Seafarms Group Limited

ABN 50 009 317 846

Annual Report
for the year ended 30 June 2022

Seafarms Group Limited
ABN 50 009 317 846
Final Report - 30 June 2022

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

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Name of entity
Seafarms Group Limited

ABN or equivalent company reference	12 months ended
ABN 50 009 317 846	30 June 2022 (Previous corresponding period: 12 months ended 30 June 2021)

Results for announcement to the market

				$
Revenue from ordinary activities	Down	6.0%	to	19,477,573
Earnings before interest and taxation (EBIT)	Down	289.0%	to	(83,061,858)
Net loss after tax (from ordinary activities) for the period attributable to members	Down	224.0%	to	(85,434,599)

Distributions

	Amount per security	Franked amount per security
Interim dividend (per share)	-	-
Final dividend (per share)	-	-
Franking	-	-

	30 June 2022 Cents	30 June 2021 Cents
Net tangible asset backing (per share)	**1.10**	0.21

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

The report is based on accounts that have been audited.

Harley Ronald Whitcombe
Darwin
31 October 2022

Seafarms Group Limited
ABN 50 009 317 846
Annual Report - 30 June 2022

Directors	Michael Peter McMahon (appointed 29 October 2021, resigned 6 May 2022) *Executive Chairman* Ian Brannan (appointed 29 October 2021, resigned 20 May 2022) *Executive Director* Harley Ronald Whitcombe B.Bus, CPA (appointed 20 May 2022) *Executive Director* Dr Christopher David Mitchell PhD, BSc (Hons), GAICD (resigned 30 November 2021) *Executive Director* Paul John Favretto LL.B. (resigned 28 January 2022) *Independent Non-executive Director* Rodney John Dyer (appointed 20 May 2022) *Executive Director* Terutaka Kuraishi (appointed 20 May 2022) *Alternative Director* Ian Norman Trahar, B.Ec, MBA *Non-executive Chairman (director since 13 November 2001* Hisami Sakai *Non-executive Director* Naoto Sato (resigned 20 May 2022) *Alternate Director*
Secretary	Harley Ronald Whitcombe B.Bus, CPA
Principal registered office in Australia	Level 6, 66 Smith Street Darwin, NT 0800 Telephone No: (08) 9216 5200
Share registry	Computershare Investor Services Pty Limited GPO Box D182 Perth, WA 6000 Telephone No: (08) 9323 2000 Facsimile No: (08) 9323 2033
Auditor	Deloitte Touche Tohmatsu Chartered Accountants Level 11, 24 Mitchell Street Darwin NT 0800
Bankers	HSBC Bank Australia Limited 190 St Georges Terrace Perth, WA 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

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 2022 (referred to hereafter as "Seafarms" or the "Group").

Directors

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

Michael Peter McMahon (appointed 29 October 2021, resigned 6 May 2022)
Ian Brannan (appointed 29 October 2021, resigned 20 May 2022)
Ian Norman Trahar (appointed 13 November 2001)
Harley Ronald Whitcombe (appointed 20 May 2022)
Dr Christopher David Mitchell (resigned 30 November 2021)
Paul John Favretto (resigned 28 January 2022)
Hisami Sakai (appointed 7 August 2018)
Naoto Sato (appointed 7 August 2018 (resigned 20 May 2022)
Rodney John Dyer (appointed 20 May 2022)
Terutaka Kuraishi (appointed 20 May 2022)

Principal activities

The Group is developing the world-class Project Sea Dragon project and operating a black tiger and banana prawn aquaculture business located in North Queensland.

Company financial performance

The overall financial performance over the 2022 financial year continues to reflect the investment being made by the Group in pursuing its expansion in aquaculture operations.

Review of operations

It's been a turbulent year for Seafarms since the successful capital raise late in the previous financial year in June 2021.

Construction of Project Sea Dragon commenced early in the year and the board appointed a new CEO and CFO to take Seafarms Group Limited (Seafarms or the Company) to the next phase. A renewal of the board in the first half of the year included the appointment of Messrs McMahon and Brannan, the resignation of Messrs Whitcombe, Mitchell and Favretto, and a change in board chairmanship from Mr Trahar to Mr McMahon who became Executive Chairman.

In November the new board announced a review of Project Sea Dragon. Decisions taken during this time included the curtailment of all debt funding activity, and the termination of Project Sea Dragon contracts and most of the Project Sea Dragon construction team. This effectively placed the majority of Project Sea Dragon on hold which was announced to the market in March 2022.

This significant change in direction for the Company prompted a move by a major shareholder to have Mr McMahon removed. This resulted in the resignation of Mr McMahon from the board and as CEO, and the resignation of Mr Brannan from the board and as Company Secretary.

In late May 2022 the board appointed Mr Dyer as CEO, Mr Leijer as CFO and Mr Whitcombe as Company Secretary, and the appointment of Messrs Dyer and Whitcombe to the Board as Executive Directors. Mr Trahar was appointed as Non-Executive Chairman.

In June 2022 Seafarms announced it was conducting a thorough assessment of the key challenges, development path and opportunities for Project Sea Dragon. The assessment is re-examining a number of matters raised about the viability of Project Sea Dragon announced by previous management in March 2022.

Review of operations (continued)

At the Queensland operations the Company experienced good performance of Black Tiger production from Farm 3 (Ingham). However the early harvests of Farm 1 and Farm 2 (Cardwell) significantly impacted output and was due to the emergence of disease in Cardwell in January 2022 that became severe over the following two months. This has subsequently been addressed.

The Group has reported a loss for the year after taxation of $85,434,599 (2021: loss $25,755,546) that is primarily a result of the cash outgoings associated with the Project Sea Dragon construction and development activities.

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

	Segment revenues		**Segment results**	
	2022	2021	**2022**	2021
	$	$	**$**	$
Aquaculture	**19,299,422**	21,320,320	**(77,328,319)**	(24,452,525)
Group administration and corporate costs	**178,151**	50,036	**(8,106,280)**	(1,303,021)
Total segment revenue/result	**19,477,573**	21,370,356	**(85,434,599)**	(25,755,546)

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

Queensland Operations

The Queensland operations are undertaken at three sites: Flying Fish Point (commercial hatchery), Cardwell (Farms 1 & 2 and Processing Plant) and Ingham (Farm 3).

Total production for the year was 720 tonnes of Black Tiger production and 144 tonnes of Banana production totalling 864 tonnes of production (2021: 1,068 tonnes). The lower production was the result of a decision to reduce stocking to lessen market risk exposure from the COVID-19 pandemic, and a significant disease event in Farms 1 and 2.

The disease event at Farms 1 and 2 related to PIR A/B bacterial issues that started in January and was exacerbated by record high water temperatures that increased in intensity throughout February and March. This impacted the performance of Black Tiger prawn crops. For the 2023 financial year at these farms the Company has switched to banana prawns which have historically not been affected by the PIR A/B bacterial issues.

Black Tiger prawn production at Farm 3 performed well and the biological metrics of the Farm 3 again demonstrated the feasibility of achieving key assumptions for Project Sea Dragon.

This year all Queensland ponds were stocked with high health prawn larvae from domesticated broodstock without needing to augment the program with wild caught broodstock. Last year the Company reported that a statistical analysis of the performance of ponds stocked with domesticated animals compared with those originating from wild broodstock showed a significant difference between the two, with the domesticated animals out performing those from the wild.

Seafarms programs of Occupational Health and Safety management at its operations resulted in two Lost Time Injuries for the year and a Total Reportable Injury Frequency Rate (TRIFR) of 11.1 injuries per million man hours. The Company continues to implement its program of reducing risk to improve OH&S performance.

Environmental performance proceeded at the Queensland operations without issue during the year.

Market development

Market development supports the Company’s objective to build a high value, high quality and premium branded offer for both domestic and export markets.

Review of operations (continued)

Market development (continued)

There is clear domestic demand for high quality, fresh Australian prawns, available 52 weeks per year. Capturing this opportunity, Crystal Bay Prawns® (Banana Prawn) production was increased to meet existing customer requirements, with 100% of the crop successfully sold fresh and the number of fresh availability weeks increased compared with last financial year. The Company will continue to build on the weekly, fresh sales opportunity, with a greater focus on Banana prawns in FY2023 to lift total volume and profitability.

Domestically, the Company continued to develop share in the frozen self-serve category, with the launch of 550g Crystal Bay Tiger Prawns® cooked, frozen offer, complimenting the 1kg frozen boxes available through Woolworths nationwide. Seafarms frozen packaging supports the high-quality, sustainable Australian prawns brand message at point of purchase, and underpins the strategy to expand the availability of the Crystal Bay Tiger Prawns® brand.

High brand engagement was achieved during the fresh Crystal Bay Tiger Prawns® season, with the "100% Aussie Freshness" message driven at point of purchase in key wholesalers and retailers/fishmongers. There was a focus on building brand awareness at key events, such as Easter, and lifting fresh sales at peak consumer purchasing times.

Brand development continued with social media promotion sharing the Australian Crystal Bay Prawns® journey from pond to plate, reaching over 250,000 people during the last 12 months.

Project Sea Dragon

Significant progress in construction at Project Sea Dragon sites was made during the year up until the March 2022 review point announced by previous management.

Following the successful equity placement in June 2021 (funds received in July) and the appointment of Canstruct Pty Ltd as managing contractor, construction work commenced at Legune Station in July, and the procurement of long lead items for Legune, Exmouth and Bynoe were progressed.

At Legune Station, seventy six beds were commissioned by late September allowing work on roads and earthworks to commence in earnest on site. An additional 20 beds were added shortly thereafter, and mobilisation of construction equipment was completed in November.

Prior to the wet season shutdown in late December the contractors had worked on almost 50 km of access roads, placed over 200,000 m3 of fill in embankments for nursery ponds and seawater intake, produced 38 pre-cast concrete structures for nursery ponds and grow-out ponds, as well as crushing and grading almost 100,000 tonnes of material in Forsyth Creek Quarry.

The contractors to the Northern Territory Government completed the construction of the bitumised all-weather road from the NT/WA border to Legune Station in 2021 and the WA Government completed construction of the Moonamang Road that connects the existing bitumised road from Kununurra to the upgraded Keep River Road in 2022.

All weather, all year access to Legune Station is now complete. Project Sea Dragon is responsible for upgrading the on-Station roads to all year, all weather condition.

Following the statements made by the Company in March of 2022 the Company terminated contracts with most vendors, and the construction contracts with Canstruct were terminated for convenience in late April 2022. By the end of September 2022 the demobilisation of construction plant & equipment had largely been completed.

The Company also placed further work on hold at Bynoe and Kununurra while progressing a reduced scope of work at the Exmouth facility. The Company continues to undertake works to maintain all permits and approvals.

Review of operations (continued)

Project Sea Dragon (continued)

Despite capacity constraints, the program to develop Specific Pathogen Free domesticated broodstock at the Exmouth Founder Stock Centre continued to progress albeit at a slower rate. The Company announced that it successfully produced the fourth generation (G4) of Black Tiger Prawns that continue to test negative to specific pathogens. In the absence of facilities at the Project Sea Dragon Bynoe site, the animals were transferred to the Company's Queensland hatchery to improve the diversity of genetics of the domesticated broodstock for existing operations. Healthy G2 animals at Exmouth continue to grow with G3 animals being generated late this calendar year.

Debt and Equity funders have re-approached the Company and interest in funding Project Sea Dragon is strong.

The Indigenous Land Use Agreement with the Native Title Holders continues to be implemented. At the request of the Northern Land Council, Seafarms agreed to bring forward the planning of the Caring for Country (Ranger) Program. The NLC has appointed a ranger coordinator who commenced planning consultations with various groups. In February 2022 the project's Community Planning and Development Officer relocated to Kununurra. Formal ILUA Committee Meetings were interrupted due to the inability of all participants to attend in person, where possible meetings were held by video-conference, with one Committee Meeting held in person during the last week of October 2021.

Financial reporting process

The Group relocated its finance function and twice replaced its chief financial officer (CFO) during the financial year. The current CFO assumed the position shortly before the year-end. The Group faced many other significant events and challenges that required complex financial reporting estimation and judgement. A review of the financial statements by the external auditor also identified several restatements of previously audited amounts that have been processed and are disclosed. These events contributed to delays in the year-end closing and financial reporting process. Due to internal capacity and capability constraints, the finance team involved a reputable external firm of accounting and auditing specialists to assist in the consideration of complex matters, the drafting of several memoranda that was presented to the Board Audit Committee (BAC) and the external auditors, and in the preparation of the financial statements. The BAC considered the commitment, expertise, resources and experience of the CFO and the finance function as a whole and obtained feedback from the external auditor.

The Group does not have an internal audit function and the BAC currently does not believe the size of the Group justifies the employment of a full-time internal auditor. The BAC believes that the current CFO is capable and committed to accurate financial reporting and to establish the required financial reporting controls, to prevent a recurrence of the current year experience. The BAC and CFO acknowledge that there are shortcomings in the expertise and resources of the finance function and weaknesses in the financial reporting environment, that are being addressed. The CFO, with the full and committed support of the management team and the BAC, will initiate and implement various projects to formalise policies and to improve our financial reporting internal control environment and related governance processes to ensure the integrity, accuracy and timeliness of the information we disclose and publish. The BAC expects these improvement projects to take some time and will closely monitor the progress. The BAC reported these concerns, its assessment, and the planned actions to the Board of Directors.

Going concern

The Directors note there are material uncertainties that may cast doubt on the Group's ability to continue as a going concern and its ability to realise its assets and discharge its liabilities in the ordinary course of business and at the amounts stated in the financial statements. These uncertainties relate primarily to the quantum of the settlement of the contractual liabilities and the biological risk associated with aquaculture operations. The nature of the risks and mitigations are set out in more detail in note 1(c) to the financial statements.

The Directors are of the opinion that the Company and Group will continue to operate as going concern and therefore these financial statements have been prepared on a going concern basis.

Significant changes in the state of affairs

The significant changes to the state of affairs of the Company are set out in the Review of Operations above.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

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.

Information on directors

Ian Norman Trahar, B.Ec, MBA. *Non-executive Chairman (director since 13 November 2001)*

Experience and expertise
Mr Trahar has a resource and finance background. He is a director and significant shareholder of Avatar Finance 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.
Chair of the audit committee.
Chair of remuneration committee.

Interests in shares and options as at 30 June 2022
1,316,616,676 shares in Seafarms Group Limited.
387,327,272 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
Company Secretary of Seafarms Group Limited.

Interests in shares and options as at 30 June 2022
19,680,984 ordinary shares in Seafarms Group Limited.
406,635 options in Seafarms Group Limited.

Information on directors (continued)

Rodney John Dyer B.E. (Mech) Executive Director. (since 20 May 2022)

Experience and expertise
Mr Dyer has extensive experience with the Project Sea Dragon both in design and in the financial aspects of the project.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
Managing director

Interests in shares and options
None

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 Managing Executive Officer of Nissui. His responsibilities include being in charge of European business, Business Supervisor in Oceania and Asia and in charge of International Sales and Business Development Department.

Other current directorships
None.

Former directorships in last 3 years
None.

Special responsibilities
None

Interests in shares and options
None

Terutaka Kuraishi MBA *Alternate Director for Hisami Sakai (since 20 May 2022)*

Experience and expertise
Mr Kuraishi has extensive commercial experience and is currently the Commissioned Deputy International Business Operating Officer and Commissioned General Manager of Business Supervisor in Oceania at Nissui.

Other current directorships
None.

Former directorships in last 3 years
None.

Interests in shares and options
None

Company secretary

The Company secretary is Mr Harley Ronald Whitcombe B.Bus, CPA. Mr Whitcombe was re-appointed to the position of Company secretary on 20 May 2022, having previously held the position from 13 November 2001 to 29 October 2021.

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 2022, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees			
			Audit		Nomination & Remuneration	
	A	B	A	B	A	B
Ian Norman Trahar	15	15	2	2	1	1
Harley Ronald Whitcombe	8	8	-	-	-	-
Dr Christopher David Mitchell	9	9	1	1	1	1
Paul John Favretto	10	10	1	1	1	1
Hisami Sakai	15	15	1	1	-	-
Michael Peter McMahon	11	11	1	1	-	-
Ian Brannan	12	12	1	1	-	-
Naoto Sato	13	11	1	1	-	-
Rodney John Dyer	2	2	-	-	-	-
Terutaka Kuraishi	2	2	-	-		

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

The Directors are pleased to present your Company's 2022 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;
- performance linkage / alignment of executive compensation;
- acceptable to shareholders.
- transparent; and
- aligned to the company’s strategic and business objectives and the creation of shareholder value;

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.

Remuneration report (continued)

Executive remuneration policy and framework (continued)

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.

Alignment to shareholders' interests:

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

- attracts and retains high calibre executives.

Alignment to program participants' interests:

(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.

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

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.

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, 25 November 2016 and 15 December 2020.

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.

Remuneration report (continued)

(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 Trahar (Non-executive Chairman)
- Harley Ronald Whitcombe (Executive Director and Company Secretary)
- Rodney Dyer (Executive Director and Chief Executive Officer)
- Hisami Sakai (Non-executive Director)
- Terutaka Kuraishi (Alternative Director)
- Ian Brannan (Executive Director and Company Secretary, resigned 20 May 2022)
- Michael McMahon (Executive Director, resigned 6 May 2022)
- Dr Christopher David Mitchell (Executive Director, resigned 30 November 2021)
- Paul John Favretto (Non-executive Director, resigned 28 January 2022)
- Naoto Sato (Alternative director, resigned 20 May 2022)

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

- Dallas Donovan (Chief Operating Officer, Seafarms Operations Limited) resigned subsequent to year end effective 1 July 2022.
- Ian Leijer (Chief Financial Officer, Seafarms Group Limited, commenced 22 May 2022)

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 (continued)

(b) Details of remuneration (continued)

Year ended 30 June 2022

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary benefits*	Super-annuation	Long service leave	Termi-nation benefits	Performance rights / Share options	Total
	$	$	$	$	$	$	$	$
Non-executive Directors								
P Favretto	32,083	-	-	3,208	-	-	-	35,291
H Sakai	-	-	-	-	-	-	-	-
I Trahar	135,680	-	-	13,568	4,408	-	-	153,656
Sub-total non-executive directors	**167,763**	-	-	**16,776**	4,408	-	-	**188,947**
Executive Directors								
H Whitcombe	305,389	-	-	20,554	500	45,135	-	371,578
R Dyer	281,716	-	-	20,581	1,250	-	-	303,547
I Brannan	457,243	-	-	27,437	-	764,987	844,586	2,094,253
M McMahon	649,673	-	-	40,199	-	1,398,422	1,970,702	4,058,996
C Mitchell	291,437	-	7,936	19,854	-	73,600	-	392,827
Sub-total executive directors	**1,985,458**	**-**	**7,936**	**128,625**	**1,750**	**2,282,144**	**2,815,288**	**7,221,201**
Alternative Directors								
N Sato	-	-	-	-	-	-	-	-
T Kuraishi	-	-	-	-	-	-	-	-
Sub-total alternative directors	-	-	-	-	-	-	-	-
Other key management personnel (Group)								
D Donovan	352,100	-	-	27,499	5,464	-	-	385,063
I Leijer	46,620	-	-	4,662	833	-	-	52,115
Total key management personnel compensation (Group)	**2,551,941**	**-**	**7,936**	**177,562**	**12,455**	**2,282,144**	**2,815,288**	**7,847,326**

*This relates to a benefit for motor vehicles.

Remuneration report (continued)

(b) Details of remuneration (continued)

Year ended 30 June 2021	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave $	Termi-nation benefits $	Performance rights / Share options $	Total $
Non-executive Directors								
P Favretto	35,200	-	-	25,025	-	-	-	60,225
Sub-total non-executive directors	**35,200**	-	-	**25,025**	-	-	-	**60,225**
Executive Directors								
I Trahar	240,450	-	-	37,843	4,388	-	-	282,681
H Whitcombe	270,811	-	-	35,727	4,942	-	-	311,480
C Mitchell	294,398	-	11,937	37,968	5,373	-	-	349,676
Sub-total executive directors	**805,659**	**-**	**11,937**	**111,538**	**14,703**	-	-	**943,837**
Alternative Directors								
H Sakai	-	-	-	-	-	-	-	-
N Sato	-	-	-	-	-	-	-	-
Sub-total alternative directors	-	-	-	-	-	-	-	-
Other key management personnel (Group)								
D Donovan	278,539	-	-	26,461	5,083	-	-	310,083
R Dyer	310,502	10,000	-	29,498	2,267	-	-	352,267
Total key management personnel compensation (Group)	**1,429,900**	**10,000**	**11,937**	**192,522**	**22,053**	**-**	**-**	**1,666,412**

Details in relation to the KMP long term incentives are set out in note 26 to the financial statements.

Remuneration report (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, Chairman:

- 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.

H Whitcombe, Director and Company Secretary:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving three 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.

D Donovan Director and 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 six 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 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.

I Leijer, Chief Financial Officer, 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 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.

Remuneration report (continued)

(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 above:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	**2022**	2021	**2022**	2021
	%	%	**%**	%	**%**	%
Directors of Seafarms Group Limited						
I Trahar	**100%**	100%	**-%**	-%	**-%**	-%
H Whitcombe	**100%**	100%	**-%**	-%	**-%**	-%
M McMahon	**100%**	100%	**-%**	-%	**-%**	-%
C Mitchell	**100%**	100%	**-%**	-%	**-%**	-%
R Dyer	**100%**	100%	**-%**	-%	**-%**	-%
I Brannan	**100%**	-%	**-%**	-%	**-%**	-%
P Favretto	**100%**	-%	**-%**	-%	**-%**	-%
Other key management personnel of the Group						
D Donovan	**100%**	100%	**-%**	-%	**-%**	-%
I Leijer	**100%**	100%	**-%**	-%	**-%**	-%

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

On 22 September 2021, 100,000,000 performance rights (exercise price $0.072, expiry date 31 August 2026) were issued to previous directors. All of these rights were issued pursuant to the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGM held on 15 December 2020.

The unlisted options issued during the 2018 financial year (15,000,000), which had no performance conditions attached, vested last financial year and were exercised on 11 August 2020.

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

	Year ended 30 June 2022	**Year ended 30 June 2021**	**Year ended 30 June 2020**	**Year ended 30 June 2019**	**Year ended 30 June 2018**
	$	**$**	**$**	**$**	**$**
Revenue	19,477,573	20,826,823	28,382,012	24,394,803	25,901,587
Net (loss) before tax	(85,434,599)	(25,755,548)	(25,542,665)	(30,944,301)	(20,140,749)
Net (loss) after tax	(85,434,599)	(25,755,548)	(25,542,665)	(30,944,301)	(19,947,283)
Share price at start of year	6c	5c	9c	8c	6c
Share price at end of year	1c	6c	5c	9c	8c
Dividend	-	-	-	-	-
Basic (loss) per share	(1.87)c	(1.06)c	(1.24)c	(1.82)c	(1.42)c
Diluted (loss) per share	(1.87)c	(1.06)c	(1.24)c	(1.82)c	(1.42)c

Remuneration report (continued)

(d) Additional statutory information (continued)

(ii) Share-based compensation (continued)

Shares provided on exercise of options (continued)

At the 2015 Annual General Meeting of Seafarms Group Limited, held on 1 February 2016, at the 2016 Annual General Meeting of shareholders of Seafarms Group Limited, held on 25 November 2016, and again at the 2020 Annual General Meeting, held on 15 December 2020 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 97.96% of “yes” votes on its remuneration report for the 2021 financial period. The company did not receive any specific feedback at the AGM or throughout the period on its remuneration practices.

(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.

2022 **Name**	**Balance at the start of the period**	**Purchase of shares during the year**	**Balance at end of the period**
Directors of Seafarms Group Limited			
Ordinary shares			
I N Trahar	675,871,221	690,277,497	1,366,148,718
H R Whitcombe	18,298,258	672,726	18,970,984
C D Mitchell	11,327,268	-	11,327,268
P J Favretto	37,916,666	2,545,454	40,462,120
I Brannan	-	9,090,909	9,090,909
M McMahon	-	36,363,636	36,363,636
R Dyer	-	-	-
Other key management personnel of the Group			
Ordinary shares			
D Donovan	-	-	-
I Leijer	-	14,032,716	14,032,716

Remuneration report (continued)

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

(i) Share holdings (continued)

2021 **Name**	**Balance at the start of the year**	**Purchase of shares during the year**	**Balance at end of the year**
Directors of Seafarms Group Limited			
Ordinary shares			
I N Trahar	675,871,221	-	675,871,221
H R Whitcombe	18,298,258	-	18,298,258
C D Mitchell	11,327,268	-	11,327,268
P J Favretto	37,916,666	-	37,916,666
Other key management personnel of the Group			
Ordinary shares			
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

(a) Unissued ordinary shares

Unissued ordinary shares of Seafarms Group Limited under option at the date of this report are as follows:

Number under option	**Class of shares**	**Exercise price of option**	**Expiry date**
5,320,622 (*)	Ordinary	0.062	1 June 2023
30,000,000 (*)	Ordinary	0.097	12 December 2023
1,447,581,216 (*)	Ordinary	0.0975	13 August 2024
100,000,000 (**)	Ordinary	0.0715	30 November 2022

(*) Refer to note 24(d) for further details.
(**) Refer to note 34 for further details.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the company or of any other body corporate or registered scheme.

(b) Shares issued on the exercise options

The following ordinary shares of Seafarms Group Limited were issued during the year ended 30 June 2022 on the exercise of options granted under the Employee Option Plan.

Number of shares issued	**Class of shares**	**Amount paid**	**Amount unpaid**
449,997	Ordinary	$43,762.20	-

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 27 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 2022 (2021: 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 23.

Auditor

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

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

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

Harley Ronald Whitcombe
Darwin
31 October 2022

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 11, 24 Mitchell Street
Darwin, NT, 0800
Australia

Phone: +61 8 8980 3000
www.deloitte.com.au

The Board of Directors
Seafarms Group Limited
Level 6, 66 Smith Street
Darwin NT 0800

31 October 2022

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 2022, 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

DELOITTE TOUCHE TOHMATSU

Prasad

Malvin Prasad
Partner
Chartered Accountants

Corporate governance statement

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 (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 (4th Edition) as published by ASX Corporate Governance Council.

The Group's Corporate Governance Statement for the year ended 30 June 2022 was approved by the Board on 31 August 2022.

Seafarms Group Limited ABN 50 009 317 846
Financial Report - 30 June 2022

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 and principal place of business is:

Level 6, 66 Smith Street
Darwin, NT 0800

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 7, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 31 October 2022.

For queries in relation to our reporting please call 08 9216 5200 or e-mail *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.

	Notes	**2022** **$**	2021 (*Restated) $
Revenue from continuing operations	5	**19,477,573**	20,826,822
Other (losses)/gains	6	**587,139**	1,378,707
Finance costs	7	**(2,372,741)**	(4,941,041)
Fair value adjustment of biological assets		**(723,005)**	101,744
Fair value adjustment of biological assets at point of harvest	13	**(2,678,611)**	65,454
Feed and consumables		**(6,798,310)**	(7,128,352)
Change in finished goods and biological assets	13, 15	**510,911**	(695,846)
Energy costs		**(2,724,240)**	(2,388,587)
Employee benefits expense	8	**(15,837,051)**	(13,438,919)
Expected loss on non-current loan	19	**(5,000,000)**	-
Depreciation and amortisation expense	8	**(3,964,347)**	(3,982,744)
Impairment losses	8, 16, 17	**(18,443,140)**	-
Construction costs	9	**(34,339,531)**	-
Other expenses	8	**(13,129,246)**	(15,552,785)
(Loss) before income tax		**(85,434,599)**	(25,755,547)
Income tax benefit	10	**-**	-
(Loss) for the year		**(85,434,599)**	(25,755,547)

*The comparative financial information has been restated as a result of a reclassification of expense items in the statement of profit or loss. Refer to note 1(z) for details.

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

	Note	2022 $	2021 $
(Loss) for the year		**(85,434,599)**	(25,755,547)
Other comprehensive (loss) for the year net of tax		**-**	-
Total comprehensive (loss) for the year is attributable to:			
Owners of Seafarms Group Limited		**(85,434,599)**	(25,755,547)
		Cents	Cents
(Loss) per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic (loss) per share	33	**(1.87)**	(1.06)
Diluted (loss) per share	33	**(1.87)**	(1.06)

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

	Notes	**2022** **$**	2021 $
ASSETS			
Current assets			
Cash and cash equivalents	11	**36,195,529**	497,112
Trade and other receivables	12	**1,367,472**	2,040,581
Inventories	13	**8,206,053**	10,321,864
Other current assets	14	**1,319,245**	1,061,672
Biological assets	15	**2,454,171**	2,223,845
Total current assets		**49,542,470**	16,145,074
Non-current assets			
Property, plant and equipment	16	**16,940,032**	21,938,951
Right-of-use assets	17	**94,700**	21,122,764
Other non-current assets	19	**-**	5,000,000
Total non-current assets		**17,034,732**	48,061,715
Total assets		**66,577,202**	64,206,789
LIABILITIES			
Current liabilities			
Trade and other payables	20	**3,080,962**	9,165,278
Borrowings	21	**-**	27,062,934
Lease liabilities		**1,902,251**	2,834,462
Provisions	22	**8,740,403**	10,256
Employee benefit obligations	23	**1,349,694**	1,548,721
Total current liabilities		**15,073,310**	40,621,651
Non-current liabilities			
Lease liabilities		**1,034,272**	18,382,047
Provisions	22	**124,591**	123,853
Employee benefit obligations	23	**35,718**	45,408
Total non-current liabilities		**1,194,581**	18,551,308
Total liabilities		**16,267,891**	59,172,959
Net assets		**50,309,311**	5,033,830
EQUITY			
Contributed equity	24	**300,316,736**	172,421,944
Other reserves	25(a)	**14,832,725**	12,017,437
Retained earnings		**(264,840,150)**	(179,405,551)
Total equity		**50,309,311**	5,033,830

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

	Issued capital $	Other equity* $	Options premium reserve $	Financial assets revaluation reserve $	Share-based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2020	169,793,845	2,261,000	1,670,705	(24,740)	10,371,472	(153,650,005)	30,422,277
Loss for the year	-	-	-	-	-	(25,755,546)	(25,755,546)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(25,755,546)**	**(25,755,546)**
Transactions with owners in their capacity as owners:							
Options exercised	36,781	-	-	-	-	-	36,781
Value of conversion rights on convertible loan	-	330,318	-	-	-	-	330,318
	36,781	330,318	-	-	-	-	367,099
Balance at 30 June 2021	**169,830,626**	**2,591,318**	**1,670,705**	**(24,740)**	**10,371,472**	**(179,405,551)**	**5,033,830**

* The amount shown for other equity is the value of the conversion rights relating to the Avatar Finance Pty Ltd convertible loan. The fair value of equity was determined using an option price model. This is recognised and included in shareholder's equity. Refer note 21 and note 29 for further detail.

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

	Notes	Issued capital $	Other Equity $	Options premium reserve $	Financial assets revaluation reserve $	Share-based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2021		169,830,626	2,591,318	1,670,705	(24,740)	10,371,472	(179,405,551)	5,033,830
Loss for the year		-	-	-	-	-	(85,434,599)	(85,434,599)
Total comprehensive loss for the period		**-**	**-**	**-**	**-**	**-**	**(85,434,599)**	**(85,434,599)**
Transactions with owners in their capacity as owners:								
Contributions of equity & debt equity conversion net of transaction costs & tax	24	127,894,792	-	-	-	-	-	127,894,792
Employee share schemes - value of employee services		-	-	-	-	2,815,288	-	2,815,288
		127,894,792	-	-	-	2,815,288	-	130,710,080
Balance at 30 June 2022		**297,725,418**	**2,591,318**	**1,670,705**	**(24,740)**	**13,186,760**	**(264,840,150)**	**50,309,311**

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

	Notes	**2022** **$**	2021 (*Restated) $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**22,765,061**	21,807,027
Payments to suppliers and employees (inclusive of goods and services tax)		**(41,761,246)**	(34,463,949)
Payments to suppliers for PSD Pre-Development expenses		**(28,329,458)**	-
		(47,325,643)	(12,656,922)
Interest received		**6,530**	854
Interest paid		**(1,103,896)**	(2,118,842)
Net cash outflow from operating activities	32	**(48,423,009)**	(14,774,910)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(625,568)**	(486,018)
Purchase of property, plant and equipment related with PSD		**(12,028,622)**	-
Proceeds from sale of property, plant and equipment		**784**	-
Net cash outflow from investing activities		**(12,653,406)**	(486,018)
Cash flows from financing activities			
Proceeds from issue of shares		**105,962,429**	36,781
Proceeds from borrowings		**743,589**	6,670,764
Payments of loans from third parties		**(5,000,000)**	-
Lease payments		**(3,884,234)**	(1,692,245)
Repayment of borrowings		**(1,046,952)**	-
Proceeds from related parties		**-**	4,276,685
Net cash inflow from financing activities		**96,774,832**	9,291,985
Net increase (decrease) in cash and cash equivalents		**35,698,417**	(5,968,943)
Cash and cash equivalents at the beginning of the period		**497,112**	6,466,055
Cash and cash equivalents at end of period	11	**36,195,529**	497,112
Non-cash investing and financing activities	21(d)		

*The comparative financial information has been restated as a result of a reclassification of cash flow items in the Consolidated statement of cash flows. Refer to note 1(z) for details.

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

Contents of the notes to the financial statements

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 the IASB.

(b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of biological assets. Cost is based on the fair value 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 *Share-based Payment* , leasing transactions that are within the scope of AASB 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 *Inventories*.

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, for further detail refer to note 3(d).

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:

Impact of changes to Australian Accounting Standards and Interpretations

(i) Other new accounting standards

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

- AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2; and*
- AASB 2021-3 *Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions beyond 30 June 2021.*

1 Summary of significant accounting policies (continued)

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

(ii) Application of new and revised accounting standards

At the date of the authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

- AASB 17 *Insurance Contracts and* AASB 2020-5 *Amendments to Australian Accounting Standards - Insurance Contracts;*
- AASB 2014-10 *Amendments to Australian Accounting Standards - Sale or Contribution of Assets between and Investor and its Associate or Joint Venture;*
- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and* AASB 2020-6 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current - Deferral of Effective Date;*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments;*
- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates;*
- AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction; and*
- AASB 2022-1 *Amendments to Australian Accounting Standards - Initial Application of AASB 17 and AASB 9 - Comparative Information.*

(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.

For the year ended 30 June 2022, the Group incurred an operating cash outflow of $48,423,009 (2021: $14,774,910) and a net loss for the year of $85,434,599 (2021: $25,755,547). At 30 June 2022, the Group had net current assets of $34,469,160 (2021 net current liabilities: $24,476,577), including $36,195,529 cash and cash equivalents (2021: $497,112).

The Directors note the following uncertainties:

Project Sea Dragon

During the 2022 financial year, the Group raised equity funding and proceeded with the initial establishment phase of PSD in the Northern Territory. Subsequently the project was suspended and is currently under review by executive management and the Board of Directors with a final decision expected in quarter 4 of the 2023 financial year. After the initial suspension the Group decided to cancel the in-progress construction contract. Any continuance will be subject to obtaining adequate funding.

The Group commenced construction on Project Sea Dragon in August 2021, which was suspended in December 2021 due to the wet season. In the same month, the Group terminated negotiations on debt funding, which were at an advanced stage, due to the cessation of negotiations by the previous management. In April 2022 the major construction contracts for the construction of ponds and other infrastructure at Legune Station were terminated to preserve cash as the future of the project is re-assessed. As stated in note 22, following the termination of the construction contracts, the Group received a number of claims from the construction company and, after assessment of the currently available information, recorded a provision for general contractual liabilities of $8,730,094. During the year, the Group has also reassessed its lease term for Legune Station from 30 years to 18 months (refer to note 17 for details) and impaired all non-current assets relating to the Project (refer to notes 16 and 17 for details). As referred to in note 35 the Company has an obligation to remediate and rehabilitate Legune Station in accordance with a plan to be agreed with the relevant counterparties in the future if Project Sea Dragon is discontinued. Management has assessed that a provision for remediation is not yet recognisable at 30 June 2022.

1 Summary of significant accounting policies (continued)

The forecast cash flows up to 31 October 2023 of the Group includes discretionary expenditure relating Project Sea Dragon, including Exmouth facility, of approximately $5 million and net outflows relating to the provision for contractual claims. The Directors are committed to continue with the review of Project Sea Dragon but as noted in previous ASX releases, the Group will not re-commence construction of Project Sea Dragon until it has obtained the committed funding to complete the Project. If a decision is made not to continue with Project Sea Dragon, the discretionary expenditure relating to Project Sea Dragon and Exmouth facility will be ceased at that time. The Directors are confident that necessary debt funding will be obtained based on the revised Project Sea Dragon plans that is expected from the review, and are currently in discussion with potential investors and debt providers.

Seafarms Queensland Operations

In FY2022 the Queensland aquaculture operations made an increased loss due to animal health issues with black tiger prawns. Seafarms Queensland has experienced animal health issues over a number of years with Black Tiger prawns on specific farms. In FY2022 the Company changed its strategy such that, since March 2022, on those farms it only stocks Banana prawns which have historically not been affected by similar health issues. As a result of this change the Directors expect that Seafarms Queensland operations will be profitable and cashflow positive in FY23. Subsequent to 30 June 2022, the current crops are developing in line with the modelled growth and are on track to meet the forecast production.

Notwithstanding the change in strategy to stock lower biological risk Banana prawns, animal health is a risk in all aquaculture operations and in the event of an adverse health outcome there is material uncertainty over the profitability and cashflows of the Queensland operations. Seafarms continues to pursue a number of strategies to mitigate that risk including continuous health screening and bacterial monitoring through the production process.

Cash flow management actions

The ability of the Company and Group to continue as a going concern is dependent upon its ability to mitigate the risks noted above via a combination of the following actions;
i. Reducing discretionary cash outflows including substantially reducing expenditure on Project Sea Dragon and corporate activities;
ii. continuing improvements in profitability and cashflows of the Queensland operations to generate sustainable cash to fund corporate activities;
iii. obtaining crop financing for Seafarms Queensland in FY2024 to manage the working capital cycle;
iv. obtaining a satisfactory settlement of construction contractual claims;
v. securing short term debt financing; and
vi. raising equity capital.

Conclusion

The Directors note material uncertainties relating to the decision to continue with Project Sea Dragon, if so whether adequate funding will be obtained to fund the continuance, if not whether the remaining Project Sea Dragon related expenses will be successfully reduced and ceased, as to the final amount payable to meet Project Sea Dragon contractual liabilities, and as to the future profitability and cash flow from improvements at Queensland Farms and the ability of these to cover reduced corporate expenditure .

As a result of the uncertainties noted above, the Directors have concluded that a material uncertainty exists that may cast doubt on the Group’s ability to continue as a going concern and its ability to realise its assets and discharge its liabilities in the ordinary course of business and at the amounts stated in the financial statements.

In light of the cash available as at 30 June 2022, the forecast cash flow and potential funding and expense reduction alternatives, the Directors are of the opinion that the Company and Group will continue to operate as going concerns and therefore these financial statements have been prepared on a going concern basis. No adjustments have been made to the financial statements relating to the recoverability and classification of asset carrying amounts or the amounts and classifications of liabilities that might be necessary should the Company and Group not continue as a going concern.

1 Summary of significant accounting policies (continued)

(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 2022 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.

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.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an 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 less impairment in the separate financial statements of Seafarms Group Limited.

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).

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar ($), which is Seafarms Group Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss

(f) 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.

1 Summary of significant accounting policies (continued)

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.

(g) 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.

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.

Deferral and presentation of government grants

Government grants are deducted in calculating the carrying amount of the related grant asset. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation expense.

(h) 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.

1 Summary of significant accounting policies (continued)

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where 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.

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 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.

(i) Leases

The Group lease various property, equipment and motor vehicles. Rental contract are typically made for fixed term periods of 2 to 30 years but may have extension options which remain unexercised. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Lease are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- the exercise price of a purchase option if the lease is reasonably certain to exercise the option.

The lease payments are discounted using the interest implicit in the lease. If the rate can not be determined, the lessee's incremental borrowing rate is used, being the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in similar economic environment with similar terms and conditions.

1 Summary of significant accounting policies (continued)

Right-of-use assets are measured at cost comprising the following:

- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Due to the significant review of Project Sea Dragon which is still outstanding at the date of this report, management has reassessed the lease term for the Legune Station lease as at 30 June 2022. Based on management's assessment of its termination rights under the lease agreement, termination of the lease is possible from December 2023. In light of the project review, management has assessed that it is no longer reasonably certain to continue the lease for its originally assessed lease term of 30 years, and consequently reassessed the lease term to approximately 18 months from 30 June 2022. In making this assessment management has been required to interpret the contractual provisions relating to the termination option which, upon notification of termination, may be subject to discussion with the lessor.

(j) 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.

(k) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(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.*

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.

(m) Biological assets

Prawn livestock is carried at fair value. Fair value is the amount which could be expected to be received from the sale of the livestock in an orderly transaction between market participants.

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.

1 Summary of significant accounting policies (continued)

(n) Investments and other financial assets

(i) Classification

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.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being 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.

(iii) 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.

(iv) Impairment

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

(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. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Leasehold Land	18 months (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.

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

1 Summary of significant accounting policies (continued)

Project Dragon Sea

The Group incurred costs associated with Project Sea Dragon (Project). The Group has identified the phases the Project may go through in determining whether costs associated with the Project are eligible for capitalisation.

These phases include the pre-development, development, and operating phase. The Group uses the following approach in determining Project costs eligible for capitalisation:

- Identify the total expenditure being incurred at the various stages of the Project.
- Determine the nature of the underlying expenditure. Only directly attributable costs relating to the Project are eligible for capitalisation.
- Development costs are distinguished from pre-development costs. Only costs incurred during the development stage of the Project are eligible for capitalisation. Pre-development costs are expensed.
- Based on the extent of expected future economic benefits that will flow to the Group, only the development costs that are considered recoverable are capitalised.

The Group further considers the funding required to bring the assets to an economically viable state.

(p) *Impairment of non-financial assets*

Assets are tested 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 of disposal and value in use. 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(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.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in Shareholders' equity, net of income tax effects.

Borrowings are removed from the consolidated statement of financial position 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.

1 Summary of significant accounting policies (continued)

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) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(t) 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.

Under the Legune Station lease and its related agreements the Group has an obligation to remediate and rehabilitation Legune Station in accordance with a plan to be agreed with the relevant counterparties in the future. As at 30 June 2022, this plan is not yet required to be drafted or approved. Because construction on Legune Station has been relatively minimal in the context of the broader Project Sea Dragon, management has assessed that a provision is not yet recognisable. A provision may become recognisable in the future.

(u) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave 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 consolidated statement of financial position.

(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) Post-employment obligations

The Group pays contributions to publicly or privately administered defined contribution superannuation plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) 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.

1 Summary of significant accounting policies (continued)

(iv) Share-based payments (continued)

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.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) 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 consolidated statement of financial position.

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.

(x) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

(y) Parent entity financial information

The financial information for the Parent entity, Seafarms Group Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

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

(ii) 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.

(z) Changes to presentation and restatements

During the year the Group has restated certain comparative information as identified in items (i) to (viii) below. Some of these restatements have arisen from errors identified in the comparative information and were required to be corrected in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Other restatements and reclassifications described below have been made by management to improve the comparability of prior period information.

1 Summary of significant accounting policies (continued)

(i) Classification of expenses

The Group has voluntarily changed the presentation of certain amounts in the statement of profit or loss, resulting in the comparative results being restated. The restatement of amounts in the statement of profit or loss is a result of the Group electing to classify expense items by their nature. The change in classification of expense items has occurred as management deem this presentation to be more relevant to the users of the Annual Report in comparison to the previous classification of these items by their relative function. The restatement of comparative amounts is not qualitatively significant to the Annual Report.

(ii) Biological assets

The prior year reconciliation of biological assets in note 15 has been restated to reflect the increase due to purchases during the period and the profit/(loss) arising from changes in fair value less cost to sell for biological assets that were harvested and sold during the relevant reporting period, which were previously omitted. As a result the increase due to purchases and the profit/(loss) arising from changes in fair value less costs to sell have been restated by $11,188,143 and $2,694,265 respectively, with an equal adjustment to the amount transferred to inventories ($13,882,409) in the prior year.

(iii) Revenue

The comparative information has been restated to reduce revenue by $154,212. This is as a result of the reclassification of $543,534 from finance expenses to revenue relating to the incorrect classification of early settlement discounts on the sale of goods and services and the reclassification of an expense of $389,322 from revenue to sales and marketing expenses to reflect sales commissions paid on a gross basis.

(iv) Financial Risk Management - Contractual maturities of financial liabilities

The comparative information in the Financial Risk Management - Contractual maturities of financial liabilities note has been restated to reflect $9,165,278 of trade and other payables that were previously reported as an amount of $898,776. This has been restated to reflect the correct contractual cash outflows on trade payables as of 30 June 2021. In addition, $5,000,000 of borrowings that were previously reported with a contractual maturity of between 2 and 5 years have been restated to reflect the correct contractual maturity of between 6-12 months from 30 June 2021.

(v) Employee benefits expense

The comparative employee benefit expense disclosed in note 8 has been restated to include employee benefits that were previously disclosed only as part of cost of sales. The impact has been an increase to superannuation expense by $534,441 and other employee benefits expense by $6,150,423. There has been no impact on total loss for the comparative period.

(vi) Cash flow statement

The comparative statement of cash flows has been restated to reallocate $1,452,336 of cash flows from interest paid (operating cash outflow) to lease payments (financing cash outflow). There has been no impact on total cash outflows for the comparative period.

(vii) Property, plant and equipment

The comparative information in the property, plant and equipment (note 16) has been restated to disclose an 'Assets under Construction' asset category that was reported as part of the 'Plant and equipment' asset category as at 30 June 2021. The impact has been the transfer of $1,440,612 to that ‘Assets under Construction’ category, but the adjustment has not impacted the total amount of 'Property, Plant and Equipment'.

(viii) Parent entity

The comparative parent entity financial information (note 36) has been restated to reflect a reassessment of the amounts owing to and from wholly owned subsidiaries and other errors in the compilation of information. Prior year parent entity net assets have been restated to $4,743,172 from a deficit of $23,455,434 and the prior year parent entity loss for the period has been restated to $25,994,640 from $9,200,762.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to 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 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) Estimated impairment of other non-current assets

Determining whether the other non-current assets are impaired requires an estimation of fair value less cost of disposal on a cash generating unit basis. The fair value less cost of disposal calculation requires the directors to estimate the fair value less costs of disposal of the assets in an arms length transaction between willing and knowledgeable parties. If the estimated fair value less cost of disposal is lower than the carrying value of the asset an impairment loss may arise.

(iii) Impairment of a financial assets

The loss allowances for financial assets are based on assumptions about the risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

Measurement of right-of-use asset and lease liability - Legune Station

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.

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 or exercising the ability to terminate the lease before financial close has been reached on Project Sea Dragon respectively;
- 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.

2 Critical accounting estimates and judgements (continued)

Due to the significant review of Project Sea Dragon which is still outstanding at the date of this report, management has reassessed the lease term for the Legune Station lease as at 30 June 2022. Based on management's assessment of its termination rights under the lease agreement, termination of the lease is possible from December 2023. In light of the project review, management has assessed that it is no longer reasonably certain to continue the lease for its originally assessed lease term of 30 years, and consequently reassessed the lease term to approximately 18 months from 30 June 2022. Refer to note 16 for further information.

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.

Project Sea Dragon capitalisation policy

The Group incurred costs associated with Project Sea Dragon (Project). The Group has identified the phases the Project may go through in determining whether costs associated with the Project are eligible for capitalisation.

These phases include the pre-development, development, and operating phase. The Group uses the following approach in determining Project costs eligible for capitalisation:

- Identify the total expenditure being incurred at the various stages of the Project.
- Determine the nature of the underlying expenditure. Only directly attributable costs relating to the Project are eligible for capitalisation.
- Development costs are distinguished from pre-development costs. Only costs incurred during the development stage of the Project are eligible for capitalisation. Pre-development costs are expensed.
- Based on the extent of expected future economic benefits that will flow to the Group, only the development costs that are considered recoverable are capitalised.

Impairment PSD

The Group has considered whether the Project work-in-progress assets would be impaired as required by AASB 136 Impairment of Assets in light of the Project currently being incomplete and construction at Legune and Bynoe Harbour is on hold. The Group has determined that in light of these factors and that future funding for the project is uncertain that the assets should be fully impaired. Refer to note 15 for further information.

Expected loss on loan receivable

The loan receivable from AAM Licensees Pty Ltd forms part of the series of arrangements in relation to Legune, as at 30 June 2022, repayment of the loan is dependent on a number of factors one of which being the financial close of Stage 1 of PSD of 1,120 ha by December 2023. The Company considers it unlikely that this milestone will be achieved and therefore has recognised an expected loss on this loan in the profit and loss.

Provision for contractual liabilities

The Group has received claims with a total of $27,323,853 as a result of the termination in April 2022 of contracts relating to the construction of Project Sea Dragon. Almost all of the claims have been rejected by the Group, based on the current advice of both the project superintendent and an independent certifier, and taking into consideration legal advice, on the basis of the lack of supporting information provided and/or the legal basis provided.

Due to ambiguity in the legal terms of the contracts and uncertainties relating to work performed, variations, and suspension and termination claims made under the contract, the Group has recognised a provision for contractual liabilities including costs incurred of $8,730,094, based on the best estimate of the probable outflow, taking into consideration the information available as at the date of this report and assuming that additional supporting information will be provided.

2 Critical accounting estimates and judgements (continued)

The Directors note that, the extent to which the Group may be considered liable for the rejected aspects of the claims are a key judgement by the Board, and that quantifying the provision to be recognised involved significant estimation uncertainty.

The recognition of a provision is not an acknowledgement of debt. The Group intends to continue to reject the claim until valid supporting information and convincing legal grounds are provided and it is certified as payable by the project superintendent and an independent certifier.

3 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.

	2022 **$**	2021 $
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	**36,195,529**	497,112
Trade and other receivables	**1,367,472**	2,040,581
Other non-current assets	**-**	5,000,000
	37,563,001	7,537,693
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**3,080,962**	9,165,278
Borrowings	**-**	27,062,934
Lease liabilities	**2,936,523**	21,216,509
	6,017,485	57,444,721

(a) Market risk

(i) Price risk

Exposure

Management has assessed the sensitivity of the profit or loss to price changes as being immaterial.

(ii) Cash flow and fair value interest rate risk

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.

3 Financial risk management (continued)

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

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

	30 June 2022 Weighted average interest rate %	**Balance $**	30 June 2021 Weighted average interest rate %	Balance $
Deposits at call	.04%	**412,897**	.14%	412,000
Bank accounts	.01%	**35,780,882**	.01%	82,862
Net exposure to cash flow interest rate risk		**36,193,779**		494,862

(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.

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:

(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.

	2022 $	2021 $
Trade receivables		
*Counterparties without external credit rating **		
Group 1	**-**	-
Group 2	**994,855**	1,509,622
Group 3	**-**	-
	994,855	1,509,622

* 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.

3 Financial risk management (continued)

(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 does not have access to undrawn borrowing facilities at the end of the reporting period (2021: $Nil).

(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 At 30 June 2022	**Less than 6 months** $	**6 - 12 months** $	**Between 1 and 2 years** $	**Between 2 and 5 years** $	**Over 5 years** $	**Total contrac-tual cash flows** $	**Carrying amount (assets)/ liabilities** $
Non-derivatives							
Trade and other payables	3,080,962	-	-	-	-	3,080,962	3,080,962
Lease liabilities	854,993	1,234,919	983,838	48,723	-	3,122,473	2,936,523
Total non-derivatives	3,935,955	1,234,919	983,838	48,723	-	6,203,435	6,017,485

At 30 June 2021 (Restated) **Non-derivatives**							
Trade and other payables	9,165,278	-	-	-	-	9,165,278	9,165,278
Bank Loan	303,363	-	-	-	-	303,363	303,363
Lease liabilities	1,844,597	1,305,116	4,571,825	4,426,268	45,530,000	57,677,806	21,216,509
Borrowings - variable rate (weighted average 2021: 4.63%, 2020: 5.63%)	-	15,200,000	-	-	-	15,200,000	15,200,000
Borrowings - Fixed rate 7%	-	5,000,000	-	-	-	5,000,000	5,000,000
Borrowings - Fixed rate 8%	-	7,000,000	-	-	-	7,000,000	7,000,000
Total non-derivatives	11,313,238	28,505,116	4,571,825	4,426,268	45,530,000	94,346,447	57,885,150

(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:

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2022:

(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

3 Financial risk management (continued)

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 30 June 2022	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Biological assets	**-**	**-**	**2,454,171**	**2,454,171**
Total assets	**-**	**-**	**2,454,171**	**2,454,171**

30 June 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Biological assets	-	-	2,223,845	2,223,845
Total assets	-	-	2,223,845	2,223,845

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.

4 Segment information

(a) Description of segments

Business Segments

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

Other
Other represents the corporate assets and costs of the Group, including the cash balances not currently employed in the Aquaculture segment.

4 Segment information (continued)

(b) Segments

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2022 is as follows:

Year ended 30 June 2022	**Aquaculture**	**Other**	**Consolidated**
	$	**$**	**$**
Segment revenue			
Sales and external customers	19,299,422	-	19,299,422
Total sales revenue	19,299,422	-	19,299,422
Other revenue	178,151	6,525	184,676
Total segment revenue	19,477,573	6,525	19,484,098
Consolidated revenue			19,484,098
Segment loss			
Segment (loss)	**(77,328,319)**	**(7,719,110)**	(85,047,429)
Central administration and directors' salaries			(387,170)
Loss before income tax			(85,434,599)
Income tax benefit			-
Loss for the year			(85,434,599)
Segment assets			
Segment assets	**30,949,421**	**35,627,781**	66,577,202
Total assets			66,577,202

4 Segment information (continued)

(b) Segments (continued)

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2021 is as follows:

Year ended 30 June 2021	Aquaculture	Other	Consolidated
	$	$	$
Segment revenue			
Sales and external customers	20,776,786	-	20,776,786
Total sales revenue	20,776,786	-	20,776,786
Other revenue	50,036		50,036
Total segment revenue	20,826,822	-	20,826,822
Consolidated revenue			20,826,822
Segment loss			
Segment (loss)	(24,452,525)	(850,065)	(25,302,590)
Central administration and directors' salaries			(452,956)
Loss before income tax			(25,755,546)
Income tax benefit			-
Loss for the year			(25,755,546)
Segment assets			
Segment assets	58,214,646	5,879,483	64,094,129
Unallocated assets			112,660
Total assets			64,206,789

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, 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/(loss) represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, investment revenue and income tax expense. 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	**2022** **$**	2021 $
Aquaculture	**(3,964,347)**	(3,982,744)

5 Revenue

	2022 $	2021 (Restated) $
From continuing operations		
Sales revenue		
Sales Fresh	**8,549,594**	9,570,056
Sales Frozen	**10,749,827**	10,923,944
Other sales revenue	**2,024**	282,786
	19,301,445	20,776,786
Other income		
Other income	**176,128**	50,036
	19,477,573	20,826,822

The Group derives all revenue from the transfer of goods and services at a point in time.

6 Other (losses)/gains

	2022 $	2021 $
Conversion of debt to equity	**549,311**	-
JobKeeper income received	**-**	1,364,700
Other income	**37,828**	14,007
	587,139	1,378,707

7 Finance costs

	2022 $	2021 (Restated) $
Finance income		
Interest income	**(6,530)**	(853)
Finance income	**(6,530)**	(853)
Finance costs		
Interest and finance charges	**300,942**	2,951,643
Interest on lease liabilities	**2,078,329**	1,990,251
Finance costs expensed	**2,379,271**	4,941,894
Net finance costs	**2,372,741**	4,941,041

8 Expenses

Profit before income tax includes the following specific expenses:

	2022 **$**	2021 (Restated) $
Depreciation		
Property, plant and equipment: Buildings	**214,536**	234,342
Property, plant and equipment: Ponds	**395,976**	395,152
Property, plant and equipment: Plant and equipment	**1,885,098**	1,978,252
Property, plant and equipment: Leasehold improvements	**2,171**	2,216
Right-use-of-assets: Leasehold land	**725,764**	725,764
Right-use-of-assets: Leased buildings	**447,279**	342,892
Right-use-of-assets: Leased plant and equipment	**293,523**	304,126
Total depreciation	**3,964,347**	3,982,744
Other expenses		
Consultants and professional fees	**3,684,844**	4,636,036
Legal fees	**1,308,436**	2,280,254
Insurance	**1,328,632**	1,360,317
Freight	**849,810**	1,052,374
Research expense	**44,390**	79,123
Travel expenses	**276,941**	335,330
Logistics	**181,739**	31,679
Repairs and maintenance	**1,128,722**	877,224
Loss on disposal of assets	**192,250**	-
Hire equipment	**475,074**	627,291
Rent	**90,619**	59,950
Sales and marketing	**474,774**	553,446
Other expenses	**3,093,015**	3,659,761
	13,129,246	15,552,785
Impairment losses		
Impairment of plant and equipment and leasehold improvements	**1,461,464**	-
Impairment of right-of use assets	**3,480,847**	-
Impairment of project costs	**13,500,829**	-
	18,443,140	-

	2022 **$**	2021 (Restated) $
Employee benefits expense		
Superannuation	**747,006**	676,757
Other employee benefits	**15,090,045**	12,762,162
Total employee benefits expense	**15,837,051**	13,438,919

9 PSD Construction costs

(a) PSD Construction costs

	2022 $	2021 $
Mobilisation costs	**9,434,313**	-
Construction Insurance costs	**2,179,791**	-
Construction Consultants & Engineering costs	**1,005,879**	-
Project Management Costs	**13,641,573**	-
Temporary camp & accommodation costs	**5,312,044**	-
Quarry	**786,151**	-
Founder Stock Centre (Exmouth)	**375,881**	-
Hatchery Site (Bynoe Harbour)	**329,173**	-
Other indirect construction costs	**1,274,726**	-
	34,339,531	-

(b) Capitalised costs

	2022 $	2021 $
Assets under construction (impaired) (see note 16)	**12,060,217**	-
Total PSD Construction Costs	**46,399,748**	-

Project Sea Dragon (PSD or the Project) is a proposed, large-scale, integrated, land-based prawn aquaculture project being developed in Northern Australia. PSD is designed to be a staged development of up to 10,000 hectares of prawn production ponds, supported by a series of geographically separate facilities across Northern Australia.

Planned Stage 1a of the PSD includes the Legune Grow-out Facility would see land-based production ponds at Legune Station in the Northern Territory as well as the development of the necessary facilities at the other sites (Exmouth and Bynoe). There has been significant expenditure incurred on the Project and the Board has considered how to account for the capital expenditures and taking into account the principles established by the accounting standards and how these might be applied.

Costs that do not meet the capitalisation criteria have been expensed and recognised in the consolidated statement of profit or loss.

In the prior year all construction expenditure ($1,440,612) was capitalised into Assets Under Construction and included in the balance of property, plant & equipment. In the current year only a proportion of construction expenditure was capitalised into Assets Under Construction (refer to note 16). Subsequently the Assets under Construction balance was considered to be fully impaired.

In the previous periods, all construction expenditure ($1,440,612) was capitalised into Assets under Construction and included in the balance of property, plant and equipment. In the current year, and in accordance with the Group's capitalisation policy, $12,060,217 of the total $44,389,675 costs incurred, were capitalised into Assets under Construction (refer to note 16 for further details). Subsequently, the capitalised costs were reviewed and fully impaired.

10 Income tax expense

(a) Income tax expense/(benefit)

	2022 $	2021 $
Deferred tax (benefit)	**(16,022,791)**	(155,695)
Amount of deferred tax assets not recognisable	**16,022,791**	155,695
	-	-

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

	2022 $	2021 $
Loss from continuing operations before income tax expense	**(85,434,599)**	(25,755,547)
Tax at the Australian tax rate of 25% (2021 - 26.0%)	**(21,358,650)**	(6,696,443)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	**1,385**	-
Employee option plan	**703,823**	-
Debt waiver - employee	**126**	-
SGC - recharged from PSDCE	**237**	-
Non-deductible expenses	**-**	4,068
Other	**(138,816)**	(13,000)
	(20,791,895)	(6,705,375)
Amount of deferred tax assets not recognisable	**16,022,791**	155,695
Current year tax losses not recognised	**4,769,104**	6,340,693
Impact of change in tax rate on closing deferred tax balance	**-**	208,987
Income tax expense/(benefit)	**-**	-

(c) Franking account

	2022 $	2021 $
Franking account balance (tax paid basis)	**-**	-
Impact on franking account balance of dividends not recognised	**-**	-
	-	-

11 Current assets - Cash and cash equivalents

	2022 $	2021 $
Cash at bank and in hand	**35,782,632**	85,112
Deposits at call	**412,897**	412,000
	36,195,529	497,112

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 3.

11 Current assets - Cash and cash equivalents (continued)

(b) Cash at bank and on hand

Of the cash at bank and on hand, $1,750 (2021: $2,250) is non-interest bearing, and $35,780,882 (2021: $82,862) is in accounts that earn interest.

(c) Cash not available for use

$412,897 (2021: $412,000) is held as security for bank facilities and office lease guarantees, please refer to note 21(b).

(d) Deposits at call

Deposits at call are interest bearing.

12 Current assets - Trade and other receivables

	2022 **$**	2021 $
Trade receivables	**994,855**	1,509,622
Loss allowance	**-**	-
	994,855	1,509,622
Other receivables	**3,406**	14,622
Loans to employees	**22,570**	11,145
Goods and services tax (GST) receivable	**346,641**	505,192
	372,617	530,959
	1,367,472	2,040,581

(a) Trade receivables

As of 30 June 2022, trade receivables of $364,237 (2021: $65,428) were past due but not impaired.

	2022 **$**	2021 $
Up to 3 months	**80,531**	14,320
3 to 6 months	**283,706**	51,108
	364,237	65,428

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.

12 Current assets - Trade and other receivables (continued)

(a) Trade receivables (continued)

The credit period for the majority of trade receivables ranges from current to 90 days with the average being 30 days. 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.

The Group has Trade Credit Insurance in place until 31 May 2023, which has insured indemnity of 90% with a maximum insured amount of $1.54 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 3.

(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 3 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

13 Current assets - Inventories

	2022	2021
	$	$
Finished goods*	**6,102,427**	9,223,458
Feed and consumables	**2,103,626**	1,098,406
	8,206,053	10,321,864

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.

*Includes fair value adjustment of biological assets at point of harvest ($1,295,865) 2021: $1,382,746.

14 Current assets - Other current assets

	2022	2021
	$	$
Prepayments	**1,270,531**	1,036,852
Deposits paid	**48,714**	24,820
	1,319,245	1,061,672

15 Current assets - Biological assets

	2022 $	2021 (Restated) $
Livestock		
Opening Balance	**2,223,845**	2,683,903
(Loss)/gain arising from changes in fair value less estimated costs to sell	**(2,017,035)**	2,796,009
Increases due to purchases	**14,298,593**	13,310,247
Transferred to inventories	**(12,051,232)**	(16,566,315)
Closing Balance	**2,454,171**	2,223,845

The balance of $2,454,171 (2021: 2,223,845) comprises the hatchery live crop of $1,811,819 (2021:$1,012,004), carried at cost as an estimate of fair value, and live prawns of $642,352 (2021: $1,211,841) carried at fair value less estimated costs to sell",

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 - Property, plant and equipment

	Freehold land $	Buildings $	Ponds $	Plant and equipment $	Leasehold improvements $	Assets under construction (Restated)* $	Total $
At 1 July 2020							
Cost or fair value	2,010,000	5,000,198	7,919,543	17,870,078	31,908	1,440,612	34,272,339
Accumulated depreciation	-	(549,141)	(2,118,900)	(7,477,577)	(14,022)	-	(10,159,640)
Net book amount	2,010,000	4,451,057	5,800,643	10,392,501	17,886	1,440,612	24,112,699
Year ended 30 June 2021							
Opening net book amount	2,010,000	4,451,057	5,800,643	10,392,501	17,886	1,440,612	24,112,699
Additions	-	-	-	486,018	-	-	486,018
Depreciation charge	-	(234,342)	(395,152)	(2,028,056)	(2,216)	-	(2,659,766)
Closing net book amount	2,010,000	4,216,715	5,405,491	8,850,463	15,670	1,440,612	21,938,951
At 30 June 2021							
Cost or fair value	2,010,000	5,000,198	7,919,543	18,356,096	31,908	1,440,612	34,758,357
Accumulated depreciation	-	(783,483)	(2,514,052)	(9,505,633)	(16,238)	-	(12,819,406)
Net book amount	2,010,000	4,216,715	5,405,491	8,850,463	15,670	1,440,612	21,938,951

*refer to note 1(aa).

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

	Freehold land $	Buildings $	Ponds $	Plant and equipment $	Leasehold improvements $	Assets under construction (Restated) $	Total $
At 1 July 2021							
Cost or fair value	2,010,000	5,000,198	7,919,543	18,356,096	31,908	1,440,612	34,758,357
Accumulated depreciation	-	(783,483)	(2,514,052)	(9,505,633)	(16,238)	-	(12,819,406)
Net book amount	2,010,000	4,216,715	5,405,491	8,850,463	15,670	1,440,612	21,938,951
Year ended 30 June 2022							
Opening net book amount	2,010,000	4,216,715	5,405,491	8,850,463	15,670	1,440,612	21,938,951
Additions	-	-	-	625,568	-	12,028,622	12,654,190
Disposals	-	-	-	(193,034)	-	-	(193,034)
Transfers	-	-	-	(31,595)	-	31,595	-
Depreciation charge	-	(214,537)	(395,976)	(1,885,099)	(2,170)	-	(2,497,782)
Impairment loss	-	-	-	(1,448,480)	(12,984)	(13,500,829)	(14,962,293)
Closing net book amount	2,010,000	4,002,178	5,009,515	5,917,823	516	-	16,940,032
At 30 June 2022							
Cost or fair value	2,010,000	5,000,198	7,919,543	17,179,693	20,013	-	32,129,447
Accumulated depreciation	-	(998,020)	(2,910,028)	(11,261,870)	(19,497)	-	(15,189,415)
Net book amount	2,010,000	4,002,178	5,009,515	5,917,823	516	-	16,940,032

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

Queensland aquaculture CGU ('QLDAQ')

As at 30 June 2022 the carrying value of property, plant and equipment for the Queensland Aquaculture cash-generating-unit ("CGU") was $16,940,032.

Management's approach and the key assumptions used to determine the CGU's FVLCOD in FY2022 were as follows:

CGU	Unobservable inputs	2022	2021	Approach in determining key assumptions
QLDAQ	Cost of disposal	5%	5%	Estimated based on the company's experience with disposal of assets and on industry benchmarks
	Sales price per hectare	$59,000 to $85,000	$55,000 to $84,000	Average sales price for similar properties in North Queensland

Non-current assets pledged as security

The Group has provided a mortgage over Lot 166 on Crown Plan CWL3563 & Lot 183 on Crown Plan CWL3484 to a third party investor when entering into the Legune sublease agreement.

PSD aquaculture CGU ('PSDAQ')

Impairment PSD

The Group has considered whether the PSD Work-in-progress assets would be impaired as required by AASB 136 *Impairment of Assets* in light of the Project currently being incomplete and construction at Legune and Bynoe Harbour is on hold. The Group has determined that in light of these factors and that future funding for the project is uncertain that the assets should be fully impaired.

17 Non-current assets - Right-of-use assets

	Leasehold land $	Leased buildings $	Leased plant and equipment $	Total $
At 1 July 2020				
Cost or fair value	21,624,847	1,086,782	1,265,820	23,977,449
Accumulated depreciation	(1,124,479)	(534,637)	(507,129)	(2,166,245)
Net book amount	20,500,368	552,145	758,691	21,811,204
Year ended 30 June 2021				
Opening net book amount	20,500,368	552,145	758,691	21,811,204
Additions	-	684,342	-	684,342
Depreciation charge	(725,764)	(342,892)	(304,126)	(1,372,782)
Closing net book amount	19,774,604	893,595	454,565	21,122,764
At 30 June 2021				
Cost or fair value	21,624,847	1,771,123	1,265,820	24,661,790
Accumulated depreciation	(1,850,243)	(877,528)	(811,255)	(3,539,026)
Net book amount	19,774,604	893,595	454,565	21,122,764

	Leasehold land $	Leased Buildings $	Leased Plant and equipment $	Total $
At 1 July 2021				
Cost	21,624,847	1,771,123	1,265,820	24,661,790
Accumulated depreciation	(1,850,243)	(877,528)	(811,255)	(3,539,026)
Net book amount	19,774,604	893,595	454,565	21,122,764
Year ended 30 June 2022				
Opening net book amount	19,774,604	893,595	454,565	21,122,764
Additions	-	267,382	-	267,382
Disposals	-	(32,004)	(38,208)	(70,212)
Depreciation charge	(725,764)	(447,279)	(293,523)	(1,466,566)
Impairment loss	(2,771,019)	(681,694)	(28,134)	(3,480,847)
Remeasurement	(16,277,821)	-	-	(16,277,821)
Closing net book amount	-	-	94,700	94,700
At 30 June 2022				
Cost	2,576,007	1,305,714	1,184,148	5,065,869
Accumulated depreciation	(2,576,007)	(1,305,714)	(1,089,448)	(4,971,169)
Net book amount	-	-	94,700	94,700

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 ('station'). The station comprises 178,870 ha of land, property, plant & equipment and cattle.

17 Non-current assets - Right-of-use assets (continued)

Lease - Legune station (continued)

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 leased 73,000 ha of the 178,870 ha of land (excluding any property, plant and equipment and cattle). As disclosed in note 2(b), due to the significant review of Project Sea Dragon which is still outstanding at the date of this report, management has reassessed the lease term for the Legune Station lease as at 30 June 2022. Based on management's assessment of its termination rights under the lease agreement, termination of the lease is possible from December 2023. In light of the project review, management has assessed that it is no longer reasonably certain to continue the lease for its originally assessed lease term of 30 years, and consequently reassessed the lease term to approximately 18 months from 30 June 2022. In making this assessment management has been required to interpret the contractual provisions relating to the termination option which, upon notification of termination, may be subject to discussion with the lessor.

Depreciation methods and useful lives

The leased land is depreciated using the minimum lease term of 18 months.

18 Non-current assets - Deferred tax assets

	2022 **$**	2021 $
The balance comprises temporary differences attributable to:		
Tax losses	**(21,533,605)**	(5,224,664)
Fair value	**502,872**	-
Work in progress	**11,457,572**	-
Provisions	**385,488**	411,518
Accruals	**2,007,290**	-
Borrowings	**1,250,000**	-
Available for sale investment	**-**	825,200
Other deductible expenses	**3,938,295**	3,495,658
Depreciable assets	**1,224,759**	467,090
Accrued interest	**13,827**	-
Lease assets and liabilities	**737,820**	25,198
Prepayments	**(2,049)**	-
Unpaid super	**17,731**	-
Net deferred tax assets	**-**	-
Movements:		
Total for the year	**(16,022,791)**	155,695
Amount of deferred tax assets not recognisable	**16,022,791**	(155,695)
Closing balance at 30 June	**-**	-

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)*	**19,986,016**	24,349,128

19 Other non-current assets

	2022 **$**	2021 $
Loan to AAM Licensees Pty Ltd	**5,000,000**	5,000,000
Expected loss on non-current loan	**(5,000,000)**	-
	-	5,000,000

The loan to AAM Licensees Pty Ltd was provided on 12 December 2018, interest free.

As disclosed in note 2(b), the receivable forms part of the series of arrangements in relation to Legune, as at 30 June 2022, repayment of the loan is dependent on a number of factors one of which being the financial close of Stage 1 of PSD of 1120ha by December 2023. The Company considers it unlikely that this milestone will be achieved and therefore has recognised an expected loss on this loan in the profit and loss.

20 Current liabilities - Trade and other payables

	2022 **$**	2021 $
Trade payables	**1,249,236**	6,819,666
Accrued expenses	**1,359,570**	803,565
PAYG payable	**229,352**	228,890
Other payables	**242,804**	1,313,157
	3,080,962	9,165,278

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

21 Current liabilities - Borrowings

	2022 **$**	2021 $
Secured		
Bank loans	**-**	303,363
Loans from related parties	**-**	14,759,571
Other loan	**-**	5,000,000
Total secured current borrowings	**-**	20,062,934
Unsecured		
Other loans	**-**	7,000,000
Total unsecured current borrowings	**-**	7,000,000
Total current borrowings	**-**	27,062,934

21 Current liabilities - Borrowings (continued)

Terms and conditions of borrowings

(a) **Loans from related parties**

The fair values of the liability portion of the Avatar Finance Pty Ltd convertible loan is determined using a market interest rate for an equivalent non-convertible loan. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan.

The balance of this loan was repaid via a share issue on 16 August 2021.

(b) **Other loans**

The $5,000,000 loan from AAM licensees Pty Ltd was provided on 12 December 2018, at an interest rate of 7% per annum, and was due to be repaid in December 2021 but was subsequently extended to 15 April 2022. The full balance was repaid on 19 April 2022.

A $7,000,000 loan from an unrelated party, on normal and usual terms, was repayable on the earlier of an equity raising or 30 September 2021. On 25 February 2021 it was agreed that the repayment date of this loan would be extended from the earlier of an equity raising or 30 September 2021. In August 2021, the full balance of the loan was converted to equity.

Secured liabilities and assets pledged as security

The Group has a $80,000 (2021: $80,000) facility on its company credit cards and has been required to provide guarantee facilities of $198,977 (2021: $273,205) in respect of office leases and a guarantee of $133,920 (2021: $133,920) in favour of Great Barrier Reef Marine Parks. The Group maintains term deposits with the bank to secure these facilities.

(c) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 3.

(d) 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 2021 $	Cash movement $	Non-cash movement $	Closing Balance 30 June 2022 $
Current borrowings				
Bank loans	303,363	(303,363)	-	-
Loans from related parties	14,759,571	-	(14,759,571)	-
Other loans	12,000,000	(5,000,000)	(7,000,000)	-
Lease liabilities	2,834,462	(2,199,333)	1,267,122	1,902,251
Total current borrowings	**29,897,396**	**(7,502,696)**	**(20,492,449)**	**1,902,251**
Non-current borrowings				
Lease liabilities	18,382,047		(17,347,775)	1,034,272
Total non-current borrowings	**18,382,047**	**-**	**(17,347,775)**	**1,034,272**
Total Borrowings	**48,279,443**	**(7,502,696)**	**(37,840,224)**	**2,936,523**

22 Provisions

	2022 **Current** **$**	**2022** **Non-current** **$**	**2022** **Total** **$**	2021 Current $	2021 Non-current $	2021 Total $
Make good provision	**10,309**	**124,591**	**134,900**	10,256	123,853	134,109
Provision for contractual liabilities	**8,730,094**	**-**	**8,730,094**	-	-	-
	8,740,403	**124,591**	**8,864,994**	10,256	123,853	134,109

(a) Information about individual provisions and significant estimates

Make good provision

The Group is required to restore the leased premises of its offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

Provision for contract liabilities

As disclosed in note 2(b), the Group has received claims with a total of $27,323,853 as a result of the termination in April 2022 of contracts relating to the construction of Project Sea Dragon. Almost all of the claims have been rejected by the Group, based on the current advice of both the project superintendent and an independent certifier, and taking into consideration legal advice, on the basis of the lack of supporting information provided and/or the legal basis provided.

Due to ambiguity in the legal terms of the contracts and uncertainties relating to work performed, variations, and suspension and termination claims made under the contract, the Group has recognised a provision for contractual liabilities including costs incurred of $8,730,094, based on the best estimate of the probable outflow, taking into consideration the information available as at the date of this report and assuming that additional supporting information will be provided.

The Directors note that, the extent to which the Group may be considered liable for the rejected aspects of the claims are a key judgement by the Board, and that quantifying the provision to be recognised involved significant estimation uncertainty.

The recognition of a provision is not an acknowledgement of debt. The Group intends to continue to reject the claim until valid supporting information and convincing legal grounds are provided and it is certified as payable by the project superintendent and an independent certifier.

(b) Movements in provisions

Movements in each class of provision during the financial period, other than employee benefits, are set out below:

2022	**Provision for contract liabilities** **$**	**Make good provision** **$**	**Total** **$**
Carrying amount at start of year	-	134,109	134,109
- additional provisions recognised	8,730,094	791	8,730,885
Carrying amount at end of period	8,730,094	134,900	8,864,994

23 Employee benefit obligations

	2022			2021		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$	**$**	**$**	$	$	$
Leave obligations	**1,349,694**	**35,718**	**1,385,412**	1,548,721	45,408	1,594,129

Leave obligations

The leave obligations cover the Group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 1(u).

24 Issued capital

(a) Share capital

	Notes	**2022 Shares**	2021 Shares	**2022 $**	2021 $
Ordinary shares					
Fully paid		**4,836,599,179**	2,422,641,490	**297,725,117**	169,830,325
Convertible loan	29	**-**	-	**2,591,318**	2,591,318
		4,836,599,179	2,422,641,490	**300,316,435**	172,421,643
Convertible preference shares		**30,150,190**	30,150,190	**301**	301
		4,866,749,369	2,452,791,680	**300,316,736**	172,421,944

(b) Movements in ordinary share capital

	Number of shares	**$**
Opening balance 1 July 2020	2,422,262,301	169,793,845
Exercise of listed options - proceeds received	379,189	36,781
Balance 30 June 2021	2,422,641,490	169,830,626

	Number of shares	**$**
Opening balance 1 July 2021	2,422,641,490	169,830,626
Equity raising	1,954,234,964	107,482,943
Subscriptions	45,454,545	2,500,000
Debt conversion	413,818,183	21,932,364
Exercise of listed options - proceeds received	449,997	43,762
Less: Transaction costs arising on share issues	-	(4,064,277)
Balance 30 June 2022	4,836,599,179	297,725,418

(c) 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.

24 Issued capital (continued)

(c) Convertible preference shares (continued)

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.

(d) 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 34.

On 7 August 2018, the Group issued 5,320,622 unlisted share options to Nippon Suisan Kaisha Limited (Nissui) as consideration for the receipt of an equity raising of $24.99 million. As part of this equity raising, share options were also provided in return. 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 2022, 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 lease 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. During the year 50,000,000 options were not exercised and expired. At the 30 June 2022, 30,000,000 unlisted options remain unexercised.

On 24 August 2021, the Group issued 1,447,806,216 unlisted options. Of these options, 225,000 converted to shares during the year. The options were issued to equity investors at nil consideration, thus no fair value has been assessed. The balance of the 1,447,581,216 options expired 13 August 2024. The exercise price of the options are $0.0975.

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

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

Listed options

The Company had no listed options at year end (2021: 126,092,085). The options on issue at the start of the financial year had an exercise price of $0.097 and expired on 17 July 2021. During the financial year and prior to expiry 224,997 options were exercised (2021: 882,557).

25 Reserves

(a) Other reserves

	2022 $	2021 $
Financial assets revaluation reserve	**(24,740)**	(24,740)
Share-based payments	**13,186,760**	10,371,472
Option premium reserve	**1,670,705**	1,670,705
	14,832,725	12,017,437

	2022 $	2021 $
Movements:		
Share-based payments		
Opening balance	**10,371,472**	10,371,472
Employee share plan expense	**2,815,288**	-
Balance 30 June	**13,186,760**	10,371,472

(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
- the grant date fair value of options issued to third parties but not exercised.

(ii) Option premium

The option premium represents the fair value of 47,734,412 Seafarms Group Limited options issued historically.

(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.

26 Key management personnel disclosures

(a) Directors

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

(i) Chairman - executive

M P McMahon (resigned 6 May 2022)

(ii) Executive directors

I Brannan (resigned 20 May 2022)
H R Whitcombe
R Dyer
C D Mitchell

26 Key management personnel disclosures (continued)

(a) Directors (continued)

(iii) Non-executive directors

I N Trahar (non-executive Chairman) (appointed 20 May 2022)
P Favretto
H Sakai
T Kuraishi (alternative)
N Sato (alternative)

(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:

Name	*Position*	*Employer*
D Donovan	Chief Operating Officer	Seafarms Operations Limited
I Leijer	Chief Financial Officer	Seafarms Group Limited

(c) Key management personnel compensation

	2022 **$**	2021 $
Short-term employee benefits	**3,175,961**	1,451,837
Post-employment benefits	**-**	192,522
Long-term benefits	**12,456**	22,053
Termination benefits	**1,843,621**	-
Share-based payments	**2,815,288**	-
	7,847,326	1,666,412

27 Remuneration of auditors

During the year the following fees were agreed for services provided by the auditor of the Seafarms Group Limited:

Audit services

Deloitte Touche Tohmatsu

	2022 **$**	2021 $
Audit and review of financial reports	**175,000**	154,500
Total auditors' remuneration	**175,000**	154,500

28 Commitments

Capital commitments

The Group has no material capital commitments as at 30 June 2022 (30 June 2021: Nil).

29 Related party transactions

(a) Parent entities

Detailed remuneration disclosures are provided in the remuneration report on pages 13 to 21.

(b) Subsidiaries

Interests in subsidiaries are set out in note 30.

(c) Loans to/from related parties

During the year, the Group had a $15.2 million a credit facility with Avatar Finance Pty Ltd, a company owned by Mr Ian Trahar who is a non- executive director of the Group. The amounts repaid and interest charged are disclosed in the following table:

	2022	2021
	$	$
Loan from Avatar Finance Pty Ltd		
Beginning of the year	**14,759,571**	9,337,490
Debt equity conversion	**(14,647,273)**	-
Gain on equity conversion	**(274,402)**	-
Loans advanced	**-**	4,800,000
Equity portion of convertible loan (refer to note 24)	**-**	(330,318)
Interest charged	**248,469**	1,475,714
Interest paid	**(86,365)**	(523,315)
End of period	**-**	14,759,571

Interest charged is calculated by applying the effective interest rate of 15% to the loan liability component.

(d) Terms and conditions

The facility from Avatar Finance Pty Ltd prior to the new arrangements was provided on normal commercial terms and conditions and at market rates and is to be repaid on 15 September 2021. The average interest rate on the loan during the year was 4.47% (2021: 4.63%).

On 30 November 2020 it was agreed, by Avatar Finance Pty Ltd and Seafarms, that the repayment date of this facility would be extended from 15 September 2021 to 15 March 2022 and no line fee would be payable after 15 September 2021. However the loan was converted to equity in August 2021.

30 Subsidiaries

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**	
			2022	2021
			%	%
Seafarms Operations Pty Limited (formerly Seafarms Operations Limited)	Australia	Ordinary	**100**	100
Seafarm Hinchinbrook Pty Ltd	Australia	Ordinary	**100**	100
Project Sea Dragon Pty Ltd	Australia	Ordinary	**100**	100
Marine Harvest Australia Pty Ltd	Australia	Ordinary	**100**	100
Marine Farms Pty Ltd	Australia	Ordinary	**100**	100
Seafarm Queensland Pty Ltd	Australia	Ordinary	**100**	100
PSD Construction Employment Pty Ltd	Australia	Ordinary	**100**	100
PSD Operations Employment Pty Ltd	Australia	Ordinary	**100**	100
Project Sea Dragon Finance Pty Ltd	Australia	Ordinary	**100**	100
PSD Infrastructure Co Pty Ltd	Australia	Ordinary	**100**	100

31 Events occurring after the reporting period

At the date of this report no other matter or circumstance has occurred subsequent to 30 June 2022 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.

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

	2022	2021 (Restated)
	$	$
Loss for the year	**(85,434,599)**	(25,755,546)
Depreciation and amortisation	**3,964,347**	3,982,744
Impairment of PSD Pre-Development costs	**13,500,829**	-
Impairment of right-of-use assets	**3,480,847**	-
Impairment of plant and equipment and leasehold improvements	**1,461,464**	-
Fair value adjustment of biological assets at point of harvest	**2,678,611**	65,454
Provision for canstruct contracts	**8,730,094**	-
Non-cash employee benefits expense	**2,815,288**	99,306
Accrued interest	**162,104**	1,914,237
Net losses on sale of non-current assets	**192,250**	-
Gain on issue of debt equity	**(549,311)**	-
Fair value adjustment of biological assets	**723,005**	(101,744)
Accrued interest for Legune land	**1,684,901**	1,452,336
Expected loss on non-current loan	**5,000,000**	-
Change in operating assets and liabilities:		
Decrease in trade debtors and receivables	**673,110**	593,448
(Increase)/decrease in other current assets	**(257,573)**	232,558
(Increase)/decrease in inventories	**(562,801)**	370,424
(Increase)/decrease in biological assets	**(953,331)**	561,802
Increase in trade creditors	**(5,732,244)**	1,810,071
Net cash outflow from operating activities	**(48,423,009)**	(14,774,910)

33 Earnings per share

(a) Basic earnings per share

	2022 Cents	2021 Cents
Basic earnings per share from continuing operations	**(1.87)**	(1.06)
Total basic earnings per share attributable to the ordinary owners of the Company	**(1.87)**	(1.06)

(b) Diluted earnings per share

	2022 Cents	2021 Cents
Diluted earnings per share from continuing operations	**(1.87)**	(1.06)
Total basic earnings per share attributable to the ordinary owners of the Company	**(1.87)**	(1.06)

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

	2022 $	2021 $
Basic earnings per share		
Loss from continuing operations	**(85,434,599)**	(25,755,546)
	(85,434,599)	(25,755,546)
Diluted earnings per share		
Loss from continuing operations	**(85,434,599)**	(25,755,546)
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(85,434,599)**	(25,755,546)

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

	30 June 2022 Number	30 June 2021 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**4,577,241,006**	2,422,444,629

34 Share-based payments

Share based compensation payments are provided to employees in accordance with 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.

34 Share-based payments (continued)

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 summary of significant accounting policies (v) (iv) Share-based payments

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.

Scheme	**Risk free interest rate**	**Share price volatility**	**Dividend yield**	**Value (cents per share)**
Unlisted options	0.66% - 1.28%	66.3% - 68.1%	-	2.8 - 3.7

	2022		2021	
	Weighted average exercise price (cents per unit)	**Number of shares options**	Weighted average exercise price (cents per unit)	Number of shares options
Outstanding at beginning of the year	**9.70**	**35,000,000**	9.70	35,000,000
Granted during the year*	**7.15**	**220,000,000**	-	-
Forfeited during the year**	**7.15**	**(120,000,000)**	-	-
Expired during the year	**9.70**	**(35,000,000)**	-	-
Outstanding at the end of the year	**7.15**	**100,000,000**	9.70	35,000,000

*Includes 100,000,000 granted and vested and 120,000,000 granted but not vested.

** These options were forfeited when the relevant employees ceased being an employee of the Company.

The options outstanding at 30 June 2022 had a weighted average exercise price of 7.2 cents (2021: 9.7 cents) per option and remaining contractual life less than 1 year. The inputs into the Black Scholes model are as follows:

	30 June 2022	**30 June 2021**
Weighted average share price (cents per share)	5.7	6.4
Weighted average exercise price (cents per share)	7.2	9.7
Expected volatility	66.3%	61% to 64%
Expected life (years)	4.99-5	2
Risk-free interest rate	0.66%	2.01% to 2.19%
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.

35 Contingent liabilities

The Group has possible obligations relating to the suspension and termination of contracts relating to Project Sea Dragon. Refer to note 22 for further information.

Under the Legune Station lease and its related agreements the Group has an obligation to remediate and rehabilitate Legune Station in accordance with a plan to be agreed with the relevant counterparties in the future. As at 30 June 2022, this plan is not yet required to be drafted or approved. Because construction on Legune Station has been relatively minimal in the context of the broader plan of Project Sea Dragon, management has assessed that a provision is not yet recognisable. A provision may become recognisable in the future.

36 Parent entity financial information

(a) Summary financial information

The individual financial statements for the Parent entity, Seafarms Group Limited, show the following aggregate amounts:

	2022 $	2021 (Restated) $
Balance sheet		
Current assets	**117,040,652**	74,536,469
Non-current assets	**160**	5,974,149
Total assets	**117,040,812**	80,510,618
Current liabilities	**64,194,514**	54,873,370
Non-current liabilities	**529,394**	20,894,076
Total liabilities	**64,723,908**	75,767,446
Net assets	**52,316,904**	4,743,172
Shareholders' equity		
Issued capital	**300,306,107**	172,411,310
Reserves		
Reserves	**14,857,465**	12,042,177
Accumulated losses	**(262,846,668)**	(179,710,315)
Total equity	**52,316,904**	4,743,172
Loss for the period	**(83,136,353)**	(25,994,640)
Total comprehensive loss	**(83,136,353)**	(25,994,640)

(b) Guarantees of the Parent entity

The Parent entity has guaranteed the obligations of Project Sea Dragon Pty Limited under the agreement for the sublease of the Legune property.

(c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2022, 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 25 to 76 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 2022 and of its performance for the financial period ended on that date, and

(b) the financial statements and notes set out on pages 25 to 76 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.

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 the Directors.

Harley Ronald Whitcombe
Darwin
31 October 2022

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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 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 2022 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the consolidated financial statements, which indicates that the Group incurred a net loss after tax of $85,434,599 (2021: Loss of $25,755,547) and a net cash outflow from operating activities of $48,423,009 (2021: $14,774,910) during the year ended 30 June 2022. At that date, the Group had net current assets of $34,469,160 (2021: net current liabilities $24,476,577) including $36,195,529 of cash and cash equivalents. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our procedures in relation to going concern included, but were not limited to:

- Considering the impact and the completeness of, the material uncertainties as disclosed in Note 1(c) to the consolidated financial statements;
- Inquiring with management and the board as to knowledge of events and conditions that may impact the assessment on the Group's ability to pay its debts as and when they fall due;
- Challenging the underlying assumptions reflected in management's cash flow forecasts, including the timing of expected cash flows;
- Assessing the historical accuracy of the forecasts prepared by management;
- Assessing the cash position and availability of financing facilities as at 30 June 2022 and up to the date of signing this audit report; and
- Assessing the adequacy of the disclosures in Note 1(c) to the financial statements.

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 for 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. In addition to the matter described in the *Material Uncertainty related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Significant deficiencies in internal controls over financial reporting Australian Accounting Standard AASB 101: *Presentation of Financial Statements*, provides the requirements to be applied in preparing and presenting general purpose financial statements. A strong entity level control environment which includes risk assessment, monitoring process and internal controls over the financial reporting process are key to ensure that these financial statements are reliable, fairly presented, and reported in a timely manner within *Corporations Act 2001* expected and regulated timelines. Challenges were experienced by management which limited the early identification of several highly complex matters, requiring significant estimation and judgement. Most matters were only identified after year-end. These matters required significant effort and time to obtain sufficient and appropriate audit evidence, to consider the facts, estimations and judgements and to conclude on the appropriate impacts on the consolidated financial statements. The financial reporting internal controls over complex matters, non-routine transactions, adoption and application of acceptable accounting policies, and the preparation and review of the financial statements and disclosures, were not effective, and therefore did not	Our procedures to respond to the impact of the breakdown in internal controls over financial reporting included: • Extensive involvement of senior audit team members, accounting technical experts and other senior partners, in: o obtaining a comprehensive understanding of the nature, cause, magnitude and interrelation of these complex matters involving significant judgement and estimates o reassessed the nature, timing and extent of our planned and performed audit procedures to address the potential impact on the consolidated financial statements and disclosures as result of identified matters o executing focused substantive procedures on non-routine transactions, re-performing procedures on management's calculations, challenging management's estimates and judgements, and on financial closing procedures, and o regular meetings with executive management. • Comprehensive reviews by our quality

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

identify and address these in a timely manner resulting in numerous current year adjustments to transactions and disclosures being recorded. The Group's consolidated financial statements also include a number of prior year restatements as disclosed at Note 1(z).
 	
All of these in combination resulted in regulated reporting timelines being missed, the suspension of the Group's shares on the Australian Securities Exchange, and our reporting of non-compliance with corporate reporting responsibilities to the regulator.
 	
The directors have reported to shareholders that their own consideration has indicated a severe breakdown in internal controls over financial reporting confirming our assessment.
 	
Due to the significant and pervasive impact the internal controls have on financial reporting we adopted a fully substantive audit approach in our audit of the consolidated financial statements.
 	
This impacted the overall timing, efficiency, level of expertise and effort associated with the audit. We have concluded that the breakdown in these controls over the financial reporting process is a Key Audit Matter.
	reviewers, auditor's internal specialists and individuals within the accounting and audit technical team, of management and the auditor memorandums, other supporting documentation, calculations, corrections made and disclosures relating to each matter involving significant complexity, estimation and judgement.
	• With the involvement of an accounting technical partner performed:
	    o a comprehensive review of all accounting policies to determine if accounting policies were relevant, appropriate and applied in compliance with Australian Accounting Standards
	    o assessing the adequacy as it relates to required disclosures in the consolidated financial statements, and
	    o assessing whether restatements met the criteria in terms of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Accounting for and disclosure of Project Sea Dragon (PSD) costs, assets, impairments, contract provisions, right of use assets, lease liabilities and contingent liabilities During the 2022 financial year, the Group raised equity funding and proceeded with the initial establishment phase of PSD in the Northern Territory. Subsequently the project was suspended and is currently under review by executive management and the Board of Directors with a final decision expected in quarter 4 of the 2023 financial year. After the initial suspension the Group decided to cancel the in-progress construction contract. Any continuance will be subject to obtaining adequate funding. Refer to disclosure in Note 1 (c) "Going concern" of the consolidated financial statements. The Group's disclosure includes several references to the accounting and financial reporting implications of this project, referenced below. Significant management judgement was applied on several PSD matters by management. These included:	Our procedures included, but were not limited to: • obtaining an understanding of the processes used by management, the basis to determine their different estimates and judgements, and the relevant internal controls over the key inputs and assumptions used by management • obtaining management's detailed calculations supporting management's estimates, testing the inputs to supporting information and documentation, and testing the mathematical accuracy of these calculations • performing recalculations to develop an independent estimate (e.g. project costs, contractor claims, right of use asset and lease liability) based on our assessment of the information available, considering the independent advice obtained by management where applicable, comparing with management's estimate, and assessing any variance • obtaining and reviewing relevant documents

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
• determining the project costs that should be capitalised or expensed ($46,399,748) (refer Note 9 of the consolidated financial statements) • interpretating the "reasonably certain" termination provisions in the Legune Station lease agreement, the ability to continue beyond the earliest termination date, reassessing and then changing the remaining lease term from 30 years to 18 months in accordance with AASB 16 *Leases*, and therefore changing the right of use asset and lease liability capitalised amounts (refer Note 17 of the consolidated financial statements) • the impairment of those costs that were capitalised as Work in Progress of $13,500,829 in Property, Plant and Equipment (refer to Note 16 and a further impairment charge of $3,480,847 and downwards remeasurement of $16,277,821 in the right of use asset (refer Note 17 of the consolidated financial statements) • determining the accrual of $506,762, provisions of $8,730,094 and possible contingent contractual liability to be disclosed for the construction contract termination claims received from the contractor, requiring interpretation of ambiguities in the contractual terms, uncertainties in relation to work performed, and the treatment of variations, the suspension and the later termination of the contract (refer Note 22, 'Provisions' of the consolidated financial statements) • consideration of contingent liabilities relating to rehabilitation obligations if the PSD project is abandoned (refer Note 35 of the consolidated financial statements). Given the extent of these interrelated matters, and the significant estimation and judgement involved in the measurement and recognition of project costs and assets, impairment of assets, provision for contractual liabilities and disclosure of contingent liabilities, we concluded this is a Key Audit Matter.	(e.g. lease agreements, legal contracts, progress claims by the contractor, progress payment certificates and the independent legal and certifier reports) • assessing management's interpretation of the provisions within relevant documents (e.g. contractor agreement and claims, progress payment certificates, lease agreement) • evaluating and challenging the reasonableness of management's critical assessments (e.g. percentage of costs to be capitalised, status of the PSD project, revised lease term, impairment indicators, assets to be impaired, extent of impairment required, contractual and contingent liabilities to be recorded, and extent of disclosure) • assessing the scope, experience, competence, independence and objectivity of the independent legal and certifier experts used by management to assess the claims received from the contractor, and • assessing the adequacy of the disclosures in Notes 9, 16, 17, 22 and 35 of the consolidated financial statements.
Carrying amount of non-current assets – Queensland aquaculture As at 30 June 2022 the carrying value of property, plant and equipment for the Queensland Aquaculture cash-generating-unit ("CGU") was $16,940,032 as disclosed in Note 16 'Non-current assets - Property, Plant and	Our procedures included, but were not limited to: • evaluating the reasonableness of management's identification of impairment indicators • assessing whether management had included all appropriate assets and liabilities in the carrying value of the CGU

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Equipment’ of the consolidated financial statements.
Management has identified an indicator of impairment relating to the Queensland Aquaculture CGU as at 30 June 2022. In response, management assessed the recoverable amount of the CGU using the Fair Value Less Cost of Disposal (“FVLCD”) method. In order to determine the FVLCD of the CGU, management obtained an independent valuation which requires them to exercise significant judgement in respect of:
• identification of the assets included within the scope of the valuation
• the estimated fair value per hectare of the land on which the CGU is operated, which is used as the basis for valuation of all assets integral to the aquaculture operation.
Given the judgements and estimates involved in measuring the recoverable amount of the CGU, we concluded this is a Key Audit Matter.</td><td>• assessing whether management’s FVLCD assessment was performed in accordance with the relevant accounting standards, and
• in conjunction with our internal valuation specialists:
o assessing the fair value per hectare used in the external valuation;
o assessing the relevance of the comparable transactions used in developing the external valuation, and
o evaluating the competence; and independence and objectivity of the third-party expert used by management.
We also assessed the adequacy of the disclosures in Note 16 of the consolidated financial statements.</td></tr>
<tr><td>Valuation of Biological assets
As at 30 June 2022 the Group held $2,454,171 of biological assets. This balance comprises the hatchery live crop of $1,811,819, carried at cost as an estimate of fair value, and live prawns of $642,352 carried at fair value less estimated costs to sell. The Group’s disclosure of biological assets is included in Note 15 of the consolidated financial statements.
In order to determine the fair value of the live prawns, management prepare a valuation model which requires them to exercise significant judgement in respect of:
• survival rates
• harvest average body weight
• average production cost per kilogram
• sales price per type and category of prawn
• costs to sell.
Given the judgements and estimates involved in the valuation of biological assets we concluded this is a Key Audit Matter.</td><td>Our procedures included, but were not limited to:
• obtaining an understanding of the processes and relevant controls over the key inputs and assumptions used by management to determine fair value
• assessing the appropriateness of the valuation methodology
• assessing and challenging the key assumptions in the valuation model as follows:
o survival rates by comparing to historical trends
o harvest average body weight by comparing to historical trends
o average production cost per kilogram and costs to sell by comparing to historical trends and testing a sample of recent costs to external supporting evidence, and
o sales price per type and category of prawn by comparing to recent historical and forecast sales prices net of costs to sell.
We have also assessed the adequacy of the disclosures in Note 15 of the consolidated financial statements.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, 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 ability of the Group 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 has 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.

Deloitte.

- 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's 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, actions taken to eliminate threats or safeguards applied.

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 13 to 21 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Seafarms Group Limited, for the year ended 30 June 2022, 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

Prasad

Malvin Prasad
Partner
Chartered Accountants

Darwin, 31 October 2022

The Shareholder information set out below was applicable as at 30 September 2022.

A. Distribution of equity securities

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

Holding	Ordinary shares
1 - 1000	59,540
1,001 - 5,000	1,548,561
5,001 - 10,000	6,465,645
10,001 - 100,000	128,102,065
100,001 and over	4,700,423,368
	4,836,599,179

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
Mutual Trust Pty Ltd	831,791,819	17.20
Avatar Industries Pty Ltd (HIN)	462,085,072	9.55
Nippon Suisan Kaisha Ltd	283,230,208	5.86
Avatar Finance Pty Ltd	276,363,637	5.71
Avatar Industries Pty Ltd	245,791,047	5.08
Gabor Holdings Pty Ltd (The Tricorp A/C)	197,230,722	4.08
USB Nominees Pty Ltd	162,591,273	3.36
Avatar Industries Pty Ltd (SRN)	158,984,969	3.29
Bicheno Investments Pty Ltd <Jan Cameron A/C>	120,555,908	2.49
Rubi Holdings Pty Ltd <John Rubino S/F A/C>	112,546,091	2.33
Perpetual Corporate Trust Limited <Pastoral Dev Cattle A/C>	90,909,091	1.88
Fifty Second Celebration Pty Ltd <JC McBain Family A/c>	81,048,296	1.68
Darrell James Holdings Pty Ltd	50,000,000	1.03
JP Morgan Nominees Australia Pty Limited	48,297,779	1.00
Pinnacle Superannuation P/L <PJF S/F A/C>	40,462,120	0.84
Thirty Fifth Celebration Pty Ltd <JC McBain Super Fund A/c>	40,000,000	0.83
Narrow Lane Pty Ltd <Super Fund A/C>	32,045,683	0.66
Wilbow Group Pty Ltd <Wilbow Group A/C>	23,636,364	0.49
Permfast Pty Limited <Heyworth Super Fund A/C>	23,094,553	0.48
Wilbow Group Equities Pty Ltd	21,718,368	0.45
	3,302,383,000	68.29

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Avatar Industries Pty Ltd	866,861,088	17.92%
Mutual Trust Pty Ltd	765,998,168	17.20%