

Sea Forest Limited

ABN 46 631 662 283

Annual Report - 30 June 2024

Sea Forest Limited
Directors' report
30 June 2024

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2024.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Stephen Turner (Chairman)
Sam Elsom (Chief Executive Officer)
Dion Cohen (Chief Financial Officer) – resigned as Director on 5 July 2024
Alex Berger
Jeremy Atkin – resigned as Director on 5 August 2024
Mark Kirkby
Patricia Akopiantz
Roger Millichamp

Principal activities

During the financial year the principal continuing activities of the company consisted of the production of SeaFeed™ Amplify product, a synthetic product, which uses both active components derived from *Asparagopsis* seaweed and manufactured haloforms.

In the production of these products, the company is involved in the:

- Cultivation of seaweed in both its marine farming and land-based operations, with significant innovation and improvement in marine farming operations, and the scaling of land-based production.
- Designing and operation of its processing plant that extracts and stabilises the bioactive compounds from the seaweed into a canola oil-based feed additive for ruminants.
- Significant research and development activities surrounding the culturing of *Asparagopsis* seaweed with a focus on the identification of high-performance isolates of the tetrasporophytes to support land-based production. Research is also focused on the design of sustained release and longer life methane abating livestock feed supplements.
- The development of optimal delivery mechanisms for its feed supplement, including pellets, lick-blocks and slow-release formulation of SeaFeed™

Review of operations

The loss for the company after providing for income tax amounted to \$6,883,479 (30 June 2023: \$7,218,850).

Information on the operations and financial position of the company and its business prospects are set out in the Message from the Chairman and CEO within the Annual Report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

Sea Forest's current seaweed cultivation in Tasmania is governed by the provisions of the Marine Farming Planning Act 1995 and the Living Marine Resources Management Act 1995. Sea Forest either holds or is authorised to use the relevant licenses and permits for its activities under these Acts.

Information on Executive directors

Name: Stephen Turner
Title: *Executive Chairman*
Experience and expertise: Stephen has a record of delivering large scale greenfield projects with an emphasis on sustainability, mitigation of environmental impact, waste gas to energy conversion, and positive rehabilitation. He co-founded International Ferro Metals: a mining and smelting company which produced 4% of global ferrochrome supply and was listed on the LSE. For seven years Stephen was its CEO. He was also a founding director of South American Ferro Metals, a Brazilian iron ore producer that was listed on the ASX where he was CEO for three years. Stephen was for five years to 2014 also a non-executive director of Iluka Resources Limited, the world's biggest producer of zircon and the world's second largest producer of titanium oxide.

Name: Sam Elsom
Title: *Chief Executive Officer*
Experience and expertise: Sam is a passionate environmentalist with over 15 years' experience in sustainability, having founded one of Australia's first sustainable apparel businesses. He is credited with measuring social and environmental impacts across supply chains, as well as implementing satellite factories in India to support poor communities with income, training, clean water and education.

Name: Dion Cohen (resigned as Director on 4 July 2024)
Title: *Chief Financial Officer and Company Secretary*
Experience and expertise: Dion is a Chartered Accountant with extensive experience in the resources and investment banking sectors. Over the past 15 years, he has played a pivotal role in several greenfield operations that have successfully transitioned to primary stock exchange listings. He has served as CFO for multiple companies listed on both the ASX and LSE.

In addition to his corporate experience, Dion serves as a Director and Co-founder of the Forever Foundation, where he is intricately involved in the sustainability aspects of abatement calculations. He is currently spearheading the development of Farming For Tomorrow, a program designed to incentivise the reduction of greenhouse gas emissions by leveraging consumer premiums to fund abatement activities. The program provides retailers and consumers with a transparent, credible framework to mitigate the environmental impact of consumer products.

Information on Non-Executive directors

Name: Alex Berger
Title: *Non-executive director*
Experience and expertise: Alex brings to Sea Forest sophisticated investment banking capability. Following tenures at some of the world's leading financial institutions, Alex spearheaded private asset development enterprises that originated, capitalised and delivered major projects in both the African and Asia Pacific regions that were focused on carbon abatement and climate change. Accordingly, Alex affords Sea Forest access to sustainable development capital channels and global carbon asset markets.

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Name: Jeremy Atkin (resigned on 5 August 2024)
Title: *Non-executive director*
Experience and expertise: Jeremy is an experienced consultant with an extensive track-record of driving innovation within companies ranging from start-ups through to large enterprises within the technology, media and retail sectors. Jeremy is an active investor in early-stage start-ups with a focus on sustainability and brings a broad network of connections within the Australian venture capital community and the broader agriculture sector.

Mr Atkin commenced an executive engagement with Sea Forest Limited on 5 August 2024 which will terminate on 5 January 2025.

Name: Mark Kirkby
Title: *Non-executive director*
Experience and expertise: Mark Kirkby is a Chartered Accountant and works for the PGA Group as its Commercial Director. Mark is a member of PGA's Advisory and Investment Committees and provides support as a non-executive director to the group's various operating businesses. Mark has experience in chairing Finance, Audit and Risk Committees. Prior to joining PGA, Mark held various senior financial executive roles in diverse industry sectors for both listed and unlisted companies.

Name: Patricia Akopiantz
Title: *Non-executive director*
Experience and expertise: Patricia has deep expertise across the consumer-facing landscape having spent over 35 years as an ASX Board Director and Senior Manager in companies including Coles Myer, Energy Australia, Ramsay Healthcare, AMP, McKinsey, and David Jones. She is a Co-Founder of Assembly Climate Capital which invests in companies that can significantly impact climate change. She is a Member of the Climate Change Authority, an independent statutory body established to provide expert advice to the Australian Government. As Chair of Environmental Leadership Australia, she works to build bi-partisan support for climate action. Patty is also a Non-Executive Director of KPMG Australia and The Hunger Project.

Name: Roger Millichamp
Title: *Non-executive director*
Experience and expertise: Roger gained a Master's degree in Natural Sciences at Oxford University followed by an MBA and Diploma in Marketing. Roger has over 25 years International General Management experience working in Australia, China, UK, Latin America, Africa / Middle East, Eastern Europe and Southeast Asia.

Roger has a passion for business development, and he has multi-market experience in the following areas: sales and marketing, research and development, regulatory and scientific affairs, patent litigation, business development, and manufacturing / supply chain across multiple industries.

Roger recently led the Apotex business in Australia for 12 years which under his leadership became a leader in the pharmaceutical market and developed very strong strategic partnerships in the global industry.

Company secretary

The company secretary is Mr Dion Cohen. Mr Cohen was appointed to the position of company secretary 22 October 2019.

Sea Forest Limited
Directors' report
30 June 2024

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Stephen Turner	5	5	-	-	-	-
Sam Elsom	5	5	-	-	-	-
Dion Cohen	5	5	-	-	4	7
Alexander Berger	5	5	4	4	7	7
Jeremy Atkin	5	5	4	4	-	-
Mark Kirkby	5	5	-	-	7	7
Patricia Akopiantz	5	5	-	-	7	7
Roger Millichamp	5	5	4	4	-	-

Shareholder options

There were no outstanding shareholder options at 30 June 2024. A total number of 3,125,000 employee options have been issued under the Sea Forest Share Option Plan (refer note 29).

Going Concern

During the year the company incurred a loss after tax of \$6,883,479 (30 June 2023: \$7,218,850), net operating cash outflows of \$1,514,671 (30 June 2023: \$2,446,408), net investing cash outflows of \$204,612 (30 June 2023: \$10,530,321), and financing cash outflows of \$468,168 (30 June 2023: inflow of \$9,566,043).

As at 30 June 2024 the company has cash and cash equivalents, of \$12,958,399 (30 June 2023: \$15,145,850) and term deposits of \$7,329,901 (30 June 2023: \$7,000,000).

The company has unfortunately faced another year of subdued sales. The company continues to engage with regulators, local and international retailers, and major Beef and Dairy operators to secure commercial sales agreements. The company has also undertaken an internal operational review to maximise operating cost efficiencies.

While the Board and management are confident that the company has sufficient cash to remain operational through calendar 2025, its ongoing ability to continue as a going concern, recover the carrying value of its assets and meet its commitments as and when they fall due is dependent upon securing additional funding. A key factor contributing to these uncertainties is the slower-than-anticipated market uptake of our product, which has negatively impacted revenue generation.

The Board and management are actively exploring funding options and considering implementing further cost-reduction measures to address these financial challenges, and accordingly, have prepared the 30 June 2024 financial statements on a going concern basis.

At this time, the Board and management believe that the company's assets are realisable for an amount not less than their recorded value as at 30 June 2024. Accordingly, no adjustments, other than those recorded within the financial statements, have been made relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that may be necessary should the company not continue as a going concern.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability 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.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Sea Forest Limited
Directors' report
30 June 2024

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 immediately after this directors' report.

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

On behalf of the directors



Stephen Turner
Director



Sam Elsom
Director

28 October 2024

SEA FOREST LIMITED
ABN: 46 631 662 283
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SEA FOREST LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2024 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Name of Firm Logicca Assurance Pty Limited

Name of Partner Peter
 Hersh OAM



Date 28 October 2024

Address Level 9, 151 Macquarie Street, Sydney NSW 2000

Sea Forest Limited

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General information

The financial statements cover Sea Forest Limited as an individual entity. The financial statements are presented in Australian dollars, which is Sea Forest Limited's functional and presentation currency.

Sea Forest Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

488 Freestone Point Road,
Triabunna, TAS 7190

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 October 2024. The directors have the power to amend and reissue the financial statements.

Sea Forest Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue	3	5,532,128	6,238,249
Expenses			
Consulting expense		(327,350)	(224,572)
Depreciation and amortisation expense		(1,696,137)	(1,385,899)
Employee benefits expense		(5,962,841)	(4,846,760)
Finance costs	4	(446,278)	(365,614)
Impairment of assets	9,12	(444,704)	(2,648,598)
Loan impairment expense	7	-	(167,003)
Loss on disposal of assets		(221,405)	(142,373)
Operating expenses		(3,316,892)	(3,676,280)
Total expenses		<u>(12,415,607)</u>	<u>(13,457,099)</u>
Loss before income tax expense		(6,883,479)	(7,218,850)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of Sea Forest Limited	23	(6,883,479)	(7,218,850)
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Sea Forest Limited		<u>(6,883,479)</u>	<u>(7,218,850)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Sea Forest Limited
Statement of financial position
As at 30 June 2024

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	6	12,958,399	15,145,850
Trade and other receivables	7	2,688,598	5,785,911
Prepayments	8	979,306	969,812
Inventories	9	3,321,773	1,316,527
Cash on deposits	10	7,329,901	7,000,000
Other current assets	11	-	215,924
Total current assets		<u>27,277,977</u>	<u>30,434,024</u>
Non-current assets			
Property, plant and equipment	12	16,614,977	18,702,435
Right-of-use assets	13	5,601,642	4,648,971
Total non-current assets		<u>22,216,619</u>	<u>23,351,406</u>
Total assets		<u>49,494,596</u>	<u>53,785,430</u>
Liabilities			
Current liabilities			
Trade and other payables	14	1,268,224	1,472,366
Lease liabilities	15	89,137	80,413
Employee benefits	16	602,909	411,902
Other	17	3,216,172	1,522,141
Total current liabilities		<u>5,176,442</u>	<u>3,486,822</u>
Non-current liabilities			
Lease liabilities	18	6,352,166	5,199,682
Employee benefits	19	105,598	56,774
Deferred Income	20	4,123,398	4,995,778
Total non-current liabilities		<u>10,581,162</u>	<u>10,252,234</u>
Total liabilities		<u>15,757,604</u>	<u>13,739,056</u>
Net assets		<u>33,736,992</u>	<u>40,046,374</u>
Equity			
Issued capital	21	55,853,528	55,853,528
Reserves	22	1,273,196	699,099
Accumulated losses	23	(23,389,732)	(16,506,253)
Total equity		<u>33,736,992</u>	<u>40,046,374</u>

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

Sea Forest Limited
Statement of changes in equity
For the year ended 30 June 2024

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	46,448,389	266,664	(9,287,403)	37,427,650
Loss after income tax expense for the year	-	-	(7,218,850)	(7,218,850)
Other comprehensive loss for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(7,218,850)	(7,218,850)
Share-based payments (note 29)	-	432,435	-	432,435
Issue of shares (net of share issue expenses)	9,405,139	-	-	9,405,139
Balance at 30 June 2023	<u>55,853,528</u>	<u>699,099</u>	<u>(16,506,253)</u>	<u>40,046,374</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	55,853,528	699,099	(16,506,253)	40,046,374
Loss after income tax expense for the year	-	-	(6,883,479)	(6,883,479)
Other comprehensive loss for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(6,883,479)	(6,883,479)
Share-based payments (note 29)	-	574,097	-	574,097
Balance at 30 June 2024	<u>55,853,528</u>	<u>1,273,196</u>	<u>(23,389,732)</u>	<u>33,736,992</u>

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

Sea Forest Limited
Statement of cash flows
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers and others (inclusive of GST)		1,501,072	788,207
Payments to suppliers (inclusive of GST)		(10,828,372)	(10,234,293)
Government Grants and subsidies		2,223,911	1,837,855
Research and Development rebate		4,702,949	4,852,481
		<u>(2,400,440)</u>	<u>(2,755,750)</u>
Interest received		885,769	309,342
Net cash used in operating activities		<u>(1,514,671)</u>	<u>(2,446,408)</u>
Cash flows from investing activities			
Payments for term deposits		(329,901)	(7,000,000)
Payments for property, plant and equipment	12	(744,623)	(3,336,747)
Payments for deposits		-	(215,923)
Proceeds from disposal of property, plant and equipment		869,912	22,349
Net cash used in investing activities		<u>(204,612)</u>	<u>(10,530,321)</u>
Cash flows from financing activities			
Proceeds from issue of shares	21	-	9,405,139
Repayment of lease liabilities		(468,168)	160,904
Net cash from/(used in) financing activities		<u>(468,168)</u>	<u>9,566,043</u>
Net decrease in cash and cash equivalents		(2,187,451)	(3,410,686)
Cash and cash equivalents at the beginning of the financial year		15,145,850	18,556,536
Cash and cash equivalents at the end of the financial year	6	<u>12,958,399</u>	<u>15,145,850</u>

The above cash and cash equivalents excludes cash on term deposits of \$7.3M (refer Note 10).

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

Note 1. Material accounting policy information

The accounting policies that are material to the company are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

During the year the company incurred a loss after tax of \$6,883,479 (30 June 2023: \$7,218,850), net operating cash outflows of \$1,514,671 (30 June 2023: \$2,446,408), net investing cash outflows of \$204,612 (30 June 2023: \$10,530,321), and financing cash outflows of \$468,168 (30 June 2023: inflow of \$9,566,043).

As at 30 June 2024 the company has cash and cash equivalents, of \$12,958,399 (30 June 2023: \$15,145,850) and term deposits of \$7,329,901 (30 June 2023: \$7,000,000).

The company has unfortunately faced another year of subdued sales. The company continues to engage with regulators, local and international retailers, and major Beef and Dairy operators to secure commercial sales agreements. The company has also undertaken an internal operational review to maximise operating cost efficiencies.

While the Board and management are confident that the company has sufficient cash to remain operational through calendar 2025, its ongoing ability to continue as a going concern, recover the carrying value of its assets and meet its commitments as and when they fall due is dependent upon securing additional funding. A key factor contributing to these uncertainties is the slower-than-anticipated market uptake of our product, which has negatively impacted revenue generation.

The Board and management are actively exploring funding options and considering implementing further cost-reduction measures to address these financial challenges, and accordingly, have prepared the 30 June 2024 financial statements on a going concern basis.

At this time, the Board and management believe that the company's assets are realisable for an amount not less than their recorded value as at 30 June 2024. Accordingly, no adjustments, other than those recorded within the financial statements, have been made relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that may be necessary should the company not continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented Tier 2 entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Note 1. Material accounting policy information (continued)

Revenue recognition

The company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

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.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Note 1. Material accounting policy information (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

It is Management's view that a number of factors surrounding the measurement of its biological assets on its marine farm are not able to be accurately measured and hence the value of this asset has not included in the value of inventory at year end.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Note 1. Material accounting policy information (continued)

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

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.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	2 - 15 years
Marine infrastructure	10 years
Tanks & raceways	10 - 12 years
Leasehold improvements	Length of lease
Vehicles	3 -5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the company is able to use or sell the asset; the company has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Leases

Note 1. Material accounting policy information (continued)

The company leases land and buildings for its offices and marine farm areas for its operations. Rental contract are typically made for fixed term periods of 10 years with options to further extend between 5 to 20 years which remain unexercised.

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 company. 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 cannot 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.

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.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Material accounting policy information (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or 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, together with non-vesting conditions that do not determine whether the company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

Note 1. Material accounting policy information (continued)

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

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.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Revenue

	2024 \$	2023 \$
Sales	713,613	1,208,774
<i>Other revenue</i>		
Government Grants	890,816	1,729,066
Research and development incentive	2,896,730	2,769,180
Interest Income	879,185	503,371
Other Income	151,784	27,858
	<u>4,818,515</u>	<u>5,029,475</u>
Revenue	<u>5,532,128</u>	<u>6,238,249</u>

Other income refers to sales of scrap metal and second-hand marine floats.

The disaggregation of revenue from contracts with customers is as follows:

	2024 \$	2023 \$
<i>Major product lines</i>		
Sale of SeaFeed™	344,443	651,916
Sale of Oyster Spat	369,170	556,858
	<u>713,613</u>	<u>1,208,774</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>713,613</u>	<u>1,208,774</u>

Note 4. Finance costs

	2024 \$	2023 \$
Interest on lease liabilities	<u>446,278</u>	<u>365,614</u>

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Note 5. Income tax expense

	2024	2023
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(6,883,479)	(7,218,850)
Tax at the statutory tax rate of 25%	(1,720,870)	(1,804,713)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of share options	146,884	100,789
Depreciation of property, plant and equipment	400,325	346,475
Entertainment expenses	5,032	10,643
Impairment of assets	98,434	240,141
Accruals	54,865	(5,801)
R&D expenditure claim	593,267	813,384
Asset write off	223,411	375,631
Prepayments	(19,469)	(22,987)
Production costs capitalised and claimed in R&D	(567,598)	(459,997)
Other items	(120,019)	(52,688)
	(905,738)	(459,123)
Current year tax losses not recognised	905,738	459,123
Income tax expense	-	-

Note 6. Current assets - cash and cash equivalents

	2024	2023
	\$	\$
Cash at bank	2,978,254	3,133,003
Cash on deposit	9,980,145	12,012,847
	<u>12,958,399</u>	<u>15,145,850</u>

Cash on deposit are short-term deposits with maturity dates of three months or less.

Note 7. Current assets - trade and other receivables

	2024	2023
	\$	\$
Trade receivables	67,334	347,435
Loan - Forever Foundation Limited (formerly known as Sea Forest Foundation Limited) (refer note 27)	161,543	260,939
Less: Provision for impairment	-	(167,003)
	<u>161,543</u>	<u>93,936</u>
Other receivables	-	9,026
Research and development rebate	1,969,414	4,702,926
Grants receivable	303,159	247,751
Interest receivable	187,148	194,029
GST receivable	-	190,808
	<u>2,688,598</u>	<u>5,785,911</u>

Note 7. Current assets - trade and other receivables (continued)

The Research and Development rebate is in respect of a tax incentive for research and development expenditure incurred during the year. Total qualifying expenditure was \$4,527,388 (2023: \$10,811,377) which includes \$16,687 (2023: \$5,428,922) of capital expenditure.

Note 8. Current assets - Prepayments

	2024	2023
	\$	\$
Prepayments	<u>979,306</u>	<u>969,812</u>

Note 9. Current assets - inventories

	2024	2023
	\$	\$
Raw materials - at cost	380,405	442,545
Less: Stock losses	<u>-</u>	<u>(17,285)</u>
	380,405	425,260
Work in progress - at cost	2,406,476	59,763
Less: Stock losses	<u>(1,901)</u>	<u>-</u>
	2,404,575	59,763
Finished goods - at cost	576,816	2,659,722
Less: Stock losses	(53,058)	(266,667)
Less: Impairment	<u>-</u>	<u>(1,571,087)</u>
	523,758	821,968
Merchandise - at cost	<u>13,035</u>	<u>9,536</u>
	<u><u>3,321,773</u></u>	<u><u>1,316,527</u></u>

At year-end, an assessment of inventory was conducted. This resulted in a stock loss of finished stock totaling \$53,058 (FY23: \$266,667) and work-in-progress (WIP) inventory of \$1,901 (FY23: Nil).

During the previous financial year, lower-than-anticipated sales resulted in a reduction of production volumes of SeaFeed™, resulting in a higher cost per litre of SeaFeed™. At 30 June 2023, a decision was taken to adjust the inventory valuation to the lower of its cost or its net realisable value, resulting in a write-off of \$1,571,087.

In FY2023, an accident occurred where a rope was left in an IBC container and subsequently processed through the plant. The contaminated rope tainted the existing concentrate oil, resulting in a write-off of \$238,295 worth of SeaFeed™ product. Year-end stock counts led to recording stock volume losses for SeaFeed™ Amplify of \$28,372.

Note 10. Current assets - cash on deposits

	2024	2023
	\$	\$
Cash on term deposit held	<u>7,329,901</u>	<u>7,000,000</u>

The effective interest rate on cash on term bank deposits was 4.70%; these deposits have an average maturity of 247 days.

Note 11. Current assets - other current assets

	2024 \$	2023 \$
Other deposits	-	215,924

Other deposits for the 2023 financial year refers to deposits paid for plant & equipment.

Note 12. Non-current assets - property, plant and equipment

	2024 \$	2023 \$
Land and buildings - at cost	3,402,117	3,530,547
Less: Accumulated depreciation	(153,845)	(100,045)
	<u>3,248,272</u>	<u>3,430,502</u>
Work in progress - at cost	405,678	14,151
Leasehold improvements - at cost	317,585	307,435
Less: Accumulated depreciation	(73,260)	(41,573)
	<u>244,325</u>	<u>265,862</u>
Plant and equipment - at cost	5,773,001	5,600,392
Less: Accumulated depreciation	(1,421,406)	(744,793)
	<u>4,351,595</u>	<u>4,855,599</u>
Marine Infrastructure and equipment - at cost	7,226,693	8,390,499
Less: Accumulated depreciation	(768,329)	(627,532)
Less: Impairment	(1,067,512)	(793,559)
	<u>5,390,852</u>	<u>6,969,408</u>
Tanks and Raceways - at cost	3,593,913	3,551,490
Less: Accumulated depreciation	(619,658)	(384,577)
	<u>2,974,255</u>	<u>3,166,913</u>
	<u><u>16,614,977</u></u>	<u><u>18,702,435</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land and Buildings \$	Work in Progress \$	Leasehold improvements \$	Plant and equipment \$	Marine Infrastructure and equipment \$	Tanks & Raceways \$	Total \$
Balance at 1 July 2023	3,430,502	14,151	265,862	4,855,599	6,969,408	3,166,913	18,702,435
Additions	16,200	405,678	10,149	195,096	16,891	100,609	744,623
Disposals	(135,278)	-	-	(23,559)	(885,238)	(48,641)	(1,092,716)
Impairment of assets	-	-	-	-	(273,953)	-	(273,953)
Transfers	-	(14,151)	-	14,151	-	-	-
Depreciation expense	(63,152)	-	(31,686)	(689,692)	(436,256)	(244,626)	(1,465,412)
Balance at 30 June 2024	<u><u>3,248,272</u></u>	<u><u>405,678</u></u>	<u><u>244,325</u></u>	<u><u>4,351,595</u></u>	<u><u>5,390,852</u></u>	<u><u>2,974,255</u></u>	<u><u>16,614,977</u></u>

Note 12. Non-current assets - property, plant and equipment (continued)

On 22 June 2021, the company acquired marine infrastructure for the purpose of constructing one trial grid and three full marine grids. The total purchase price of this infrastructure amounted to \$3.5 million. Of the \$3.5 million of marine infrastructure, assets totalling \$808k have been deployed on the marine farm. The remaining balance of \$2.7 million is available for use yet has not been deployed, and hence there has been no depreciation of these assets. At 30 June 2024, these assets have demonstrated some physical deterioration and obsolesce and as such a total impairment provision of \$1.1 million to date has been recognised.

Note 13. Non-current assets - right-of-use assets

	2024 \$	2023 \$
Land and buildings - right-of-use	6,391,688	5,208,292
Less: Accumulated depreciation	<u>(790,046)</u>	<u>(559,321)</u>
	<u>5,601,642</u>	<u>4,648,971</u>

The company leases land and buildings, for its offices and marine farm areas, for its operations, under agreements of 10 years with options to further extend between 5 to 20 years which remained unexercised.

Note 14. Current liabilities - trade and other payables

	2024 \$	2023 \$
Accounts Payable	535,152	996,198
Other payables	<u>733,072</u>	<u>476,168</u>
	<u>1,268,224</u>	<u>1,472,366</u>

Note 15. Current liabilities - lease liabilities

	2024 \$	2023 \$
Lease liability	<u>89,137</u>	<u>80,413</u>

Note 16. Current liabilities - employee benefits

	2024 \$	2023 \$
Annual leave	<u>602,909</u>	<u>411,902</u>

Note 17. Current liabilities - other

	2024 \$	2023 \$
Accrued bonuses	690,869	219,612
Research and development incentive - deferred income	482,914	537,827
Grants received in advance	<u>2,042,389</u>	<u>764,702</u>
	<u>3,216,172</u>	<u>1,522,141</u>

Note 18. Non-current liabilities - lease liabilities

	2024 \$	2023 \$
Long-term Lease liability	<u>6,352,166</u>	<u>5,199,682</u>
<i>Future lease payments</i>		
Future lease payments are due as follows:		
Within one year	475,878	444,140
One to five years	1,983,731	1,894,479
More than five years	<u>12,101,850</u>	<u>9,782,409</u>
	<u>14,561,459</u>	<u>12,121,028</u>

The company's primary operation at Triabunna is secured under a 10-year lease, with six years remaining and two years' rent paid in advance.

Note 19. Non-current liabilities - employee benefits

	2024 \$	2023 \$
Long service leave	<u>105,598</u>	<u>56,774</u>

Note 20. Non-current liabilities - Deferred Income

	2024 \$	2023 \$
Research and development incentive - deferred income	<u>4,123,398</u>	<u>4,995,778</u>

Note 21. Equity - issued capital

	2024 Shares	2023 Shares	2024 \$	2023 \$
Ordinary shares - fully paid - net of share issue costs	<u>45,809,770</u>	<u>45,809,770</u>	<u>55,853,528</u>	<u>55,853,528</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 22. Equity - reserves

	2024 \$	2023 \$
Share-based payments reserve	<u>1,273,196</u>	<u>699,099</u>

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Note 23. Equity - accumulated losses

	2024	2023
	\$	\$
Accumulated losses at the beginning of the financial year	(16,506,253)	(9,287,403)
Loss after income tax expense for the year	<u>(6,883,479)</u>	<u>(7,218,850)</u>
Accumulated losses at the end of the financial year	<u><u>(23,389,732)</u></u>	<u><u>(16,506,253)</u></u>

Note 24. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 25. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2024	2023
	\$	\$
Aggregate compensation	<u><u>2,231,357</u></u>	<u><u>1,785,738</u></u>

Note 26. Commitments

	2024	2023
	\$	\$
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	<u>215,790</u>	<u>372,393</u>
<i>Other financial commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
University Research Commitments	<u><u>250,000</u></u>	<u><u>2,206,250</u></u>
<i>In-kind Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
University Research Commitments	<u>250,000</u>	<u>3,186,250</u>
Staff Commitments	<u>500,000</u>	<u>5,670,212</u>
	<u><u>750,000</u></u>	<u><u>8,856,462</u></u>

Note 26. Commitments (continued)

The Other financial commitments and in-kind commitments represent the following:

1. Collaboration agreement with the Marine Bioproducts Cooperative Research Centre (MBCRC) as a Core Industry Partner. The Co-Op is dedicated to research and development to produce new and sustainable products from the marine environment. The research is undertaken through two programs:

- Bioregional project is focused on the genetic diversity of *A. armata* across Tasmania for the selection of high-performance isolates, and the understanding to support translocation and use of isolates across the state; and
- Bioproducts project is developing innovative biomaterials from the by-products of the production of SeaFeed™ (press-cake). This material has been successfully transformed into a range of bioplastics and prototype bioproducts for pilot-commercial development. The project has also developed bio-fibres and is being processed into prototype seaweed fibre products such as a quality paper and packaging for pilot-commercial development.

The Company committed to cash contributions totalling \$2,250,000 over a 10-year period as well as in-kind contributions totalling \$2,500,000 and staff contributions totalling \$5,377,499 over the same period. This agreement became operative on 20 June 2022, which is the date when the first cash contribution was made.

Under the MBCRC contract Sea Forest can terminate them by giving 12 months' notice without any obligation to make further contributions.

On 26 June 2024, the Company formally requested a release from further financial commitments under the program. Subsequently, on 27 August 2024, the MBCRC Board approved the request, releasing the Company from any additional contributions.

As of 30 June 2024, the Company had \$338,750 in available funds for research purposes with MBCRC partners.

2. Research agreement with the Australian Research Council ("ARC") as a Partner Organisation Contributor for the project titled "*Supercharging Tropical Aquaculture through Genetic Solutions*". This research has established the genetic base for the cultivation of *Asparagopsis taxiformis* in land-based ponds or in marine farms.

The Company has committed cash contributions totalling \$500,000 over a five-year period as well as in-kind contributions totalling \$1,000,000 and staff contributions totalling \$500,000 over the same period. This agreement became operative on 8 April 2022, which is the date when the first cash contribution was made.

Sea Forest has the right to terminate the agreements by submitting written notice of withdrawal to the ARC Industrial Transformation Hub, with no notice period required for termination. Following the issuance and processing of the withdrawal notice, Sea Forest will no longer be obligated to maintain its financial commitment.

Note 27. Related party transactions

Parent entity

Sea Forest Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 25.

Transactions with related parties

The following transactions occurred with related parties:

	2024 \$	2023 \$
Payment for goods and services:		
Payment for services from HEPIUS Pty Ltd	7,500	8,845

Note 27. Related party transactions (continued)

During the current financial year HEPIUS Pty Ltd, a company controlled by Mr Roger Millichamp provided IP consulting services to Sea Forest Limited

All related party transactions are reviewed by the Audit & Risk committee and approved by the Board, prior to engagement.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	2024	2023
	\$	\$
Current receivables:		
Loan to Forever Foundation Limited (formerly known as Sea Forest Foundation Limited) (refer note 7)	161,543	93,936

Forever Foundation Limited (formerly known as Sea Forest Foundation Limited) is a registered and regulated charity with the Australian Charities and Not-for-Profits Commission (ACNC). The Foundation received its charitable tax concession in December 2022. The loan is unsecured and interest free and repayable at call.

The Foundation is focused on environmental sustainability and reducing greenhouse gas emissions (GHGs). During the year, the name of the Foundation was changed to Forever Foundation Limited, and the scope of its Charitable Purposes was expanded to include the development and implementation of programs focused on environmental sustainability. This includes educational, social, community, and research initiatives aimed at reducing greenhouse gas emissions, particularly enteric methane.

The Foundation operates independently of Sea Forest Ltd and its directors are actively seeking to raise funds in FY 2025 to achieve financial self-sufficiency and facilitate the repayment of the related party loan.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 28. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 29. Share-based payments

On 20 November 2020, the Board approved the formation of the Sea Forest Limited Option Plan ("Share Option Plan").

The purpose of the offer of Employee Share Options was to recognise the ability and efforts of employees and contractors of Sea Forest who have contributed to the success of the Company and to provide them with an incentive to achieve the Company's long-term objectives and improve the performance of the Company.

Unless otherwise determined by the Board, the total number of Employee Share Options shall not exceed an amount, which if all Employee Share Options were exercised, would be equal to 10% of the total issued Shares of the Company from time to time.

The salient terms of the Employee Share Options are as follows:

1.1 No Options are exercisable until they have vested. The Options will vest in 3 tranches, with:

- one third vesting upon completion of one year's service with the Company after the Grant Date;
- a further one third vesting upon completion of two year's service with the Company after the Grant Date; and
- the final third vesting upon completion of three year's service with the Company after the Grant Date.

1.2 The Options were granted for nil consideration.

1.3 The Employee Options are convertible on a one for one basis into ordinary share in the company.

1.4 The option exercise price is the price that is determined by the Board from time to time in its absolute discretion, taking into account the most recent capital raising price.

The options allow for exercise conditions to be individually set for individuals. Exercise conditions have been set on 175,000 options issued on 21 October 2021 and 1 March 2023 based on performance hurdles.

Upon exercise of the Options, the employee will pay the Company an amount equal to the Exercise Price multiplied by the number of Options exercised.

Set out below are summaries of options granted under the plan:

2024

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
04/02/2021	03/02/2026	\$1.00	850,000	-	-	(50,000)	800,000
21/10/2021	20/10/2026	\$1.50	1,300,000	-	-	-	1,300,000
01/03/2023	29/02/2028	\$2.50	775,000	-	-	-	775,000
01/06/2024	31/05/2029	\$2.50	-	250,000	-	-	250,000
			<u>2,925,000</u>	<u>250,000</u>	<u>-</u>	<u>(50,000)</u>	<u>3,125,000</u>

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
04/02/2021	03/02/2026	\$1.00	850,000	-	-	(16,800)	833,200
21/10/2021	20/10/2026	\$1.50	1,300,000	-	-	-	1,300,000
01/03/2023	29/02/2028	\$2.50	-	775,000	-	-	775,000
			<u>2,150,000</u>	<u>775,000</u>	<u>-</u>	<u>(16,800)</u>	<u>2,908,200</u>

Note 29. Share-based payments (continued)

Equity-Based, Long-Term Executive Incentive Mechanism” (LTI Mechanism)

On 21 February 2023, the Board approved an at-Risk, Long Term Incentive Mechanism whereby the three executive directors, Sam Elsom, Stephen Turner and Dion Cohen, are each allotted 25,000 fully paid ordinary Sea Forest shares annually, subject to:

- (i) continuity of engagement (employment) to, 31 July 2025, and
- (ii) a verifiable share value increment to \$3 per share (or more) at close by 31 July 2025.

At the time of signing the financials, the shares had not been issued.

Note 30. Shareholder options

There were no shareholder options outstanding at 30 June 2024 (2023: Nil)

Sea Forest Limited
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Simplified Disclosures, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date; and
- 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 directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Stephen Turner
Director



Sam Elsom
Director

28 October 2024

SEA FOREST LIMITED
ABN: 46 631 662 283

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEA FOREST LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sea Forest Limited (the company), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- i. giving a true and fair view of the company's financial position as at 30 June 2024 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards - Simplified Disclosures 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 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 (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 Sea Forest Limited, 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.

Emphasis of Matter – Going Concern

We draw attention to Note 1 in the financial statements, which indicates the company incurred a loss after tax of \$6,883,479 and has net operating cash outflows of \$1,514,671. Note 1 describes the conditions that may cast doubt about company's ability to continue as a going concern and management's plans to address these matters are also outlined in that note. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company'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 the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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 Company'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 Company'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 Company 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.

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.

Name of firm: Logicca Assurance Pty Limited

Name of Partner: Peter Hersh OAM



Address: Level 9, 151 Macquarie Street Sydney NSW 2000

Dated this 28 October 2024