CLEANSEAS
SUSTAINABLE SEAFOOD

CLEAN SEAS SEAFOOD LIMITED

ABN 61 094 380 435

APPENDIX 4D STATEMENT - HALF YEAR REPORT

RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF-YEAR ENDED 31 DECEMBER 2023

(Comparative figures being the half-year ended 31 December 2022)

	Half-Year ended December 2023	Half-Year ended December 2022	Period Movement up/(down)	Period Movement up/(down)
	$ '000	$ '000	$ '000	%
Revenue from ordinary activities	34,083	34,231	(148)	(0)
EBITDA	(23,730)	(1,361)	(22,369)	(1,644)
EBIT	(25,595)	(3,240)	(22,355)	(690)
Profit / (Loss) from ordinary activities before tax	(25,946)	(3,467)	(22,479)	(648)
Income tax credit / (expense)	-	-	-	-
Profit / (Loss) from ordinary activities after tax attributable to members	(25,946)	(3,467)	(22,479)	(648)
Net tangible asset backing per ordinary share	$0.34	$0.45		

Dividends (Ordinary Shares)		**Amount per security**
Final dividend	cents/share	Nil
Interim dividend	cents/share	Nil

Record date for determining entitlements to dividends. No dividend declared

Consistent with the decision taken in June 2012 not to carry future income tax benefits as an asset in the accounts the income tax benefit attributable to the December 2023 loss has not been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 December 2023. The Group will continue to assess this treatment on an ongoing basis as Group profitability improves.

Details of the Group's performance for the first six months of FY 2024 are attached to this notice.

This report is all the half year information provided to the Australian Securities Exchange under listing rule 4.2A. The report also satisfies the half year reporting requirements of the Corporations Act 2001.

This Half Year Financial Report should be read in conjunction with the 2023 Annual Financial Report.

Clean Seas Seafood Limited
Interim Consolidated Financial Statements
For the half-year ended 31 December 2023

ABN 61 094 380 435

Contents

Directors' Report

The Directors of Clean Seas Seafood Limited present their Report together with the financial statements of the Consolidated Entity, being Clean Seas Seafood Limited ('the Company') and its Controlled Entities ('the Group' or 'Clean Seas') for the half-year ended 31 December 2023.

Director details

The following persons were Directors of Clean Seas Seafood Limited during or since the end of the financial half-year:

- Mr. Travis Dillon – Chairman;
- Mr Marcus Stehr;
- Mr Gilbert Vergères; and
- Ms Katelyn Adams.

Company Secretary

The following persons were Company Secretary of Clean Seas Seafood Limited during and since the end of the financial half-year:

- Ms Eryl Baron (Joint Company Secretary); and
- Mr Rob Gratton (Joint Company Secretary).

Review of operations and financial results

Financial Performance	1H FY23	1H FY24	Change (Fav/Unfav)
Production Metrics			
Tonnes sold (WWE)	1,526	1,513	-1%
Net Growth (tonnes)	886	826	-7%
Harvest volumes (tonnes)	1,588	2,107	33%
Closing Live Fish Biomass (tonnes)	2,806	2,710	-3%
Frozen inventory	190	531	179%
Operating Results (A$/kg)			
Revenue	**22.43**	**22.53**	0.10
Post farmgate costs	(4.78)	(5.28)	(0.50)
Farmgate	**17.65**	**17.25**	(0.40)
Production costs	(13.22)	(13.54)	(0.32)
Gross profit	**4.43**	**3.71**	(0.72)
Indirect & R&D Costs	(3.39)	(3.60)	(0.21)
Operating EBITDA	**1.04**	**0.11**	(0.93)
Operating Results (A$'000)			
Revenue	**34,231**	**34,081**	(150)
Post farmgate costs	(7,295)	(7,987)	(692)
Net farmgate revenue	**26,936**	**26,094**	(842)
Production costs	(20,168)	(20,481)	(313)
Gross profit	**6,768**	**5,613**	(1,155)
Indirect & R&D Costs	(5,178)	(5,447)	(269)
Operating EBITDA	**1,590**	**166**	(1,424)
Underlying Adjustments			
Impairment	-	(12,170)	n/a
AASB 141 SGARA and cost allocation	(2,951)	(11,413)	n/a
Non-recurring items	-	(313)	
Total underlying Adjustments	(2,951)	(23,896)	(20,945)
Statutory EBITDA	**(1,361)**	**(23,730)**	(22,369)
Depreciation & amortisation	(1,879)	(1,865)	14
Statutory EBIT	**(3,240)**	**(25,595)**	(22,355)
Net interest costs	(227)	(351)	(124)
Statutory NPAT	**(3,467)**	**(25,946)**	(22,479)

[1]Underlying operating EBITDA and gross profit in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. They have not been subject to audit or review by the Company's external auditors.

Financial Performance

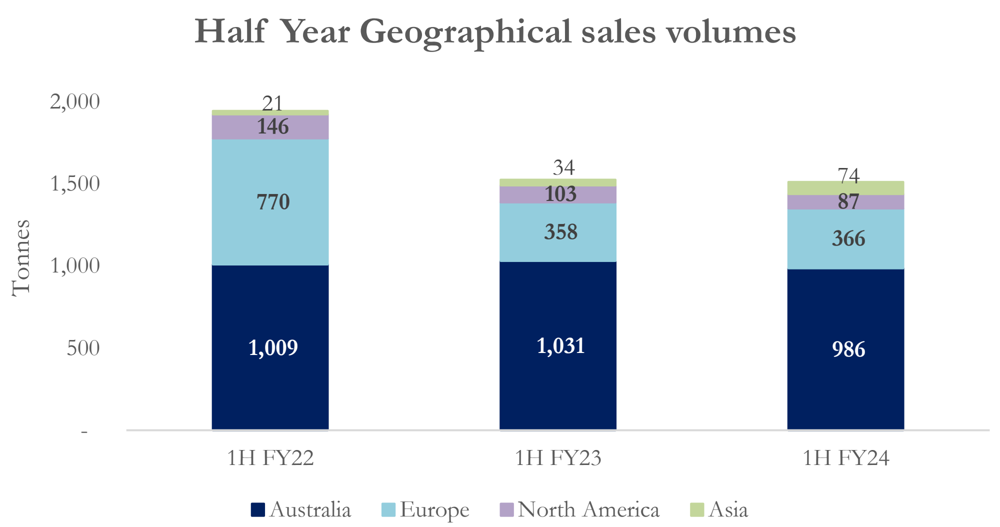
Clean Seas' Board and Management have disclosed a statutory loss of A$26.0 million after tax for the first half of FY24. This loss is attributed to the recognition of impairments aimed at eliminating excess biomass and reducing the value of frozen inventory. Statutory profitability was further affected by the seasonal growth profile of the Company's Yellowtail Kingfish. Typically, Clean Seas experiences a growth in live fish biomass ranging between 15% and 35% during the first half of the financial year, which is a crucial factor influencing statutory profit. Consequently, the notable statutory loss aligns with the Company's expectations.

Despite facing persistent challenges in the market and high costs, Clean Seas achieved underlying earnings before interest, tax, depreciation, and amortization (EBITDA) of A$0.2 million. The decrease in profitability compared to H1 FY23 is attributed to the impacts of elevated feed, freight, and other variable costs. Importantly, Clean Seas managed to maintain an attractive pricing level at A$22.53/kg, which helped mitigate some of the cost increases.

Production costs rose to A$13.54/kg compared to H1 FY23, reflecting the sustained increase in feed prices. Despite these challenges, Clean Seas delivered a gross profit of A$3.71/kg and underlying operating EBITDA of A$0.11/kg.

In H1 FY24 Clean Seas undertook an in-depth review of the operational structure of the business in order to drive efficiencies and improvements to offset input cost pressures "Operational Review". The Operational Review is on track to deliver a "right-sized" business, with sales and production in equilibrium at circa 3,000 tonnes per annum. This balance between sales and production is expected to deliver Clean Seas significant savings in the working capital, expense and infrastructure requirements against a strategy that focuses on sales volume growth.

Sales Volumes and Revenue



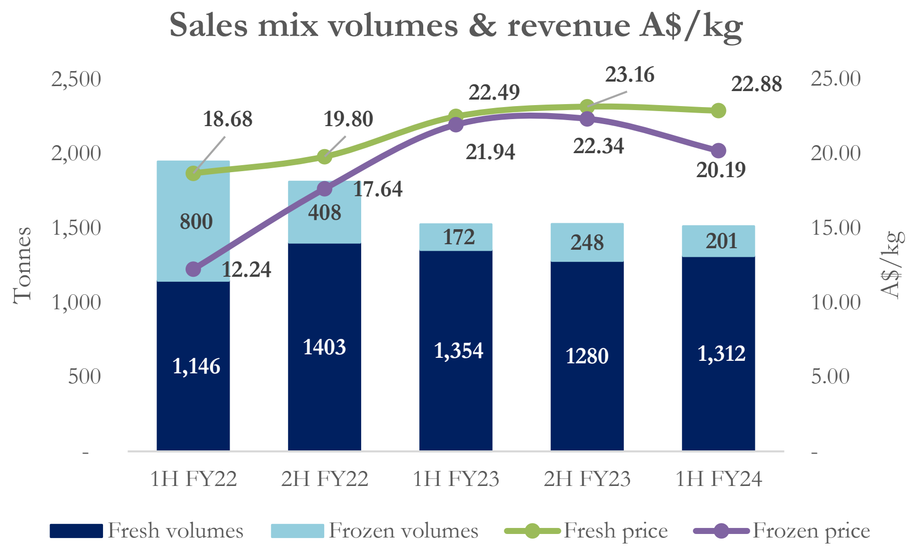
In 1H FY24, total sales volume amounted to 1,513 tonnes, which was down 1% from the corresponding period reflecting challenging market conditions prevailing throughout the period. Revenue was A$34.1 million in 1H FY24, marking a 0.4% decrease from H1 FY23.

Despite subdued demand, sales pricing remained robust at A$22.53/kg, compared to A$22.43/kg in H1 FY23. However, farmgate revenue, which stood at A$17.25/kg, experienced a decrease, reflecting the impact of elevated air-freight costs.

In Australia, sales volumes for 1H FY24 experienced a 4% decline to 986 tonnes compared to the corresponding period, primarily influenced by a soft first quarter in FY24. Importantly, sales volumes reached 562 tonnes in the second quarter of FY24, which aligned with the second quarter of FY23, delivering the expected seasonal growth in demand during the warmer months.

Sales volumes in Europe experienced a 2% increase to 366 tonnes compared to the corresponding period. This improvement can be attributed to marginal growth observed in both Fresh and Frozen products. However, challenging economic conditions and heightened competition in the region resulted in lower-than-expected demand and pricing for frozen products. Consequently, Clean Seas recognised an impairment to write down the value of frozen inventory.

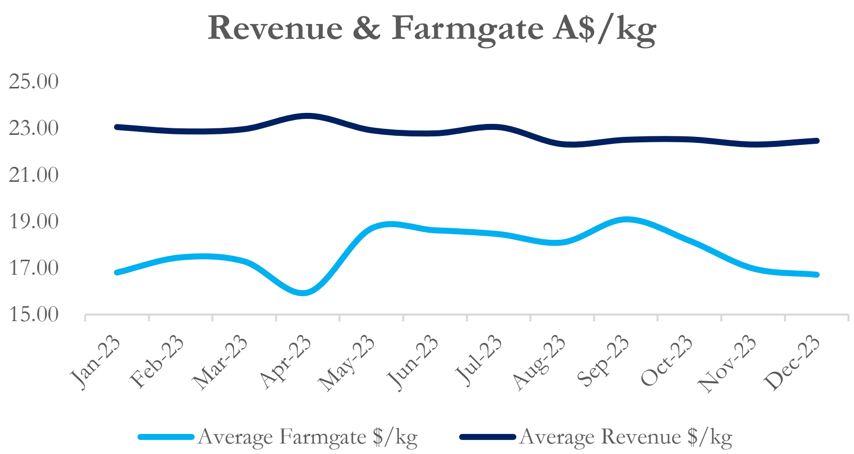
North America volumes declined by 16% in 1H FY24 reflecting similar economic and competitor conditions as experienced in Europe. The decline in sales volumes was concentrated to Frozen products.



Over the past three consecutive six-month periods, sales volumes have remained flat reflecting the impact of cost-of-living pressures on discretionary spending. Despite this, there is sustained demand for fresh volumes in both local and international markets. Internationally, Clean Seas' Fresh products continue to be sought after in high-end restaurants, with chefs expressing a preference for them over our competitors' offerings. However, domestically, growth has slowed, reflecting the increased supply of lower-priced alternative species.

In the 1H FY24, fresh pricing experienced a 1% decline, reaching A$22.88/kg compared to the record high of A$23.16/kg in 2H FY23. Despite this decrease, pricing continues to be at very attractive levels.

Increased competition and the prevailing market sentiment led to a decline in frozen sales to 201 tonnes in the 1H FY24, marking a decrease of 47 tonnes compared to the 2H FY23. As a result, revenue per kg for frozen products decreased to $20.19/kg in H1 FY24, as discounting strategies were employed to stimulate demand.



Despite price increasing by A$0.10/kg to A$22.53/kg in 1H FY24 compared to 1H FY23, farmgate revenue A$/kg decreased by A$0.40/kg to A$17.25/kg. The downward pressure on farmgate revenue has been attributed to sustained high air-freight costs to Europe and a preference for Fresh products over Frozen. However, commencing from October 2023, we have observed month-on-month reductions in airfreight costs, coupled with growth in the domestic market, which will assist in mitigating this challenge in 2H of FY24.

Biomass reduction program

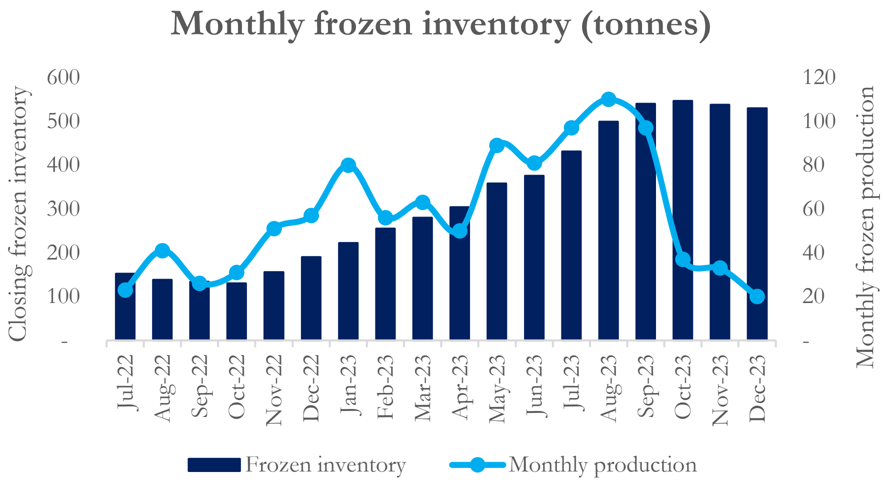
In November 2023, Clean Seas initiated an Operational Review that resulted in a reduction of biomass achieved through an accelerated harvest and sale of 560 tonnes. The sale was directed towards the fish protein market. This initiative has enabled the Company to realise cost savings in feed expenses, estimated to be around $2 million between November and January. As a result of the accelerated harvest, an impairment of approximately A$10.0 million relating to biological assets was recognised in the 1H FY24 financial statements.

As of December 2023, Clean Seas had incurred A$0.52 million in costs related to the accelerated harvest and recognised revenue of A$0.22 million from the sale of fish meal. Additional costs and sales are anticipated in January 2024 for the final harvest and sale of fish meal and oil.

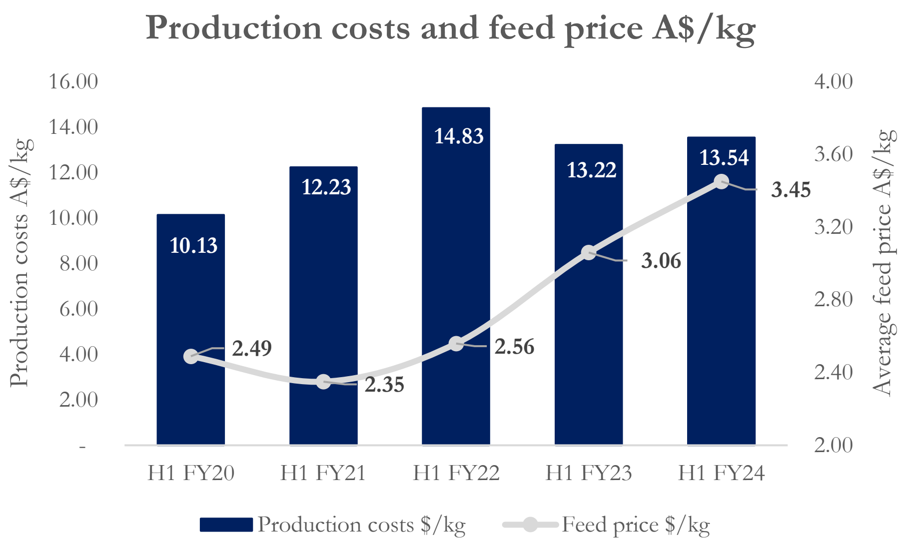
The adjusted biomass levels now support sales volumes of approximately 3,000 tonnes in the most efficient manner, facilitating the consolidation of all farming activities to Port Lincoln. The deployment of a new feed barge to the consolidated farm is a crucial step, contributing significantly to increased automation within the consolidated structure and aiding in the reduction of production costs.

Following the decision to implement the biomass reduction program, Clean Seas reduced monthly frozen production, decreasing from a peak of 110 tonnes in August 2023 to 20 tonnes in December 2023. This has allowed frozen inventory to remain relatively stable at circa 500 tonnes since September 2023. It is anticipated that frozen production will continue to be constrained as the Company manages it's frozen inventory levels.

Given the decline in sales demand for frozen products and the necessity of implementing discounting strategies to stimulate sales, an impairment of A$2.1 million relating to frozen inventory has been recognised.



Production Costs



Despite a 13% rise in the average cost of feed, reaching A$3.45/kg in the 1H FY24, production costs experienced a marginal increase of 2% to A$13.54/kg. The effects of higher feed costs were partially mitigated by the decision to implement the biomass reduction program, which involved removing excess fish. This strategy allowed Clean Seas to reduce feed requirements for the affected cages.

As part of the Operational Review, Clean Seas made the difficult decision to centralise farming activities in Port Lincoln. Consequently, farming operations at Arno Bay will be shut down, leading to the redundancy of a number of employees. A provision for redundancy, amounting to A$0.3 million, has been recognised in the financial statements. The consolidation aims to eliminate duplication of activities and, with the implementation of the new automated feed barge, is expected to result in reduced operating costs following the completion of the restructure and closure of Arno Bay.

Gross Profit

As a result of a decrease in Farmgate revenue and higher production costs, gross profit declined to A$3.71/kg. In the 2H FY24, we anticipate that production costs will be impacted by restructuring and farm closure expenses, along with lower-than-expected growth following the completion of the biomass reduction program.

Indirect & R&D costs

Due to a decline in sales volumes, indirect costs per kg increased to A$3.60/kg. Total costs increased by $0.3 million primarily due to increased frozen storage costs due to the increase in frozen inventory on hand during 1H FY24.

Operating EBITDA

Although the Company encountered challenges in the 1H FY24, a modest operating EBITDA of $0.11 per kg was achieved. This outcome is commendable considering the difficulties faced in the initial six months. Looking ahead to the second half of FY24, our primary focus will be on optimising the return on inventory held in Europe and enhancing the efficiency of our farming process through a single-site approach.

Despite flat demand for Clean Seas products, noteworthy changes in key variable costs, such as freight, fuel, and feed, have been observed, showing a downward trend between December 2023 and January 2024, with further improvements expected in 2H FY24.

Adjustment to underlying EBITDA:

- **SGARA and cost allocation:** Live fish biomass and frozen inventory is accounted for in accordance with *AASB 141 'Agriculture'*. Under *AASB 141,* the Group is required to recognise a gain or loss in the Profit and Loss when changes occur to live fish biomass (i.e. net growth) or expected future profits (i.e. movements in Farmgate $/k.g). The total *AASB 141* related loss for 1H FY24 was A$11.4 million. For the purposes of calculating Underlying Operating EBITDA, the Group eliminates these entries. Furthermore, to calculate Underlying EBITDA, the Group has included the required entries to reflect a theoretical historical cost Profit and Loss
- **Impairment:** An impairment of approximately A$10.1 million was recorded for live fish biomass, accounting for the 560 tonnes allocated to accelerated harvest between December 23 and January 24. Additionally, frozen inventory incurred an impairment of A$2.1 million, reflecting a reduction in the net realizable value.
- **Non-recurring items:** As of December 2023, Clean Seas had incurred $0.52 million in costs related to the accelerated harvest and recognised revenue of $0.22 million from the sale of fish meal. Additional costs and sales are anticipated in January for the final harvest and sale of fish meal and oil.

Statutory Net Loss

The statutory loss is largely attributed to two main factors: A$12.2 million in impairments recognised and A$11.4 million in net SGARA losses. Specifically, a A$28.0 million expense was recognised to account for the sale of Fresh and Frozen fish, representing a reduction in the live fish and frozen inventory assets. Whilst A$16.9 million was recognised to account for the growth that occurred during the period. The net SGARA loss is largely influenced by the seasonal growth profile of Yellowtail Kingfish, with the Company typically experiencing between 15% and 35% live fish biomass growth during the first half of the financial year, a crucial driver of statutory profit or loss.

Cash Flow

Cash flow summary (A$'000)	H1 FY23	H1 FY24	Change (Fav/Unfav)	
Cash receipts	**34,066**	**33,923**	**(143)**	▼
Operating cash flow	3,483	(8,929)	(12,412)	▼
Investing cash flow	(1,766)	(2,887)	(1,121)	▼
Financing cash flow	(4,001)	12,046	16,047	▲
Net increase / (decrease) in cash held	**(2,284)**	**230**	**2,514**	▲

Operating cash flow

Cash receipts for the period ending 31 December 2023, reached A$33.9 million, aligning closely with H1 FY23. Despite subdued sales volumes, pricing remained relatively steady. The stability in pricing, combined with diligent debtor collection practices, played a role in partially mitigating the decline in sales demand.

However, feed payments over the same period saw an increase of A$8.7 million, reaching A$18.1 million, primarily due to the rise in the average feed price and the timing of feed payments. Additionally, payments to suppliers rose by 19%, reflecting inflationary pressures, heightened freight costs, and increased frozen holding costs.

The growth in feed and supplier costs was not matched with a corresponding increase in average revenue $/kg and when coupled with flat sales volumes, resulted in Clean Seas reporting a 1H FY24 operating cash flow loss of (A$8.9 million).

Investing cash flow

In 1H FY24, investment in capital assets reached A$2.9 million and were allocated between growth assets (A$1.5 million) and maintenance assets (A$1.4 million).

The A$1.5 million assigned to growth assets included payments for the ongoing development of the new feed barge (A$0.6 million) and the corresponding grid system essential for supporting the feed barge (A$0.6 million). Additionally, a portion of this investment (A$0.3 million) was directed towards a new vessel, enabling the Company to replace a previously leased vessel.

As at 31 December 2023, Clean Seas has invested A$2.1 million on the new feed barge and anticipates further spending of A$3.1 million in the 2H FY24. Following the completion of the new feed barge and in alignment with the Company's new strategic direction, Clean Seas foresees minimal ongoing investment in growth assets.

Financing cash flow

In the period to December 31, 2023, Clean Seas utilised short- and medium-term debt, drawing a total of A$7.2 million. Of this amount, approximately $6.2 million is due for repayment in the 2H FY24. During the same period, the Company repaid approximately $1 million in other borrowings and incurred interest costs totalling $0.2 million.

On November 24, 2023, Clean Seas disclosed a two-tranche placement to the ASX, raising A$9.5 million. As of December 31, 2023, the Company had received payment for the first tranche, amounting to A$6.7 million, incurring associated costs of $0.6 million.

Funding

Net Cash / (Debt) $'000	Jun-23	Dec-23	Change (Fav/Unfav)	
Cash at bank	6,357	6,587	230	▲
Working capital facility (Trade Finance Facility)	-	(6,207)	(6,207)	▼
Senior debt facility (Cash Advance Facility)	(4,091)	(5,142)	(1,051)	▼
Asset finance facility	(527)	(389)	138	▲
Insurance premium funding	(1,173)	(346)	827	▲
Lease liability	(807)	(690)	117	▲
Total net cash	**(241)**	**(6,187)**	**(5,946)**	▼

As at December 31, 2023, the net debt position increased to A$6.2 million, driven by an operating cash flow loss of (A$8.9 million) and the utilisation of short- and medium-term debt. However, this was partly mitigated by the positive impact of a successful capital raise, with A$6.7 million received in December 2023.

The approval of the second tranche of the placement occurred at the Extraordinary General Meeting on January 15, 2024, and the A$2.8 million was received in January 2024.

In December 2023, the Group renewed its Finance Facility with the Commonwealth Bank of Australia, with a facility limit of A$32.15 million. The Finance Facility comprises a A$12 million Trade Finance Facility, a A$14 million Market Rate Loan Facility, a A$6 million Equipment Finance Facility and a A$150,000 Corporate Card Facility. This ongoing facility is subject to annual review and is secured against all Group assets.

Debt Arrangements (A$'000)	Total Facility	Drawn	Undrawn
Senior debt facility (Cash Advance Facility)	14,000	(5,142)	8,858
Working capital facility (Trade Finance Facility)	12,000	(6,207)	5,793
Asset finance facility	6,000	(389)	5,611
Total	**32,000**	**(11,738)**	**20,262**

As at 31 December 2023, the Company had cash and unused working capital funding of A$12.4 million, plus an additional A$14.5 million of undrawn bank facilities to fund major capital works.

Earnings Per Share

Basic (loss) / earnings per share was (13.63) cents in H1 FY24 and (2.10) cents in H1 FY23. Diluted (loss) /earnings per share was (13.63) cents in H1 FY24 and (2.10) cents in H1 FY23.

Dividend

No dividend has been declared.

Outlook

Clean Seas aim is to continue to leverage our premium market channels and positioning in order to maintain pricing, while ensuring that investments made in infrastructure and automation, and the Company's operational footprint, are focussed towards offsetting the impacts from competitive market forces and input cost pressures.

By the end of March 2024 Clean Seas expects to have completed the implementation of the Operational Review and transitioned to the new farming footprint and adjusted cost base, resulting in a significant reduction in the funding required for infrastructure and working capital as a result of the review, with reduced operational and financial risk, and a faster pathway to profitability and free cash flows

The new right-sized business will align annual sales and production at circa 3,000 tonnes per annum.

The Board notes that the inherent operational risks in aquaculture may impact future results.

Auditor's Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 13 of this financial report and forms part of this Directors' Report.

Rounding of amounts

Clean Seas Seafood is a type of Company referred to in ASIC Class Order 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

Signed in accordance with a resolution of the Directors.

Travis Dillon
Chairman

21 February 2024

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Adelaide SA 5000
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Adelaide SA 5001

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Auditor's Independence Declaration

To the Directors of Clean Seas Seafood Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Clean Seas Seafood Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Ian Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 21 February 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

	Notes	31-Dec-2023 $'000	31-Dec-2022 $'000
Revenue	6	**34,083**	34,231
Other income		**326**	237
Net loss arising from changes in fair value of Yellowtail Kingfish	8	**(7,151)**	(1,202)
Fish husbandry expense		**(16,067)**	(15,239)
Employee benefits expense		**(8,051)**	(7,426)
Fish processing and selling expense		**(9,594)**	(8,048)
Costs of goods sold – frozen inventory		**(3,965)**	(2,734)
Impairment - biological assets & frozen inventory	7/8	**(12,170)**	-
Depreciation and amortisation		**(1,865)**	(1,879)
Other expenses		**(1,141)**	(1,180)
Loss before finance items and tax		**(25,595)**	(3,240)
Finance costs		**(365)**	(247)
Finance income		**14**	20
Loss before tax		**(25,946)**	(3,467)
Income tax benefit / (expense)		**-**	-
Loss for the period from continuing operations		**(25,946)**	(3,467)
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive loss for the period		**(25,946)**	(3,467)
(Loss)/profit for the period and total comprehensive loss for the period			
is attributable to owners of the parent.			
Earnings per share from continuing operations:			
Basic earnings per share (cents per share)	10	**(13.63)**	(2.10)
Diluted earnings per share (cents per share)	10	**(13.63)**	(2.10)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	31-Dec-2023 $'000	30-Jun-2023 $'000
Assets			
Current			
Cash and cash equivalents		**6,587**	6,357
Trade and other receivables		**5,225**	5,223
Inventories	7	**16,192**	11,191
Prepayments		**903**	1,500
Biological assets	8	**37,576**	62,250
Current assets		**66,483**	86,521
Non-current			
Property, plant and equipment	9	**19,920**	18,929
Right-of-use assets		**640**	766
Biological assets		**117**	117
Intangible assets		**2,827**	2,827
Non-current assets		**23,504**	22,639
TOTAL ASSETS		**89,987**	109,160
Liabilities			
Current			
Trade and other payables		**8,432**	13,681
Borrowings		**7,001**	1,685
Provisions		**1,609**	1,394
Current liabilities		**17,042**	16,760
Non-current			
Borrowings		**5,773**	4,913
Provisions		**356**	434
Non-current liabilities		**6,129**	5,347
TOTAL LIABILITIES		**23,171**	22,107
NET ASSETS		**66,816**	87,053
Equity			
Equity attributable to owners of the Parent:			
• share capital	14	**234,432**	228,019
• share rights reserve		**-**	704
• accumulated losses		**(167,616)**	(141,670)
TOTAL EQUITY		**66,816**	87,053

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2023

	Share Capital $'000	Share Rights Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Balance at 1 July 2023	**228,019**	**704**	**(141,670)**	**87,053**
Total comprehensive loss for the period	**-**	**-**	**(25,946)**	**(25,946)**
Share placement	**6,063**		**-**	**6,063**
Share rights reserve movement	**350**	**(704)**	**-**	**(354)**
Balance at 31 December 2023	**234,432**	**-**	**(167,616)**	**66,816**

For the half-year ended 31 December 2022

	Share Capital $'000	Share Rights Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Balance at 1 July 2022	227,901	507	(147,666)	80,742
Total comprehensive profit for the period	-	-	(3,467)	(3,467)
Share rights reserve movement	118	182	-	300
Balance at 31 December 2022	228,019	689	(151,133)	77,575

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2023

	31-Dec-2023 $'000	31-Dec-2022 $'000
Operating activities		
Receipts from customers	**33,923**	34,066
Payments to suppliers (excluding feed)	**(17,053)**	(14,321)
Payments for fish feed	**(18,100)**	(9,452)
Payments to employees	**(7,750)**	(6,810)
Other income	**51**	-
Net cash used in operating activities	**(8,929)**	3,483
Investing activities		
Purchase of property, plant and equipment	**(2,899)**	(1,822)
Proceeds from sale of property, plant and equipment	**-**	36
Interest received	**12**	20
Net cash used in investing activities	**(2,887)**	(1,766)
Financing activities		
Proceeds from issue of shares	**6,696**	
Transaction costs related to issues of shares	**(633)**	-
Proceeds from borrowings	**7,258**	-
Repayments of borrowings	**(1,084)**	(3,757)
Finance costs	**(191)**	(244)
Net cash (used in) / provided by financing activities	**12,046**	(4,001)
Net change in cash and cash equivalents	**230**	(2,284)
Cash and cash equivalents, beginning of period	**6,357**	12,982
Cash and cash equivalents, end of period	**6,587**	10,698

The accompanying notes form part of these financial statements.

Notes to the Interim Consolidated Financial Statements

1 Nature of operations

Clean Seas Seafood Limited and its subsidiaries' ('the Group') principal activities include finfish, which comprises the propagation, growout and sale of Yellowtail Kingfish. The Group continues to enhance its operations through new research and world's best practice techniques to deliver Hiramasa Yellowtail Kingfish of premium quality.

2 General information and basis of preparation

The interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2023 and are presented in Australian Dollars ($AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2023 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 21 February 2024.

3 Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2023.

4 Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2023.

5 Seasonal fluctuations

The Group's underlying reported profit is subject to material seasonal fluctuation due to fish growth being the major contributor to profitability and Yellowtail Kingfish in South Australia having a seasonal strong growth period from October to May when the seawater temperatures are warmer. Historically 15% to 35% of biomass growth in a financial year has occurred in the first half of the financial year. Consequently, it is expected that the Group's future underlying reported profits will be materially higher in the second half of the financial year than the first half.

6 Revenue

	6 months to 31 December 2023 $'000	6 months to 31 December 2022 $'000
Sale of fresh finfish	**30,022**	29,822
Sale of frozen fish products	**4,061**	4,409
Total revenue	**34,083**	34,231

7 Inventories

	31-Dec-2023 $'000	30-Jun-2023 $'000
Frozen fish products	**11,692**	7,849
(Less) impairment	**(2,077)**	-
Frozen fish products (at NRV)	**9,615**	7,849
Fish feed (at cost)	**5,166**	2,497
Other (at cost)	**1,411**	845
Total inventories	**16,192**	11,191

8 Current Biological Assets – Live Fish

Live Yellowtail Kingfish – Held for Sale	**6 months to 31 December 2023 $'000**	12 months to 30 June 2023 $'000
Carrying amount at beginning of period / year	**62,250**	49,591
Adjusted for:		
Gain arising from physical changes at fair value less costs to sell	**16,847**	68,534
Decrease due to harvest for sale as fresh	**(23,998)**	(45,144)
Net (loss) / gain recognised in profit and loss	**(7,151)**	23,390
Decrease due to impairment	**(10,093)**	-
Decrease due to harvest for processing to frozen inventory	**(7,430)**	(10,731)
Carrying amount at end of period / year	**37,576**	62,250

During the period to December 2023, the Group recognised an impairment of $10.1 million to ensure that Live fish inventory is stated at fair value in accordance with *AASB 141 Agriculture*. The impairment comprises 560 tonnes of the Year Class 22 allocated to accelerated harvest program between December 23 and January 24.

There is inherent uncertainty in the biomass estimate and resultant live fish valuation. This is common to all such valuations and best practice methodology is used to facilitate reliable estimates. Biomass is estimated using a model that simulates fish growth. Actual growth will invariably differ to some extent, which is monitored and stock records adjusted via harvest counts and weights, periodic sample weight checks, physical counts on transfer to sea cages and subsequent splitting of cages, mortality counts and reconciliation of the perpetual records after physical counts and on cage closeout.

Live Yellowtail Kingfish Biomass (tonnes)	Year Class 20	Year Class 21	Year Class 22	Year Class 23	Year Class 24	Total
Balance at 30 June 2022	268	1,960	1,280	-	-	3,508
Net gain from physical changes	10	17	2,285	1,525	-	3,837
Decrease due to harvest	(278)	(1,977)	(1,099)	-	-	(3,354)
Balance at 30 June 2023	-	-	2,466	1,525	-	3,991
Net gain from physical changes	**-**	**-**	**(28)**	**629**	**225**	**826**
Decrease due to harvest	**-**	**-**	**(1,743)**	**-**	**-**	**(1,743)**
Decrease due to accelerated harvest	**-**	**-**	**-**	**(364)**	**-**	**(364)**
Balance at 31 December 2023	**-**	**-**	**695**	**1,790**	**225**	**2,710**

Live Fish average weight (k.g)	Year Class 22	Year Class 23	Year Class 24	Total
Average weight at 30 June 2023	3.67	1.40	-	2.27
Average weight at 31 December 2023	**3.74**	**2.17**	**0.41**	**1.73**

9 Property, plant and equipment

The following table shows the movements in property, plant and equipment:

	Land & Buildings $'000	Plant & Equipment $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2023	**4,567**	**47,644**	**52,211**
Additions	**85**	**2,648**	**2,733**
Disposals	**-**	**(185)**	**(185)**
Balance at 31 December 2023	**4,652**	**50,107**	**54,759**
Depreciation and impairment			
Balance at 1 July 2023	**(2,038)**	**(31,244)**	**(33,282)**
Disposals	**-**	**182**	**182**
Depreciation	**(65)**	**(1,674)**	**(1,739)**
Balance at 31 December 2023	**(2,103)**	**(32,736)**	**(34,839)**
Carrying amount at 31 December 2023	**2,549**	**17,371**	**19,920**
Gross carrying amount			
Balance 1 July 2022	4,437	47,515	51,952
Additions	130	4,823	4,953
Disposals	-	(4,694)	(4,694)
Balance 30 June 2023	4,567	47,644	52,211
Depreciation and impairment			
Balance 1 July 2022	(1,930)	(32,479)	(34,409)
Disposals	-	4,694	4,694
Depreciation	(108)	(3,459)	(3,567)
Balance 30 June 2023	(2,038)	(31,244)	(33,282)
Carrying amount 30 June 2023	2,529	16,400	18,929

10 Earnings per share

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	6 months to 31 December 2023	6 months to 31 December 2022
Weighted average number of shares used in basic earnings per share	**190,850,321**	165,474,416
Shares deemed to be issued for no consideration in respect of share based payments	**-**	-
Weighted average number of shares used in diluted earnings per share	**190,850,321**	165,474,416

The potential exercise of share rights has been excluded from the diluted earnings per share calculation for 6 months to 31 December 2023 and 31 December 2022 due to being antidilutive, in accordance with *AASB 133 Earnings Per Share*, paragraph 43.

11 Segment reporting

The Board has considered the requirements of *AASB 8 Operating* Segments and the internal reports that are reviewed by the chief operating decision maker (the Board of Directors) in allocating resources and have concluded there are no separately identifiable segments.

12 Contingent assets and liabilities

The Group also has unrecognised carry forward tax losses. This contingent asset is discussed in Note 10 to the financial statements in the 2022/23 Annual Report.

There are no other material contingent assets or liabilities.

13 Borrowings

In December 2023, the Group renewed its Finance Facility with Commonwealth Bank of Australia, with a facility limit to $32.15 million. The Finance Facility comprises $12 million Trade Finance Facility, $14 million Market Rate Loan Facility, $6 million Equipment Finance Facility and $150,000 Corporate Card Facility. This is an ongoing facility subject to annual review and is secured against all Group assets.

The Group is subject to financial covenants, including EBITDA interest coverage ratio, tangible net worth divided by total tangible assets, quarterly operating cash flows. The Group was compliant with all tested covenants at 31 December 2023.

14 Share capital

The share capital of Clean Seas Seafood Limited consists only of fully paid ordinary shares: the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at a shareholders' meeting.

	31-Dec-2023 Shares	30-Jun-2023 Shares	**31-Dec-2023 $'000**	30-Jun-2023 $'000
Shares issued and fully paid:				
• at beginning of the year	**165,489,512**	165,352,683	**228,019**	227,901
• share placements 1	**24,800,440**	-	**6,063**	-
• share rights 2	**560,369**	136,829	**350**	118
Total contributed equity	**190,850,321**	165,489,512	**234,432**	228,019

1. On November 24, 2023, Clean Seas disclosed a two-tranche placement to the ASX, raising A$9.5 million. As of December 31, 2023, the Company had received payment for the first tranche (24,800,440 shares), amounting to A$6.7 million, incurring associated costs of $0.6 million.

   The approval of the second tranche occurred at the Extraordinary General Meeting on January 15, 2024, and the $2.8 million was received in January 2024.
2. 560,369 share rights were exercised executives.

15 Fair value measurement of non-financial assets – Fair Value Hierarchy

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** Inputs for the asset or liability that is not based on observable market data (unobservable inputs)

The Group's biological assets (live fish) held for sale are valued at their fair value in accordance with Note 4.20 of the 2022/23 Annual Report. This valuation method satisfies the criteria for Level 3. At 31 December 2023 the Group has 2,710 tonnes of live fish held for sale valued at $37.6 million (June 2023: 3,991 tonnes valued at $62.3 million).

16 Capital Commitment

As at 31 December 2023 the Group has contracted for the purchase of various items of plant and equipment totalling $2.4 million [June 2023: $3.3 million].

Approximately $1.9 million of capital commitment relate to the purchase of the new automated feed barge from Southern Ocean Solutions. Forward contracts were entered into to hedge foreign currency movements upon settlement.

17 Post-reporting date events

The approval of the second tranche of the placement occurred at the Extraordinary General Meeting on January 15, 2024, and the $2.8 million was received in January 2024.

There are no other matters or circumstances that have arisen between the reporting date and the date of authorisation that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

Directors' Declaration

1 In the opinion of the Directors of Clean Seas Seafood Limited:

a The consolidated financial statements and notes of Clean Seas Seafood Limited are in accordance with the *Corporations Act 2001*, including:

i Giving a true and fair view of its financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

ii Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and

b There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Travis Dillon
Chairman

Dated the 21th day of February 2024

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Independent Auditor's Review Report

To the Members of Clean Seas Seafood Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Clean Seas Seafood Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Clean Seas Seafood Limited does not comply with the *Corporations Act 2001* including:

a giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half year ended on that date; and

b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 21 February 2024