

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 2024, the consolidated statement of profit or loss and other 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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 in the financial report, which indicates that the Group incurred an operating cash outflow of \$9,808,076 and a net loss of \$19,312,062 for the year ended 30 June 2024. As at 30 June 2024, the Group had net current assets of \$4,255,171, including cash and cash equivalents of \$1,225,696. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, 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.

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
<p>Accounting for the Canstruct Legal Claim</p> <p>Refer to note 31</p> <p>During the financial year ended 30 June 2024, federal court proceedings initiated on 4 April 2023 against a wholly owned subsidiary of the Company, Project Sea Dragon Pty Ltd (“PSD”), remained ongoing. These proceedings deal with the validity of the Deed of Company Arrangement (DOCA) executed by the creditors of PSD during the period administrators were voluntarily appointed by the directors of PSD, events which occurred during the comparative financial year ended 30 June 2023.</p> <p>A judgement in these proceedings was handed down in February 2024 and has subsequently been appealed by the group. The appeal was heard in the Federal Court in August 2024; however no judgement has been ruled as at the date of this report. A stay on the execution of court orders prescribed in the initial Federal Court judgement remains in place until such time as the appeal is finalised.</p> <p>The financial statements continue to reflect the accounting prescribed under the disputed DOCA. Note 31 to the financial statements describes this accounting, and the financial consequences where the Group is unsuccessful in its defence of this claim, which include timely liquidation of PSD.</p> <p>This has been assessed as a key audit matter due to the complex nature of the legal proceedings 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 the legal proceedings in the financial statements.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding and evaluating the design and implementation of controls related to accounting for the Canstruct legal claim. • Obtaining correspondence from, and holding discussions with, the Group’s legal advisors to assess: <ul style="list-style-type: none"> - The likelihood of the proceedings against PSD being successful; and - The financial reporting consequences if the proceedings against PSD are successful; • Agreeing the amounts of liabilities and assets recognised to the amounts prescribed in the DOCA; • Assessing the adequacy of financial statement disclosures; and • Evaluating the potential implications of proceedings on the Group’s application of the going concern assumption.

Key Audit Matter
How our audit addressed the key audit matter
Classification of non-current assets held for sale
Refer to note 16

The Group executed legal agreements to dispose of property, plant and equipment for two of its three Queensland prawn farms (farms 1 and 2) in June 2024, subject to a number of conditions precedent which have been satisfied subsequent to balance date.

Farm 1 and 2 assets (collectively a disposal group) have been classified as non-current assets held for sale as at 30 June 2024.

This has been assessed as a key audit matter due to its material nature and effect on the presentation of the Group's financial statements.

Our audit procedures included, amongst others:

- Obtaining an understanding and evaluating the design and implementation of the relevant controls associated with classification and measurement of non-current assets held for sale;
- Reading and obtaining an understanding of the legal agreements giving effect to the sale transaction;
- Confirming that the criteria for classification of farm 1 and 2 assets as held for sale under *AASB 5 Non-current Assets Held for Sale and Discontinued Operations* were satisfied as at 30 June 2024;
- Testing the completeness and accuracy of the listing of assets identified by management as belonging to the disposal group;
- Assessing whether the disposal group was correctly measured at the lower of its carrying amount and fair value less costs to sell as at the date of classification as held for sale.
- Assessing the adequacy of disclosures in the financial statements.

Valuation of biological assets
Refer to note 14

As at 30 June 2024, the group held \$1,529,706 of biological assets. This balance comprises live prawn crops of \$1,329,706 carried at fair value less estimated costs to sell, and prawn broodstock of \$200,000 carried at current replacement cost.

Live prawn crops are valued using a model which requires management 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; and
- Costs to sell

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.

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.

Our audit procedures included, amongst others:

- Obtaining an understanding and evaluating the design and implementation of the relevant controls associated with the valuation of biological assets;
- Assessing and concluding on the appropriateness of the valuation methodologies adopted;
- Assessing and challenging the key assumptions in the valuation models, through:
 - Comparison of survival rate and harvest average body weight to historical actual results achieved in previous harvests;
 - Comparison of average production costs against actual historical costs;
 - Comparison of sales and costs to sell assumptions against recent historical, forecast, and actual post balance date sales prices net of actual and forecast costs to sell; and
 - Examining support for replacement cost assumptions applied by management;
- Undertaking sensitivity analysis on the valuation outcome by applying reasonably possible alternative assumptions; and
- Assessing the adequacy of the disclosures in the financial statements.

Key Audit Matter
How our audit addressed the key audit matter
Valuation of non-current assets – Queensland Aquaculture
Refer to note 17

As at 30 June 2024 the carrying value of property, plant and equipment for the Queensland Aquaculture cash-generating unit (CGU) was \$10,307,267. This carrying value excludes those assets which have been presented as held-for-sale.

Management has identified an indicator of impairment relating to the Queensland aquaculture CGU as at 30 June 2024. In response, management assessed the recoverable amount of the CGU using the Fair Value Less Cost of Disposal (FVLCD) of the CGU.

FVLCD was derived from independent valuations of CGU assets. Significant judgement was applied by management in respect of:

- Identification of the assets included within the scope of the valuations; and
- The estimated fair value per hectare of the land on which the CGU is operated, which is the key assumption used as the basis for valuation of all assets integral to Queensland aquaculture operations.

The recoverable amount was compared against the carrying value of the CGU in assessing whether the CGU assets were impaired.

This was assessed as a key audit matter due to the significant judgements and assumptions required in measuring the recoverable amount of the CGU.

Our audit procedures included, amongst others:

- 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);
- Evaluating whether management's identification of impairment indicators was adequately supported;
- Assessing whether management's impairment assessment was performed in accordance with the prescribed requirements of AASB 136 *Impairment of Assets*;
- Obtaining an understanding of the work of the expert engaged by management to provide the independent valuations, including:
 - Evaluating the independence, competence, capabilities and objectivity of the expert;
 - 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;
 - Evaluating and concluding on the appropriateness of the expert's work for the purpose intended by management;
- Assessing possible movements in the expert's valuation between the effective date of the valuation and the balance date;
- Reperforming the impairment calculation; and
- Assessing the adequacy of the disclosures in the financial statements.

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 2024, 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:

- (a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- (b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and
- (c) for such internal control as the directors determine is necessary to enable the preparation of:
 - (i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
 - (ii) the consolidated entity disclosure statement that is true and correct and is free of 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 on pages 6 to 13 of the directors' report for the year ended 30 June 2024. In our opinion, the Remuneration Report of Seafarms Group Limited, for the year ended 30 June 2024, 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.

Pitcher Partners

PITCHER PARTNERS



DANIEL COLWELL
Partner

Brisbane, Queensland
29 August 2024