



Our Ref: SFG ASX Announce Appendix 4D Half Year Report 2016 (504)

27 February 2017

ANNOUNCEMENT 504

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

By ASX Online
Number of pages: 22
(including this page)

Dear Sir

Seafarms Group Report for the Half-Year Ended 31 December 2016

Enclosed is Seafarms Group's Report for the half-year ended 31 December 2016 including ASX Appendix 4D.

Please telephone Harley Whitcombe on (08) 9321 4111 with any queries on the Company's 2016 Half-Year Report.

Yours faithfully
Seafarms Group Limited

A handwritten signature in black ink, appearing to read "Harley Whitcombe".

Harley Whitcombe
Company Secretary

ENC

Seafarms Group Limited
ABN 50 009 317 846

Level 11, 225 St Georges Terrace
Perth WA 6000 Australia
PO Box 7312 Cloisters Square
Perth WA 6850 Australia

P +61 8 9321 4111
F +61 8 9321 4411
E info@seafarms.com.au
W seafarms.com.au

Seafarms Group Limited

ABN 50 009 317 846

Interim report for the half-year 31 December 2016

Seafarms Group Limited

Appendix 4D

Half-year 31 December 2016

Name of entity
Seafarms Group Limited

ABN or equivalent company
reference

ABN 50 009 317 846

Half-year

31 December 2016
(Previous corresponding period: 31
March 2016)

Results for announcement to the market

				\$
Revenue from ordinary activities	Up	27.1%	to	26,893,053
Net loss for the period attributable to members	Down	2.6%	to	(10,862,920)
Loss from ordinary activities after tax attributable to members	Down	2.6%	to	(10,862,920)

		Amount per security	Franked amount per security
Dividends / distributions			
Final dividend (per share)		-	-
Interim dividend		-	-
		31 December 2016	31 March 2016
Net tangible asset backing (per share)		0.02	0.03

Seafarms Group Limited ABN 50 009 317 846

Interim report - 31 December 2016

Contents

	Page
Corporate directory	3
Directors' report	4
Auditor's Independence Declaration	7
Interim financial statements	
Condensed consolidated statement of profit or loss	8
Condensed consolidated statement of profit or loss and other comprehensive loss	9
Condensed consolidated statement of financial position	10
Condensed consolidated statement of changes in equity	11
Condensed consolidated statement of cash flows	12
Notes to the condensed consolidated financial statements	13
Directors' declaration	18
Independent auditor's review report to the members	19

This financial report covers the consolidated financial statements for the consolidated entity consisting of Seafarms Group Limited and its subsidiaries. The financial report is presented in the Australian currency.

Seafarms Group Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

Seafarms Group Limited
Level 11, 225 St Georges Terrace
Perth, Western Australia 6000

Its principal place of business is:

Seafarms Group Limited
Level 11, 225 St Georges Terrace
Perth Western Australia 6000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 4, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 24 February 2017. 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 <i>Executive Chairman</i> Harley Ronald Whitcombe B.Bus, CPA Dr Christopher David Mitchell PhD, BSc (Hons), GAICD Paul John Favretto LL.B.
Secretary	Harley Ronald Whitcombe B.Bus, CPA
Principal registered office in Australia	Level 11, 225 St Georges Terrace Perth, Western Australia 6000 (08) 9321 4111
Share register	Computershare Investor Services Pty Limited GPO Box D182 Perth, Western Australia 6000 (08) 9323 2000
Auditor	Deloitte Touche Tohmatsu Chartered Accountants 123 St Georges Terrace Perth WA 6000
Bankers	Australia and New Zealand Banking Group Limited 77 St Georges Terrace Perth, Western Australia 6000
Stock exchange listings	Seafarms Group Limited shares are listed on the Australian Securities Exchange. ASX code - SFG .
Website	www.seafarms.com.au
AFSL	Seafarms Group Limited is a corporate authorised representative ("CAR") (Number 420079) of CO2 Group Financial Services Pty Ltd (ABN 92 142 542 774 AFSL 388086). The Group's Authorised Representative numbers are: Seafarms Group Limited (CAR # 420079); Carbon Banc Limited (CAR # 420080); CO2 Australia Limited (CAR # 420081).

Directors' report

The Directors present their report on the consolidated entity consisting of Seafarms Group Limited and the entities it controlled at the end of, or during, the half-year 31 December 2016.

Directors

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

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

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

Principal activities

The principal activities of Seafarms Group Limited and its subsidiaries ("the Group") in the course of the financial half-year have been aquaculture project development, aquaculture operations, carbon project management (Australia and Vietnam), and the provision of environmental services (advisory in ecosystem offsets and carbon farming projects).

Company financial performance

The overall financial performance during the first half of the 2016 financial year reflects the investment being made by the Group in pursuing its expansion in aquaculture operations, ongoing forestry planting and carbon sink management.

	Consolidated	
	Half-year	
	31 December	31 March
	2016	2016
	\$	\$
Total Revenue	26,893,053	21,156,539
Other (losses)/gains	(420,188)	478,086
Net loss after tax	(10,862,920)	(11,154,013)
Add back:		
Income tax expense	6,269,297	56,581
Finance expenses	669,925	651,900
EBIT	(3,923,698)	(10,445,532)
Cash and cash equivalents	7,003,312	5,184,404

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

Review of operations

Operating results

The Group's half-year net loss after tax was \$10,862,920 (prior comparative period - PCP: \$11,154,013). Loss before interest and tax was \$3,923,698 (PCP: \$10,445,532 loss). Revenue for the six months was up 27% to \$26,893,053 (PCP: \$21,156,539). Basic loss per share was 0.94 cents (PCP: 1.26 cents loss). No dividend was declared for the period.

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

Review of operations (continued)

Operations

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

Aquaculture

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

Queensland Operations

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

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

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

Project Sea Dragon

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

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

Further to securing major project status from the Northern Territory, Western Australian and Commonwealth Governments PSD has completed its draft Environmental Impact Statement submissions and completed the project technical feasibility assessment. The first stage of the Quarantine and Founder Stock Centre was completed and the first animals introduced for disease screening.

The Company continues to progress licence to operate pathways with Government, Indigenous communities and securing a co-investment partner or partners.

A number of factors, mainly outside the company's influence and control, that have affected the final investment decision timetable include the following:

- A change in Northern Territory Government;
- An unexpected requirement for a Bynoe Harbour Environmental Impact Statement;
- Unfinalised Indigenous Land Use Agreement and Project Development Agreement, with the NT Government; and
- A top decile wet season at Legune Station that is hampering on-ground access.

At this time, the company expects a delay to the final investment decision of up to 3 months, with project development to commence in the dry of 2018.

The company continues to remain robust about PSD.

Review of operations (continued)

Environmental services

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

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

CO2 Asia, a sister subsidiary to CO2A, controls a portfolio of clean-energy projects located in Asia, which are generating a substantial supply of carbon credits, including Certified Emissions Reductions (CERs), trading into local and international markets.

Equity raising

The Company successfully completed a capital raising in the half-year ended 31 December raising \$10.4 million (after costs). The capital raising was completed to assist in the continuing development of Project Sea Dragon.

Matters subsequent to the end of the financial year

Post balance date the Company has submitted its Supplementary Environmental Impact Statements for the Legune Grow-out Centre and the Bynoe Harbour Breeding Facilities.

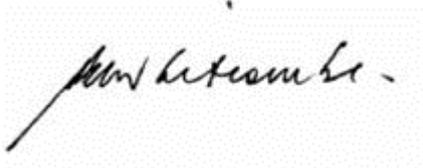
No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

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 7.

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

On behalf of the Directors.



Harley Ronald Whitcombe
Executive Director
Melbourne
24 February 2017

Board of Directors
Seafarms Group Limited
Level 11, 225 St Georges Terrace
Perth WA 6000

24 February 2017

Dear Directors

Auditor's Independence Declaration to 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 2016, 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 faithfully



DELOITTE TOUCHE TOHMATSU



Peter Rupp
Partner
Chartered Accountants

Seafarms Group Limited
Condensed consolidated statement of profit or loss
For the half-year 31 December 2016

	Consolidated Half-year	
	31 December 2016	31 March 2016
Notes	\$	\$
Revenue from continuing operations	26,893,053	21,156,539
Other (losses)/gains	(420,188)	478,086
Fair value adjustment of biological assets	273,200	(381,299)
Fair value adjustment of finished goods	(355,777)	(139,233)
Cost of goods sold	(20,043,873)	(18,580,613)
Employee benefits expense	(2,923,891)	(2,801,719)
Depreciation and amortisation expense	(941,656)	(923,040)
Consulting expense	(1,245,795)	(2,303,314)
Legal fees	(44,722)	(199,704)
Travel	(722,116)	(765,103)
Insurance	(116,786)	(148,337)
Rent	(228,610)	(204,890)
Research and development	(1,584,315)	(3,769,685)
Other expenses	(965,581)	(692,897)
Marketing	(60,624)	(74,754)
Plantation costs	(1,208,909)	(876,051)
Finance costs	(669,925)	(651,900)
Share of loss from associates	(227,108)	(219,518)
Loss before income tax	(4,593,623)	(11,097,432)
Income tax expense	4 (6,269,297)	(56,581)
Loss for the period	(10,862,920)	(11,154,013)
	Cents	Cents
Loss per share		
Basic loss per share	(0.94)	(1.26)
Diluted loss per share	(0.94)	(1.26)

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

Seafarms Group Limited
Condensed consolidated statement of profit or loss and other comprehensive loss
For the half-year 31 December 2016

	Consolidated	
	Half-year	
	31 December	31 March
	2016	2016
	\$	\$
Loss for the period	(10,862,920)	(11,154,013)
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss</i>		
Other comprehensive (loss)/income for the period, net of tax	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u>(10,862,920)</u>	<u>(11,154,013)</u>
Total comprehensive loss for the period is attributable to:		
Owners of Seafarms Group Limited	<u>(10,862,920)</u>	<u>(11,154,013)</u>

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

Seafarms Group Limited
Condensed consolidated statement of financial position
As at 31 December 2016

	Consolidated	
	31 December	30 June
	2016	2016
Notes	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	7,003,312	8,283,532
Trade and other receivables	12,451,188	1,558,373
Inventories	2,622,724	6,366,517
Current tax receivables	15,786	15,786
Other current assets	549,375	540,715
Accrued income	-	791,890
Biological assets	2,746,589	3,325,639
Other current financial assets	-	186,829
Total current assets	25,388,974	21,069,281
Non-current assets		
Inventories	184,923	184,923
Investments accounted for using the equity method	272,002	499,109
Property, plant and equipment	18,591,167	18,266,194
Deferred tax assets	-	6,269,297
Intangible assets	3,440,183	3,401,019
Total non-current assets	22,488,275	28,620,542
Total assets	47,877,249	49,689,823
LIABILITIES		
Current liabilities		
Trade and other payables	6,295,879	6,984,504
Borrowings	959,999	1,271,668
Provisions	1,287,390	1,339,549
Deferred revenue	1,005,282	1,072,912
Total current liabilities	9,548,550	10,668,633
Non-current liabilities		
Borrowings	8,500,000	8,821,666
Provisions	260,057	196,914
Total non-current liabilities	8,760,057	9,018,580
Total liabilities	18,308,607	19,687,213
Net assets	29,568,642	30,002,610
EQUITY		
Contributed equity	89,450,105	79,021,152
Other reserves	5,252,773	5,252,773
Accumulated losses	(65,134,236)	(54,271,315)
Total equity	29,568,642	30,002,610

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

Seafarms Group Limited
Condensed consolidated statement of changes in equity
For the half-year 31 December 2016

Consolidated	Issued capital \$	Share-based payments reserve \$	Option premium \$	Financial assets revaluation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 October 2015	69,599,918	3,606,808	1,670,705	(24,740)	(35,910,998)	38,941,693
Loss for the period	-	-	-	-	(11,154,013)	(11,154,013)
Total comprehensive loss for the period	-	-	-	-	(11,154,013)	(11,154,013)
Balance at 31 March 2016	69,599,918	3,606,808	1,670,705	(24,740)	(47,065,011)	27,787,680
Balance at 1 July 2016	79,021,152	3,606,808	1,670,705	(24,740)	(54,271,316)	30,002,609
Loss for the period	-	-	-	-	(10,862,920)	(10,862,920)
Total comprehensive loss for the period	-	-	-	-	(10,862,920)	(10,862,920)
Contributions of equity, net of transaction costs and tax	10,428,953	-	-	-	-	10,428,953
Balance at 31 December 2016	89,450,105	3,606,808	1,670,705	(24,740)	(65,134,236)	29,568,642

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

Seafarms Group Limited
Condensed consolidated statement of cash flows
For the half-year 31 December 2016

	Consolidated	
	Half-year	
	31 December	31 March
	2016	2016
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	16,183,862	21,424,699
Payments to suppliers and employees (inclusive of goods and services tax)	(25,819,478)	(25,563,983)
	(9,635,616)	(4,139,284)
Interest paid	(669,925)	(651,900)
Net cash (outflow) from operating activities	(10,305,541)	(4,791,184)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,246,418)	(564,936)
Proceeds from/(Payments for) other financial assets	313,190	(12,333)
Proceeds from sale of non-current assets held for sale	-	1,280,000
Proceeds from sale of property, plant and equipment	2,000	-
Interest received	39,886	61,444
Net cash (outflow)/inflow from investing activities	(891,342)	764,175
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	10,428,953	-
Repayment of borrowings	(633,334)	(2,741,333)
Loans from/(Loans to) related parties	121,044	(78,479)
Net cash inflow (outflow) from financing activities	9,916,663	(2,819,812)
Net decrease in cash and cash equivalents	(1,280,220)	(6,846,821)
Cash and cash equivalents at the beginning of the period	8,283,532	12,031,225
Cash and cash equivalents at end of period	7,003,312	5,184,404

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

1 Summary of significant accounting policies

(a) Statement of compliance

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

(b) Basis of preparation of half-year report

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 30 June 2016, 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 2016, the Group had net current assets of \$15,840,425, including \$7,003,312 cash and cash equivalents. For the half-year ended 31 December 2016, the Group incurred an operating cash outflow of \$10,305,541 and a net loss for the period of \$10,862,920.

Considering these results, excluding the deferred tax asset write down, and the cashflows to February 2018, the Directors note that the progress of Project Sea Dragon will be made commensurate with the funding sources available.

The Directors are considering funding options for the Company and the development of Project Sea Dragon.

2 Segment information

(a) Description of segments

Business segments

Aquaculture

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

Carbon Services

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

Other

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

2 Segment information (continued)

(b) Primary reporting format - business segments

Half-year 31 December 2016	Aquaculture \$	Carbon services \$	Other \$	Consolidated \$
Segment revenue				
Sales to external customers	23,659,281	2,659,630	532,695	26,851,606
Total sales revenue	<u>23,659,281</u>	<u>2,659,630</u>	<u>532,695</u>	<u>26,851,606</u>
Other revenue	3,529	-	37,918	41,447
Total segment revenue	<u>23,662,810</u>	<u>2,659,630</u>	<u>570,613</u>	<u>26,893,053</u>
Consolidated revenue				<u>26,893,053</u>
Segment (loss)/profit				
Segment (loss)/profit	<u>(2,841,074)</u>	<u>(550,680)</u>	<u>545,396</u>	(2,846,358)
Central administration and directors' salaries				<u>(1,747,265)</u>
Loss before income tax				<u>(4,593,623)</u>
Income tax expense				<u>(6,269,297)</u>
Loss for the half-year				<u>(10,862,920)</u>
Segment assets at 31 December 2016				
Segment assets	<u>35,221,214</u>	<u>5,686,239</u>	-	40,907,453
Unallocated assets				<u>6,969,796</u>
Total assets				<u>47,877,249</u>

2 Segment information (continued)

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

Half-year 31 March 2016	Aquaculture	Carbon services	Other	Consolidated
	\$	\$	\$	\$
Segment revenue				
Sales to external customers	18,564,094	2,265,875	274,423	21,104,392
Total sales revenue	18,564,094	2,265,875	274,423	21,104,392
Other revenue	9,930	-	42,217	52,147
Total segment revenue	18,574,024	2,265,875	316,640	21,156,539
Consolidated revenue				21,156,539
Segment profit/(loss)				
Segment loss	(10,457,574)	648,171	(22,213)	(9,831,616)
Central administration and directors' salaries				(1,265,816)
Loss before income tax				(11,097,432)
Income tax benefit				(56,581)
Loss for the year				(11,154,013)
Segment assets at 30 June 2016				
Segment assets	28,273,012	6,616,810	-	34,889,822
Unallocated assets				14,800,001
Total assets				49,689,823

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

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

3 Issuances, repurchases and repayments of equity securities

During the half-year reporting period, Seafarms Group Limited issued 122,382,079 ordinary shares (2016: Nil) and raised \$10,428,953 (2016: Nil) net of \$585,434 (2016: Nil) issue costs.

4 Deferred tax assets

As a result of its ongoing review of the future timing of taxable profits, and the delay in PSD, the Group has provided against the deferred tax asset that had previously been recognised in respect of tax losses. This has resulted in a non cash tax charge in the period of \$6,269,297.

5 Fair value measurement

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

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

The Group holds trading derivatives and biological assets at fair value.

Trading derivatives of \$186,504 (30 June 2016 \$356,661) are valued using quoted prices in an active market, which are considered Level 1 in the fair value measurement hierarchy.

Biological assets of \$2,746,588 (30 June 2016 \$3,325,639) 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 2016	30 June 2016
	\$	\$
Livestock at fair value		
Opening Balance (1 July 2016, 1 October 2015)	3,325,639	3,522,950
Gain or Loss arising from changes in fair value less estimated point of sale costs	273,200	(406,910)
Increases due to purchases	10,578,676	15,898,251
Decreases due to harvest	(11,430,927)	(15,688,652)
Closing Balance	<u>2,746,588</u>	<u>3,325,639</u>

6 Related party transactions

(a) Loans to/from related parties

During the period, the Group had an \$8.5 million credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar, Chairman of the Group, which is repayable on 31 January 2019. The amounts advanced and interest charged are disclosed in the following table:

	Consolidated 31 December 2016	30 June 2016
	\$	\$
<i>Loan from Avatar Finance Pty Ltd</i>		
Beginning of the year	8,500,000	8,500,000
Interest charged	265,080	169,368
Interest paid	(265,080)	(169,368)
End of period	<u>8,500,000</u>	<u>8,500,000</u>

6 Related party transactions (continued)

(b) Terms and conditions

The facility is provided on normal commercial terms and conditions and at market rates, and is to be repaid on 31 January 2019. The average interest rate on the loan during the period was 6.19% (2016: 7.38%).

7 Events occurring after the reporting period

Post balance date the Company has submitted its Supplementary Environmental Impact Statements for the Legume Grow-out Centre and the Bynoe Harbour Breeding Facilities.

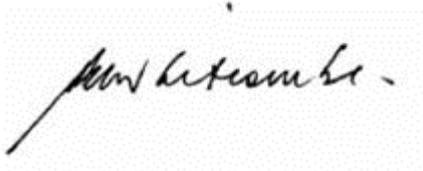
No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statement and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read "Harley Whitcombe", is written over a light grey dotted grid background.

Harley Ronald Whitcombe
Executive Director
Melbourne

24 February 2017

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

We have reviewed the accompanying half-year financial report of Seafarms Group Limited, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes 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 8 to 18.

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 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Seafarms Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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, 24 February 2017