

**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 controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, 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, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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 financial report, which indicates that the Group incurred an operating cash outflow of \$23,429,888 and a net loss of \$15,355,902 for the year ended 30 June 2023. As at 30 June 2023, the Group had net current assets of \$17,311,862, including cash and cash equivalents of \$8,453,527. As stated in Note 1(c), these events and conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Emphasis of Matter – Restatement of comparatives*

We draw attention to Note 2 of the financial report which describes the restatement of comparative figures due to a prior period error. Our opinion is not modified in respect of this matter.

### Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
<b>Accounting for Project Sea Dragon contractual dispute, voluntary administration, and legal case</b> Refer to notes 10, 13, 21 and 23	
<p>During the 2023 financial year, the following events occurred with respect to a significant capital project being undertaken by the Group, known as Project Sea Dragon (the Project):</p> <ul style="list-style-type: none"> <li>• Significant final claims were submitted by the principal construction contractor (the Contractor) on the project. The contract was initially terminated by the Group in the 2022 financial year. A provision of \$8,730,094 was recognised at 30 June 2022 in respect of these claims.</li> <li>• The amount of the final progress claims was disputed by the Group, with no amount being paid towards settlement of those claims.</li> <li>• During the year an adjudication decision was handed down under the security of payments legislation in the Northern Territory, assessing a liability of \$12,769,145 in respect of the claims.</li> <li>• The Project entity, Project Sea Dragon Pty Ltd (PSD), was placed into voluntary administration by its directors following withdrawal of funding support by its parent entity, Seafarms Group Limited.</li> <li>• Creditors of PSD agreed to a Deed of Company Arrangement (DOCA) which prescribed settlement terms of creditor claims against PSD, and for control of PSD to be returned to its Directors.</li> <li>• The Contractor subsequently sought, and was granted, an injunction with respect to the execution of the terms of the DOCA, and has submitted a claim disputing the validity of the DOCA and the administration process. The dispute remains before the courts as at the date of the financial statements.</li> <li>• The financial statements of the Group recognise the liabilities of PSD at 30 June 2023 to the extent prescribed by the DOCA (\$1,900,000 – refer Note 21) and include a receivable for amounts contributed by Seafarms Group Limited to the Administrator of PSD as prescribed under the DOCA (\$3,500,000 - refer Note 13).</li> </ul>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining correspondence from, and holding discussions with the Group’s legal advisors to assess:           <ul style="list-style-type: none"> <li>- The financial reporting consequences if the legal claim by the Contractor is successful;</li> <li>- The basis for the Group’s reported assessment of the probability of the claim being successful;</li> </ul> </li> <li>• Agreeing the amounts of liabilities and assets recognised to the amounts prescribed in the DOCA;</li> <li>• Recalculating amounts recognised in profit and loss as a result of the accounting for the DOCA; and</li> <li>• Assessing the adequacy of financial statement disclosures.</li> </ul>

This has been assessed as a key audit matter due to the complex nature of these events and their pervasiveness to the financial statements, as well as the significant judgements made by management in applying the requirements of Australian Accounting Standards to account for the effects of these events in the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Valuation of biological assets</b> Refer to note 3(a)(i) and 16</p> <p>As at 30 June 2023 the Group held \$4,072,025 of biological assets. This balance comprises live prawn crops of \$3,572,025 carried at fair value less estimated costs to sell, and prawn broodstock of \$500,000 carried at current replacement cost.</p> <p>Live prawn crops are valued using a model which requires management to exercise significant judgement in respect of:</p> <ul style="list-style-type: none"> <li>• Survival rates</li> <li>• Harvest average body weight</li> <li>• Average production cost per kilogram</li> <li>• Sales price per type and category of prawn; and</li> <li>• Costs to sell</li> </ul> <p>Prawn broodstock is valued using a model which estimates the costs to replace existing broodstock (which are internally produced domesticated animals) with wild caught broodstock, including trawler and shipping costs.</p> <p>This was assessed as a key audit matter due to the significant judgements and assumptions required for inputs used in the valuation of these assets under a level 3 fair value methodology.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding and evaluating the design and implementation of the relevant controls associated with the valuation of biological assets;</li> <li>• Assessing and concluding on the appropriateness of the valuation methodologies adopted;</li> <li>• Assessing and challenging the key assumptions in the valuation models, through: <ul style="list-style-type: none"> <li>- Comparison of survival rate and harvest average body rate to historical actual results achieved in previous harvests</li> <li>- Comparison of average production costs against actual historical costs</li> <li>- Comparison of sales and cost to sell assumptions against recent historical, forecast, and actual post balance date sales prices net of actual and forecast costs to sell.</li> <li>- Examining support for replacement cost assumptions applied by management;</li> </ul> </li> <li>• Undertaking sensitivity analysis on the valuation outcome by applying reasonably possible alternative assumptions; and</li> <li>• Assessing the adequacy of the disclosures in the financial statements.</li> </ul>
<p><b>Valuation of non-current assets – Queensland Aquaculture</b> Refer to Note 17</p> <p>As at 30 June 2023 the carrying value of property, plant and equipment for the Queensland Aquaculture cash-generating unit (CGU) was \$16,749,492 as disclosed in Note 17.</p> <p>Management has identified an indicator of impairment relating to the Queensland Aquaculture CGU as at 30 June 2023. In response, management assessed the recoverable amount of the CGU using the Fair Value Less Cost of Disposal (FVLCD) of the CGU. In order to determine the FVLCD of the CGU, management obtained independent valuations which subsequently required the exercise of significant judgement in respect of:</p> <ul style="list-style-type: none"> <li>• Identification of the assets included within the scope of the valuations; and</li> <li>• 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.</li> </ul> <p>The recoverable amount was compared against the carrying value of the CGU in assessing whether the CGU assets were impaired.</p> <p>This was assessed as a key audit matter due to the significant judgements and assumptions required in measuring the recoverable amount of the CGU.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding and evaluating the design and implementation of the relevant controls associated with assessing non-current assets for impairment, and the impairment assessment itself (including the determination of recoverable amount);</li> <li>• Evaluating whether management's identification of impairment indicators was adequately supported;</li> <li>• Assessing whether management's impairment assessment was performed in accordance with the prescribed requirements of AASB 136 <i>Impairment of Assets</i>;</li> <li>• Obtaining an understanding of the work of the expert engaged by management to provide the independent valuations, including: <ul style="list-style-type: none"> <li>- Evaluating the independence, competence, capabilities and objectives of the expert;</li> <li>- Evaluating the data (comparable sales information) relied on by the expert in deriving the valuations and confirming the expert's position was supported by this data.</li> <li>- Evaluating and concluding on the appropriateness of the expert's work for the purpose intended by management;</li> </ul> </li> <li>• Reperforming the impairment calculation; and</li> <li>• Assessing the adequacy of the disclosures in the financial statements.</li> </ul>

### *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 2023, 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 accordingly 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.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 11 to 19 of the directors' report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Seafarms Group Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

### *Emphasis of Matter – Restatement of comparatives*


We draw attention to Section (f) of the remuneration report which describes the restatement of comparative figures due to a prior period error. Our opinion is not modified in respect of this matter.

### *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.

*Pitcher Partners*

PITCHER PARTNERS



DAN COLWELL  
Partner

Brisbane, Queensland  
30 August 2023