquire the leasehold interest into the Legune Station. The station comprises 178,870 ha of land, property, plant & equipment and cattle.

The Group subsequently ceded their purchase option to a third party investor, who acquired the leasehold interest (including property, plant and equipment) on 31 October 2018. The Group and the third party investor simultaneously entered into a series of agreements whereby the Group lease 73,000ha of the 178,870 ha of land (excluding any property, plant and equipment and cattle) with a fair value of $12,202,717. The lease is effective from 12 December 2018. While the lease contract provides a potential maximum 90 year lease term (thereby securing the Group's ability to access to the Legune site for this period), the Group has determined the relevant minimum lease term to be 30 years based on the relevant break clauses in the contract, the first of which occurs after 30 years.

Non-current assets pledged as security

The Group has provided a mortgage over LOT 166 ON CROWN PLAN CWL3565 & LOT 183 ON CROWN PLAN CWL3484 to the third party investor when entering into the lease agreement.

Depreciation methods and useful lives

The leased land is depreciated using the minimum lease term of 30 years.

6 Other non-current assets

	Consolidated	
	31 December 2018 $	30 June 2018 $
Other non-current assets		
Loan to AAM Licensees Pty Ltd	**5,017,641**	-

The loan to AAM Licensees Pty Ltd was provided on 12 December 2018, at an interest rate of 7% per annum (2018: nil), calculated on a daily basis, and is due to be repaid on the 11 December 2021.

7 Current liabilities - Borrowings

	Consolidated	
	31 December 2018 $	30 June 2018 $
Secured		
Bank loans	**4,384,459**	2,825,680
Lease liabilities	**503,177**	109,604
Total secured current borrowings	**4,887,636**	2,935,284
Unsecured		
Vendor finance	**-**	23,417
Total unsecured current borrowings	**-**	23,417
Total current borrowings	**4,887,636**	2,958,701

7 Current liabilities - Borrowings (continued)

(a) Lease liabilities

The Group leased land under a finance lease effective 12 December 2018 (refer note 5 for further details). The Group considers the minimum lease term to be 30 years, also refer to key estimates and judgements (note 2). The Group has an option to purchase the Pastoral lease for an agreed amount at the end or at any point during the first 10 years of the lease. The Group's obligations under finance leases are secured by the lessors' title to the leased assets and a mortgage over LOT 166 ON CROWN PLAN CWL3565 & LOT 183 ON CROWN PLAN CWL3484.

8 Non-current liabilities - Borrowings

	Consolidated	
	31 December 2018 $	30 June 2018 $
Secured		
Lease liabilities	**16,750,608**	547,233
Other loans	**5,022,768**	-
Total secured non-current borrowings	**21,773,376**	547,233
Unsecured		
Loans from related parties (refer note 12)	**11,700,000**	14,500,000
Total non-current borrowings	**33,473,376**	15,047,233

Secured liabilities and assets pledged as security

The Group has $66,500 (2018: $120,865) facility on its company credit cards and has been required to provide guarantee facilities of $227,005 (2018: $207,987) in respect of office leases. The Group maintains a term deposit with the bank to secure these facilities.

The Group leased land under a finance lease effective 12 December 2018 (refer note 5 for further details). The Group considers the minimum lease term to be 30 years, also refer to key estimates and judgements (note 2). The Group has an option to purchase the Pastoral lease for an agreed amount at the end of the first 10 years of the lease. The Group's obligations under finance leases are secured by the lessors' title to the leased assets and a mortgage over LOT 166 ON CROWN PLAN CWL3565 & LOT 183 ON CROWN PLAN CWL3484.

Other loans

The loan from AAM Licensees Pty Ltd was provided on 12 December 2018, at an interest rate of 2% per annum above the benchmark rate quoted from time to time by the Borrower's principal banker on overdraft accommodation in excess of $100,000, and is due to be repaid on 11 December 2021. The Group has the option to settle up 50% of interest accruing on the loan with Seafarms Group Limited shares. The average interest rate on the loan during the period was 9.12% (2018: nil).

9 Reserves

(a) Other reserves

	Consolidated	
	31 December 2018 $	30 June 2018 $
Financial assets revaluation reserve	**(24,740)**	(24,740)
Share-based payments	**9,826,088**	4,516,569
Option premium reserve	**1,670,704**	1,670,705
	11,472,052	6,162,534

(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 Example 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 deter-mine 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 Contingencies

(a) Contingent liabilities

The Group has entered into an agreement whereby the Group will provide a loan of $5 million to AAM Licensees Pty Ltd when financial close has occurred. The loan is at market interest rates and repayable upon completion of stage 1 of Project Sea Dragon. If financial close has not occurred on/before 12 December 2023 AAM Licensees Pty Ltd will be irrevocably released from the obligation to repay the outstanding loan.

11 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.

11 Fair value measurement (continued)

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

Biological assets of $4,942,100 (30 June 2018: $5,781,325) 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

Biological assets	**31 December 2018 $**	30 June 2018 $
Livestock at fair value		
Opening Balance	**5,781,325**	4,530,997
Gain or Loss arising from changes in fair value less estimated point of sale costs	**(296,802)**	593,507
Increases due to purchases	**11,265,064**	5,187,819
Decreases due to harvest	**(11,807,487)**	(4,530,997)
Closing Balance	**4,942,100**	5,781,325

12 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, Chairman of the Group, which is repayable on 15 March 2021. The amounts repaid and interest charged are disclosed in the following table:

	Consolidated	
	31 December 2018 $	30 June 2018 $
Loan from Avatar Finance Pty Ltd		
Beginning of the year	**14,500,000**	8,000,000
Loans advanced	**3,900,000**	9,000,000
Debt equity swap	**-**	(2,500,000)
Loan repayments made	**(6,700,000)**	-
Interest charged	**443,870**	499,419
Interest paid	**(443,870)**	(499,419)
End of period	**11,700,000**	14,500,000

(b) Terms and conditions

The facility from Avatar Finance Pty Ltd is provided on normal commercial terms and conditions and at market rates, and is to be repaid on 15 March 2021. The average interest rate on the loan during the period was 6.24% (2018: 5.95%).

Related party transactions

(b) Terms and conditions (continued)

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 Legune lease agreement.

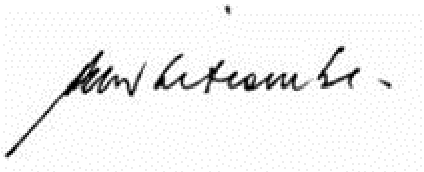
13 Events occurring after the reporting period

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.

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 2018 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



Harley Ronald Whitcombe
Executive Director
Perth
28 February 2019

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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 2018, 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 27.

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 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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.

Deloitte.

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 2018 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 2019