



CLEAN SEAS SEAFOOD LIMITED

ABN 61 094 380 435

APPENDIX 4D STATEMENT - HALF YEAR REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET HALF-YEAR ENDED 31 DECEMBER 2021

(Comparative figures being the half-year ended 31 December 2020)

	Half-Year ended December 2021	Half-Year ended December 2020	Period Movement up/(down)	Period Movement up/(down)
	\$ '000	\$ '000	\$ '000	%
Revenue from ordinary activities	31,192	22,333	8,859	40
EBITDA	410	(19,286)	19,696	(102)
EBIT	(1,498)	(21,150)	19,652	(93)
Profit / (Loss) from ordinary activities before tax	(2,160)	(21,873)	19,713	(90)
Income tax credit / (expense)	-	-	-	-
Profit / (Loss) from ordinary activities after tax attributable to members	(2,160)	(21,873)	19,713	(90)
Net tangible asset backing per ordinary share	\$0.40	\$0.46		

Dividends (Ordinary Shares)	Amount per security
Final dividend	cents/share Nil
Interim dividend	cents/share Nil

Record date for determining entitlements to dividends.

No dividend declared

Consistent with the decision taken in June 2012 not to carry future income tax benefits as an asset in the accounts the income tax benefit attributable to the December 2021 loss has not been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2021. The Group will continue to assess this treatment on an ongoing basis as Group profitability improves.

Details of the Group's performance for the first six months of FY 2022 are attached to this notice.

This report is all the half year information provided to the Australian Securities Exchange under listing rule 4.2A. The report also satisfies the half year reporting requirements of the Corporations Act 2001.

This half year financial report should be read in conjunction with the 2021 annual financial report.



Clean Seas Seafood Limited
Interim Consolidated Financial Statements
For the half-year ended 31 December 2021
ABN 61 094 380 435

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Directors' Report

The Directors of Clean Seas Seafood Limited present their Report together with the financial statements of the Consolidated Entity, being Clean Seas Seafood Limited ('the Company') and its Controlled Entities ('the Group' or 'Clean Seas') for the half-year ended 31 December 2021.

Director details

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

- Mr. Travis Dillon – Chairman;
- Mr Marcus Stehr;
- Mr Gilbert Vergères; and
- Ms Katelyn Adams.

Company Secretary

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

- Ms Eryl Baron; and
- Mr Rob Gratton.

Review of operations and financial results

The Board and Management of Clean Seas report a statutory loss after tax for H1 FY22 of \$2.16 million, which compares favourably to a statutory loss after tax of A\$21.87 million in H1 FY21. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was a loss of A\$9.89 million, which compared to a loss of A\$5.10 million in H1 FY21.

H1 FY22 sales volume, revenue and farmgate were all ahead of H1 FY21, and Indirect & R&D costs per kg were lower in H1 FY22 compared to H1 FY21. Production costs remained high in H1 FY22 in comparison to H1 FY21, but are now reducing due to the focus on optimising inventory and working capital. Indeed, production costs in H1 FY22 have reduced by 3% versus Full Year FY21 and are expected to be lower again by the end of FY22 with a further reduction in FY23 as the Company sells through its surplus live fish and frozen inventory.

Financial Performance A\$'000	H1 FY21	H1 FY22	Change (Fav/Unfav)	
Sales Revenue	22,333	31,192	40%	▲
Sales Volume (tonnes)	1,444	1,946	35%	▲
Operating Results				
Revenue \$/k.g	15.47	16.03	0.56	▲
Farmgate \$/k.g	12.27	12.51	0.24	▲
Production costs \$/k.g	(12.23)	(14.83)	(2.60)	▼
Indirect & R&D Costs \$/k.g	(3.57)	(2.76)	0.81	▲
Operating EBITDA (Inc R&D, excl once-off)	(3.53)	(5.08)	(1.55)	
Production Metrics				
Net Growth (tonnes)	696	828	19%	
Harvest volumes (tonnes)	1,748	1,341	-23%	
Closing Live Fish Biomass (tonnes)	3,394	2,739	-19%	
Statutory Results				
Underlying Operating EBITDA (\$'000)	(5,102)	(9,892)	(4,790)	▼
Underlying Adjustments				
Impairment	(8,072)	(211)	n/a	
Restructuring costs	(1,381)	-	n/a	
AASB 141 SGARA and cost allocation	(4,731)	10,513	n/a	
Total underlying Adjustments	(14,184)	10,302	n/a	
Statutory EBITDA (\$'000)	(19,286)	410	19,696	▲
Statutory NPAT (\$'000)	(21,873)	(2,160)	19,713	▲

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

Financial Performance

Sales Volumes and Revenue

Historical Sales tonnes and revenue					
Tonnes (WWE)	H1 FY18	H1 FY19	H1 FY20	H1 FY21	H1 FY22
Australia	689	701	779	781	1,009
Europe	481	474	508	441	770
North America	44	51	74	199	146
Asia	54	47	45	23	21
Total sales tonnes	1,268	1,273	1,406	1,444	1,946
Revenue \$'000	20,372	21,585	24,437	22,333	31,192
Revenue \$/k.g	16.07	16.96	17.38	15.47	16.03

Total sales volume for H1 FY22 of 1,946t was up 35% on H1 FY21 and 38% percent on H1 FY20, while revenue of A\$31.2 million exceeded H1 FY21 and H1 FY20 by 40% and 28% respectively.

Clean Seas' strong sales growth has continued in H1 FY22, which is partly due to the final clearance of some frozen inventory and unprecedented and broad demand for Kingfish globally. This has been achieved despite ongoing uncertainty and disruption to markets and supply chains and highlights the continued growth in awareness and appetite for Yellowtail Kingfish globally.

In Australia, despite restaurant density limits being enforced, sales volumes for H1 FY22 were up 29% on the same period last year, and in Europe sales were up 75% versus the same period. In North America, where Clean Seas is benefitting from broader acceptance of its Kingfish versus the Japanese competition in Asian restaurants, premium sales are up 112% on pre-pandemic levels, however, the decline in total volumes reflect a reduction in clearance frozen sales (157 tonnes sold in H1 FY21).

This unprecedented demand has driven strong price growth, with revenue per kg up to \$16.03 in H1 FY22, and in Q2 FY22, with the sale of surplus inventory complete, revenue per kg was \$18.25/k.g.

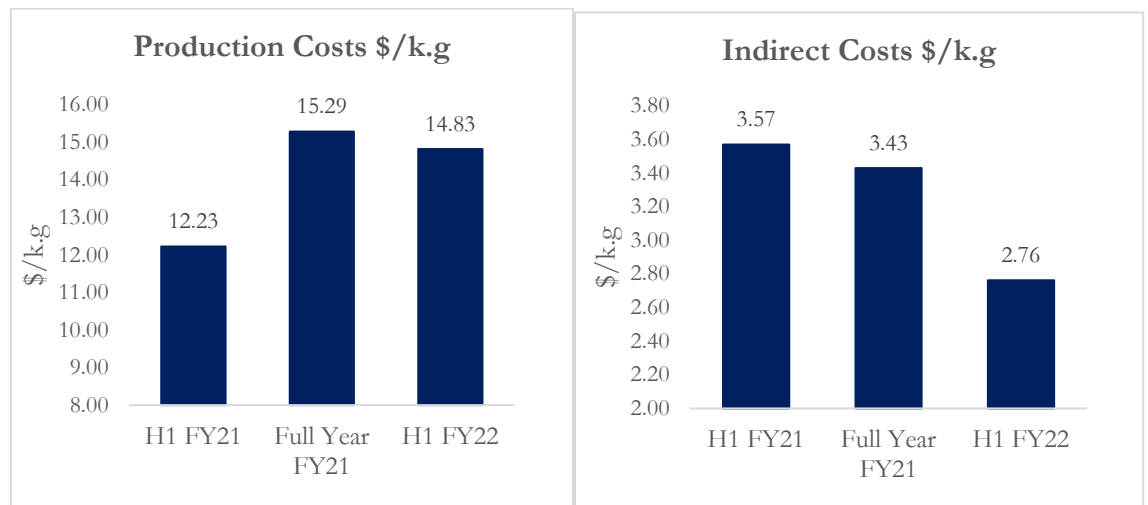
Clean Seas' H1 FY22 sales volumes included support for a nationwide rollout of a number of retail products with Woolworths. Feedback received to date is that our Kingfish launch into retail is tracking along positively and in line with expectations and growth plans. Promotional programs will continue to drive sales and customer awareness.

Fish Health

The stocking of juvenile fish in the new full life-cycle Fitzgerald Bay (Whyalla) farm site has been completed and these Year Class 22 fish are performing well. This new location, which complements Clean Seas' existing farming locations in Port Lincoln and Arno Bay, increases the Company's total potential production capacity to 10,000t per annum.

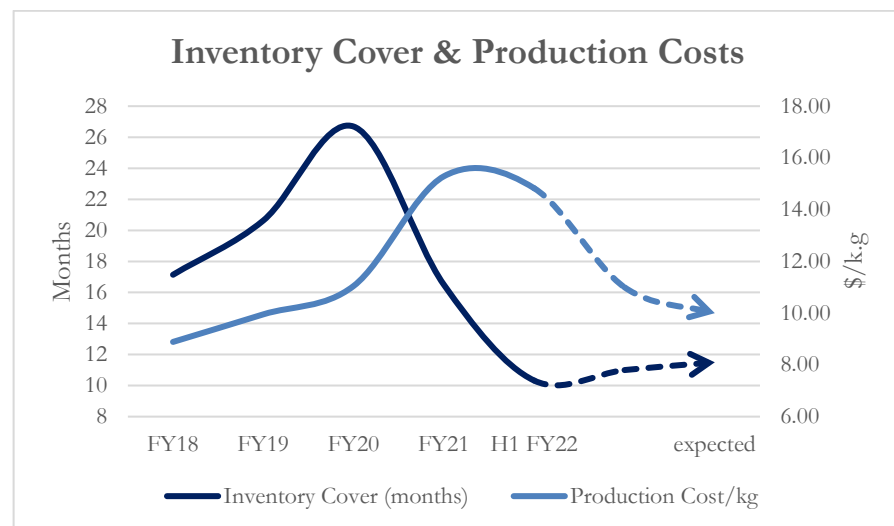
In January 2022, the Company experienced an increase in fish mortalities at its Fitzgerald Bay farm. The mortalities were caused by a combination of personnel and infrastructure constraints, compounded by environmental factors. Clean Seas undertook multiple steps to mitigate the risk of further mortalities and these steps quickly returned mortalities to normal levels. Consequently, the Company has recognised an increase in the mortality provision by \$0.5 million in the H1 FY22 Financial Statements to reflect the known mortalities.

Production & Indirect Costs



Production costs for H1 FY22 increased by \$2.60/k.g to \$14.83/k.g in comparison to H1 FY21, however, importantly, production costs have declined from its peak of \$15.29/k.g for the Full Year FY21.

Production costs typically remain flat during the first half of the financial year when between 15% and 35% of live fish biomass growth occurs. Consequently, it is expected production costs will continue to decline in H2 of FY22 as live fish growth accelerates.



Production costs have been elevated over the past 18 months due to the carrying cost of excess inventory. Surplus live fish biomass and frozen inventory increased inventory cover to a peak of 27 months in FY20. All surplus Year Class 18 and 19 cohorts have now been harvested and sold, which has reduced inventory cover to 10 months in December 2021. With this, Clean Seas expects production costs to further reduce in H2 FY22, and once the harvest of Year Class 20 fish is completed, the Company's biomass will be back in balance and expects FY23 production costs to return to historical levels of between \$9-\$9.50/k.g, depending on product mix. Inventory cover is a leading indicator for cost of production by circa 18-24 months due to the time taken for fish to grow from juvenile to harvest size.

Indirect costs decreased by \$0.81/kg to \$2.76/kg. in H1 FY22 due to the structural changes to reduce cost and promote efficiency, including the restructure of the Executive and Board, a consolidation of activities into its South Australian base and 35% growth in sales tonnes.

Underlying EBITDA

Reflecting the underlying performance of the business by excluding the impact of SGARA \$10.5 million) and biological asset Impairment (\$0.2 million), underlying EBITDA declined by (\$4.8 million) to a loss of (\$9.9 million). Profitability has been impacted by an increase in production costs, partially offset by an increase in revenue/k.g and indirect costs \$/k.g.

Adjustment to underlying EBITDA include:

- **Impairment:** The Tuna operations is not currently a focus for the Group, and until sufficient resources are available there are no plans to undertake further SBT research programs and as a consequence the Group has recognised an impairment for \$211k to remove the remaining Southern Bluefin Tuna due to the age and health of the remaining fish.
- **SGARA and cost allocation:** Live Fish biomass is accounted for in accordance with *AASB 141 'Agriculture'*.

Cash Flow

Cash flow summary (\$'000)	H1 FY21	H1 FY22	Change (Fav/Unfav)
Underlying Operating cash flow	(1,190)	6,564	7,754 ▲
Underling Adjustment			
Restructuring costs	(637)	-	n/a
Statutory Operating cash flow	(1,827)	6,564	8,391 ▲
Investing cash flow	(1,630)	(3,115)	(1,485) ▼
Financing cash flow	(9,395)	(18,957)	(9,562) ▼
Net increase / (decrease) in cash held	(12,852)	(15,508)	(2,656) ▼

Operating cash flow

Cash receipts for H1 FY22 reached \$32.1 million, which exceeded H1 FY21 by approximately \$12.0 million. Total cash receipts were ahead of pre-pandemic levels (H1 FY20) by \$7.6 million, which reflects the growing awareness of and demand for Yellowtail Kingfish globally.

Despite an increase in sales volumes by 34%, Clean Seas did not experience a similar increase in operating costs, due in part to the improvement in working capital, which has removed excess biomass and frozen inventory. Feed costs are expected to increase in H2 FY22 in line with the Company's peak growing season.

Investing cash flow

Capital investment was largely focused on scaling production capacity at the Whyalla Farm, and the first progress payment for the acquisition of a heavy vessel (total investment \$1.6 million). Once delivered to the Spencer Gulf in the coming months, this vessel will be capable of delivering up to 80t of feed in a single operation and support Clean Seas growth ambitions in the coming years.

Investing cash flows also included the investment in an exclusive 15-year licence agreement to utilise Icefresh™ rapid defrosting technology, which reduces thawing time from 6 hours to 30 minutes and enhances product quality once thawed as a “refreshed” product sold in retail outlets globally.

Financing cash flow

Financing cash flow reflects the repayment of the Company’s working capital facility debt, and the successful redemption of Clean Seas’ Convertible Notes. Of the 15,403,907 Convertible Notes issued on or before 20 January 2020, a total of 8,854,562 were converted by Noteholders to Ordinary Shares, and the remaining 6,549,345 were redeemed by the Company for approximately \$6.6 million.

Funding

Net Cash / (Debt) \$'000	Jun-21	Dec-21	Change (Fav/Unfav)	
Cash at bank	30,072	14,564	(15,508)	▼
Working capital facility	(9,471)	-	9,471	▲
Senior debt facility	-	-	-	
Asset finance facility	(2,287)	(2,042)	245	▲
Convertible note debt	(9,551)	-	9,551	▲
Total net cash	8,763	12,522	3,759	▲

Due to positive operating cash flows of approximately \$6.6 million, Clean Seas was able to increase total net cash by \$3.7 million in H1 FY22. .

In December 2021, the Group renewed its Finance Facility with Commonwealth Bank of Australia, with a facility limit to \$32.15 million. The Finance Facility comprises \$12 million Trade Finance Facility, \$14 million Market Rate Loan Facility, \$6 million Equipment Finance Facility and \$150,000 Corporate Card Facility. This is an ongoing facility subject to annual review and is secured against all Group assets.

The Company has cash and unused working capital funding of \$26.6 million, plus an additional \$17.9 million of undrawn facilities to fund major capital works.

Earnings Per Share

Basic (loss) / earnings per share was (1.31) cents in 1H FY22 and (19.76) cents in 1H FY21. Diluted (loss) / earnings per share was (1.31) cents in 1H FY22 and (19.76) cents in 1H FY21.

Dividend

No dividend has been declared.

Outlook

It is the Company’s view that whilst the ongoing COVID-19 disruptions may continue, Clean Seas has the advantage of an exceptional product and is well positioned to take advantage of growing awareness and acceptance of Yellowtail Kingfish globally. The Company believes that consumer demand for high quality and sustainable seafood and protein generally will continue to provide Clean Seas with opportunities to grow sales, and with the reduction in production costs anticipated to continue in H2 FY22 and in FY23, the Company expects further improvement in profitability and cash flows in the coming years.

The Company has maintained a strong balance sheet throughout the pandemic and the capacity to leverage inventory for both strategic growth and as a source of funding.

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

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

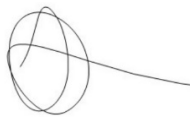
Auditor's Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 10 of this financial report and forms part of this Directors' Report.

Rounding of amounts

Clean Seas Seafood is a type of Company referred to in ASIC Class Order 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

Signed in accordance with a resolution of the Directors.

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

Travis Dillon
Chairman

28 February 2022

Auditor's Independence Declaration

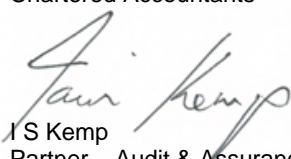
To the Directors of Clean Seas Seafood Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Clean Seas Seafood Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J S Kemp
Partner – Audit & Assurance

Adelaide, 28 February 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

	Notes	31-Dec-2021 \$'000	31-Dec-2020 \$'000
Revenue	6	31,192	22,333
Other income		134	1,215
Net gain / (loss) arising from changes in fair value of Yellowtail Kingfish	8	3,176	(2,364)
Fish husbandry expense		(13,096)	(12,225)
Employee benefits expense		(6,081)	(7,606)
Fish processing and selling expense		(6,071)	(5,681)
Costs of goods sold – frozen inventory		(7,154)	(5,292)
Impairment - biological assets & frozen inventory		(211)	(8,072)
Depreciation and amortisation		(1,908)	(1,864)
Other expenses		(1,479)	(1,594)
Loss before finance items and tax		(1,498)	(21,150)
Finance costs		(663)	(728)
Finance income		1	5
Loss before tax		(2,160)	(21,873)
Income tax benefit / (expense)		-	-
Loss for the period from continuing operations		(2,160)	(21,873)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(2,160)	(21,873)
(Loss)/profit for the period and total comprehensive loss for the period is attributable to owners of the parent.			
Earnings per share from continuing operations:			
Basic earnings per share (cents per share)	10	(1.31)	(19.76)
Diluted earnings per share (cents per share)	10	(1.31)	(19.76)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31-Dec-2021 \$'000	30-Jun-2021 \$'000
Assets			
<i>Current</i>			
Cash and cash equivalents		14,564	30,072
Trade and other receivables		5,625	6,383
Inventories	7	6,318	11,252
Prepayments		797	1,565
Biological assets	8	34,397	32,505
Current assets		61,701	81,777
<i>Non-current</i>			
Property, plant and equipment	9	16,787	15,955
Right-of-use assets		214	288
Biological assets		82	244
Intangible assets		3,710	3,736
Non-current assets		20,793	20,223
TOTAL ASSETS		82,494	102,000
Liabilities			
<i>Current</i>			
Trade and other payables		8,693	8,900
Borrowings	13	1,670	12,030
Provisions		1,298	1,253
Current liabilities		11,661	22,183
<i>Non-current</i>			
Convertible notes	14	-	9,551
Borrowings	13	1,063	1,434
Provisions		276	300
Non-current liabilities		1,339	11,285
TOTAL LIABILITIES		13,000	33,468
NET ASSETS		69,494	68,532
Equity			
Equity attributable to owners of the Parent:			
• share capital	15	227,893	224,772
• share rights reserve		103	102
• accumulated losses		(158,502)	(156,342)
TOTAL EQUITY		69,494	68,532

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

	Share Capital \$'000	Share Rights Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2021	224,772	102	(156,342)	68,532
Total comprehensive profit for the period	-	-	(2,160)	(2,160)
Share rights reserve movement	17	1	-	18
Convertible note converted to shares	3,457	-	-	3,457
Placement costs	(353)	-	-	(353)
Balance at 31 December 2021	227,893	103	(158,502)	69,494

For the half-year ended 31 December 2020

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

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	31-Dec-2021 \$'000	31-Dec-2020 \$'000
Operating activities		
Receipts from customers	32,132	20,179
Payments to suppliers (excluding feed)	(14,620)	(13,137)
Payments for fish feed	(5,369)	(4,279)
Payments to employees	(5,579)	(6,064)
Government grants received	-	1,254
Insurance proceeds received	-	220
Net cash used in operating activities	6,564	(1,827)
Investing activities		
Purchase of property, plant and equipment	(2,378)	(1,635)
Purchase of intangible asset	(779)	-
Proceeds from sale of property, plant and equipment	41	-
Interest received	1	5
Net cash used in investing activities	(3,115)	(1,630)
Financing activities		
Gross proceeds from issue of shares	-	-
Transaction costs related to issues of shares	(788)	(26)
Repayment of convertible notes	(6,662)	-
Proceeds from borrowings	278	1,378
Repayments of borrowings	(11,224)	(10,038)
Finance costs	(561)	(709)
Net cash (used in) / provided by financing activities	(18,957)	(9,395)
Net change in cash and cash equivalents	(15,508)	(12,852)
Cash and cash equivalents, beginning of period	30,072	22,169
Cash and cash equivalents, end of period	14,564	9,317

The accompanying notes form part of these financial statements.

Notes to the Interim Consolidated Financial Statements

1 Nature of operations

Clean Seas Seafood Limited and its subsidiaries' ('the Group') principal activities include finfish sales and tuna operations. These activities comprise the following:

- Finfish sales – The propagation, growout and sale of Yellowtail Kingfish; and
- Tuna operations – Research and development activities to produce juveniles of Southern Bluefin Tuna (SBT).

The Group continues to enhance its operations through new research and world's best practice techniques to deliver Hiramasa Yellowtail Kingfish of premium quality. The Tuna operations is not currently a focus for the Group, and until sufficient resources are available there are no current plans to undertake further SBT research programs.

Refer to Note 11 for further information about the Group's operating segments.

2 General information and basis of preparation

The interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2021 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2021 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2022.

3 Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2021.

4 Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2021.

5 Seasonal fluctuations

The Group's underlying reported profit is subject to material seasonal fluctuation due to fish growth being the major contributor to profitability and Yellowtail Kingfish in South Australia having a seasonal strong growth period from October to May when the seawater temperatures are warmer. Historically 15% to 35% of biomass growth in a financial year has occurred in the first half of the financial year. Consequently, it is expected that the Group's future underlying reported profits will be materially higher in the second half of the financial year than the first half.

6 Revenue

	6 months to 31 December 2021 \$'000	6 months to 31 December 2020 \$'000
Sale of fresh finfish	21,321	16,067
Sale of frozen fish products	9,871	6,266
Total revenue	31,192	22,333

7 Inventories

	31-Dec-2021 \$'000	30-Jun-2021 \$'000
Frozen fish products	4,150	11,411
(Less) impairment	-	(2,176)
Frozen fish products (at NRV)	4,150	9,235
Fish feed (at cost)	1,642	1,355
Other (at cost)	526	662
Total inventories	6,318	11,252

There has been no impairment recognised for the period ending 31 December 2021. At 30 June 2021, the Group recognised an impairment of \$2.2 million to ensure that inventory is stated at the lower of cost and net realisable value (NRV). Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date.

8 Current Biological Assets – Live Fish

	6 months to 31 December 2021 \$'000	12 months to 30 June 2021 \$'000
Live Yellowtail Kingfish – Held for Sale		
Carrying amount at beginning of period / year	32,505	49,783
Adjusted for:		
Gain arising from physical changes at fair value less costs to sell	18,712	29,677
Decrease due to harvest for sale as fresh	(15,536)	(28,233)
Net (loss) / gain recognised in profit and loss	3,176	1,444
Decrease due to impairment	-	(7,706)
Decrease due to harvest for processing to frozen inventory	(1,284)	(11,016)
Carrying amount at end of period / year	34,397	32,505

There has been no impairment recognised for the period ending 31 December 2021. During FY21, the Group recognised an impairment of \$7.7 million in December 2020 (FY20: \$9.1 million) to ensure that Live fish inventory is stated at fair value in accordance with *AASB 141 Agriculture*.

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

9 Property, plant and equipment

The following table shows the movements in property, plant and equipment:

	Land & Buildings \$'000	Plant & Equipment \$'000	Total \$'000
Gross carrying amount			
Balance at 1 July 2021	4,366	42,452	46,818
Additions	38	2,602	2,640
Disposals	-	(65)	(65)
Balance at 31 December 2021	4,404	44,989	49,393
Depreciation and impairment			
Balance at 1 July 2021	(1,826)	(29,037)	(30,863)
Disposals	-	38	38
Depreciation	(50)	(1,731)	(1,781)
Balance at 31 December 2021	(1,876)	(30,730)	(32,606)
Carrying amount at 31 December 2021	2,528	14,259	16,787
Gross carrying amount			
Balance 1 July 2020	4,244	39,152	43,396
Additions	122	3,300	3,422
Disposals	-	-	-
Balance 30 June 2021	4,366	42,452	46,818
Depreciation and impairment			
Balance 1 July 2020	(1,667)	(25,637)	(27,304)
Disposals	-	-	-
Depreciation	(159)	(3,400)	(3,559)
Balance 30 June 2021	(1,826)	(29,037)	(30,863)
Carrying amount 30 June 2021	2,540	13,415	15,955

10 Earnings per share

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	6 months to 31 December 2021	6 months to 31 December 2020
Weighted average number of shares used in basic earnings per share	164,834,484	110,673,771
Shares deemed to be issued for no consideration in respect of share based payments	-	-
Weighted average number of shares used in diluted earnings per share	164,834,484	110,673,771

The potential exercise of share rights has been excluded from the diluted earnings per share calculation for 6 months to 31 December 2021 due to being antidilutive, in accordance with *AASB 133 Earnings Per Share*, paragraph 43.

11 Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group's two operating segments are:

Finfish Sales: All finfish grow out and sales other than propagated Southern Bluefin Tuna. Currently the segment includes Yellowtail Kingfish, Mulloway and some wild caught Tuna. All fish produced are aggregated as one reportable segment as the fish are similar in nature, they are grown and distributed to similar types of customers and they are subject to a similar regulatory environment.

Tuna Operations: Propagated Southern Bluefin Tuna operations are treated as a separate segment. All costs associated with the breeding, grow out and sales of SBT are aggregated into one reportable segment. The Tuna operations is not currently a focus for the Group, and until sufficient resources are available there are no plans to undertake further SBT research programs and as a consequence the Group has recognised an impairment for \$211k to remove the remaining Southern Bluefin Tuna due to the age and health of the remaining fish.

During the six-month period to 31 December 2021, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

6 months to 31 December 2021	Finfish Sales \$'000	Tuna Operations \$'000	Unallocated \$'000	Total \$'000
Segment revenues	31,192	-	-	31,192
Segment operating loss before tax	(1,135)	(363)	(662)	(2,160)
Segment assets	67,930	-	14,564	82,494

6 months to 31 December 2020	Finfish Sales \$'000	Tuna Operations \$'000	Unallocated \$'000	Total \$'000
Segment revenues	22,333	-	-	22,333
Segment operating loss before tax	(21,002)	(148)	(723)	(21,873)
Segment assets	71,810	455	9,317	81,582

The Group's segment operating loss reconciles to the Group's loss before tax as presented in its financial statements as follows:

	6 months to 31 December 2021 \$'000	6 months to 31 December 2020 \$'000
Profit or loss		
Total reporting segment operating (loss)/profit before tax	(1,498)	(21,150)
Items not allocated	-	-
Group operating (loss)/profit before finance items and tax	(1,498)	(21,150)
Finance costs	(663)	(728)
Finance income	1	5
Group (loss)/profit before tax	(2,160)	(21,873)

12 Contingent assets and liabilities

The Group also has unrecognised carry forward tax losses. This contingent asset is discussed in Note 10 to the financial statements in the 2020/21 Annual Report.

There are no other material contingent assets or liabilities.

13 Borrowings

In December 2021, the Group renewed its Finance Facility with Commonwealth Bank of Australia, with a facility limit to \$32.15 million. The Finance Facility comprises \$12 million Trade Finance Facility, \$14 million Market Rate Loan Facility, \$6 million Equipment Finance Facility and \$150,000 Corporate Card Facility. This is an ongoing facility subject to annual review and is secured against all Group assets.

The Group is subject to financial covenants, including operating cash flows and current ratio, which are reviewed quarterly. The Group was compliant with all its covenants as at 31 December 2021.

14 Convertible notes

On the 28 July 2021, The Directors of Clean Seas announced that the Company has given notice to the holder of Convertible Notes (ASX: CSSG) that the Company will fully redeem all outstanding Convertible Notes on the 27 August 2021.

Of the 15,403,907 Convertible Notes issued on or before 20 January 2020, a total of 8,854,562 notes have been converted by Noteholders to Ordinary Shares, and the remaining 6,549,345 were redeemed by the Company for approximately \$6.7 million.

15 Share capital

The share capital of Clean Seas Seafood Limited consists only of fully paid ordinary shares: the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at a shareholders' meeting.

	31-Dec-2021 Shares	30-Jun-2021 Shares	31-Dec-2021 \$'000	30-Jun-2021 \$'000
Shares issued and fully paid:				
• at beginning of the year	158,648,059	105,977,370	224,772	195,937
• share placements / (costs)	-	43,859,650	(353)	23,359
• convertible notes	6,686,141	6,946,328	3,457	3,763
• STI paid via equity	-	1,495,062	-	1,510
• share rights	18,483	369,649	17	203
Total contributed equity	165,352,683	158,648,059	227,893	224,772

16 Fair value measurement of non-financial assets – Fair Value Hierarchy

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** Inputs for the asset or liability that is not based on observable market data (unobservable inputs)

The Group's biological assets (live fish) held for sale are valued at their fair value in accordance with Note 4.20 of the 2020/21 Annual Report. This valuation method satisfies the criteria for Level 3. At 31 December 2021 the Group has 2,739 tonnes of live fish held for sale valued at \$34.4 million (June 2021: 3,295 tonnes valued at \$32.5 million).

17 Capital Commitment

As at 31 December 2021 the Group has contracted for the purchase of various items of plant and equipment totalling \$2.20 million [June 2021: \$1.00 million].

18 Post-reporting date events

Subsequent to 31 December 2021 a total of 2,959,302 Share Rights were issued to Executives.

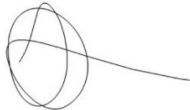
There are no other matters or circumstances that have arisen between the reporting date and the date of authorisation that have significantly affected or may significantly affect either:

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

Directors' Declaration

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

Signed in accordance with a resolution of the Directors:

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

Travis Dillon
Chairman

Dated the 28th day of February 2022

Independent Auditor's Review Report

To the Members of Clean Seas Seafood Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Clean Seas Seafood Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Clean Seas Seafood Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of Clean Seas Seafood Limited's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting, which complies with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board, and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 28 February 2022