



ASX Announcement | 30 August 2019  
Seafarms Group Limited (ASX:SFG)  
(SFG Announcement No. 626)

Seafarms Group Limited Year Ended 30 June 2019  
Appendix 4E and Annual Financial Report 2019

Enclosed is Seafarms Group's Annual Financial Report for the financial year ended 30 June 2019 and Appendix 4E.

Seafarms Group (**Seafarms** or the **Company**) will be providing separately a market update following release of the Financial Report.

We refer shareholders to the Director's Report in the Financial Report for an overview of the year past. All announcements to the ASX can be found on the Company's web site [www.seafarms.com.au](http://www.seafarms.com.au).

The Company will provide a further overview at the Annual General Meeting to be held later this year.

For further information, please contact:

**Seafarms Group**

Mr Harley Whitcombe  
Company Secretary  
P: (08) 9216 5200

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#### About Seafarms Group

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

Seafarms Group uses environmentally sustainable culture processes and is currently Australia's largest producer of farmed prawns, its Crystal Bay® Prawns and Crystal Bay® Tigers are available year round in fresh and frozen formats. To learn more please visit: [www.crystalbayprawns.com.au](http://www.crystalbayprawns.com.au)

Seafarms Group is investing in sustainable aquaculture for export through Project Sea Dragon, a large-scale, vertically integrated, land-based, prawn aquaculture project being developed in northern Australia. The standalone marine prawn production system will be capable of annually producing over 150,000 tonnes of prawns and the high-quality, year-round volumes will target export markets. To learn more please visit: [www.seafarms.com.au](http://www.seafarms.com.au)

# **Seafarms Group Limited**

ABN 50 009 317 846

## **Annual Report for the year ended 30 June 2019**

**Seafarms Group Limited** ABN 50 009 317 846  
**Financial Report - 30 June 2019**

Lodged with the ASX under Listing Rule 4.3A.  
This information should be read in conjunction with the  
Financial Report

**Contents**

Results for Announcement to the Market	Page 2
Financial statements	26

# Seafarms Group Limited

## Appendix 4E

### Financial Report

### Year ended 30 June 2019

Name of entity  
Seafarms Group Limited

ABN or equivalent company  
reference

ABN 50 009 317 846

12 months ended

30 June 2019  
(Previous corresponding period: 12  
months ended 30 June 2018)

#### Results for announcement to the market

				\$
Revenue from ordinary activities	Down	5.8%	to	24,394,803
Earnings before interest and taxation (EBIT)	Down	60.4%	to	(28,819,929)
Net loss after tax (from ordinary activities) for the period attributable to members	Down	55.1%	to	(30,944,301)

#### Distributions

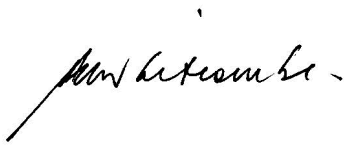
	Amount per security	Franked amount per security
Interim dividend (per share)	-	-
Final dividend (per share)	-	-
Franking	-	-
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Net tangible asset backing (per share)	<b>0.02</b>	0.01

### **Explanation of results**

For commentary on the results please refer to the announcement relating to the release of Seafarms Group Limited results in conjunction with the accompanying financial statements, which forms part of the Appendix 4E.

### **Audit**

This report is based on accounts that have been audited.

A handwritten signature in black ink, appearing to read 'Harley Whitcombe', with a long, sweeping horizontal line extending to the left.

Harley Ronald Whitcombe  
Director & Company Secretary  
Perth  
30 August 2019

**Seafarms Group Limited**  
*ABN 50 009 317 846*  
**Annual Report - 30 June 2019**

**Contents**

	Page
Corporate directory	5
Directors' report	6
Auditor's Independence Declaration	24
Corporate governance statement	25
Financial statements	26
Directors' declaration	88
Independent auditor's report to the members	89
Shareholder information	96

**Seafarms Group Limited**  
**Corporate directory**

**Directors**

Ian Norman Trahar B.Ec, MBA  
*Executive Chairman*

Harley Ronald Whitcombe B.Bus, CPA  
*Executive Director*

Dr Christopher David Mitchell PhD, BSc (Hons), GAICD  
*Executive Director*

Paul John Favretto LL.B.  
*Independent Non-executive Director*

Hisami Sakai (appointed 7 August 2018)  
*Non-executive Director*

**Secretary**

Harley Ronald Whitcombe B.Bus, CPA

**Principal registered office in Australia**

Level 11, 225 St Georges Terrace  
Perth, Western Australia 6000  
Telephone No: (08) 9216 5200  
Facsimile No: (08) 9216 5199

**Share registry**

Computershare Investor Services Pty Limited  
GPO Box D182  
Perth, Western Australia 6000  
Telephone No: (08) 9323 2000  
Facsimile No: (08) 9323 2033

**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 listing**

Seafarms Group Limited shares are listed on the  
Australian Securities Exchange. Home Exchange -  
Perth.

ASX Code - SFG

**Website**

[www.seafarms.com.au](http://www.seafarms.com.au)



## Directors' report

The Directors present their report together with the financial statements of Seafarms Group Limited consisting of Seafarms Group Limited and the entities it controlled at the end of or during the year ended 30 June 2019 (referred to hereafter as Seafarms or the Group).

### Directors

The following persons were Directors of Seafarms Group Limited during the whole of the financial period and up to the date of this report:

Ian Norman Trahar  
Harley Ronald Whitcombe  
Dr Christopher David Mitchell  
Paul John Favretto

On 7 August 2018 Mr Hisami Sakai was appointed as a Non-Executive Director of Seafarms Group Limited as Nippon Suisan Kaisha Limited's representative.

### Principal activities

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 the financial statements.

### Company financial performance

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

### Review of operations

The Group has reported a loss for the year after taxation of \$30,944,301 (2018: loss \$19,947,283).

A summary of consolidated revenues and results for the year by significant industry segments is set out below:

	Segment revenues		Segment results	
	2019	2018	2019	2018
Consolidated	\$	\$	\$	\$
Aquaculture	24,268,583	25,894,124	(18,216,237)	(14,262,502)
Carbon services	-	-	595,824	(1,102,973)
Other	126,220	7,463	(4,749,791)	133,708
Total segment revenue/result	24,394,803	25,901,587	(22,370,204)	(15,231,767)

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

Comments on the operations and the results of those operations are set out below:

### *Queensland Operations*

The Queensland operations are primarily intended to demonstrate the fundamental operating concepts for Project Sea Dragon and provide the platform for the core of the workforce required for the much larger greenfield project.

The Queensland operations are spread over three sites: Flying Fish Point (hatchery), Farms 1 & 2 (Cardwell) and Farm 3 (Ingham). The Cardwell site also hosts the company's processing plant.

From a production perspective Farm 3 more closely simulates Project Sea Dragon than the older Cardwell Farms. Although Farm 3, being situated further south, produces a single crop each year (as opposed to two at Cardwell and two projected at Legune, and thus one of the reasons to develop Legune), the achieved crop prediction metrics including yield, biomass and survival continue to provide relevant insights into the Project Sea Dragon production model.

Total production for the year was 1,770 tonnes up 19.5% on the 2018FY production. Production against budget was 91.4% of the tonnage planned principally due to the late arrival of the wild-caught broodstock causing a reduction in the length of the crop cycle to meet the Christmas market deadline and a decision to grow a higher proportion of banana prawns than originally planned. The Queensland facilities are still dependent upon the importation of wild broodstock. Key black tiger production metrics improved; with better food conversion rate, higher growth rates, higher yields and survival.

Biosecurity protocols and broodstock screening have seen a significant improvement in animal health with no biosecurity events impacting on production for the year.

The second trial of nursery ponds (two-phase grow-out) concluded successfully and will be adopted as part of routine grow-out in future. The use of nursery ponds results in considerably greater resource-use efficiency leading to lower grow-out costs. These successful trials also informed design adjustments to the first farm to be constructed at Legune Station.

The company installed a semi-IQF (individual quick freeze) processing line at Cardwell. The installation as part of Seafarms agreement with Nissui will provide high quality product to Japan. Although this infrastructure is being retro-fitted to a processing plant designed for the Australian market, the facility is providing valuable real-world data that is being used to further specify and finalise the design of the proposed Project Sea Dragon processing plant in Kununurra. Commissioning and the processing of trial product for Japan required harvesting of some ponds later than planned and elevated processing costs toward the end of the year.

As reported to the market, the farms experienced challenging conditions during the wet season with extreme rainfall events and extended periods of rain. These conditions slowed the delivery of capital projects (the freezer and settlement ponds) and may have reduced the growth rate of the banana prawns over some weeks due to reduced in-pond salinity.

Seafarms program of Occupational Health and Safety management at its operations saw an improvement in overall OHS performance of 59% for the year.

### *Project Sea Dragon*

Project Sea Dragon, Seafarms' world-class integrated aquaculture initiative achieved a series of major milestones and is now shovel-ready.

Stage 1 of the Project has approvals in place and preparatory tendering has been completed to enable construction to commence very soon after financing. The approvals include the aquaculture licences required for production at Exmouth, Bynoe Harbour and Legune. A program of early works was approved by the Board and will be completed prior to the commencement of the 2019 Wet Season.

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

### *Project Sea Dragon (continued)*

The Project requires the construction of a carefully sequenced series of infrastructure developments. For the first Step of Stage 1 the required facilities by site are: the Quarantine Founder Stock Centre at Exmouth; the Breeding Centre/Broodstock Maturation Centre at Bynoe Harbour (near Darwin, NT); the Grow-out Centre consisting of farms and ancillary infrastructure including roads, water intake, conveyancing and treatment, stores, power generation and distribution, communications services, and accommodation (Legune Station, NT); and a processing plant (Kununurra, WA).

The Quarantine/Founder Stock Centre at Exmouth provides the critical infrastructure to produce Specific Pathogen Free (SPF) prawns to form a domesticated population of animals for selective breeding. This development pathway is well understood and has been demonstrated internationally but has not previously been achieved in Australia. International data and experience continue to demonstrate that SPF domesticated stock, even those without the benefit of selective breeding, consistently outperform stock from wild populations.

Given the generation times involved early works capital is required to ensure that Seafarms secures the biological resources required to stock the Legune Grow-out Centre and commence production.

Seafarms has successfully produced its first SPF prawns at Exmouth. These are second generation (G2) animals that have been cleared of pathogens.

Company approval for the construction of the first step in the expansion of the facility was given late in the 2019 financial year. This component of PSD will up-grade seawater systems and make small adjustments to site layout that enhance biosecurity and work-flow. Construction of the first indoor shed and broodstock tanks commenced immediately prior to the year's end. The Board authorised the construction of an additional two buildings with associated tanks and systems to further broodstock development.

Upon achieving third generation animals the plan is to export them to a Breeding/Broodstock Maturation Centre at Bynoe Harbour. The Broodstock Maturation Centre at Bynoe Harbour is designed to be developed in stages to match the requirements of the farms at Legune. The EIS for this facility was predicated upon this design. Thus the facility will be capable of supplying all the Broodstock for Project Sea Dragon, thereby breaking production dependence on wild caught broodstock.

The company worked with the Northern Territory Government to amend its Project Development Agreement to provide Seafarms with tenure at Bynoe Harbour that would secure early works investment at this site. With the Development Lease and all approvals in place, including the development, clearing and aquaculture licences, the company was able to make use of the current Dry Season to commence clearing for the sites of the broodstock maturation centre. Inlet and outlet ponds have been formed and site fencing has commenced.

Seafarms signed a Sub-lease and Cooperation Agreement with AAM Investment Group (AAMIG). AAMIG completed the purchase of the Legune Perpetual Pastoral Lease in December and the arrangement between Seafarms and AAMIG not only reduces the overall capital required to develop Project Sea Dragon, but also ensures that the balance of the property is commercially managed as a pastoral enterprise. The planned early works at Legune were completed on time and to budget. Tenders for work packages at Legune were received and have been evaluated and confirm the capability of contractors based in Northern Australia to undertake much of the proposed work.

The development of the processing plant at Kununurra is on track relative to the other infrastructure. The Development Approval, Works Approval and the licence to take water are all in place. As previously outlined the off-take agreement with Nissui is providing useful information in relation to product specifications which are being used to refine the final technical design elements of processing lines to be included in the processing plant.

The Northern Territory Government has completed the road to Gunn Point and has awarded a \$58 million tender for the first section upgrade of the Keep River Road. This upgrade will provide all-weather access across the Keep River. Seafarms Project Development Agreement with the Northern Territory Government was amended to manage current Project Sea Dragon timeframes and enable work to commence at Bynoe Harbour. The company also renewed its Major Project Status with the Australian Government and continues to receive facilitation services from Western Australian Government through its status as a Project of State significance in that jurisdiction.

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

### *Project Sea Dragon (continued)*

Seafarms continues to work with Native Title Holders and the Northern Land Council to implement the Legune Indigenous Land Use Agreement. Native Title Holders have with Allan King and Sons established a joint venture company to tender for work on the Project. As a result of the agreement Native Title Holders were able to upgrade the Marrulum outstation, refurbishing buildings and restoring power and water to the community.

The Australian Research Council's Industrial Transformation Research Hub for Advanced Prawn Breeding continued to build its data-bases with almost 80,000 of the company's prawns now phenotyped and sampled. Genotypic/genomic data has also been generated for approximately 15,000 prawns which is by far one of the largest sets of genomic data for a prawn species globally. Statistical analyses are underway to link up the phenotypic variation in commercial traits with genomic variability so that efficient genomic selection algorithms can be developed. This will allow the genetic performance of a prawn to be identified using a DNA test. As a result of this massive sampling method, new approaches to automatically analyse key attributes of prawns (including length, mass and colour) have also been developed. The Hub project has also developed a number of domesticated families of broodstock that are available to be tested under commercial conditions during the coming year. It is now also in the process of developing a high-density genomic array with over 50,000 markers that will increase efficiency of genotyping and accuracy of predicting genetic merit of broodstock. Last year the Hub also undertook the most comprehensive survey of the genetic relationships among wild Australian black tiger prawns. The study has identified three genetic stocks in Australia, one east, one northern Australia, and one near Nickol Bay WA.

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

Significant changes in the state of affairs of the Group during the financial period were as follows.

Contributed equity increased by \$51,083,022 (2018: \$2,161,705) mainly as the result of the following:

- Nippon Suisan Kaisha Limited's equity investment in Seafarms shares at 10 cents per share equating to an equity raising of \$24.99 million on 7 August 2018;
- A share placement to major domestic, institutional and professional investors at 9 cents per share resulted in equity raised of \$20 million on 12 April 2019;
- Nippon Suisan Kaisha Limited's further investment in the Group, pursuant to the top-up rights under the Shareholder Rights Agreement finalised in August 2018, at 9 cents per share resulting in an equity raising of \$3 million on 15 May 2019; and
- Seafarm Groups' Share Purchase Plan, provided eligible shareholders the opportunity to subscribe for up to \$15,000 each in Seafarms at 9 cents per share, raised \$4.3m on 29 May 2019.
- The equity raising fees associated with the above amounted to \$1.4 million.

## **Unlisted share options issued**

On 7 August 2018, the Group issued 5,320,622 unlisted share options to Nippon Suisan Kaisha Limited (Nissui). The options are subject to a voluntary 3-year escrow period, have an exercise period of 5 years at an exercise price of 6.2 cents per unlisted option. At the 30 June 2019, these 5,320,622 unlisted options remain unexercised.

On 12 December 2018, the Group issued 50,000,000 and 30,000,000 unlisted share options to AAM Investment Partners as part of the Legune transaction. Both sets of options are subject to a 12-month escrow period and have an exercise period of 3 years and 5 years respectively at an exercise price of 9.7 cents per unlisted option. At the 30 June 2019, both the 50,000,000 and 30,000,000 unlisted options remain unexercised.

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

On 19 July 2019, the Group sent out a Notice of Extraordinary General Meeting of shareholders to be held on 20 August 2019. This meeting was held to seek certain shareholder approvals in connection with the Company's capital raisings announced in April and May 2019 and to approve amendments to the existing debt facility provided to the Company by Avatar Finance Pty Ltd.

**Matters subsequent to the end of the financial year (continued)**

On 20 August 2019, at the extraordinary general meeting, the shareholder's ratified the Group's capital raising activities carried out in April and May 2019.

In addition the Group received shareholder approval for the following amendments to the existing facility provided to the Company by Avatar Finance Pty Ltd:

- The conversion of \$3 million of debt owed to Avatar Finance Pty Ltd into 33,333,333 Ordinary shares with a deemed issue price of 9 cents per share;
- The issue of a convertible security to Avatar Finance Pty Ltd, which gives Avatar Finance Pty Ltd the right to, at its election, convert amounts outstanding under the facility to shares at a price of 9 cents per share up to the maximum conversion amount of \$12.2 million (135,555,555 shares); and
- The extension of the repayment date under the facility from 15 March 2021 to 15 September 2021.

No other matter or circumstance has occurred subsequent to 30 June 2019 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 or economic entity in subsequent financial periods.

**Likely developments and expected results of operations**

There has been no change in the strategic direction of the company which is to develop Project Sea Dragon as a scalable integrated prawn aquaculture project. Focus on the coming period is entirely directed towards financing.

Queensland operations will continue to be de-risked through initiatives such as the construction of settlement ponds, enhanced testing of broodstock

## Information on directors

**Ian Norman Trahar B.Ec, MBA.** *Executive Chairman (since 13 November 2001)*

### **Experience and expertise**

Mr Trahar has a resource and finance background. He is a director and significant shareholder of Avatar Industries Pty Ltd, an unlisted private company. Ian is a member of the Australian Institute of Company Directors.

### **Other current directorships**

None.

### **Former directorships in last 3 years**

None.

### **Special responsibilities**

Chair of the board.

Member of the audit committee.

Member of remuneration committee.

### **Interests in shares and options**

454,557,889 shares in Seafarms Group Limited.

21,708,333 options in Seafarms Group Limited.

**Harley Ronald Whitcombe B.Bus, CPA.** *Executive Director. (since 13 November 2001)*

### **Experience and expertise**

Mr Whitcombe has had many years' commercial and finance experience, providing company secretarial services to publicly listed companies.

### **Other current directorships**

None.

### **Former directorships in last 3 years**

None.

### **Special responsibilities**

Chief Financial Officer & Company Secretary of Seafarms Group Limited.

### **Interests in shares and options**

18,298,258 ordinary shares in Seafarms Group Limited.

250,000 options in Seafarms Group Limited.

**Information on directors (continued)**

**Dr Christopher David Mitchell PhD, BSc (Hons), GAICD.** *Executive Director. (since 27 July 2005)*

***Experience and expertise***

Dr Mitchell has a PhD in biology from the University of Melbourne, is a graduate of the Australian Institute of Company Directors and has a 20 year involvement in Australian and international climate change research. He is an Adjunct Professor at the School of Environmental Science Murdoch University and a member of the Community and Industry Advisory Board of the University of Melbourne's Office of Environmental Programs. Prior to joining the Group full time Dr Mitchell was Foundation Director of the Centre for Australian Weather and Climate Research, a partnership between CSIRO and the Bureau of Meteorology, and was CEO of the Cooperative Research Centre for Greenhouse Accounting. He chaired the Victorian Climate Change Minister's Reference Council on Climate Change Adaptation and was on the CSIRO's Environment and Natural Resources Sector Advisory Committee.

***Other current directorships***

None.

***Former directorships in last 3 years***

None.

***Special responsibilities***

Member of the audit committee.

Member of remuneration committee.

***Interests in shares and options***

11,327,268 ordinary shares in Seafarms Group Limited.

250,000 options in Seafarms Group Limited.

**Paul John Favretto LL.B.** *Independent Non-executive Director (since 18 December 2007)*

***Experience and expertise***

Mr Favretto was previously Managing Director of Avatar Industries Limited. Before that Mr Favretto worked for 20 years in the financial services industry holding senior management positions with Citibank Limited (1976 to 1985) and Bankers Trust Australia Limited (1986 to 1994).

***Other current directorships***

None.

***Former directorships in last 3 years***

None.

***Special responsibilities***

Chairman of remuneration committee.

Chairman of audit committee.

***Interests in shares and options***

37,916,666 ordinary shares in Seafarms Group Limited.

125,000 options in Seafarms Group Limited.

**Information on directors (continued)**

**Hisami Sakai** *Non-executive Director (since 7 August 2018)*

***Experience and expertise***

Mr Sakai has had nearly 40 years commercial experience with Nippon Suisan Kaisha Limited (Nissui), one of the biggest global seafood companies in Japan. He is currently an Executive Officer of Nissui. His responsibilities include Business Supervisor in Europe and Oceania, in charge of the Supply Chain Management and Marine Business Strategy Departments.

***Other current directorships***

None.

***Former directorships in last 3 years***

None.

***Special responsibilities***

None

***Interests in shares and options***

None

**Company secretary**

The Company secretary is Mr Harley Ronald Whitcombe B.Bus, CPA. Mr Whitcombe was appointed to the position of Company secretary on 13 November 2001.



## Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the 12 months ended 30 June 2019, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Ian Norman Trahar	10	10	2	2	2	2
Harley Ronald Whitcombe	10	10	-	-	-	-
Dr Christopher David Mitchell	10	10	2	2	2	2
Paul John Favretto	10	10	2	2	2	2
Hisami Sakai	10	10	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the Director held office, was invited to attend or was a member of the committee during the 12 months

## Remuneration report (audited)

The Directors are pleased to present your Company's 2019 remuneration report which sets out remuneration information for Seafarms Group Limited's non-executive Directors, executive Directors and other key management personnel.

### *Non-executive director remuneration policy*

The shareholders of Seafarms Group Limited on 24 February 2012 approved, for the purposes of the ASX Listing Rules and the Group's Constitution, an increase in the maximum aggregate directors' fees to \$400,000, with such fees to be allocated to the directors as the board of directors may determine.

The Remuneration Committee determines the remuneration of all non-executive directors, none of whom have service contracts with the company.

### *Executive remuneration policy and framework*

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives and the creation of shareholder value;
- performance linkage / alignment of executive compensation;
- transparent; and
- acceptable to shareholders.

Alignment to shareholders' interests:

- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience; and
- provides recognition for contribution.

The board has established a remuneration committee which makes recommendations to the board on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non executive directors. The Corporate Governance Statement provides further information on the role of this committee.

## **Remuneration report (audited) (continued)**

### *Executive remuneration policy and framework (continued)*

The executive remuneration and reward framework has several components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the "Seafarms Group's Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

The combination of these comprises an executive's total remuneration. The Group intends to conduct a review of the incentive plans during the year ending 30 June 2020 to ensure continued alignment with financial and strategic objectives.

#### *(a) Elements of remuneration*

##### *Base pay and benefits*

Executives receive their base pay and benefits structured as a total employment cost (TEC) package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are guaranteed base pay increases included in all of the executives' contracts.

##### *Short-term incentives*

If the Group achieves a pre-determined profit target set by the remuneration committee, a short-term incentive (STI) pool is available to executives and other eligible participants. Cash incentives (bonuses) are payable on 15 August each year. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The distribution of the STI pool is at the discretion of the Executive Chairman.

##### *Long-term incentives*

Long-term incentives may be provided to directors and staff via the Seafarms Group Employee Incentive Plan as approved by shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

The Seafarms Group Employee Incentive Plan is designed to provide long-term incentives ("LTI") for directors and staff to deliver long-term shareholder returns. Under the plan, participants may be granted unlisted Share Options and/or Performance Rights which only vest if certain performance conditions are met and the directors and staff are still employed by the Group at the end of the vesting period. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

#### *(b) Details of remuneration*

##### *Amounts of remuneration*

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) of Seafarms Group Limited and the Group are set out in the following tables.

The key management personnel of Seafarms Group Limited includes the directors as listed below:

- Ian Norman Trahar (Chairman and Executive Director)
- Harley Ronald Whitcombe (Executive Director and Company Secretary)
- Dr Christopher David Mitchell (Executive Director)
- Paul John Favretto (Non-executive Director)
- Hisami Sakai (Non-executive Director)

In addition to the directors the following executives that report directly to the Board are key management personnel:

**Remuneration report (audited) (continued)**

*(b) Details of remuneration (continued)*

*Amounts of remuneration (continued)*

- Dallas Donovan (Chief Operating Officer, Seafarms Operations Limited)
- Rodney Dyer (Project Director, Seafarms Group Limited)
- Aaron Soanes (Director and General Manager of Operations, CO2 Australia Limited)\*
- Dr James Bulinski (Director, CO2 Australia Limited)\*

\* The carbon entities were demerged on 23 July 2018, these directors are included as key management personnel up until the date of demerger (i.e. 1 to 23 July 2018).

The following table shows details of the remuneration expense recognised for the Group's directors and executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

**Remuneration report (audited) (continued)**

(b) Details of remuneration (continued)

Name	Short-term employee benefits			Post-em ployment benefits	Long- term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non- monetary benefits	Super- annuation	Long service leave	Termi- nation benefits	Performance rights / Share options**	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors								
P Favretto	35,200	-	-	23,144	-	-	-	58,344
H Sakai (appointed 7 August 2018)	-	-	-	-	-	-	-	-
<b>Sub-total non-executive directors</b>	<b>35,200</b>	-	-	<b>23,144</b>	-	-	-	<b>58,344</b>
Executive Directors								
I Trahar	240,450	-	-	37,843	4,378	-	-	282,671
H Whitcombe	270,811	-	-	35,727	4,931	-	-	311,469
C Mitchell	294,398	-	19,643	37,968	5,360	-	-	357,369
Other key management personnel (Group)								
D Donovan	278,538	-	-	26,461	5,072	-	171,542	481,613
R Dyer	301,407	-	-	28,634	1,131	-	108,890	440,062
A Soanes*	11,741	-	17,424	1,115	218	-	-	30,498
J Bulinski*	13,602	-	-	1,292	252	-	-	15,146
<b>Total key management personnel compensation (Group)</b>	<b>1,446,147</b>	-	<b>37,067</b>	<b>192,184</b>	<b>21,342</b>	-	<b>280,432</b>	<b>1,977,172</b>

\* The carbon entities were demerged on 23 July 2018, the amounts included are for payments made during the period prior to the demerger date (i.e. 1 to 23 July 2018).

\*\* The estimation of the fair value of share-based payment awards requires judgement concerning the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions. A Black scholes valuation methodology was used to determine the value. Further details on the valuation assumptions and individual scheme awards are provided in note 39 of the financial statements.

Name	Short-term employee benefits			Post-em ployment benefits	Long- term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non- monetary benefits	Super- annuation	Long service leave	Termi- nation benefits	Performance rights	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors								
P Favretto	35,200	-	-	23,144	-	-	-	58,344
<b>Sub-total non-executive directors</b>	<b>35,200</b>	-	-	<b>23,144</b>	-	-	-	<b>58,344</b>
Executive Directors								
I Trahar	240,450	-	-	38,128	4,378	-	-	282,956
H Whitcombe	270,811	-	-	35,727	4,931	-	324,000	635,469
C Mitchell	294,398	-	17,817	37,968	5,360	-	486,000	841,543
Other key management personnel (Group)								
D Donovan	266,539	-	-	37,321	4,565	-	42,476	350,901
R Dyer (from 31 October 2017)	185,503	-	-	17,623	565	-	12,636	216,327
A Soanes	189,895	-	32,373	18,040	3,458	-	-	243,766
J Bulinski	216,500	-	16,462	24,068	4,006	-	-	261,036
<b>Total key management personnel compensation (Group)</b>	<b>1,699,296</b>	-	<b>66,652</b>	<b>232,019</b>	<b>27,263</b>	-	<b>865,112</b>	<b>2,890,342</b>

**Remuneration report (audited) (continued)**

Details of the awards for each scheme, the status of those awards and share based payment expense for KMP's is provided in the table below.

Name / Scheme	Allocation date	Vesting date	Exercise price per security Cents	Balance of unvested equity awards as at 1 July 2018 Number of rights	Granted Number of rights	Vested / Exercised in FY19 Number of rights	Balance of unvested equity awards as at 30 June 2019 Number of rights	Fair value per security at grant date Cents	Fair value at grant date \$	Share based payments expenses FY19 \$
Unlisted options	22 August 2017 to 19 January 2018	22 August 2017 to 31 October 2018	10	15,000,000	-	15,000,000	-	2.2	341,010	280,432
<b>TOTAL</b>				<b>15,000,000</b>	<b>-</b>	<b>15,000,000</b>	<b>-</b>		<b>341,010</b>	<b>280,432</b>

Details in relation to the KMP long term incentives are set out in note 29 to the financial statements.

## **Remuneration report (audited) (continued)**

### *(c) Service agreements*

Remuneration has been determined after the Remuneration Committee, for executive directors, and the Board, for group executives, has investigated current market terms and conditions.

The Remuneration Committee will continue to revise the remuneration practices and develop policy for future appointments and determine performance-based salary increases and bonuses, bearing in mind the size of the Group and the need to ensure quality staff are employed and retained.

I Trahar, H Whitcombe, Executive Directors:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving twelve months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to 100% of base salary for the unexpired period of notice. The employee may terminate on giving three months notice.
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

C Mitchell, Managing Director, Project Sea Dragon:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving six months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to six months of base salary for the unexpired period of notice;
- In the event of redundancy, six months base salary is to be paid plus payment equivalent to three weeks of base salary for each completed year of service;
- Salary-packaged motor vehicle is included.
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

D Donovan Chief Operating Officer, Seafarms Operations Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

R Dyer Project Director, Seafarms Group Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (any adjustment will be at the Company's discretion);
- Employer or employee may terminate employment on giving one months notice;
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

A Soanes Director and General Manager of Operations, CO2 Australia Limited (up until the date the carbon entities were demerged on 23 July 2018)

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- In the event of redundancy, three months base salary is to be paid plus payment equivalent to two weeks of base salary for each completed year of service.

**Remuneration report (audited) (continued)**

*(c) Service agreements (continued)*

J Bulinski Managing Director, CO2 Australia Limited (up until the date the carbon entities were demerged on 23 July 2018)

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;

*(d) Additional statutory information*

*(i) Remuneration breakdown*

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense on page 15 above:

**Consolidated**

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
<b>Executive Directors of Seafarms Group Limited</b>						
I Trahar	100%	100%	-%	-%	-%	-%
H Whitcombe	100%	100%	-%	-%	-%	-%
C Mitchell	100%	100%	-%	-%	-%	-%
<b>Other key management personnel of the group</b>						
A Soanes*	100%	-%	-%	-%	-%	-%
J Bulinski*	100%	100%	-%	-%	-%	-%
R Dyer	100%	100%	-%	-%	-%	-%
D Donovan	100%	100%	-%	-%	-%	-%

\* The carbon entities were demerged on 23 July 2018, the details included are for payments made during the period prior to the demerger date (i.e. 1 to 23 July 2018).

Cash bonuses are at the discretion of the remuneration committee and do not form part of the remuneration breakdown shown above.

*(ii) Share-based compensation*

*Shares provided on exercise of options*

No performance rights were issued to directors or staff during the current financial year (2018: 13,500,000).

All of the unlisted options issued during the previous financial year (35,000,000), which had no performance conditions attached, vested this financial year and remained unexercised as at 30 June 2019.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the last five financial periods:

**Remuneration report (audited) (continued)**

*(d) Additional statutory information (continued)*

*(ii) Share-based compensation (continued)*

*Shares provided on exercise of options (continued)*

	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	9 months ended 30 June 2016	Year ended 30 September 2015
	\$	\$	\$	\$	\$
Revenue	24,394,803	25,901,587	28,544,808	23,529,287	26,215,415
Net (loss) before tax	(30,944,301)	(20,140,749)	(11,312,176)	(18,735,523)	(16,334,712)
Net (loss) after tax	(30,944,301)	(19,947,283)	(19,775,462)	(18,360,319)	(15,959,969)
Share price at start of year	8c	6c	7c	6c	6c
Share price at end of year	9c	8c	6c	7c	6c
Dividend	-	-	-	-	-
Basic (loss) per share	(1.82)c	(1.42)c	(1.75)c	(2.03)c	(2.31)c
Diluted (loss) per share	(1.82)c	(1.42)c	(1.75)c	(2.03)c	(2.31)c

At the 2015 Annual General Meeting of Seafarms Group Limited, held on 1 February 2016, and again at the 2016 Annual General meeting of shareholders of Seafarms Group Limited, held on 25 November 2016, shareholders approved the "Seafarms Group Employee Incentive Plan" under which the Board may grant equity securities (including performance rights and options) to eligible participants under the plan, which may, subject to the discretion of the Board, include executive directors or key management personnel.

*(iii) Voting and comments made at the company's Annual General Meeting*

Seafarms Group Limited received more than 98% of "yes" votes on its remuneration report for the 2018 financial period. The company did not receive any specific feedback at the AGM or throughout the period on its remuneration practices.



## Remuneration report (audited) (continued)

### (e) Equity instrument disclosures relating to key management personnel

#### (i) Share holdings

The numbers of shares in the Company held during the financial period by each Director of Seafarms Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Consolidated 2019	Balance at the start of the period	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the period	Balance at end of the period
Name					
<b>Directors of Seafarms Group Limited</b>					
<b>Ordinary shares</b>					
I N Trahar	453,391,227	-	-	1,166,662	454,557,889
H R Whitcombe	18,048,259	-	-	249,999	18,298,259
C D Mitchell	10,993,936	-	-	333,332	11,327,268
P J Favretto	37,750,000	-	-	166,666	37,916,666
<b>Other key management personnel of the Group</b>					
<b>Ordinary shares</b>					
A Soanes*	1,672,841	-	-	(1,672,841)	-
J Bulinski*	931,525	-	-	(931,525)	-
R Dyer	-	-	-	-	-
D Donovan	-	-	-	-	-

\* The carbon entities were demerged on 23 July 2018, the amounts included are for shareholdings during the period prior to the demerger date (i.e. 1 to 23 July 2018).

Consolidated 2018	Balance at the start of the year	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the year	Balance at end of the year
Name					
<b>Directors of Seafarms Group Limited</b>					
<b>Ordinary shares</b>					
I N Trahar	411,724,561	-	-	41,666,666	453,391,227
H R Whitcombe	12,648,259	-	-	5,400,000	18,048,259
C D Mitchell	2,893,936	-	-	8,100,000	10,993,936
P J Favretto	37,750,000	-	-	-	37,750,000
<b>Other key management personnel of the Group</b>					
<b>Ordinary shares</b>					
A Soanes	1,672,841	-	-	-	1,672,841
J Bulinski	931,525	-	-	-	931,525
R Dyer	-	-	-	-	-
D Donovan	-	-	-	-	-

#### Loans to key management personnel

There are no loans made to directors of Seafarms Group Limited and other key management personnel.

#### Shares under option

There are 15,000,000 unissued ordinary shares of Seafarms Group Limited under unlisted options issued to key management personnel at the date of this report.

### **Shares under option (continued)**

The company has in issue 30,150,190 convertible preference shares that have not been exercised. For further information relating to the convertible preference shares, please refer to note 27(d).

### **End of Remuneration Report**

#### **Insurance of officers**

##### *(a) Insurance of officers*

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr H R Whitcombe, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

#### **Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined at note 30 to the financial statements.

#### **Dividends - Seafarms Group Limited**

The Directors of Seafarms Group Limited do not recommend the payment of a dividend for the year ending 30 June 2019 (2018: Nil).

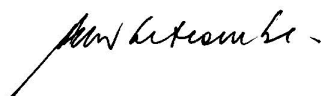
#### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24.

#### **Auditor**

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2) of the *Corporations Act 2001*.



Harley Ronald Whitcombe  
Perth  
30 August 2019

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

30 August 2019

Dear Board Members

## 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 audit of the financial report of Seafarms Group Limited for the year ended 30 June 2019, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



**Peter Rupp**  
Partner  
Chartered Accountants

## **Corporate governance statement**

Seafarms Group Limited (Company) and its controlled entities (together, the Group) are committed to achieving and demonstrating the highest standards of corporate governance. The Group has reviewed its corporate governance practices against the ASX Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council.

The Group's Corporate Governance Statement for the year ended 30 June 2019 was approved by the Board on 28 June 2019.

A description of the Group's current corporate governance practices is set out in the Group's current Corporate Governance Statement and the corporate governance policies adopted by the Board which can be viewed on the Company's website: (<http://seafarmsgroup.com.au/corporate-governance/>).

# Seafarms Group Limited ABN 50 009 317 846

## Financial statements - 30 June 2019

### Contents

	Page
Financial statements	
Consolidated statement of profit or loss	27
Consolidated statement of comprehensive income	28
Consolidated statement of financial position	29
Consolidated statement of changes in equity	30
Consolidated statement of cash flows	31
Notes to the consolidated financial statements	32
Directors' declaration	88
Independent auditor's report to the members	89

These financial statements are the consolidated financial statements of the consolidated entity consisting of Seafarms Group Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Registered postal address is:

PO Box 7312  
Cloisters Square WA 6850

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

Its registered office is:

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 6, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 30 August 2019.

For queries in relation to our reporting please call 08 9216 5200 or e-mail [questions@seafarms.com.au](mailto:questions@seafarms.com.au).

All press releases, financial reports and other information are available at our Shareholders' Centre on our website: [www.seafarms.com.au](http://www.seafarms.com.au)

**Seafarms Group Limited**  
**Consolidated statement of profit or loss**  
**For the year ended 30 June 2019**

		<b>Consolidated</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>
	Notes	\$	\$
<b>Revenue from continuing operations</b>	6	<b>24,394,803</b>	25,901,587
Other (losses)/gains	7	(12,349)	73,500
Finance costs		(2,720,196)	(1,064,896)
Fair value adjustment of biological assets		(1,485,164)	593,507
Net realisable value adjustment of finished goods		531,275	(842,994)
Cost of Goods Sold	8	(24,464,571)	(24,266,351)
Employee benefits expense	8	(6,417,104)	(5,549,748)
Consulting expense		(4,634,729)	(2,230,675)
Travel		(1,835,123)	(2,359,515)
Rent		(278,001)	(229,985)
Legal fees		(1,553,965)	(2,188,895)
Depreciation and amortisation expense	8	(2,334,282)	(1,582,262)
Marketing		(173,358)	(199,583)
Insurance		(339,268)	(183,578)
Founder Stock Centre		(3,355,144)	-
Impairment of intangible assets	19	(1,207,187)	-
Research and development	8	(3,900,021)	(3,420,834)
Other expenses		(1,755,741)	(1,487,054)
<b>(Loss) before income tax</b>		<b>(31,540,125)</b>	<b>(19,037,776)</b>
Income tax benefit	9	-	193,466
<b>(Loss) from continuing operations</b>		<b>(31,540,125)</b>	<b>(18,844,310)</b>
Profit/(Loss) from discontinued operation	4(b)	595,824	(1,102,973)
<b>(Loss) for the year</b>		<b>(30,944,301)</b>	<b>(19,947,283)</b>

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

**Seafarms Group Limited**  
**Consolidated statement of comprehensive income**  
**For the year ended 30 June 2019**

		<b>Consolidated</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>(Loss) for the year</b>		<b>(30,944,301)</b>	<b>(19,947,283)</b>
<b>Other comprehensive income</b>			
Total comprehensive (loss) for the year is attributable to:			
Owners of Seafarms Group Limited		<b>(30,944,301)</b>	<b>(19,947,283)</b>
		<b>Cents</b>	<b>Cents</b>
<b>(Loss) per share from continuing operations attributable to the ordinary equity holders of the Company:</b>			
Basic (loss) per share	38	<b>(1.9)</b>	<b>(1.3)</b>
Diluted (loss) per share	38	<b>(1.9)</b>	<b>(1.3)</b>
<b>(Loss) per share from continuing and discontinued operations attributable to the ordinary equity holders of the Company:</b>			
Basic (loss) per share	38	<b>(1.8)</b>	<b>(1.4)</b>
Diluted (loss) per share	38	<b>(1.8)</b>	<b>(1.4)</b>

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Seafarms Group Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2019**

		<b>Consolidated</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	16,302,589	4,139,603
Trade and other receivables	11	2,516,486	3,962,346
Inventories	12	12,598,297	7,294,677
Other current assets	13	912,605	1,049,691
Accrued income	14	-	939,061
Biological assets	15	3,590,388	5,781,325
Total current assets		<u>35,920,365</u>	<u>23,166,703</u>
<b>Non-current assets</b>			
Inventories	16	-	184,923
Investments accounted for using the equity method	35	-	409,268
Property, plant and equipment	17	44,153,896	20,130,079
Intangible assets	19	-	2,419,027
Other non-current assets	20	5,000,000	-
Total non-current assets		<u>49,153,896</u>	<u>23,143,297</u>
<b>Total assets</b>		<u>85,074,261</u>	<u>46,310,000</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	21	7,929,886	8,890,367
Borrowings	22	380,453	2,958,701
Provisions	23	1,219,639	1,520,318
Deferred revenue	24	-	1,807,140
Total current liabilities		<u>9,529,978</u>	<u>15,176,526</u>
<b>Non-current liabilities</b>			
Borrowings	25, 22	36,222,388	15,047,233
Provisions	26	109,440	243,438
Total non-current liabilities		<u>36,331,828</u>	<u>15,290,671</u>
<b>Total liabilities</b>		<u>45,861,806</u>	<u>30,467,197</u>
<b>Net assets</b>		<u>39,212,455</u>	<u>15,842,803</u>
<b>EQUITY</b>			
Contributed equity	27	154,757,354	103,674,332
Other reserves	28(a)	12,017,437	6,162,534
Retained earnings		<u>(127,562,336)</u>	<u>(93,994,063)</u>
<b>Total equity</b>		<u>39,212,455</u>	<u>15,842,803</u>

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



**Seafarms Group Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2019**

<b>Consolidated</b>	<b>Notes</b>	<b>Issued capital \$</b>	<b>Options premium reserve \$</b>	<b>Financial assets revaluation reserve \$</b>	<b>Share- based payments reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
<b>Balance at 1 July 2017</b>		101,512,627	1,670,705	(24,740)	3,606,808	(74,046,780)	32,718,620
Loss for the year as reported in the 2018 financial statements		-	-	-	-	(19,947,283)	(19,947,283)
<b>Total comprehensive loss for the period</b>		-	-	-	-	<b>(19,947,283)</b>	<b>(19,947,283)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Contributions of equity, net of transaction costs and tax	27	2,161,705	-	-	-	-	2,161,705
Performance rights issued to employees		-	-	-	729,000	-	729,000
Recognition of share based payments		-	-	-	155,761	-	155,761
Lapsed options in share based payments reserve		-	-	-	25,000	-	25,000
		2,161,705	-	-	909,761	-	3,071,466
<b>Balance at 30 June 2018</b>		<b>103,674,332</b>	<b>1,670,705</b>	<b>(24,740)</b>	<b>4,516,569</b>	<b>(93,994,063)</b>	<b>15,842,803</b>
<b>Balance at 1 July 2018</b>		103,674,332	1,670,705	(24,740)	4,516,569	(93,994,063)	15,842,803
Loss for the period as reported in the 2019 financial statements		-	-	-	-	(30,944,301)	(30,944,301)
<b>Total comprehensive loss for the period</b>		-	-	-	-	<b>(30,944,301)</b>	<b>(30,944,301)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Contributions of equity, net of transaction costs and tax	27	51,083,022	-	-	-	-	51,083,022
Recognition of share-based payments		-	-	-	5,854,903	-	5,854,903
De-merger of Carbon Entities		-	-	-	-	(2,623,972)	(2,623,972)
		51,083,022	-	-	5,854,903	(2,623,972)	54,313,953
<b>Balance at 30 June 2019</b>		<b>154,757,354</b>	<b>1,670,705</b>	<b>(24,740)</b>	<b>10,371,472</b>	<b>(127,562,336)</b>	<b>39,212,455</b>

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

**Seafarms Group Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2019**

		<b>Consolidated</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		<b>25,972,005</b>	32,602,213
Payments to suppliers and employees (inclusive of goods and services tax)		<b>(53,314,148)</b>	(47,995,748)
		<b>(27,342,143)</b>	(15,393,535)
Interest paid		<b>(2,720,563)</b>	(1,077,166)
<b>Net cash outflow from operating activities</b>	37	<b>(30,062,706)</b>	(16,470,701)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(5,006,647)</b>	(2,794,033)
Interest received		<b>111,220</b>	32,809
<b>Net cash outflow from investing activities</b>		<b>(4,895,427)</b>	(2,761,224)
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities		<b>51,083,022</b>	2,161,705
Lease (payments)/proceeds		<b>(7,455)</b>	391,974
Bank loan (payments)/proceeds		<b>(2,825,680)</b>	2,825,680
Vendor finance payments		<b>(28,768)</b>	(382,669)
Proceeds from related parties		<b>5,600,000</b>	9,000,000
Payments to related parties		<b>(6,700,000)</b>	(2,500,000)
<b>Net cash inflow from financing activities</b>		<b>47,121,119</b>	11,496,690
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,162,986</b>	(7,735,235)
Cash and cash equivalents at the beginning of the period		<b>4,139,603</b>	11,874,838
<b>Cash and cash equivalents at end of period</b>	10	<b>16,302,589</b>	4,139,603

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

## **Contents of the notes to the consolidated financial statements**

	Page
1 Summary of significant accounting policies	33
2 Financial risk management	46
3 Critical accounting estimates and judgements	50
4 Discontinued operation	52
5 Segment information	53
6 Revenue	56
7 Other gains/(losses)	56
8 Expenses	57
9 Income tax expense	58
10 Current assets - Cash and cash equivalents	59
11 Current assets - Trade and other receivables	60
12 Current assets - Inventories	61
13 Current assets - Other current assets	61
14 Current assets - Accrued income	61
15 Current assets - Biological assets	62
16 Non-current assets - Inventories	62
17 Non-current assets - Property, plant and equipment	63
18 Non-current assets - Deferred tax assets	65
19 Non-current assets - Intangible assets	66
20 Other non-current assets	69
21 Current liabilities - Trade and other payables	70
22 Current liabilities - Borrowings	70
23 Current liabilities - Provisions	71
24 Current liabilities - Deferred revenue	71
25 Non-current liabilities - Borrowings	72
26 Non-current liabilities - Provisions	73
27 Issued capital	73
28 Reserves	75
29 Key management personnel disclosures	75
30 Remuneration of auditors	77
31 Commitments	77
32 Related party transactions	77
33 Subsidiaries and transactions with non-controlling interests	79
34 Deed of cross guarantee	79
35 Interests in joint ventures	82
36 Events occurring after the reporting period	82
37 Reconciliation of loss for the year to net cash flows from operating activities	83
38 Earnings per share	83
39 Share-based payments	84
40 Contingent liabilities	87
41 Parent entity financial information	87

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

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

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with the other requirements of the law.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by IASB.

### **(b) Basis of preparation**

The 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### *Application of new and revised accounting standards*

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 financial year.

New and revised Standards and amendments thereof and Interpretations effective for the current 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.

## **1 Summary of significant accounting policies (continued)**

### *New and amended standards adopted by the group (continued)*

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

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 company's 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. Refer to note 1(e) for the updated accounting policy.

#### *(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 of financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. Refer to note 1(n) for the updated accounting policy.

#### **(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 comprehensive income. For investments in debt instruments, this will depend on the business model and the cash flow characteristics 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's accounting policies have been updated as a result of adopting AASB 9.

### **Impact of changes to Australian Accounting Standards and Interpretations**

#### *(i) AASB 16 Leases*

AASB 16 applies to annual reporting periods beginning on or after 1 January 2019 and replaces AASB 117 *Leases* and the related interpretations. AASB 16 specifies how to recognise, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for almost all leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of \$436,567, refer to note 31: Commitments.

Some of the operating leases currently held expire prior to the implementation of the standard and decisions on future leases will be made on a case-by-case basis.

Consequently, the Group continues to monitor and quantify the effect of the new standard with each change to the leasing portfolio and any subsequent lease modifications.

The following effects to the Group's financial statements and disclosures are expected:

## **1 Summary of significant accounting policies (continued)**

### **Impact of changes to Australian Accounting Standards and Interpretations (continued)**

#### *(i) AASB 16 Leases (continued)*

- Total assets and liabilities on the balance sheet will be grossed-up, due to the recognition of the right-to-use assets (non-current assets) and the corresponding fair value of lease liabilities. Current liabilities will also show an increase due to a portion of the lease liability being classified as a current liability;
- Straight-line operating lease rental expense will be replaced with a depreciation charge for the right-of-use assets and interest expense charged at the implicit rates on the lease liabilities;
- Compared to the current net earnings profile, interest expense will be greater earlier in a lease's life due to the higher principal value, causing profit variability over the course of a lease's life. This effect may be partially mitigated due to a mix of different leases held in the Group at different stages of their term; and
- Cash flows from financing activities will increase for repayment of principal portion of all lease liabilities.

Based on the assessment to date, the impact is expected to be minimal for the Group.

#### *(ii) Other new accounting standards*

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*;
- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*;
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*; and
- AASB Interpretation 23 *Uncertainty Over Income Tax Treatments*, AASB 2017-4 *Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments*.

#### **(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 30 June 2019, the Group had net current assets of \$26,390,387 (2018: \$7,990,177), including \$16,302,589 cash and cash equivalents (2018: \$4,139,603). For the year ended 30 June 2019, the Group incurred an operating cash outflow of \$30,062,706 (2018: \$16,470,701) and a net loss for the year of \$30,944,301 (2018: \$19,947,283).

The Group continually monitors cash flow requirements to ensure that it has sufficient funds to meet its contractual commitments and non discretionary corporate overheads and adjusts its spending accordingly. 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 at the amounts stated in the financial report.

#### **(d) Basis of consolidation**

##### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Seafarms Group Limited ('Company' or 'Parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Seafarms Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

## **1 Summary of significant accounting policies (continued)**

### *(i) Subsidiaries (continued)*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Seafarms Group Limited.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### *(ii) Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

### *(iii) Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

## **1 Summary of significant accounting policies (continued)**

### *(iv) Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Seafarms Group Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

### **(e) Revenue recognition**

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. Following delivery the customer has full discretion over the manner of distribution and price to sell the goods and bear the risk in relation to the goods.

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

A receivable is recognised by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Under the Group's standard contract terms, customers have a right of return where the goods do not meet required specification. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

The Group provides rebate and early payment discounts to customers that they would not receive without purchasing the specified volume of product or making early payment. The provision of discounts to the customers varies the consideration receivable from the customers and consequently the revenue recognised. The Group determines the most likely amount receivable from the customer by using accumulated historical experience of volume purchased and payment history.

### **(f) Government grants**

Grants from the government are recognised at their fair value where there is a reasonable likelihood that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.



## **1 Summary of significant accounting policies (continued)**

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### **(g) Income tax**

The income tax expense or benefit for the period is the tax payable or recoverable on the current period's taxable income based on the income tax rate that has been enacted or substantially enacted by the balance sheet date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### *(i) Tax consolidation legislation*

Seafarms Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Seafarms Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Seafarms Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 9.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

### **(h) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 17). Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

## **1 Summary of significant accounting policies (continued)**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### **(i) Business combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Company recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Transaction costs associated with business combinations (excluding the costs of issuing equity instruments or raising new borrowings) are expensed as incurred.

### **(j) Impairment of assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **(k) Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

### **(l) Inventories**

Agricultural produce harvested from the Group's biological assets is measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying AASB 102 *Inventories*.

## **1 Summary of significant accounting policies (continued)**

### **(l) Inventories (continued)**

Inventory is stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group's asset development activities involve the development and management of carbon sinks under contract to third parties. It also involves the acquisition of forestry rights and other assets which are held to offer for resale to third parties.

### **(m) Biological assets**

Prawn livestock is carried at fair value. Fair value is the amount which could be expected to be received from the disposal of the livestock in an active and liquid market less the costs expected to be incurred in realising the proceeds of that disposal.

In the absence of an active and liquid market fair value is determined in accordance with a Directors' valuation using the present value of expected net cash flows from the prawn livestock discounted at a current market-determined rate. The expected net cash flows take into account a number of assumptions including the survival rate, harvest average body weight, average market price, discount rate and average production cost per kilogram. The net cash flows include harvesting costs and freight costs to market.

The change in estimated fair value of prawn livestock is recognised in the income statement in the reporting period and is classified separately.

The prawn livestock with a weight of less than 1 gram (including all hatchery stock), is carried at historic cost as an estimate of fair value given that little or no biological transformation has taken place. Cost includes all of the costs associated with the production of the livestock.

### **(n) Investments and other financial assets**

#### **Investments**

Investments are initially recorded at cost or fair value. Individual investments are assessed for any impairment in value.

#### **Fair value measurements**

The Group measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- Biological assets (refer to note 1(m))

The Group does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

## **1 Summary of significant accounting policies (continued)**

### **Fair value hierarchy**

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Measurements based on unobservable inputs for the asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

### **Valuation techniques**

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.

### **Financial instruments**

The Group classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the 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 OCI. 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 (FVOCI).

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

### **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## **1 Summary of significant accounting policies (continued)**

### **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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### **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. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** 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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

### **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. The Group has applied AASB 9 prospectively. There is no material impact from the adoption of the standard. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

### **(o) 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.

Land is not depreciated. For carbon sinks held by the Group the economic benefits from the asset are consumed in a pattern which is linked to the production level of carbon credits. Such assets are depreciated on a unit of production basis. Depreciation on other assets 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:

## **1 Summary of significant accounting policies (continued)**

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

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 (note 1(j)).

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

### **(p) Intangible assets**

#### *(i) Research and development*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life.

#### *(ii) Other intangible assets*

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

#### *(iii) Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

#### *(iv) Goodwill*

Goodwill is measured as described in note 1(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 5). CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

## **1 Summary of significant accounting policies (continued)**

### *(iv) Goodwill (continued)*

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or Group of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or Group of CGUs) and then to the other assets in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

### **(q) Trade and other payables**

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 45 days of recognition of the liability.

Due to the short-term nature of trade and other payables, their carrying amount approximates to fair value.

### **(r) Borrowings**

Borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

### **(s) Provisions**

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### **(t) Employee benefits**

#### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

## **1 Summary of significant accounting policies (continued)**

### *(ii) Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### *(iii) Share-based payments*

The fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised on a straight line basis over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date of unlisted options is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Performance rights issued to directors and staff for no cash consideration vest once all performance obligations are met. On the grant date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

### **(u) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### **(v) Parent entity financial information**

The financial information for the Parent entity, Seafarms Group Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### *(i) Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Seafarms Group Limited. Dividends received from associates are recognised in the Parent entity's profit or loss when its right to receive the dividend is established.

#### *(ii) Tax consolidation legislation*

Seafarms Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Seafarms Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.



## 1 Summary of significant accounting policies (continued)

### (ii) Tax consolidation legislation (continued)

In addition to its own current and deferred tax amounts, Seafarms Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Seafarms Group Limited for any current tax payable assumed and are compensated by Seafarms Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Seafarms Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial period. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

### (iii) Financial guarantees

Where the Parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

## 2 Financial risk management

The Group's activities may expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures, as management considers this unnecessary given the nature and size of the Group's operations.

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	<b>16,302,589</b>	4,139,603
Loans and receivables	<b>2,542,826</b>	3,980,284
Fair value through profit or loss	-	192,475
	<b>18,845,415</b>	8,312,362
<b>Financial liabilities</b>		
Amortised cost	<b>44,532,727</b>	26,896,301
	<b>44,532,727</b>	26,896,301

## 2 Financial risk management (continued)

### (a) Market risk

#### (i) Price risk

##### *Exposure*

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in Other financial assets - investments as available-for-sale investments. The Group is not exposed to commodity price risk.

#### (ii) Cash flow and fair value interest rate risk

As at the end of the reporting period, the Group had the following variable rate deposits:

Consolidated	30 June 2019		30 June 2018	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Deposits at call	1.7%	487,125	1.6%	328,851
Bank accounts	.1%	12,406,756	.1%	1,847,380
Net exposure to cash flow interest rate risk		<u>12,893,881</u>		<u>2,176,231</u>

##### *Sensitivity*

Management has assessed that the sensitivity of the profit or loss to higher/lower interest rates applied to cash and cash equivalents as being immaterial.

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The Group measures credit risk on a fair value basis.

#### (i) Risk management

Wholesale customers of prawns and related products are subject to trade credit insurance. Credit limits are set by the insurer and are not exceeded. There have been no bad debts or claims on the insurance policy during the year.

Apart from the above, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

## 2 Financial risk management (continued)

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
<b>Trade receivables</b>		
<i>Counterparties without external credit rating *</i>		
Group 1	-	-
Group 2	<b>2,005,193</b>	3,669,000
Group 3	-	-
	<b>2,005,193</b>	3,669,000

\* Group 1 - new customers (less than 6 months)  
 Group 2 - existing customers (more than 6 months) with no defaults in the past  
 Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

### (c) Liquidity risk

The Group manages liquidity risk by maintaining reserves, banking facilities and reserve borrowing facilities by monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

#### (i) Financing arrangements

The Group has access to undrawn borrowing facilities of \$1,800,000 at the end of the reporting period (2018: \$700,000).

## 2 Financial risk management (continued)

### (i) Financing arrangements (continued)

#### (ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 30 June 2019	\$	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>							
Trade payables	7,929,886	-	-	-	-	7,929,886	7,929,886
Lease liabilities	66,766	319,038	1,646,263	3,576,452	12,410,828	18,019,347	18,019,347
Borrowings - Fixed rate 7.5%	(5,351)	-	-	-	-	(5,351)	(5,351)
Borrowings - variable rate (weighted average 2019: 6.23%, 2018: 5.95%, 2017 5.68%)	-	-	-	13,400,000	-	13,400,000	13,400,000
Borrowings - Fixed rate 7%	188,845	-	-	5,000,000	-	5,188,845	5,188,845
<b>Total non-derivatives</b>	<b>8,180,146</b>	<b>319,038</b>	<b>1,646,263</b>	<b>21,976,452</b>	<b>12,410,828</b>	<b>44,532,727</b>	<b>44,532,727</b>

At 30 June 2018

#### Non-derivatives

Trade payables	8,890,367	-	-	-	-	8,890,367	8,890,367
Bank Loan	2,825,680	-	-	-	-	2,825,680	2,825,680
Lease liabilities	56,350	53,254	154,246	392,988	-	656,837	656,837
Borrowings - Fixed rate 7.5%	23,417	-	-	-	-	23,417	23,417
Borrowings - variable rate (weighted average 2019: 6.23%, 2018: 5.95%, 2017 5.68%)	-	-	-	14,500,000	-	14,500,000	14,500,000
<b>Total non-derivatives</b>	<b>11,795,814</b>	<b>53,254</b>	<b>154,246</b>	<b>14,892,988</b>	<b>-</b>	<b>26,896,301</b>	<b>26,896,301</b>

### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Disclosure of fair value measurements is performed by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

## 2 Financial risk management (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2019:

<b>Consolidated - at 30 June 2019</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>	<b>Total \$</b>
<b>Assets</b>				
Biological assets	-	-	3,590,388	3,590,388
<b>Total assets</b>	-	-	3,590,388	3,590,388

<b>Consolidated - at 30 June 2018</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>	<b>Total \$</b>
<b>Assets</b>				
Biological assets	-	-	5,781,325	5,781,325
<b>Total assets</b>	-	-	5,781,325	5,781,325

There have been no transfers between Level 1 and Level 2 in the period. The carrying value of other financial assets and financial liabilities approximates their fair value. For a reconciliation of the movement of level 3 disclosures, refer to note 15.

## 3 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 the carrying amounts of assets and liabilities within the next financial period are discussed below.

#### (i) Biological assets

As referred to in the accounting policy above 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 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.

#### (ii) Valuation 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 the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 30 June 2019 was \$Nil (30 June 2018: \$1,207,187). An impairment loss of \$1,207,187 was recognised in 2019 (2018: \$Nil).

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

#### *(iii) Impairment of a financial asset*

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.

#### *(iv) Recognition of a financial asset*

The Group assessed the loan provided to AAM Licensee Pty Ltd for which repayment is dependant 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.

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

#### *(i) Development costs*

Management continually evaluates the commercial and technical feasibility of projects, together with the ability to complete the project and generate revenues. As at 30 June 2019, the Group has capitalised \$Nil (2018: \$1,211,840) as development costs and recognised an impairment loss of \$Nil during the year (2018: \$846,199) as a result of adopting this policy.

### **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 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 significant risks and rewards of the property and as such have determined the lease to be a finance lease over a period of 30 years.

### **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 option 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 while as the right to use asset.

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

### **Unlisted options**

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

#### 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 to 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

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Revenue	758,446	8,070,914
Other gains	843	244,615
Cost of goods sold	310,558	(1,157,975)
Employee benefit expense	(109,870)	(1,973,913)
Depreciation and amortisation expense	(14,131)	(366,262)
Consulting expense	-	(113,213)
Travel	(127)	20,727
Insurance	(5,676)	(72,592)
Rent	(18,437)	(200,688)
Research and development	(82,004)	(1,498,168)
Other expenses	(28,013)	(419,455)
Marketing	-	(1,965)
Plantation costs	(204,028)	(2,469,798)
Finance costs	(367)	(12,270)
Share of loss from associates	(11,370)	60,560
Impairment of intangible assets	-	(1,016,448)
Profit before income tax	595,824	(905,931)
Income tax (expense)	-	(197,042)
<b>Profit/(loss) from discontinued operation</b>	<b>595,824</b>	<b>(1,102,973)</b>
Net cash (outflow)/inflow from operating activities	(952,473)	2,953,487
Net cash (outflow) from investing activities	(20,223)	(3,186,616)
Net cash (outflow)/inflow from financing activities	(99,633)	723,518
<b>Net (reduction)/increase in cash generated by the subsidiary</b>	<b>(1,072,329)</b>	<b>490,389</b>

#### 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 \$	30 June 2018 \$
<b>Assets</b>		
Cash and cash equivalents	-	1,044,090
Trade receivables	2,148,488	652,242
Other current assets	371,690	2,483
Accrued income	301,208	939,061
	<u>2,821,386</u>	<u>2,637,876</u>
<b>Non-current assets</b>		
Inventories	184,923	184,923
Property, plant and equipment	1,063,214	1,119,948
Intangible assets	1,211,840	1,211,840
Investments	193,005	13,992,884
	<u>2,652,982</u>	<u>16,509,595</u>
<b>Total assets</b>	<u>5,474,368</u>	<u>19,147,471</u>
<b>Current liabilities</b>		
Cash and cash equivalents	28,240	-
Trade and other payables	594,519	1,276,771
Borrowings	3,856	11,381
Provisions	318,515	318,515
Deferred revenue	1,889,762	1,807,140
Intercompany liabilities	-	6,727,295
	<u>2,834,892</u>	<u>10,141,102</u>
<b>Non-current liabilities</b>		
Borrowings	-	63,015
Provisions	15,504	15,504
	<u>15,504</u>	<u>78,519</u>
<b>Total liabilities</b>	<u>2,850,396</u>	<u>10,219,621</u>
<b>Net assets</b>	<u>2,623,972</u>	<u>8,927,850</u>

#### 5 Segment information

##### (a) Description of segments

###### Business Segments

The Group operates wholly within two reportable segments, both located within Australia.

###### 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.



## 5 Segment information (continued)

### *Carbon services*

This segment was demerged from the Group on 23 July 2018 and has been disclosed as a discontinued operation in the financial statements. Previously this segment related to 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.

### (b) Segments

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2019 is as follows:

Year ended 30 June 2019	Aquaculture	Carbon services	Other	Consolidated
	\$	\$	\$	\$
<b>Segment revenue</b>				
Sales and external customers	24,247,237	-	-	24,247,237
Total sales revenue	24,247,237	-	-	24,247,237
Other revenue	21,346	-	126,220	147,566
<b>Total segment revenue</b>	24,268,583	-	126,220	24,394,803
<b>Consolidated revenue</b>				24,394,803
<b>Segment loss</b>				
Segment (loss)/profit	(18,216,237)	595,824	(4,749,791)	(22,370,204)
Central administration and directors' salaries				(8,574,097)
Loss before income tax				(30,944,301)
Income tax benefit				
<b>Loss for the year</b>				(30,944,301)
<b>Segment assets</b>				
Segment assets/(liabilities)	70,376,014	-	-	70,376,014
Unallocated assets				14,698,247
<b>Total assets</b>				85,074,261

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2018 is as follows:

Year ended 30 June 2018	Aquaculture	Carbon services	Other	Consolidated
	\$	\$	\$	\$
<b>Segment revenue</b>				
Sales and external customers	25,861,315	-	-	25,861,315
Total sales revenue	25,861,315	-	-	25,861,315
Other revenue	32,809	-	7,463	40,272
<b>Total segment revenue</b>	25,894,124	-	7,463	25,901,587
<b>Consolidated revenue</b>				25,901,587
<b>Segment loss</b>				
Segment (loss) / profit	(14,262,502)	(1,102,973)	133,708	(15,231,767)
Central administration and directors' salaries				(4,908,982)

## 5 Segment information (continued)

### (b) Segments (continued)

Loss before income tax				(20,140,749)
Income tax benefit				193,466
<b>Loss for the year</b>				<b>(19,947,283)</b>
<b>Segment assets</b>				
Segment assets / (liabilities)	36,991,450	4,622,371	(16,277)	41,597,544
Unallocated assets				4,712,456
<b>Total assets</b>				<b>46,310,000</b>

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, 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.

### (c) Other profit and loss disclosures

	Depreciation and amortisation
<b>2019</b>	<b>\$</b>
Aquaculture	(1,911,360)
Other	(422,922)
<b>Total</b>	<b>(2,334,282)</b>
	Depreciation and amortisation
<b>2018</b>	<b>\$</b>
Aquaculture	(1,557,321)
Other	(24,941)
<b>Total</b>	<b>(1,582,262)</b>

**Seafarms Group Limited**  
**Notes to the consolidated financial statements**  
**30 June 2019**  
(continued)

**6 Revenue**

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Sale of Goods Revenue	<b>24,247,237</b>	25,861,315
<i>Other revenue</i>		
Interest on financial assets	<b>111,220</b>	32,809
Office services	<b>15,000</b>	3,225
Crop share and agistment	<b>21,346</b>	4,238
	<b>147,566</b>	40,272
	<b>24,394,803</b>	25,901,587

**7 Other gains/(losses)**

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Net (loss)/gain on disposal of property, plant and equipment	<b>(12,349)</b>	8,203
Contract termination fee	<b>-</b>	65,297
	<b>(12,349)</b>	73,500

## 8 Expenses

*Profit before income tax includes the following specific expenses:*

	<b>Consolidated</b>	
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
<i>Depreciation</i>		
Leasehold land	<b>397,995</b>	-
Buildings	<b>84,171</b>	70,538
Ponds	<b>339,090</b>	339,089
Plant and equipment	<b>1,342,584</b>	1,133,540
Leasehold improvements	<b>2,419</b>	2,374
Plant and equipment under finance leases	<b>168,023</b>	35,476
Total depreciation	<b>2,334,282</b>	1,581,017
<i>Amortisation</i>		
Software	-	1,245
Total depreciation and amortisation	<b>2,334,282</b>	1,582,262
<i>Research and development</i>		
Project Sea Dragon	<b>3,900,021</b>	3,420,834
Research and development costs paid and expensed	<b>3,900,021</b>	3,420,834
<i>Employee benefits expense</i>		
Equity settled share based payments	<b>1,019,903</b>	884,761
Superannuation	<b>122,662</b>	113,358
Other employee benefits	<b>5,274,539</b>	4,551,629
Total employee benefits expense	<b>6,417,104</b>	5,549,748
<i>Cost of goods sold</i>		
Freight charges	<b>2,260,073</b>	2,081,738
Cost of goods sold - fresh	<b>13,026,870</b>	8,204,623
Cost of goods sold - frozen	<b>9,177,628</b>	13,979,990
Total cost of goods sold	<b>24,464,571</b>	24,266,351

## 9 Income tax expense

### (a) Income tax expense/(benefit)

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Current tax on loss for the year	-	(193,466)
Deferred tax (benefit)	<b>(348,830)</b>	(235,024)
Adjustments for deferred tax of prior periods	<b>(87,784)</b>	(109,172)
Write off current and prior year deferred tax assets	<b>436,614</b>	344,196
	<b>-</b>	<b>(193,466)</b>

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss from continuing operations before income tax expense	<b>(31,540,125)</b>	(19,037,776)
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)	<b>(9,462,038)</b>	(5,711,333)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	<b>3,105,959</b>	1,965,029
Sundry items	<b>(1,515,209)</b>	(1,056,515)
	<b>(7,871,288)</b>	(4,802,819)
Difference in overseas tax rates	<b>16</b>	18,139
(Over)/under provision of income tax in previous year	<b>(87,784)</b>	(109,172)
Write off current and prior year deferred tax assets	<b>436,614</b>	344,196
Current year tax losses not recognised	<b>7,522,442</b>	4,356,190
Income tax expense/(benefit)	<b>-</b>	<b>(193,466)</b>

### (c) Tax consolidation legislation

Seafarms Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Seafarms Group Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Seafarms Group Limited for any current tax payable assumed and are compensated by Seafarms Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Seafarms Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables or payables.

## 9 Income tax expense (continued)

### (d) Franking account

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Franking account balance (tax paid basis)	-	-
Impact on franking account balance of dividends not recognised	-	-
	<hr/>	<hr/>
	-	-

## 10 Current assets - Cash and cash equivalents

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	<b>15,815,464</b>	3,809,431
Deposits at call	<b>487,125</b>	328,851
Other cash and cash equivalents	-	1,321
	<hr/> <b>16,302,589</b>	<hr/> <b>4,139,603</b>

### (a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2.

### (b) Cash at bank and on hand

Of the cash at bank and on hand, \$3,408,708 (2018: \$1,963,372) is non-interest bearing, and \$12,893,881 (2018: \$2,176,231) is in accounts that earn interest.

### (c) Cash not available for use

\$487,125 (2018: \$328,851) is held as security for bank facilities and lease guarantees (note 25).

### (d) Deposits at call

Deposits at call are interest bearing.

## 11 Current assets - Trade and other receivables

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Trade receivables	<b>2,005,193</b>	3,669,000
Loans to employees	<b>53,560</b>	77,629
Goods and services tax (GST) receivable	<b>457,733</b>	215,717
	<b>2,516,486</b>	3,962,346

### (a) Trade receivables

As of 30 June 2019, trade receivables of \$947,249 (2018: \$3,115,739) were past due but not impaired.

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Up to 3 months	<b>634,462</b>	3,003,058
3 to 6 months	<b>312,787</b>	112,681
	<b>947,249</b>	3,115,739

Trade receivables represent receivables in respect of which the Group's right to consideration is unconditional subject only to the passage of time. Trade receivables are non-derivative financial assets accounted for in accordance with the Group's accounting policy for non-derivative financial assets as set out in Note 1(b)(ii) AASB 9 *Financial Instruments*.

Trade and other receivables are measured at amortised cost. A gain or loss on trade and other financial assets that is subsequently measured at amortised cost 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.

The average credit period on trade receivables ranges from current to 90 days in most cases. In determining the recoverability of a trade receivable, the Group used the expected credit loss model as per AASB 9. The expected credit loss model requires the Group to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit default to have occurred before credit losses are recognised.

The Group has Trade Credit Insurance in place until 30 April 2020, which has insured indemnity of 90% with a maximum insured amount of \$5 million.

### (b) Interest rate risk

Information about the Group's exposure to interest rate risk in relation to trade and other receivables is provided in note 2.

#### (iii) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The average credit period on rendering of invoices is 30 days.

Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

## 12 Current assets - Inventories

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Finished goods	<b>11,335,413</b>	6,166,915
Feed and consumables	<b>1,262,884</b>	1,127,762
	<b>12,598,297</b>	<b>7,294,677</b>

Finished goods are harvested prawns from the Group's aquaculture operations in North Queensland.

Feed and consumables relate wholly to the Group's aquaculture operations.

## 13 Current assets - Other current assets

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Prepayments	<b>829,121</b>	687,718
Deposits paid	<b>26,340</b>	17,938
Environmental credits	-	192,475
Other aquaculture assets	<b>57,144</b>	151,560
	<b>912,605</b>	<b>1,049,691</b>

## 14 Current assets - Accrued income

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Carbon sink development	-	112,404
Accrued income from carbon sink management	-	826,657
	-	<b>939,061</b>



## 15 Current assets - Biological assets

	<b>30 June 2019 \$</b>	30 June 2018 \$
<b><i>Livestock at fair Value</i></b>		
Opening Balance	<b>5,781,325</b>	4,530,997
Gain or Loss arising from changes in fair value less estimated point of sale costs	<b>(1,485,164)</b>	593,507
Increases due to purchases	<b>5,075,553</b>	5,187,818
Transferred to inventories	<b>(5,781,325)</b>	(4,530,997)
Closing Balance	<b>3,590,388</b>	5,781,325

The group has classified live prawn as level 3 in the fair value hierarchy (refer note 1 for explanation of levels), since one or more of the significant inputs is not based on observable market data.

### *Valuation processes*

The group's finance team performs the valuations of the group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit and risk committee (ARC). Discussions of valuation processes and results are held between the CFO and the ARC at least once every six months, in line with the group's half-yearly reporting requirements.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Survival rate, harvest average body weight and average production cost per kilogram is determined based on actual rates achieved over the last 6-12 months.
- Prawn market prices are based on active liquid market prices achieved over the last 3 months.
- Discount rate is determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Changes in level 3 inputs and fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the CFO, and ARC. As part of this discussion the team presents a report that explains the reason for the fair value movements.

### *Financial risk management strategies for biological assets*

The Group is exposed to risks arising from environmental and climatic changes and market prices.

The Group has strong operating procedures to prevent and mitigate the impact of disease and environmental risks.

The Group is exposed to some risks arising from fluctuations in the price and demand of prawn. To mitigate those risks the Group continues to focus on producing a high quality product that is well sought after in the market. Where appropriate the Group will also enter into supply contracts.

## 16 Non-current assets - Inventories

	<b>Consolidated 30 June 2019 \$</b>	30 June 2018 \$
Other inventories	-	184,923
	-	184,923

## 17 Non-current assets - Property, plant and equipment

<b>Consolidated</b>	<b>Freehold land</b>	<b>Freehold buildings</b>	<b>Ponds</b>	<b>Plant and equipment</b>	<b>Leasehold improvements</b>	<b>Leased plant and equipment</b>	<b>Carbon sinks</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 1 July 2017</b>								
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
<b>Year ended 30 June 2018</b>								
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
<b>At 30 June 2018</b>								
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

## 17 Non-current assets - 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 \$
<b>At 1 July 2018</b>									
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
<b>Year ended 30 June 2019</b>									
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	-	21,540,035	2,901,886	-	6,579,507	144	244,415	-	31,265,987
Assets included in a disposal group classified as other disposals	-	-	-	-	(34,402)	(32,455)	(34,127)	(972,304)	(1,073,288)
Disposals	-	-	-	-	(3,789,953)	-	(44,647)	-	(3,834,600)
Depreciation & amortisation charge	-	(397,995)	(84,171)	(339,090)	(1,342,584)	(2,419)	(168,023)	-	(2,334,282)
Closing net book amount	2,010,000	21,142,040	4,118,116	5,031,229	11,177,605	20,306	654,600	-	44,153,896
<b>At 30 June 2019</b>									
Cost or fair value	2,010,000	21,540,035	4,483,716	6,781,774	16,678,652	31,908	898,843	-	52,424,928
Accumulated depreciation	-	(397,995)	(365,600)	(1,750,545)	(5,501,047)	(11,602)	(244,243)	-	(8,271,032)
Net book amount	2,010,000	21,142,040	4,118,116	5,031,229	11,177,605	20,306	654,600	-	44,153,896

## 17 Non-current assets - Property, plant and equipment (continued)

### (i) 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 73,000 ha 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 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.

### (ii) 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.

### (iii) Depreciation methods and useful lives

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

## 18 Non-current assets - Deferred tax assets

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>The balance comprises temporary differences attributable to:</b>		
Tax losses	<b>(703,646)</b>	11,655
Provisions	<b>371,876</b>	456,095
Accruals	<b>47,497</b>	81,031
Intangible assets	<b>128,319</b>	111,403
Depreciable assets	<b>109,006</b>	(57,414)
Accrued interest	<b>46,948</b>	(239,218)
Research & development	<b>-</b>	(363,552)
Net deferred tax assets	<b>-</b>	<b>-</b>
<b>Movements:</b>		
Charged/credited:		
- to profit or loss	<b>335,011</b>	235,024
Write off of Deferred Tax Asset	<b>(694,509)</b>	(246,310)
Realisation of prior year deferred tax assets	<b>-</b>	(97,886)
Under/(over) provision of deferred tax in previous year	<b>87,784</b>	109,172
Timing difference moved out on account of demerger	<b>271,714</b>	<b>-</b>
Closing balance at 30 June	<b>-</b>	<b>-</b>

### Unrecognised deferred tax balances

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:

Tax losses (revenue in nature)	<b>17,811,287</b>	13,142,144
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## 19 Non-current assets - Intangible assets

	Development costs \$	Goodwill \$	Patents, trademarks and other rights \$	Computer software \$	Other intangible assets \$	NGAC accreditation \$	Total \$
<b>Consolidated</b>							
<b>At 1 July 2017</b>							
Cost	3,100,697	1,207,187	3,072	192,754	790,166	408,380	5,702,256
Accumulated amortisation and impairment	(976,163)	-	(3,072)	(191,495)	(790,166)	(220,431)	(2,181,327)
Net book amount	2,124,534	1,207,187	-	1,259	-	187,949	3,520,929
<b>Year ended 30 June 2018</b>							
Opening net book amount	2,124,534	1,207,187	-	1,259	-	187,949	3,520,929
Additions	10,629	-	-	-	-	-	10,629
Amortisation charge	(77,124)	-	-	(1,259)	-	(17,700)	(96,083)
Impairment charge	(846,199)	-	-	-	-	(170,249)	(1,016,448)
Closing net book amount	1,211,840	1,207,187	-	-	-	-	2,419,027
Cost	3,111,325	1,207,187	3,072	151,706	790,166	238,131	5,501,587
Accumulated amortisation and impairment	(1,899,485)	-	(3,072)	(151,706)	(790,166)	(238,131)	(3,082,560)
Net book amount	1,211,840	1,207,187	-	-	-	-	2,419,027

**19 Non-current assets - Intangible assets (continued)**

Consolidated	Development costs \$	Goodwill \$	Patents, trademarks and other rights \$	Computer software \$	Other intangible assets \$	NGAC accreditation \$	Total \$
<b>At 30 June 2018</b>							
Cost	3,111,325	1,207,187	3,072	151,706	790,166	238,131	5,501,587
Accumulated amortisation and impairment	(1,899,485)	-	(3,072)	(151,706)	(790,166)	(238,131)	(3,082,560)
Net book amount	1,211,840	1,207,187	-	-	-	-	2,419,027
<b>Year ended 30 June 2019</b>							
Opening net book amount	1,211,840	1,207,187	-	-	-	-	2,419,027
Disposals	(1,211,840)	-	-	-	-	-	(1,211,840)
Impairment charge	-	(1,207,187)	-	-	-	-	(1,207,187)
Closing net book amount	-	-	-	-	-	-	-
<b>At 30 June 2019</b>							
Cost	-	1,207,187	-	25,745	-	-	1,232,932
Accumulated amortisation and impairment	-	(1,207,187)	-	(25,745)	-	-	(1,232,932)
Net book amount	-	-	-	-	-	-	-

## 19 Non-current assets - Intangible assets (continued)

### (a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to operating segment.

Goodwill is monitored by management at the level of the three operating segments (see note 5 for details).

A segment-level summary of the goodwill allocation is presented below.

Consolidated

	Total \$
2019	
Carbon services	-
Aquaculture	-
Other	-
	<hr/>
	<hr/>

Consolidated

	Total \$
2018	
Carbon services	-
Aquaculture	1,207,187
Other	-
	<hr/>
	<hr/>

### (b) Significant estimates: key assumptions used for value-in-use calculations

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

### Queensland aquaculture CGU ('QLDAQ')

The recoverable amount of QLDAQ has been determined based on a value in use calculation using cash flow projections covering a five year period, based on detailed financial forecasts prepared by local management and approved by the Board of Directors.

## **19 Non-current assets - Intangible assets (continued)**

(b) *Significant estimates: key assumptions used for value-in-use calculations (continued)*

The following describes each key assumption on which the Company has based its value in use calculation for QLDAQ:

- The discount rate applied to pre-tax cash flow projections is 13.6% (2018: 12%);
- Cash flows beyond the five year period are estimated using a terminal value calculated under standard valuation principles incorporating a long term growth rate of 2.5% (2018: 2.5%);
- Revenue from operations is forecast to increase as a result mainly price increases. This has been estimated as 9.2% cumulatively over the five year forecast period. Weighted average forecast prices have been assumed to increase significantly due to change in product mix and size;
- The impact of working capital has been assumed to increase in line with revenue growth; and
- Capital investment required to run the business has been assumed based on detailed estimates for FY20 and then in line with depreciation for FY21-FY24.

During the year the Group recorded an impairment loss of \$1.2 million against the carrying value of QLDAQ goodwill.

Refer below for sensitivities to key assumptions:

- Average price per kilogram decrease by 1%: \$2.84 million impairment;
- Discount rate increase to 15%: \$1.7 million impairment; and
- Terminal growth rate decrease to 2%: \$1.6 million impairment.

\* Budgeted gross margin

\*\* Weighted average growth rate used to extrapolate cash flows beyond the budget period

## **20 Other non-current assets**

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loan to AAM Licensees Pty Ltd	<b>5,000,000</b>	-

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 11 December 2021.

The receivable forms part of the series of arrangements in relation to Legume and as at 30 June 2019 management consider there to be an immaterial expected credit loss in relation to the receivable.



## 21 Current liabilities - Trade and other payables

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade payables	6,792,700	6,854,496
Amounts due to associates	-	581,797
Accrued expenses	915	429,505
PAYG payable	497,886	374,131
Goods and service tax (GST) payable	-	28,782
Other payables	638,385	621,656
	<u>7,929,886</u>	<u>8,890,367</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

## 22 Current liabilities - Borrowings

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Secured</b>		
Bank loans	-	2,825,680
Lease liabilities	385,804	109,604
Total secured current borrowings	<u>385,804</u>	<u>2,935,284</u>
<b>Unsecured</b>		
Vendor finance	(5,351)	23,417
Total unsecured current borrowings	<u>(5,351)</u>	<u>23,417</u>
Total current borrowings	<u>380,453</u>	<u>2,958,701</u>

### (a) Lease liabilities

The Group leased land under a finance lease effective 12 December 2018 (refer to note 17 for further details). The Group considers the minimum lease term to be 30 years, also refer to critical estimates and judgements (note 3). 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 lessor's title to the leased assets and a mortgage over LOT 166 ON CROWN PLAN CWL3565 & LOT 183 ON CROWN PLAN CWL3484.

The Group leased 16 vehicles under finance leases during the period (2018: 8 vehicles leased). The average lease term is 5 years. The Group has options to purchase the vehicles for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

### (b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

## 22 Current liabilities - Borrowings (continued)

### (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from Financing activities.

	Opening balance 1 July 2018 \$	Cash movement \$	Consolidated Non-cash movement \$	Closing Balance 30 June 2019 \$
<b>Current borrowings</b>				
Bank loans	2,825,680	(2,825,680)	-	-
Lease liabilities	109,604	276,200	-	385,804
Vendor finance	23,417	(28,768)	-	(5,351)
<b>Total current borrowings</b>	<b>2,958,701</b>	<b>(2,578,248)</b>	<b>-</b>	<b>380,453</b>
<b>Non-current borrowings</b>				
Lease liabilities	547,233	(283,655)	17,369,965	17,633,543
Other loans	-	-	5,188,845	5,188,845
Loans from related parties	14,500,000	(1,100,000)	-	13,400,000
<b>Total non-current borrowings</b>	<b>15,047,233</b>	<b>(1,383,655)</b>	<b>22,558,810</b>	<b>36,222,388</b>
<b>Total Borrowings</b>	<b>18,005,934</b>	<b>(3,961,903)</b>	<b>22,558,810</b>	<b>36,602,841</b>

## 23 Current liabilities - Provisions

	Consolidated 30 June 2019 \$	30 June 2018 \$
Employee benefits	1,219,639	1,520,318
	<b>1,219,639</b>	<b>1,520,318</b>

## 24 Current liabilities - Deferred revenue

	Consolidated 30 June 2019 \$	30 June 2018 \$
Deferred income from project development	-	1,251,597
Deferred income on carbon sink management	-	545,456
Deferred advisory income	-	10,087
	<b>-</b>	<b>1,807,140</b>

## 25 Non-current liabilities - Borrowings

		<b>Consolidated</b>	
		<b>30 June</b>	30 June
		<b>2019</b>	2018
	Notes	\$	\$
<b>Secured</b>			
Lease liabilities		<b>17,633,543</b>	547,233
Other loans		<b>5,188,845</b>	-
Total secured non-current borrowings		<b>22,822,388</b>	547,233
<b>Unsecured</b>			
Loans from related parties	32(c)	<b>13,400,000</b>	14,500,000
Total non-current borrowings		<b>36,222,388</b>	15,047,233

### (i) Secured liabilities and assets pledged as security

The Group has a \$80,000 (2018: \$120,865 ) facility on its company credit cards and has been required to provide guarantee facilities of \$273,205 (2018: \$207,987) in respect of office leases and a guarantee of \$133,920 (2018: \$Nil) in favour of Great Barrier Reef Marine Parks. The Group maintains term deposits with the bank to secure these facilities.

The Group leased land under a finance lease effective 12 December 2018 (refer to note 17 for further details). The Group considers the minimum lease term to be 30 years, also refer to key estimations and judgements (note 3). 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 lease are secured by the lessors' title to the leased assets and a mortgage over LOT 166 ON CROWN PLAN CL3565 & 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 to 50% of interest accruing on the loan with Seafarms Group Limited shares. The average interest rate on the loan during the period was 7% (2018: nil).

The carrying amounts of assets pledged as security for current and non-current borrowings are:

		<b>Consolidated</b>	
		<b>30 June</b>	30 June
		<b>2019</b>	2018
	Notes	\$	\$
<b>Current</b>			
Deposits at call	10	<b>487,125</b>	328,851
Total current assets pledged as security		<b>487,125</b>	328,851
<b>Non-current</b>			
<i>First mortgage</i>			
Freehold land	17	<b>2,010,000</b>	-
<i>Finance lease</i>			
Leased land		<b>21,142,040</b>	-

## 25 Non-current liabilities - Borrowings (continued)

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
Notes	<b>\$</b>	<b>\$</b>
Total non-current assets pledged as security	<b>23,152,040</b>	-
Total assets pledged as security	<b>23,639,165</b>	328,851

### (ii) Risk exposures

Information about the Group's exposure to interest rate and foreign exchange risk is provided in note 2.

## 26 Non-current liabilities - Provisions

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Employee benefits - long service leave	<b>19,947</b>	68,230
Other provisions	<b>89,493</b>	175,208
	<b>109,440</b>	243,438

### (a) Other provisions

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Opening balance 1 July</b>	175,208	252,577
Additional provisions recognised	-	-
Payments made	(84,071)	(77,369)
<b>Closing balance 30 June</b>	<b>91,137</b>	<b>175,208</b>

The other provision represents the lease liability for the Perth office. The increase in the carrying amount of the provision for the prior year results from the end of the initial 21 month rent free period negotiated on the lease on 1 July 2015. The lease is due to expire on 30 June 2020.

## 27 Issued capital

### (a) Share capital

		<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	Notes	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares					
Fully paid		<b>1,972,053,969</b>	1,417,084,698	<b>154,757,053</b>	103,674,031
Convertible preference shares	27(c)	<b>30,150,190</b>	30,150,190	<b>301</b>	301
		<b>2,002,204,159</b>	1,447,234,888	<b>154,757,354</b>	103,674,332

## 27 Issued capital (continued)

### (b) Movements in ordinary share capital

	Number of shares	\$
Opening balance 1 July 2017	1,361,868,033	101,512,627
Nissui Investment	13,500,000	-
Debt conversion	41,666,666	2,500,000
Exercise of listed options - proceeds received	49,999	5,000
Less: Transaction costs arising on share issues	-	(343,295)
Balance 30 June 2018	1,417,084,698	103,674,332
Opening balance 1 July 2018	1,417,084,698	103,674,332
Nissui Investment	283,188,768	27,985,766
Exercise of listed options - proceeds received	295,035	28,618
Placement	271,485,468	24,433,713
	1,972,053,969	156,122,429
Less: Transaction costs arising on share issues	-	(1,365,075)
Balance 30 June 2019	1,972,053,969	154,757,354

### (c) Movements in convertible preference share capital

Details	Number of shares	\$
Opening balance 1 July 2017	30,150,190	301
Balance 30 June 2018	30,150,190	301
Opening balance 1 July 2018	30,150,190	301
Balance 30 June 2019	30,150,190	301

### (d) Convertible preference shares

The convertible preference shares were issued at \$0.00001. To convert to fully paid ordinary shares each holder is required to pay \$0.06499. Conversion can occur at any time at the election of the holders. Conversion of convertible preference shares may only be made in multiples of 1,000 convertible preference shares. There is no debt component linked to the convertible preference shares and no maturity date.

The convertible preference shares have limited voting rights as described in ASX Listing Rule 6.3 and are entitled to the payment of a dividend equal to one hundred thousandth of any dividends declared in respect of ordinary shares and such dividend will rank in priority over ordinary shares for payment. Dividends on convertible preference shares will not be cumulative.

### (e) Options

#### *Unlisted options*

Information relating to the Group's Employee Option Plan and options issued to employees and executives of the Group, including details of options issued, exercised and lapsed during the financial period and options outstanding at the end of the financial period, is set out in note 39.

#### *Listed options*

On 17 July 2017, the Group issued 126,092,585 listed options pursuant to the Option Offers made to those participants in the June 2017 Share Placement. Shareholders who subscribed for shares in the June 2017 Share Participation Plan were eligible to participate in the June 2017 Share Placement.

The listed options were issued free of charge and have an exercise price of 10 cents per share and expire on 17 July 2021.

## 27 Issued capital (continued)

### (e) Options (continued)

As at 30 June 2019, 295,035 listed options have been exercised (2018: 49,999) leaving 125,747,551 (2018: 126,042,586) listed options unexercised.

## 28 Reserves

### (a) Other reserves

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Financial assets revaluation reserve	<b>(24,740)</b>	(24,740)
Share-based payments	<b>10,371,472</b>	4,516,569
Option premium reserve	<b>1,670,705</b>	1,670,705
	<b>12,017,437</b>	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 Seafarms Employee Share Trust to employees
- in the parent entity the fair value of shares and options issued to employees of subsidiaries.

#### (ii) Option premium

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

#### (iii) Financial assets revaluation reserve

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

## 29 Key management personnel disclosures

### (a) Directors

The following persons were directors of Seafarms Group Limited during the financial year:

#### (i) Chairman - executive

I N Trahar

#### (ii) Executive directors

H R Whitcombe

Dr C D Mitchell

#### (iii) Non-executive directors

P Favretto

## 29 Key management personnel disclosures (continued)

### (a) Directors (continued)

#### (iii) Non-executive directors (continued)

Hisami Sakai

### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

<i>Name</i>	<i>Position</i>	<i>Employer</i>
D Donovan	Chief Operating Officer	Seafarms Operations Limited
R Dyer	Project Director (31 October 2017)	Seafarms Group Limited
A Soanes*	Director & General Manager Operations	CO2 Australia Limited
J Bulinski*	Director	CO2 Australia Limited

\* The carbon entities were demerged on 23 July 2018, the amounts included are for payments made during the period prior to the demerger date (i.e. 1 to 23 July 2018).

### (c) Key management personnel compensation

	<b>Consolidated</b>	
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>1,483,214</b>	1,765,948
Post-employment benefits	<b>192,184</b>	232,019
Long-term benefits	<b>21,342</b>	27,263
Share-based payments	<b>280,432</b>	865,112
	<b>1,977,172</b>	<b>2,890,342</b>

### 30 Remuneration of auditors

During the year the following fees were agreed for services provided by the auditor of the Parent entity, its related practices and non-related audit firms:

#### (a) Audit services

##### (i) Deloitte Touche Tohmatsu

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Audit and review of financial reports	<b>175,000</b>	143,500
Other fees paid to auditors	-	25,500
<b>Total auditors' remuneration</b>	<b>175,000</b>	<b>169,000</b>

### 31 Commitments

#### (a) Capital commitments

The Group has no material capital commitments as at 30 June 2019.

#### (b) Lease commitments: Group as lessee

##### (i) Non-cancellable operating leases

Operating leases relate to four office facilities, each with different terms: 3 years with an option to renew for a further 3 years; 1 year with no option to renew; 8 years with 2 options for a further 4 years, and a fixed term to June 2020 with no option for any further extension. The operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. There are also fixed increase dates annually. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

The Group leases 1 motor vehicle under an operating lease with a term of three years, with no option to purchase the vehicle at the expiry of the lease period.

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	<b>162,777</b>	530,317
Later than one year but not later than five years	<b>273,790</b>	472,826
Later than five years	<b>50,000</b>	-
	<b>486,567</b>	<b>1,003,143</b>

### 32 Related party transactions

#### (a) Parent entities

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 22.

The parent entity within the Group and the ultimate Australian parent entity is Seafarms Group Limited.



## 32 Related party transactions (continued)

### (b) Subsidiaries

Interests in subsidiaries are set out in note 33.

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

The Group has a \$15.2 million credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar, Chairman of the Group.

The amounts advanced and interest charged are disclosed in the following table:

	<b>Consolidated</b>	
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
<i>Loan from Avatar Finance Pty Ltd</i>		
Beginning of the year	<b>14,500,000</b>	8,000,000
Loans advanced	<b>5,600,000</b>	9,000,000
Debt equity swap	-	(2,500,000)
Loan repayments made	<b>(6,700,000)</b>	-
Interest charged	<b>759,426</b>	499,419
Interest paid	<b>(759,426)</b>	(499,419)
End of period	<b>13,400,000</b>	14,500,000

### (d) Terms and conditions

The facility from Avatar Finance Pty Ltd is provided on commercial terms and conditions and is to be repaid on 15 March 2021. The average interest rate on the loan during the year was 6.23% (2018: 5.95%).

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

On 20 August 2019, at the extraordinary general meeting, the shareholder's approved the following transactions in relation to the loan from Avatar Finance Pty Ltd:

- The conversion of \$3 million of debt owed to Avatar Finance Pty Ltd into 33,333,333 Ordinary shares with a deemed issue price of \$0.09 per share;
- The issue of a convertible security to Avatar Finance Pty Ltd, which gives Avatar Finance Pty Ltd the right to, at its election, convert amounts outstanding under the facility to shares at a price of 9 cents per share up to the maximum conversion amount of \$12.2 million (135,555,555 shares); and
- The extension of the repayment date under the facility from 15 March 2021 to 15 September 2021.

### 33 Subsidiaries and transactions with non-controlling interests

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2019 %	2018 %
CO2 Australia Limited	Australia	Ordinary	-	100
Carbon Banc Limited	Australia	Ordinary	-	100
Carbon Estate Pty Ltd	Australia	Ordinary	-	100
CO2 New Zealand Limited	Australia	Ordinary	-	100
Mallee Land Company Pty Ltd	Australia	Ordinary	-	100
Mallee Carbon Limited	Australia	Ordinary	-	100
Carbon Sinks Services Pty Ltd	Australia	Ordinary	-	100
The Oil Mallee Company of Australia Limited	Australia	Ordinary	-	100
Yonderr Pty Ltd	Australia	Ordinary	-	100
Seafarms Operations Pty Limited (formerly Seafarms Operations Limited)	Australia	Ordinary	<b>100</b>	100
CO2 Group Financial Services Pty Ltd	Australia	Ordinary	-	100
Marine Harvest Australia Pty Ltd	Australia	Ordinary	<b>100</b>	100
Seafarms Hinchinbrook Pty Ltd	Australia	Ordinary	<b>100</b>	100
Project Sea Dragon Pty Ltd	Australia	Ordinary	<b>100</b>	100
Marine Farms Pty Ltd	Australia	Ordinary	<b>100</b>	100
Seafarm Queensland Pty Ltd	Australia	Ordinary	<b>100</b>	100
PSD Construction Employment Pty Ltd	Australia	Ordinary	<b>100</b>	100

The subsidiaries, remaining after the demerger of the carbon entities on 23 July 2018, have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 34.

### 34 Deed of cross guarantee

All companies in the Group are parties to a deed of cross-guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The balance sheet and income statement of the closed group is the same as that of the consolidated entity.

Set out below is a consolidated income statement for the 12 months ended 30 June 2019 of the Closed Group consisting of Seafarms Group Limited, Seafarms Operations Limited, Marine Farms Pty Ltd, Marine Harvest Australia Pty Ltd, Seafarm Queensland Pty Ltd, Seafarm Hinchinbrook Pty Ltd, PSD Construction Employment Pty Ltd and Project Sea Dragon Pty Ltd.

### 34 Deed of cross guarantee (continued)

**(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings**

	<b>30 June 2019 \$</b>	<b>30 June 2018 \$</b>
<i>Consolidated statement of profit or loss</i>		
Revenue from continuing operations	<b>24,394,803</b>	25,901,587
Other (losses) / income	<b>(12,349)</b>	277,303
Fair value adjustment of biological assets	<b>(1,485,164)</b>	593,507
Fair value adjustment of finished goods	<b>531,275</b>	(842,994)
Consulting expense	<b>(4,634,729)</b>	(2,326,014)
Legal fees	<b>(1,553,965)</b>	(2,188,895)
Travel	<b>(1,835,123)</b>	(2,424,270)
Insurance	<b>(339,268)</b>	(256,170)
Rent	<b>(278,001)</b>	(488,366)
Research & development	<b>(3,900,021)</b>	(4,797,607)
Marketing	<b>(173,358)</b>	(201,548)
Founder stock centre	<b>(3,355,144)</b>	-
Plantation costs	-	(2,469,798)
Finance costs	<b>(2,720,196)</b>	(1,077,026)
Impairment of intangible assets	<b>(1,207,187)</b>	-
Cost of goods sold	<b>(24,464,571)</b>	(24,266,351)
Other expenses	<b>(1,755,741)</b>	(2,758,778)
Employee benefits expense	<b>(6,417,104)</b>	(7,555,080)
Depreciation and amortisation expense	<b>(2,334,282)</b>	(1,936,687)
Share of net loss of associates and joint venture partnership accounted for using the equity method	-	60,560
<b>Loss before income tax</b>	<b>(31,540,125)</b>	(26,756,627)
Income tax (expense) benefit	-	(39,823)
<b>Loss for the period</b>	<b>(31,540,125)</b>	(26,796,450)
	<b>30 June 2019 \$</b>	<b>30 June 2018 \$</b>

*Consolidated statement of comprehensive income*

<b>Loss for the period</b>	<b>(31,540,125)</b>	(26,796,450)
<b>Total comprehensive loss for the period</b>	<b>(31,540,125)</b>	(26,796,450)

**(b) Consolidated statement of financial position**

Set out below is a consolidated balance sheet as at 30 June 2019 of the Closed Group consisting of Seafarms Group Limited, Seafarms Operations Limited, Marine Farms Pty Ltd, Marine Harvest Australia Pty Ltd, Seafarm Queensland Pty Ltd, Seafarm Hinchinbrook Pty Ltd, PSD Construction Employment Pty Ltd and Project Sea Dragon Pty Ltd.

**Seafarms Group Limited**  
**Notes to the consolidated financial statements**  
**30 June 2019**  
(continued)

**34 Deed of cross guarantee (continued)**

	<b>30 June 2019 \$</b>	<b>30 June 2018 \$</b>
<b>Current assets</b>		
Cash and cash equivalents	16,302,589	4,041,848
Trade and other receivables	2,516,486	3,667,814
Inventories	12,598,297	7,479,600
Other current assets	912,605	855,150
Accrued income	-	939,061
Biological assets	3,590,388	5,781,325
<b>Total current assets</b>	<b>35,920,365</b>	<b>22,764,798</b>
<b>Non-current assets</b>		
Other non-current assets	5,000,000	-
Investments in associates and joint ventures	-	409,268
Property, plant and equipment	44,153,896	20,117,126
Intangible assets	-	2,419,028
<b>Total-non-current assets</b>	<b>49,153,896</b>	<b>22,945,422</b>
<b>Total assets</b>	<b>85,074,261</b>	<b>45,710,220</b>
<b>Current liabilities</b>		
Trade and other payables	7,929,886	8,269,221
Provisions	1,219,639	1,520,318
Other current liabilities	-	7,395
Deferred income	-	1,807,140
Borrowings	380,453	2,975,076
<b>Total current liabilities</b>	<b>9,529,978</b>	<b>14,579,150</b>
<b>Non-current liabilities</b>		
Borrowings	36,222,388	14,967,856
Provisions	109,440	68,230
Other provisions	-	238,222
<b>Total non-current liabilities</b>	<b>36,331,828</b>	<b>15,274,308</b>
<b>Total liabilities</b>	<b>45,861,806</b>	<b>29,853,458</b>
<b>Net assets</b>	<b>39,212,455</b>	<b>15,856,762</b>
<b>Equity</b>		
Issued capital	154,757,354	99,872,633
Reserves	12,017,437	6,137,534
Accumulated losses	(127,562,336)	(90,153,405)
<b>Total equity</b>	<b>39,212,455</b>	<b>15,856,762</b>

## **35 Interests in joint ventures**

### **(a) Joint venture partnership**

Blue-Leafed Mallee Pty Ltd (BLM) was a wholly owned subsidiary of the Parent Entity, conducting carbon projects through a 60% interest in a joint operation. In relation to its interest in the joint operation, BLM recognised its 60% share of the assets, liabilities, revenues and expenses in/resulting from the joint operation in the P&L and statement of financial position of the Group.

The Group has accounted for the retained 60% interest as an equity accounted investment up until the date of the carbon entity demerger on 23 July 2018 - refer to Note 1(d)(iii) for the accounting policy.

### **(b) Equity accounted investment**

At 30 June 2019, the carrying value of the investment in the statement of financial position is \$Nil (2018: \$409,268).

During the current period an equity accounted profit of \$Nil has been recognised in profit or loss (2018: \$60,560 profit).

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

On 19 July 2019, the Group sent out a Notice of Extraordinary General Meeting of shareholders to be held on 20 August 2019. This meeting was held to seek certain shareholder approvals in connection with the Company's capital raisings announced in April and May 2019 and to approve amendments to the existing debt facility provided to the Company by Avatar Finance Pty Ltd.

On 20 August 2019, at the extraordinary general meeting, the shareholder's ratified the Group's capital raising activities carried out in April and May 2019.

In addition the Group received shareholder approval for the following amendments to the existing facility provided to the Company by Avatar Finance Pty Ltd:

- The conversion of \$3 million of debt owed to Avatar Finance Pty Ltd into 33,333,333 Ordinary shares with a deemed issue price of \$0.09 per share;
- The issue of a convertible security to Avatar Finance Pty Ltd, which gives Avatar Finance Pty Ltd the right to, at its election, convert amounts outstanding under the facility to shares at a price of 9 cents per share up to the maximum conversion amount of \$12.2 million (135,555,555 shares); and
- The extension of the repayment date under the facility from 15 March 2021 to 15 September 2021.

No other matter or circumstance has occurred subsequent to 30 June 2019 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 or economic entity in subsequent financial periods.

### 37 Reconciliation of loss for the year to net cash flows from operating activities

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	<b>(30,944,301)</b>	(19,947,283)
Depreciation and amortisation	<b>2,334,282</b>	1,948,524
Impairment of intangibles	<b>1,207,187</b>	1,016,448
Non-cash loss on exercised options	-	19,800
Non-cash employee benefits expense - share-based payments	<b>1,019,903</b>	884,761
Net losses on sale of non-current assets	<b>12,349</b>	128,517
Fair value (gains)/losses on financial assets at fair value through profit or loss	-	(20,294)
Share of loss/(profits) of joint venture	-	(60,560)
Interest income received	<b>(111,220)</b>	(32,809)
Change in operating assets and liabilities:		
Decrease/(increase) in trade debtors and receivables	<b>1,445,860</b>	(2,365,051)
(Increase)/decrease in inventories	<b>(5,118,697)</b>	413,996
Decrease/(increase) in other current assets	<b>137,086</b>	(46,613)
Decrease/(Increase) in current tax receivables	-	15,786
Decrease/(increase) in biological assets	<b>2,190,937</b>	(1,250,328)
Decrease/(increase) in other operating assets	<b>939,061</b>	(26,360)
(Decrease)/increase in trade creditors	<b>(933,336)</b>	2,863,762
(Decrease)/increase in other operating liabilities	<b>(1,807,140)</b>	(41,252)
(Decrease)/increase in other provisions	<b>(434,677)</b>	28,255
Net cash outflow from operating activities	<b>(30,062,706)</b>	(16,470,701)

### 38 Earnings per share

#### (a) Basic earnings per share

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share from continuing operations	<b>(1.86)</b>	(1.34)
From discontinued operation	<b>0.04</b>	(0.08)
Total basic earnings per share attributable to the ordinary owners of the Company	<b>(1.82)</b>	(1.42)

#### (b) Diluted earnings per share

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>Cents</b>	<b>Cents</b>
Diluted earnings per share from continuing operations	<b>(1.86)</b>	(1.34)
From discontinued operation	<b>0.04</b>	(0.08)
Total basic earnings per share attributable to the ordinary owners of the Company	<b>(1.82)</b>	(1.42)

### 38 Earnings per share (continued)

#### (c) Reconciliation of earnings used in calculating earnings per share

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Basic earnings per share</i>		
Loss from continuing operations	<b>(31,540,125)</b>	(18,844,310)
From discontinued operation	<b>595,824</b>	(1,102,973)
	<b>(30,944,301)</b>	(19,947,283)
<i>Diluted earnings per share</i>		
Loss from continuing operations	<b>(31,540,125)</b>	(18,844,310)
Loss from continuing operations attributable to the ordinary equity holders of the Company	<b>(31,540,125)</b>	(18,844,310)
Profit/(loss) from discontinued operation	<b>595,824</b>	(1,102,973)
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<b>(30,944,301)</b>	(19,947,283)

Due to the net loss position of the Group, any conversion to shares would be anti-dilutive.

#### (d) Weighted average number of shares used as denominator

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>1,697,780,679</b>	1,404,415,725

### 39 Share-based payments

Share based compensation payments are provided to employees in accordance to the "Seafarms Group's Employee Incentive Plan" as detailed in the remuneration report.

Share based compensation payments are measured at the fair value of the equity instruments at the grant date. The fair value at grant date is independently determined using the valuation method detailed in the remuneration report.

The fair value of the equity instruments granted is adjusted to reflect market Vesting Conditions, but excludes the impact of any non-market Vesting Conditions. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Upon the exercise of performance rights, the balance of the share based payments reserve relating to those performance rights is transferred to issued capital and the proceeds received, net of any directly attributable transaction costs, are credited to issued capital. The Group measures the cost of equity settled transactions with key management personnel at the fair value of the equity instruments at the date at which they are granted. Fair value is determined using valuation methods detailed in the remuneration report.

### 39 Share-based payments (continued)

The variables in the valuation model are the share price on the date of the award, the duration of the award, the risk free interest rate, share price volatility and dividend yield. The inputs used for each of the current schemes is provided below.

<b>Scheme</b>	<b>Risk free interest rate</b>	<b>Share price volatility</b>	<b>Dividend yield</b>	<b>Value (cents per share)</b>
Unlisted options	2.01% to 2.19%	61% to 64%	-	2.2

<b>Details</b>	<b>30 June 2019</b>		<b>30 June 2018</b>	
	<b>Number of shares options</b>	<b>Weighted average exercise price (cents per unit)</b>	<b>Number of share options</b>	<b>Weighted average exercise price (cents per unit)</b>
Outstanding at beginning of year	35,000,000	9.70	-	-
Granted during year	-	-	35,000,000	9.70
Outstanding at the end of the year	35,000,000	9.70	35,000,000	9.70

The options outstanding at 30 June 2019 had a weighted average exercise price of 9.7 cents per option and a weighted average remaining contractual life of 2 years. In 2018, options were granted on 22 August 2017 and 19 January 2018. The aggregate of the estimated fair value of the options granted on those dates were \$779,276. The inputs into the Black Scholes model are as follows:

	<b>30 June 2019</b>	<b>30 June 2018</b>
Weighted average share price (cents per share)	6.4	6.4
Weighted average exercise price (cents per share)	9.7	9.7
Expected volatility	61% to 64%	84.8%
Expected life (years)	2	3
Risk-free interest rate	2.01% to 2.19%	2.42%
Expected dividends yield	0%	0%

For all awards, the volatility assumption is representative of the level of uncertainty expected in the movements of the Group's share price over the life of the award. The assessment of the volatility includes the historic volatility of the market price of the Group's share and the mean reversion tendency of volatilities. The expected volatility of each company in the peer group is determined based on the historic volatility of the companies' share prices. In making this assumption, eighteen months of historic volatility was used.

#### (a) Unlisted share options issued

On 7 August 2018, the Group issued 5,320,622 unlisted share options to Nippon Suisan Kaisha Limited (Nissui). The options are subject to a voluntary 3-year escrow period (i.e. from 7 August 2018 to 7 August 2021) during which Nissui is prohibited from transferring the options (or the ordinary shares in Seafarms issued subsequent to the exercise of options) without the consent of Seafarms. The options have an exercise period of 5 years from 7 August 2018 to 1 June 2023 at an exercise price of \$0.062 per unlisted option. At the 30 June 2019, these 5,320,622 unlisted options remain unexercised.

On 12 December 2018, the Group issued 50,000,000 and 30,000,000 unlisted share options to AAM Investment Partners as part of the Legune transaction. Both sets of options are subject to a 12-month escrow period from the date of the Legune Station completion (i.e. from 12 December 2018 to 12 December 2019) during which AAM Investment Partners is prohibited from transferring the options (or the ordinary shares in Seafarms issued subsequent to exercise of options) without the consent of Seafarms. The options have an exercise period of 3 years from 12 December 2018 to 12 December 2021 and 5 years from 12 December 2018 to 12 December 2023 respectively at an exercise price of \$0.097 per unlisted option. At the 30 June 2019, both the 50,000,000 and 30,000,000 unlisted options remain unexercised.



### 39 Share-based payments (continued)

The fair value of the unlisted share options was determined using the Black-Scholes model using the following inputs as at each grant date:

<b>Unlisted option holder</b>	<b>Nissui</b>	<b>AAM Investment Partners</b>	<b>AAM Investment Partners</b>
Grant date	7 August 2018	12 December 2018	12 December 2018
Number of unlisted options issued	5,320,622	50,000,000	30,000,000
Exercise price	\$0.062	\$0.097	\$0.097
Annualised volatility	85.0%	85.0%	85.0%
Dividend yield	0%	0%	0%
Risk-free interest rate	2.261%	1.944%	2.05%
Assessed fair value per option	\$0.0745	\$0.0559	\$0.068

## **40 Contingent liabilities**

### **(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.

## **41 Parent entity financial information**

### **(a) Summary financial information**

The individual financial statements for the Parent entity show the following aggregate amounts:

	<b>30 June 2019 \$</b>	30 June 2018 \$
<b>Balance sheet</b>		
Current assets	<b>111,787,967</b>	80,521,704
Non-current assets	<b>23,798,429</b>	3,676,556
Total assets	<b>135,386,396</b>	84,182,240
Current liabilities	<b>2,455,815</b>	2,650,752
Non-current liabilities	<b>30,308,282</b>	14,679,281
Total liabilities	<b>32,764,097</b>	17,330,033
Net assets	<b>102,622,299</b>	66,852,207
<i>Shareholders' equity</i>		
Issued capital	<b>154,746,719</b>	103,663,698
Reserves		
Reserves	<b>11,581,370</b>	6,187,274
Retained earnings	<b>(63,505,790)</b>	(42,998,765)
	<b>102,822,299</b>	66,852,207
<b>Loss for the period</b>	<b>(20,507,025)</b>	(7,306,696)
<b>Total comprehensive loss</b>	<b>(20,507,025)</b>	(7,306,696)

### **(b) Guarantees entered into by the parent entity**

There are cross guarantees given by Seafarms Group Limited and all its subsidiaries as described in note 34. No deficiencies of assets exist in any of these companies. The parent company has given no other guarantees.

### **(c) Contingent liabilities of the parent entity**

The Parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018. For information about guarantees given by the Parent entity, please see above.

### **(d) Contractual commitments for the acquisition of property, plant or equipment**

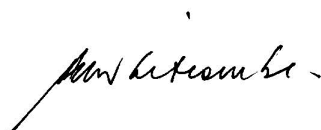
As at 30 June 2019, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

**In the Directors' opinion:**

- (a) the financial statements and notes set out on pages 26 to 87 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial period ended on that date, and
- (b) the financial statements and notes set out on pages 26 to 87 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board
- (c) 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
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 34.

The Directors have been given the declarations by the executive chairman and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.



Harley Ronald Whitcombe  
Perth  
30 August 2019

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

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Seafarms Group Limited (the "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Accounting for Legune related transactions</b></p> <p><i>Refer to Note 3 'Critical accounting estimates and judgements', Note 17 'Property, plant and equipment', Note 20 Other non-current assets, Note 25 Non-current liabilities – Borrowings and Note 40 Contingent liabilities</i></p> <p>As at 30 June 2019, the Group recognised a leasehold land asset of \$21.14 million in relation to the Legune station lease.</p> <p>The determination of the appropriate classification of the lease, the lease period, the treatment of complimentary work fees and unlisted options required significant judgement.</p> <p>In addition to the above, management entered into agreements associated with the Legune lease that resulted in the recognition of the following as at 30 June 2019:</p> <ul style="list-style-type: none"> <li>• A financial asset of \$5 million (loan receivable);</li> <li>• A financial liability of \$5.2 million (loan payable); and</li> <li>• Recognition of a \$5 million contingent liability.</li> </ul> <p>The determination of whether the loan receivable meet the definition of a financial asset and the appropriate accounting treatment of the contingent liability, required management to exercise significant judgement.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Reading the relevant agreements to understand the key terms and conditions, and confirming our understanding of the transaction with management and management's legal advisors;</li> <li>• Evaluating management's process for the identification of the assets and liabilities resulting from the relevant agreements;</li> <li>• Evaluating management's process for the determination of the fair value of the assets and liabilities obtained;</li> <li>• Assessing the competence and objectivity of management's specialists who valued Legune station and the unlisted options respectively;</li> <li>• Assessing the appropriateness of the valuation methodology used by the respective independent specialist;</li> <li>• Challenging the classification and measurement of the leased asset, complimentary works, unlisted options, loan receivable and loan payable in respect of the agreements;</li> <li>• Assessing and challenging the key assumptions in management's assessment. Including but not limited to: <ul style="list-style-type: none"> <li>– The interest rate implicit in the lease; and</li> <li>– The lease term.</li> </ul> </li> </ul> <p>We also assessed the appropriateness of the disclosure in Notes to the financial statements.</p>
<p><b>Valuation of Biological assets</b></p> <p><i>Refer to Note 3 'Critical accounting estimates and judgements' and Note 15 'Biological assets'</i></p>	

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>As at 30 June 2019 the Group held \$3.6 million of biological assets. This balance comprises the hatchery live crop of \$0.7 million, carried at cost, and live prawns of \$2.9 million carried at fair value less estimated sale costs.</p> <p>In order to determine the fair value, management prepare a discounted cash flow model which requires them to exercise significant judgement in respect of:</p> <ul style="list-style-type: none"> <li>• Survival rates;</li> <li>• Harvest average body weight;</li> <li>• Average production cost per kilogram; and</li> <li>• Sales price per type and category of prawn.</li> </ul>	<p>In conjunction with our valuation specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the processes and related controls over the key inputs and assumptions used by management to determine fair value;</li> <li>• Assessing the appropriateness of the valuation methodology;</li> <li>• Assessing and challenging the key assumptions in the model as follows: <ul style="list-style-type: none"> <li>– Survival rates by comparing to historical trends;</li> <li>– Harvest average body weight by comparing to historical trends and to the Board approved FY19 budget;</li> <li>– Average production cost per kilogram by comparing to historical trends and to the Board approved FY19 budget, and testing a sample of recent costs to external supporting evidence; and</li> <li>– Sales price per type and category of prawn by comparing to recent historical sales prices and industry data.</li> </ul> </li> <li>• Challenging the appropriateness of the discount rate used in the discounted cash flow model; and</li> <li>• Performing sensitivity analysis on the key assumptions outlined above.</li> </ul> <p>We also assessed the appropriateness of the disclosure in the Notes to the financial statements.</p>
<p><b>Carrying amount of non-current assets – Queensland Aquaculture</b></p> <p><i>Refer to Note 17 Property, plant and equipment and Note 19 Intangible assets</i></p> <p>As at 30 June 2019 the carrying value of property, plant and equipment was \$44.1 million and Goodwill \$nil.</p> <p>Accordingly, property, plant and equipment in relation to the Queensland Aquaculture CGU is \$20.4 million.</p> <p>The Group prepared a value in use model to assess the recoverable value of the CGU and as a result recorded an impairment of \$1.2 million as at 30 June 2019.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Understanding the process that management undertakes to develop the model;</li> <li>• Comparing the forecasts to Board approved business plans;</li> <li>• Assessing historical forecasting accuracy by comparing actual performance to budgets;</li> <li>• In conjunction with our valuation specialists, challenging the assumptions as follows: <ul style="list-style-type: none"> <li>○ Assessing the discount rate against that of comparable companies;</li> <li>○ Evaluating operating margins with reference to past performance and knowledge of the business;</li> </ul> </li> </ul>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
This requires management to exercise significant judgement, with key assumptions including discount rate, growth and operating margins.	<ul style="list-style-type: none"> <li>○ Challenging the forecast growth with consideration of product sales mix, sales price, sales volume and external industry data where available.</li> <li>● Testing on a sample basis, management's models for mathematical accuracy; and</li> <li>● Performing sensitivity analysis on the discount rate and growth assumptions.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 19 to the financial statements.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 10 to 19 of the Director's Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Seafarms Group Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



**Peter Rupp**

Partner

Chartered Accountants

Perth, 30 August 2019

**Seafarms Group Limited**  
**Shareholder information**  
**30 June 2019**

The Shareholder information set out below was applicable as at 30 June 2019.

**A. Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

Holding	Ordinary shares
1 - 1000	54,073
1,001 - 5,000	1,741,076
5,001 - 10,000	5,771,477
10,001 - 100,000	89,473,008
100,001 and over	1,875,014,335
	<u>1,972,053,969</u>

**B. Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares Number held	Percentage of issued shares
Nippon Suisan Kaisha Ltd	283,230,208	14.36
Gabor Holdings Pty Ltd (The Tricorp A/C)	196,685,268	9.97
Avatar Industries Pty Ltd (SRN)	158,984,969	8.06
USB Nominees Pty Ltd	69,084,715	3.50
JB Were (NZ) Nominees Limited <56871 A/c>	65,793,651	3.34
Avatar Industries Pty Ltd	48,916,666	2.48
Alocasia Pty Limited <Camellia Super Fund A/C>	43,827,931	2.22
Pinnacle Superannuation P/L <PJF S/FA/C>	37,916,666	1.92
Fifty Second Celebration Pty Ltd <JC McBain Family A/c>	31,048,094	1.57
Brispot Nominees Pty Ltd <House Head Nominee A/C>	25,602,880	1.30
Avatar Industries Pty Ltd (HIN)	24,477,715	1.24
JP Morgan Nominees Australia Pty Ltd	22,732,056	1.15
Picton Cove Pty Ltd	22,701,906	1.15
Thrifty Celebration Pty Ltd <JC McBain Super Fund A/c>	22,395,554	1.14
Wilbow Group Equities Pty Ltd	21,172,914	1.07
Gabor Holdings Pty Ltd	21,016,472	1.07
Peta Pty Ltd <Rosebud Super Pension Fund>	18,193,730	0.92
Narrow Lane Pty Ltd <Super Fund>	15,730,360	0.80
Crestpark Investments Pty Ltd	15,415,465	0.78
CO2 T'EE Employee Share Plan Pty Ltd <CO2 Employee Share A/C>	13,500,000	0.68
	<u>1,158,427,220</u>	<u>58.72</u>

**C. Substantial holders**

Substantial holders in the Company are set out below:

	Number held	Percentage
Gabor Holdings Pty Ltd (and associates)	454,557,889	23.05%
Nippon Suisan Kaisha Ltd	283,230,208	14.36%