



Our Ref: SFG ASX Announce Cap Raising 512

2 June 2017

ANNOUNCEMENT 512

Market Announcements Office  
Australian Securities Exchange  
Level 6  
20 Bridge Street  
SYDNEY NSW 2000

**By ASX Online**  
**Number of pages: 31**  
(including this page)

Dear Sir

**Seafarms to raise A\$10 million under Placement and SPP and a further A\$2.5 million to repay debt**

Seafarms Group Limited ACN 009 317 846 (**Company**) is pleased to announce that it has received commitments for a share placement to major domestic and international, institutional and professional investors to raise approximately A\$8 million (**Placement**).

In addition to the Placement, the Company will also undertake the following:

- A\$2 million share purchase plan (**SPP**) to eligible SFG shareholders with the ability to accept oversubscriptions of an additional A\$2 million; and
- subject to shareholder approval, A\$2.5 million will be subscribed for by a company controlled by the major shareholder and Chairman of Seafarms, Mr Ian Trahar which will be used to repay debt owed by Seafarms to that company (**Debt Conversion**).

Additionally, Seafarms will issue bonus options on the basis of one option for every two shares issued to persons who subscribe for shares under the Placement, the SPP and the Debt Conversion (**Option Offer**).

Bell Potter Securities Limited is acting as lead manager and will underwrite the Placement (\$8 million) and the SPP (\$2 million).

Seafarms' Project Sea Dragon (**PSD**) is well advanced in gaining the agreements, approvals and licences required to develop one of the world's largest industrial-scale Black Tiger Prawn aquaculture facilities. Recent milestones include gaining the major environmental approvals (both from the Northern Territory Government and Commonwealth Government) required for this project. Outstanding major agreements requiring finalisation include an Indigenous Land Use Agreement for the grow-out centre and a Project Development Agreement with the Northern Territory Government. Both of these agreements are progressing well and the Company seeks to finalise them in the short term. Ongoing international and domestic investor and/or banking interest in the project continues to gain momentum. Government support for the project continues to be strong and positive.

The funds raised under the Placement and SPP will enable the Company to enter into negotiations with potential investors to fund PSD from a position of strength and is expected to meet the financial needs of the Company beyond the expected timing for a final investment decision for the project.

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Seafarms' Executive Chairman, Mr Ian Trahar commented:

*"This equity raising places the company in a strong position to finalise outstanding agreements and to secure project funding for Stage 1 of Project Sea Dragon. Importantly the Company remains on schedule to start construction in the dry of 2018. The placement highlights the strong professional investor support for PSD, the SPP enables our loyal shareholder base to participate in the issue and the debt to equity conversion highlights my own confidence in this world class development".*

### **Placement**

The Placement will see the introduction of new institutional investors to the Company's register. The Placement price of A\$0.06 represents a 10.45% discount to the Company's last close price on Tuesday, 30 May 2017 of A\$0.067 and a 13.41% discount to the 5 day volume weighted average price to Tuesday, 30 May 2017 of A\$0.069.

The Company will issue 133,333,333 fully paid ordinary shares in the Company (**Shares**) under the Placement, resulting in its total Share capital after completion of the Placement increasing to 1,284,682,861 Shares. The Company will issue 115,134,952 Shares pursuant to its existing capacity under Listing Rule 7.1A, with the remaining 18,198,381 Shares to be issued utilising its Listing Rule 7.1 capacity. New Shares when issued will rank equally with all ordinary shares already on issue. Subscribers under the Placement will also be entitled to receive one Option for each two shares subscribed for, to be issued under the Option Offer.

### **SPP**

The Company will undertake a share purchase plan to provide eligible shareholders the opportunity to subscribe for up to an additional A\$15,000 each in Seafarms at A\$0.06 per share, the same issue price as the Placement. The amount to be raised is A\$2 million and this amount has been underwritten by Bell Potter. The Company has reserved the right to accept a further \$2 million in oversubscriptions. The SPP booklet is scheduled to be sent to shareholders on Monday, 5 June 2017. Under the Option Offer, subscribers under the SPP will also be entitled to receive one Option for every two Shares issued to them under the SPP. All the Directors have indicated that they will be taking up their maximum SPP entitlements.

### **Debt Conversion**

Subject to shareholder approval, Avatar Finance has agreed to subscribe for \$2.5 million of shares which will be used to repay debt in the Company. The \$8.5 million facility from Avatar Finance is currently drawn to \$8 million. The Debt Conversion will reduce the debt currently owed by the Company to Avatar Finance to \$5.5 million. The amount repaid can be re-drawn in accordance with the terms of the credit facility. Avatar Finance is controlled by Mr Ian Trahar, the executive Chairman and Seafarms' largest shareholder. The debt will be converted at \$0.06 per share and Avatar Finance will be entitled to receive one Option for each two shares received under the Debt Conversion, to be issued under the Option Offer. A shareholders meeting to approve the issue of shares and options to a director related entity as part of the Debt Conversion is scheduled to be held in early July 2017.

### **Option Offer**

The Options will be issued under a prospectus to be issued in early July 2017. The Options will be issued free of charge and will be exercisable at A\$0.10 each and expire on 17 July 2021. Subject to compliance with ASX Listing Rule, it is Seafarms intention to apply to ASX for official quotation of the Options.

### **Shareholders meeting**

A Shareholders meeting will be convened for early July 2017 to approve the Debt Conversion. The Company will also seek to refresh its issue capacity under Listing rules 7.1 and 7.1A at that meeting.

The Company has existing capacity under the Listing Rules to issue Shares under the Placement and SPP and the Options to be issued to persons subscribing under them.

### Key dates

Placement	Date (2017)
Announcement of Placement	Friday, 2 June
Shares issued under Placement	Friday, 9 June
Share Purchase Plan	
Record date for participation in SPP	5.00pm (WST) Thursday, 1 June
SPP Booklet sent to eligible shareholders	Monday, 5 June
SPP offer period opens	Monday, 5 June
SPP offer period closes	Tuesday, 20 June
Shares issued under SPP	Friday, 30 June
Debt Conversion	
Shareholder meeting to approve Debt Conversion	Tuesday, 4 July
Debt Conversion implemented	Wednesday, 5 July
Option Offer	
Options prospectus issued to persons entitled to Options	Wednesday, 5 July
Options issued	Monday, 17 July
Shareholder meeting	
Shareholder meeting documents sent to shareholders	Monday, 5 June
Last date for receipt of proxies	Sunday, 2 July
Date of shareholder meeting	Tuesday, 4 July

### Enquiries

General enquiries in relation to the Company or the proposed issues of securities can be made to Harley Whitcombe at Level 11, 225 St Georges Terrace, Perth, Western Australia or by telephone on +61 8 9321 4111 at any time between 8.30am and 5.00pm (AWST time) on any business day. Enquiries in relation to entitlements to participate in the SPP should be directed to Computershare Investor Services Pty Ltd on 1300 850 505 (callers within Australia) or +61 3 9415 4000 (callers outside Australia).

Yours faithfully

**Seafarms Group Limited**



Harley Whitcombe  
Director and Company Secretary

### Media contact:

Penny Baxter  
True North Strategic Communication  
0437 522 532

**About Seafarms Group**

Seafarms Group Limited (ASX: SFG) is an ASX listed holding company with two separate subsidiary companies operating in nonconventional commodities: aquaculture and carbon. Seafarm Operations Pty Ltd operates aquaculture operations and CO2 Australia Limited the carbon and environmental operations.

**For further information refer the company's web site: [www.seafarms.com.au](http://www.seafarms.com.au)**

**About Seafarm Operations Pty Ltd**

Seafarm – a new Australian agri-food company – operates, builds and invests in sustainable aquaculture production platforms producing high quality seafood. Seafarms is currently the largest producer of farmed prawns – growing, processing and distributing the well-known Crystal Bay Prawns™ premium brand. The company is one of Australia's largest aquaculture enterprises and is also developing Project Sea Dragon – a large-scale, integrated, land-based prawn aquaculture project in northern Australia designed to produce high-quality, year-round reliable volumes for export markets.

**For further information refer the company's web site: [www.seafarms.com.au](http://www.seafarms.com.au)**



# **Market Update and Capital Raising Overview**

**June 2017**

Transformation of Australia's largest aquaculture shrimp  
producer into a global player

**Seafarms Group Limited**

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- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

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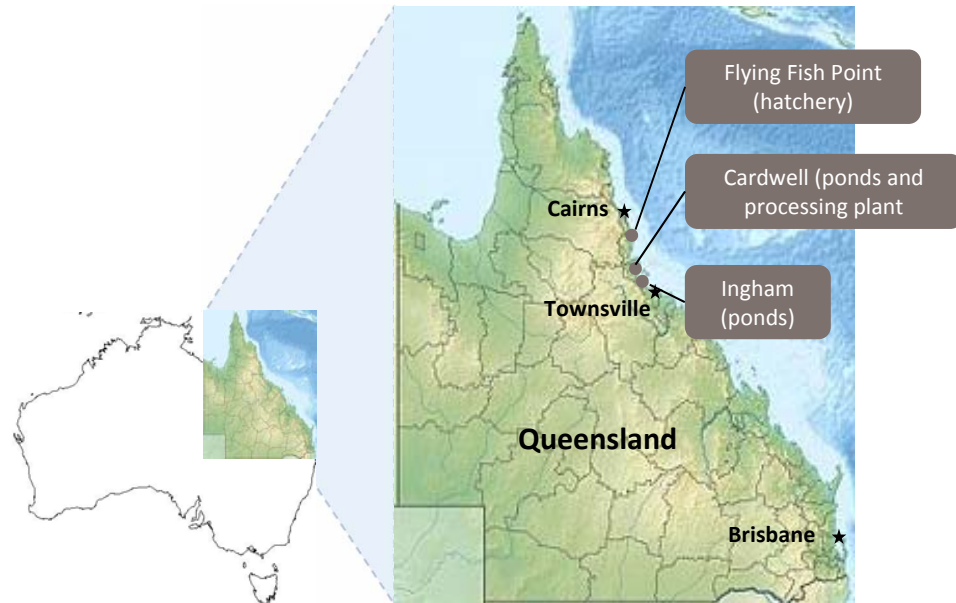


# Overview of Seafarms Group Operations

Seafarms Group Limited (**SFG**) is currently Australia's largest producer of farmed prawns, underlining its operational aquaculture expertise

- ❁ SFG is an ASX listed Australian agri-food company, with a current market capitalisation of c. A\$77 million.
- ❁ Seafarms is rapidly advancing its world class Project Sea Dragon (**PSD**) project:
  - ❑ A large scale, integrated, land-based shrimp/prawn aquaculture project in Northern Australia
  - ❑ At full production, PSD will become the only producer from a developed country offering a significant volume of superior shrimp product
  - ❑ SFG is Australia's largest producer of farmed prawns under the well known Crystal Bay brand (producing Banana and Black Tiger Prawns). It produces 1,700 tonnes p.a. in Queensland (Cardwell), equal to 37% of the Australian prawn aquaculture market
- ❁ The Queensland operations have provided the company with a platform to develop and test best practices for its planned industrial scale PSD operation.
- ❁ CO2 Australia carbon and environmental services company continues to provide cashflow to SFG.

## Queensland Aquaculture Operations



# Overview of Seafarms Group

## Team

Highly experienced management team across project development and management, aquaculture operations, finance and business development.

### Key SFG Management Team Members

<b>Ian Trahar</b> Executive Chairman	<b>Dr. Chris Mitchell</b> Managing Director - PSD	<b>Ian Leijer</b> Commercial Director	<b>Dallas Donovan</b> Chief Operating Officer	<b>Jairo Llanos</b> Technical / Production Manager	<b>Owen Stacy</b> Director PSD Project Delivery
<ul style="list-style-type: none"><li>Extensive experience in the resource and financial services across multiple industries and organisations</li><li>Previous roles include joint CEO of Avatar Industries, Chairman of Ranger Minerals along with executive roles at Shell Australia and Citibank</li></ul>	<ul style="list-style-type: none"><li>20+ years experience in Australian and international climate change research holding both senior and executive roles</li><li>Foundation Director of the Centre for Australian Weather and Climate Research</li></ul>	<ul style="list-style-type: none"><li>Chartered Accountant with 20+ years experience in corporate finance, strategy and business management</li><li>Previously CFO of former ASX listed Company Avatar Industries Ltd and interim CEO of ASX listed Kresta</li></ul>	<ul style="list-style-type: none"><li>20+ years aquaculture experience including technical and production management, harvesting, processing and marketing</li><li>6 years managing the National Prawn Company in Saudi Arabia - one of the world's largest fully integrated aquaculture operations</li></ul>	<ul style="list-style-type: none"><li>35+ years of experience in Saudi Arabia and South America</li><li>Direct experience managing commercial shrimps operations, including extensive experience in large scale prawn/shrimp aquaculture including hatchery, breeding programs and grow out.</li></ul>	<ul style="list-style-type: none"><li>40 years experience in engineering and project management with major infrastructure, mining, ports, power generations and industrial projects</li><li>Company governance, strategic planning, risk management and feasibility study processes</li></ul>

# A\$10m Capital Raising and A\$2.5m Debt Conversion

The capital raising and debt conversion will enable SFG to finalise Indigenous Land Use Agreement (ILUA) and Project Agreement and strengthen its negotiations to secure funding for the Stage 1 of Project Sea Dragon.

☛ The Capital Raising comprises:

- ☛ a Share placement to institutional and sophisticated investors to raise A\$8M at an issue price of \$0.06 per Share (**Placement**)
- ☛ a share purchase plan to eligible shareholders to raise A\$2M (**SPP**) at an issue price of \$0.06 per Share (with the capacity to accept a further A\$2m of over subscriptions)
- ☛ Subscribers under the Placement and SPP will receive an entitlement to receive a bonus option for each 2 new shares subscribed for. The options will have an exercise price of \$0.10 and will expire in July 2021 (**Options**). The Options will be issued under a prospectus in mid-July 2017
- ☛ The Placement will be settlement underwritten and SPP (up to A\$2M) will be fully underwritten by Bell Potter Securities Limited on usual terms and conditions

☛ Subject to shareholder approval, Avatar Finance Pty Ltd (**Avatar Finance**), a company controlled by the Executive Chairman of SFG, Mr Ian Trahar, will subscribe for A\$2.5M of Shares at an issue price of \$0.06 per Share. These funds will be used to repay debt owed to Avatar Finance (**Debt Conversion**). Avatar Finance will receive an entitlement to receive a bonus option for each 2 new Shares issued under the Debt Conversion.

## Placement (A\$8M)

<b>No. of shares</b>	133,333,333 Shares
<b>Issue price</b>	A\$0.06 per Share
<b>Entitlement to participate in Option issue on a 1 for 2 basis</b>	Yes, 66,666,666 Options
<b>Underwriter</b>	Bell Potter Securities Limited
<b>Investors</b>	Institutional and sophisticated investors

## SPP (A\$2M with further A\$2M oversubscription capacity)

<b>No. of shares</b>	Up to 33,333,333 Shares (for A\$2M)
<b>Over- subscription capacity</b>	Yes, up to 33,333,333 Shares (for a further A\$2M)
<b>Issue price</b>	A\$0.06 per Share
<b>Underwriter</b>	Bell Potter Securities Limited
<b>Entitlement to participate in Option issue on a 1 for 2 basis</b>	Yes, up to 16,666,666 Options and up to a further 16,666,666 Options for over subscriptions
<b>Investors</b>	SFG Shareholders as at 1 June 2017

## Debt Conversion (subject to shareholder approval)

<b>No. of shares</b>	41,666,666 Shares
<b>Issue price</b>	A\$0.06 per Share
<b>Entitlement to participate in Option issue on a 1 for 2 basis</b>	Yes, 20,833,333 Options
<b>Investor</b>	Avatar Finance or its associates

# A\$10m Capital Raising and A\$2.5m Debt Conversion

## Key Dates

ACTION	INDICATIVE DATE
Announcement of Capital Raising and Option Offers	Friday, 2 June
<b>Placement</b>	
Trading halt	Wednesday, 31 May <i>(Prior to commencement of trading)</i>
Announcement of results of Placement and trading halt lifted	Friday, 2 June
Issue of new Shares under the Placement	Friday, 9 June
New Shares issued under Placement commence trading on normal basis	Tuesday, 13 June
<b>SPP</b>	
SPP Offer Opens	Monday, 5 June
SPP Offer Closes	5.00pm (Perth time), Tuesday, 20 June
Issue of new Shares under the SPP	Friday, 30 June
New Shares issued under SPP commence trading on normal basis	Monday, 3 July
<b>Debt Conversion</b>	
EGM for approval of Share issue under Debt Conversion	Tuesday, 4 July
Issue of new Shares under the Debt Conversion (subject to shareholder approval)	Wednesday, 5 July
<b>Option Issue</b>	
Options prospectus lodged with ASIC and ASX and despatched to eligible shareholders	Wednesday, 5 July
Option Offer opens	Thursday, 6 July
Option Offer closes	Tuesday, 11 July
Options issued under Option Offer	Monday, 17 July
Options commence trading on normal basis	Tuesday, 18 July

A shareholders meeting to approve the debt conversion and refresh the Company's new issue capacity will be held in early July 2017.

# A\$10m Capital Raising and A\$2.5m Debt Conversion

## Use of funds

- 🍊 Proceeds will fast track the development of PSD and fund the project through to FID and assist in securing project finance for Stage I.
- 🍊 Proceeds from the capital raising will principally be applied to:
  - Securing outstanding agreements, approvals, permits, licenses including the Indigenous Land Use Agreement, Project Agreement, non-pastoral land use permit and other government approvals
  - Facilitating project funding including adviser costs, negotiations with equity and debt funding participants
  - Engineering and detailed design and procurement packages i.e. construction ready
  - Further technical due diligence on and acquisition of secondary sites associated with breeding program facilities
  - Costs of the capital raising and general working capital requirements
- 🍊 Funds raised from the subscription by Avatar Finance will be used to repay debt owed to Avatar Finance.

## Director participation and intentions

All Directors (and their associated entities) propose to participate to the maximum extent permissible under the SPP.

Directors (and their associated entities) are not permitted to participate in the Placement or to take up any shortfall under the Placement or SPP.

Mr Trahar controls Avatar Finance, which has agreed to subscribe for \$2.5m of Shares to repay debt under the Debt Conversion.

# Overview of Seafarms Group

## Corporate Snapshot

FINANCIAL	Unaudited 31 March 2017 \$m	Capital Raising and Debt Conversion <sup>1</sup> \$m	Pro forma 31 March 2017 \$m
Cash	0.8	10.0	10.8
Net Assets	23.3	12.0	35.3
Debt <sup>2</sup>	6.4	(2.5)	3.9

<sup>1</sup> assumes A\$10.0m raised under Capital Raising (before fees and expenses)

<sup>2</sup> Avatar Facility is currently drawn to \$8 million. The Debt Conversion reduces the outstanding principal under the Avatar Facility to \$5.5 million.

### COMPANY INFORMATION

ASX	<a href="http://www.asx.com.au">www.asx.com.au</a> (code SFG)
Company Website	<a href="http://www.seafarms.com.au">www.seafarms.com.au</a>
Share registry	Computershare Investor Services Pty Ltd

### CAPITAL STATUS (as at 30 May 2017)

Share Price	\$0.067
Market capitalisation	A\$77 million
Shares on issue	1,151,349,528
Preference shares on issue	30.5 million

### DIRECTORS (as at 30 May 2017)

		Shareholding
Ian Trahar	Executive Chairman	35.61%
Paul Favretto	Director	3.26%
Harley Whitcombe	Director and Company Secretary	1.06%
Chris Mitchell	Director	0.21%

# Project Sea Dragon

## Project Update

Significant progress has been achieved over the last 7 months; momentum continues.

### Key Project Workstream Status

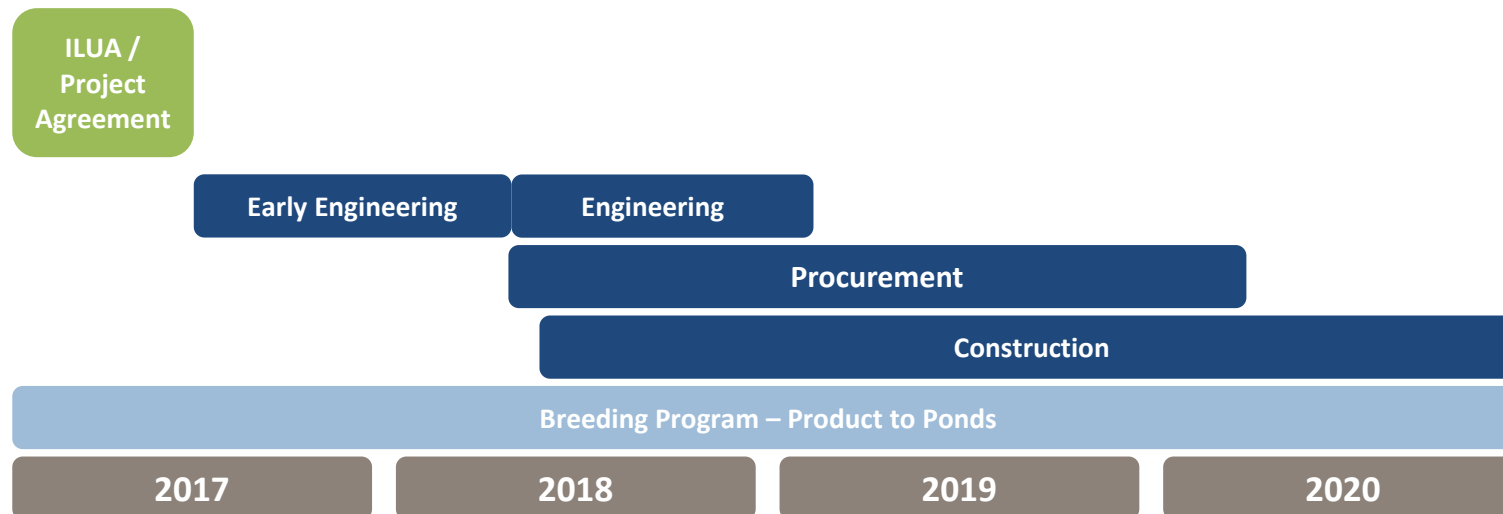
	Workstream	Status
1	Project Design	<ul style="list-style-type: none"> <li>Earthwork studies ✓</li> <li>Feasibility study ✓</li> <li>Trial Ponds constructed ✓</li> </ul>
2	Site access and agreements	<ul style="list-style-type: none"> <li>Legune Station ✓</li> <li>Staff accommodation lease ✓</li> <li>Exmouth Quarantine and Founder Stock Centre operational ✓</li> <li>Processing plant Lease Agreement with WA Gov</li> </ul> <p>Advanced stages of negotiations</p>
3	Approvals and permits	<ul style="list-style-type: none"> <li>Environmental Approvals – NT Government <ul style="list-style-type: none"> <li>Legune Station ✓</li> <li>Bynoe Harbour Breeding Facilities ✓</li> </ul> </li> <li>Environmental Approvals – Commonwealth Government ✓</li> <li>NT Government Project Agreement</li> </ul> <p>Finalisation of documentation</p>
4	Traditional land owner engagement	<ul style="list-style-type: none"> <li>Indigenous Land Use Agreement (ILUA) with relevant traditional owners</li> </ul> <p>Advanced stages of commercial negotiations</p>
5	Financial	<ul style="list-style-type: none"> <li>Team engaged - Lazard, Pareto Securities and Andrew Robb ✓</li> <li>Financing due diligence information and expert reviews commenced ✓</li> <li>Engagement with investors and financiers continuing ✓</li> <li>Growing level of interest both domestically and internationally ✓</li> </ul>

# Project Sea Dragon

## Project Update

SFG has secured all major environmental approvals and is currently finalising the ILUA and Project Agreements. The start of significant construction is expected to commence in the dry season of 2018.

### Indicative Project Timeline Stage 1 – subject to Project funding



- 🍌 To date, SFG has invested over A\$50m on the initial detailed feasibility study, the required EIS approvals and the Queensland operations
- 🍌 Construction is limited to the dry season for PSD
  - 🍌 In Northern Australia, the dry season generally runs from April to October each year
- 🍌 Once operational, PSD will operate all year round

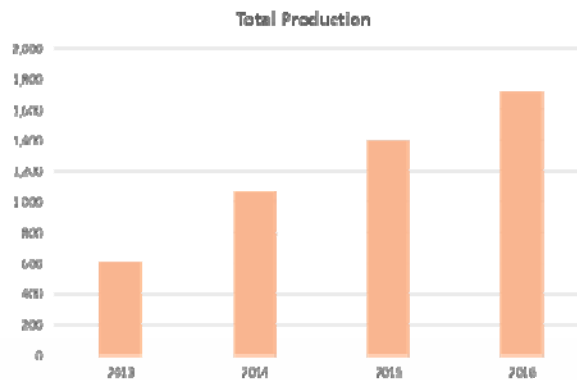


# Current Operations - QLD

Further operational improvements are budgeted for the 2017 calendar year.

## QLD Operations

- Queensland operations at Cardwell have been operational since 1988.
- The Cardwell operations were redesigned in 2014 (where practical) to reflect the operational design, procedures and methodologies to be adopted at PSD. Black Tiger prawn production commenced in 2014.
- Ongoing operational improvements have seen efficiencies in production and processing and the company's significant commitment to its breeding and domestication program is also delivering significant operational benefits.
- Production growth from SFG's Queensland Operations have increased by 180% since 2013.
- Key improvements in all key operating metrics since 2014.



## Industry Issues

- Farms on the Logan River in Queensland (some 1,200km south of Seafarms operational sites) have been affected by white spot syndrome disease (WSSD) and are subject to biosecurity orders and controls by Biosecurity Queensland. There is also a ban on the import of uncooked prawns into Australia.
- Seafarms is NOT affected by WSS virus and NO animals, at any Seafarms site have tested positive for WSS virus.
- Seafarms is actively working with industry and Government, including providing access to our staff who have extensive international experience.
- Seafarms maintains a high level of operational biosecurity including surveillance, monitoring and control.
- The outbreak reinforces the design and choice of site for Project Sea Dragon, where geographic isolation, high level of inbuilt biosecurity, use of domesticated (and SPF) stock and recirculation are core criteria to maintain a biosecure and disease free operating environment.



## Overview of Project Sea Dragon



# Key Investment Highlights

PSD offers the opportunity to develop one of the world's largest Black Tiger Prawn industrial aquaculture facility, capturing the benefits of proximity to the world's largest end market for a premium product, a growing forecast supply-demand gap, and operational leverage on a scalable production facility

Component	Comment
1 Significant known product demand	<ul style="list-style-type: none"> <li>Seafood will play a key role in meeting the accelerated demand in protein from a growing global middle class                             <ul style="list-style-type: none"> <li>Global middle class population forecast to increase from 1.8 billion in 2009 to 4.9 billion by 2030</li> <li>Forecast supply is insufficient to meet demand – seafood supply gap is estimated to be &gt;50Mt by 2030</li> </ul> </li> <li>Trial export shipments from existing Queensland operations has demonstrated strong demand for SFG product</li> </ul>
2 Proximity to key end markets	<ul style="list-style-type: none"> <li>The growth in the global middle class will largely be driven by Asia                             <ul style="list-style-type: none"> <li>Regional preferences for seafood to drive a near doubling in global seafood demand to 261Mt by 2030</li> <li>China is expected to account for 38% of global seafood demand by 2030</li> </ul> </li> <li>Northern Australia ideally located to tap into this important market</li> </ul>
3 Supportive trade framework	<ul style="list-style-type: none"> <li>China-Australia Free Trade Agreement enacted by both governments in June 2015</li> <li>Elimination of Chinese tariffs on Australian prawns within 4 years to further improve PSD's relative cost position                             <ul style="list-style-type: none"> <li>Since the China-NZ FTA was introduced, exports of NZ seafood to China have quadrupled</li> </ul> </li> </ul>
4 Premium product	<ul style="list-style-type: none"> <li>Black Tiger Prawns attract a premium to the price of the globally traded White Prawn market price index</li> <li>PSD is targeting larger prawn sizes which attracts an additional pricing premium</li> </ul>
5 Differentiated operations and barriers to entry	<ul style="list-style-type: none"> <li>PSD will be one of the world's largest producer of Black Tiger Prawns</li> <li>Most competitors produce White Prawns due to more successful domestication and biological performance</li> <li>Black Tiger Prawn aquaculture requires more advanced breeding and domestication techniques, representing significant barriers to entry and enhancing their relative scarcity as a higher quality product                             <ul style="list-style-type: none"> <li>SFG possesses the technology and experience to farm Black Tiger Prawns successfully</li> </ul> </li> </ul>

# Key Investment Highlights (cont'd)

Component	Comment
6 Outstanding levels of biosecurity	<ul style="list-style-type: none"> <li>Prawn disease is a key risk in prawn aquaculture               <ul style="list-style-type: none"> <li>White spot disease currently identified in the Logan River in South Queensland</li> </ul> </li> <li>SFG has developed stringent biosecurity protocols and standards at its North Queensland operations, with key best practice learnings able to be applied to PSD</li> <li>Location and operational structure of PSD provides a significant biosecurity advantage               <ul style="list-style-type: none"> <li>Separate locations for breeding, grow out and processing activities mitigates risk of disease</li> <li>Geographic remoteness of grow out areas at Legune Station assists in effective quarantine</li> <li>PSD's full vertical integration allows control of prawn specific pathogen free status</li> </ul> </li> </ul>
7 Opportunity to further improve yield	<ul style="list-style-type: none"> <li>SFG has demonstrated a 37% yield improvement for Black Tiger Prawns over CY2016 at its Queensland operations using in-house operational best practice and breeding techniques</li> <li>End to end control from founder stock to harvest will allow PSD to capture all yield improvement opportunities</li> </ul>
8 Scalable operating costs	<ul style="list-style-type: none"> <li>Low fixed operating cost base, with majority of operating costs scalable to production volumes</li> <li>Queensland operations require 1 FTE for every 13 tonnes of prawns harvested, whilst SFG will target 1 FTE for every 100 tonnes at full production</li> </ul>
9 Fully vertically integrated project	<ul style="list-style-type: none"> <li>Control of prawn aquaculture from eggs to prawn harvest and processing allows PSD to               <ul style="list-style-type: none"> <li>Maximise biosecurity</li> <li>Drive and capture all biological and operational improvements at each stage of the process</li> <li>Deliver a consistent high quality product to customers</li> </ul> </li> </ul>
10 Material upside from additional stages	<ul style="list-style-type: none"> <li>Stage 1 will include headwork infrastructure for all subsequent stages</li> <li>Limited incremental capital expenditure required for each subsequent stage</li> <li>Benefit of operational leverage for each subsequent stage</li> </ul>

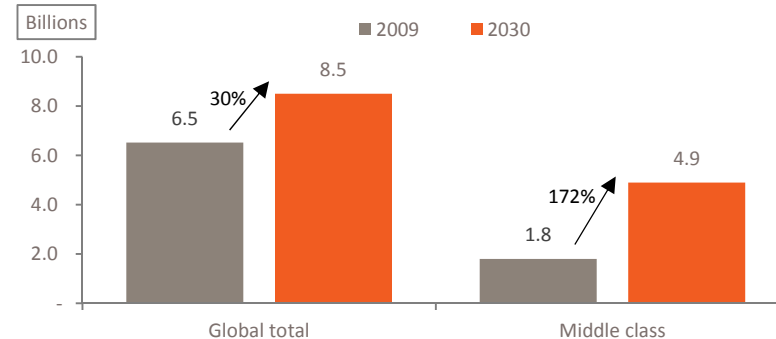
# Growing Global Protein Demand

Seafarms seeks to tap into the accelerated demand for protein from a growing Asian middle class. A significant proportion of this new demand is expected to be met by seafood aquaculture

## Key macro-economic trends

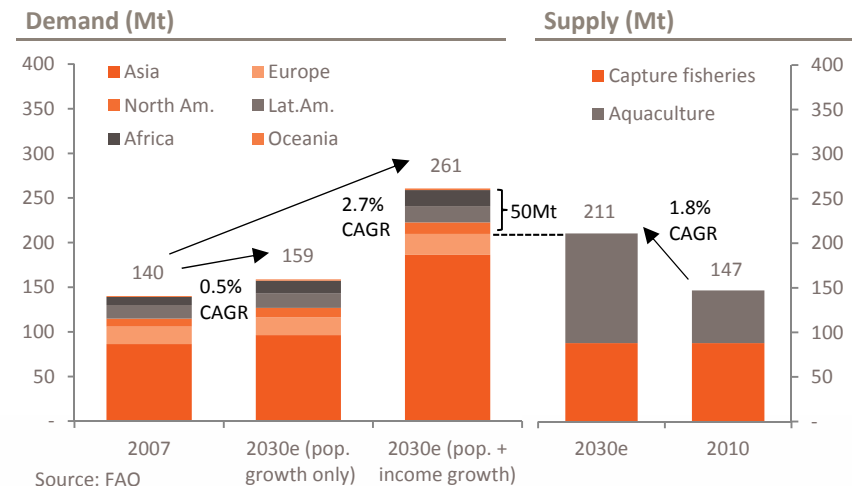
- 1 Global population expected to grow to 8.5 billion by 2030
- 2 Levels of urbanisation forecast to increase from 54% in 2015 to 60% by 2030
- 3 Global 'middle class' forecast to increase from 1.8 billion in 2009 to 4.9 billion by 2030
- 4 Key source of growth is Asia, where seafood is culturally preferred over red meat

## Growing Global Population and Middle Class



Source: UN, OECD Observer

## The Role of Seafood in Meeting Protein Demand



Source: FAO

## Impact

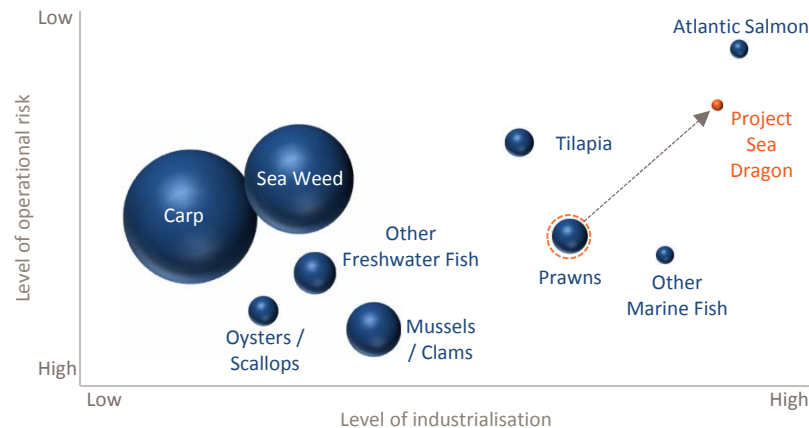
- Annual consumption of protein per capita to increase by 10%, from 41kg to 45kg by 2030
- Global seafood demand will increase by c. 86% from c. 140Mt in 2007 to c. 261Mt in 2030
  - Major part of daily Asian diet
- Forecast aquaculture supply growth is not sufficient to meet forecast demand growth
  - Current baseline supply growth projections to 2030 leave a shortfall of 50Mt

Source: UN, FAO, OECD Observer

# The Role of Aquaculture in Global Protein Supply

The increasing role of aquaculture in meeting global protein demand offers up a number of commercial opportunities

## Increasing Industrialisation Reduces Risk

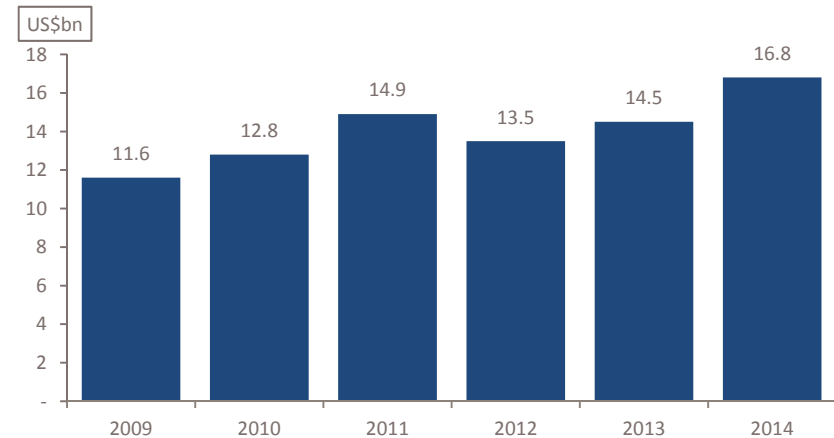


Source: Marine Harvest, Kontali, Pareto Securities

Note: bubble sizes are indicative of relative size of harvest volumes

- Currently there are only a limited number of fully integrated industrial scale prawn aquaculture facilities globally
- The industrialisation of salmon aquaculture has reduced associated operational risks such as biosecurity, quality control and cost management
- Applying the same learnings to prawns is expected to have a similar impact on associated operational risk and profitability
- Seafarms is currently gaining meaningful expertise at its Cardwell operations, which will be leveraged at a greater scale at Project Sea Dragon (PSD)

## Prawn imports by value in EU, US and Japan



Source: Globefish

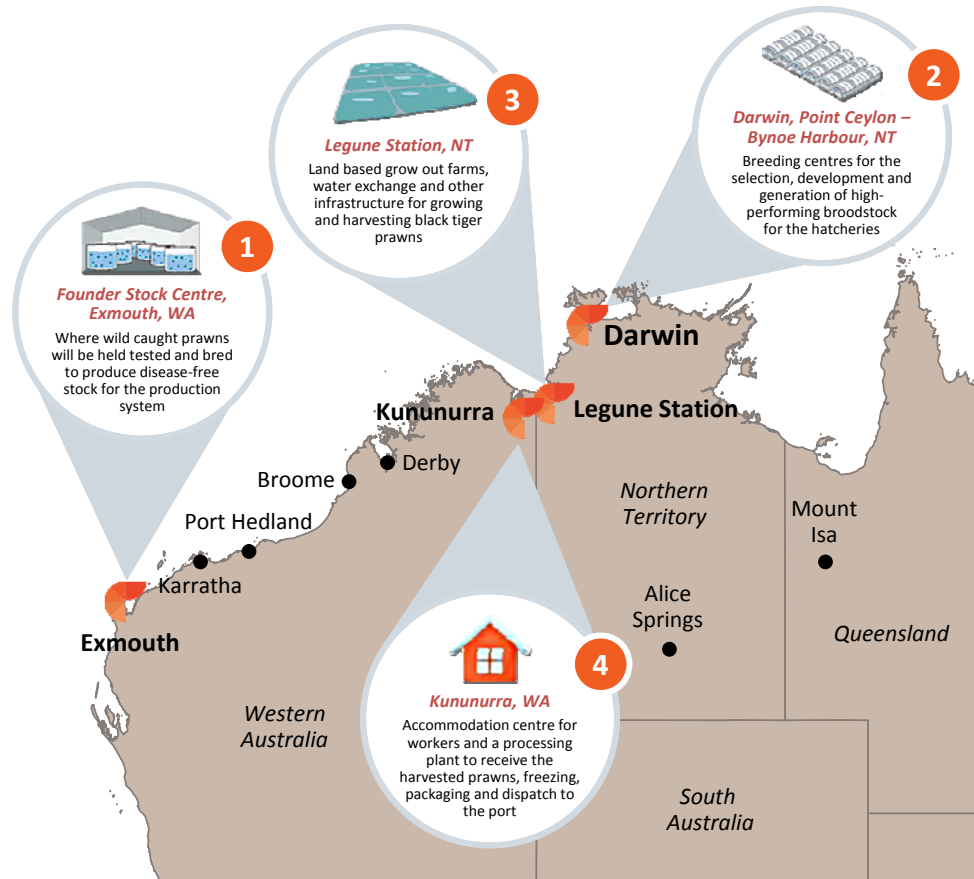
- Prawns are one of the world's most traded seafood products, with strong recent growth in demand
- White Prawns from Vietnam and South America are currently the most widely farmed and traded species globally
- Black Tiger Prawn variety produced in locations such as Australia are a premium product and attract a price premium to the White Prawn species

# Project Sea Dragon – Overview

PSD will be a large scale fully integrated land-based prawn aquaculture project in northern Australia

- At full operation, PSD will produce 100,000+ tonnes of Black Tiger Prawns p.a. over 10,000 Ha of land based pond aquaculture
  - Full operation to be achieved over several incremental stages
- Stage 1 will involve the development of:
  - Headwork infrastructure for Stage 1 and all subsequent stages
  - 1,120 Ha of ponds, producing 12-14Kt p.a.
- SFG holds an Access and Option Agreement over the Legune cattle station in the Northern Territory for the development of PSD
- Legune Station is a 180,000 Ha site, ideal for industrial scale prawn aquaculture
  - Topography (flat landscape) and soil type necessary for low cost pond infrastructure earthworks
  - Access to large salt and fresh water resources
  - Access to local workforce and export terminals
  - The remote location of Legune is optimal for mitigating biosecurity risk for PSD production
  - Local support is strong given low environmental impact and a significant future employer
- Few sites in the world able to produce on this scale from a biosecurity and logistics perspective

## PSD Facilities Locations



# PSD – A Fully Vertically Integrated Project

Complete end to end control of operations will allow SFG to ensure absolute biosecurity and process control

## Key Process Steps in PSD Prawn Aquaculture





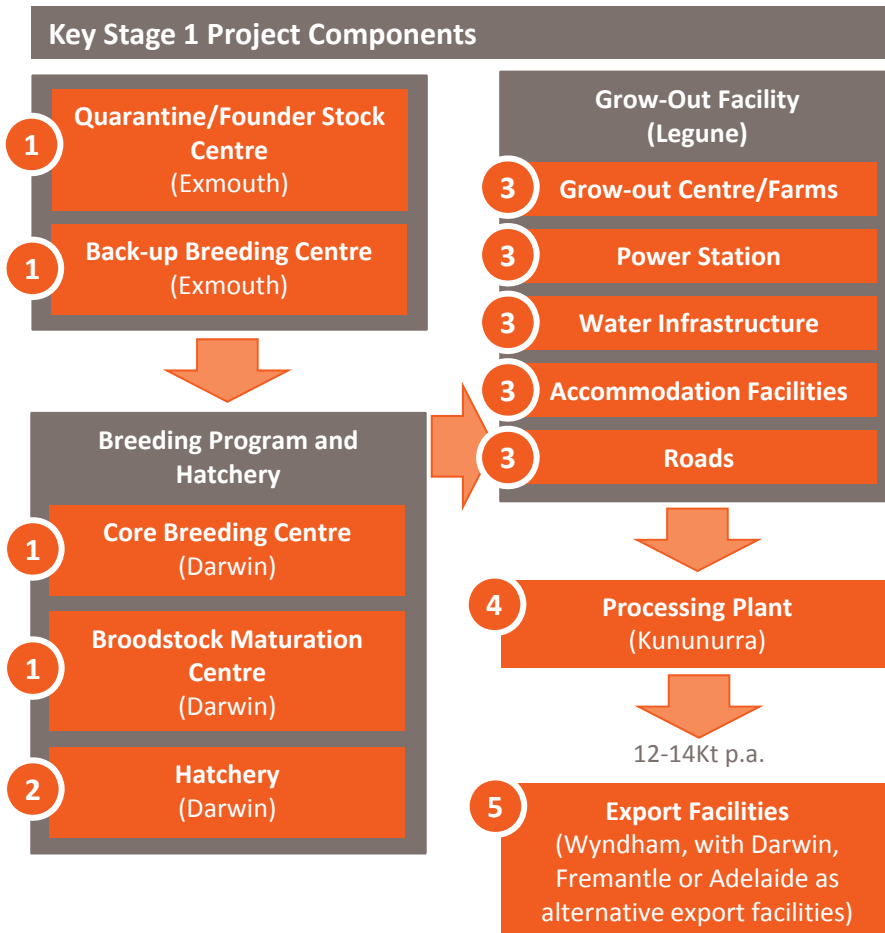
# PSD – Key Project Components

Stage 1 of PSD will involve the construction of 1,120 Ha of ponds as well as all supporting infrastructure for Stage 1 and subsequent stages

- 🌱 Stage 1 of PSD will comprise of:
  - 📌 Breeding facilities
  - 📌 Grow-out facility of 3 ‘farms’
  - 📌 Supporting infrastructure for full scale project
- 🌱 Each farm will consist of up to 40 individual ponds of approximately 10 Ha in size that can operate as an independent production unit
- 🌱 The construction works have been broken down into defined work packages with preliminary cost forecasts based upon market testing
- 🌱 Several components of project construction risk mitigated by use of third-party contractors
- 🌱 Construction for earthworks, the technically simple aspects of project, to be self-performed
- 🌱 SFG has completed a detailed full scale test pond construction program at Legune

## Project Delivery

Project Component	Construction Party
Earthworks	PSD self perform
Facilities, plants and roads	Third-party contractor, largely fixed price basis
Power station	Third party BOO



# Government Support for PSD

Component	Benefit for PSD	Description
1 Major Project Status	<ul style="list-style-type: none"><li>Priority and streamlined access to individual governments via relevant ministers to facilitate approvals process</li></ul>	<ul style="list-style-type: none"><li>PSD was awarded Major Project Status<ul style="list-style-type: none"><li>Northern Territory Government July 2015</li><li>Federal Government July 2015</li><li>Western Australia September 2015</li></ul></li></ul>
2 Northern Australia Infrastructure Facility (NAIF)	<ul style="list-style-type: none"><li>Seafarms has initiated a dialogue for PSD to access concessional project loans</li></ul>	<ul style="list-style-type: none"><li>The Australian Federal Government has made A\$5 billion available in concessional loans for infrastructure through the NAIF</li></ul>
3 China-Australia Free Trade Agreement (ChAFTA)	<ul style="list-style-type: none"><li>Elimination of Chinese tariffs on Australian prawns within 4 years will improve cost competitive position of PSD’s product further</li><li>China is expected to account for 38% of global seafood demand by 2030<sup>1</sup></li></ul>	<ul style="list-style-type: none"><li>ChAFTA enacted by both governments in June 2015</li><li>Since the China-New Zealand FTA was introduced, exports of New Zealand seafood to China have quadrupled</li></ul>
4 Approvals and Agreements	<ul style="list-style-type: none"><li>Government(s) support package, including commitment to upgrade access roads to all weather surfaces and accommodation facility</li></ul>	<ul style="list-style-type: none"><li>A Project Development Agreement with the Northern Territory Government is in the process of being finalized</li><li>Commonwealth A\$40m commitment to road, WA Gov A\$16.7m</li></ul>
5 Other	<ul style="list-style-type: none"><li>More efficient licence and permit approval processes for PSD, including Legune Station use as aquaculture</li></ul>	<ul style="list-style-type: none"><li>Introduction of reforms to reduce red tape and amend pastoral leases</li></ul>

1. Source: World Bank

# Seafarms – Key Risks

## Company Risks

<b>Ability to raise sufficient capital to fund growth and development</b>	<p>The continued growth and development of the Company's carbon and aquaculture businesses will be dependent upon the ability to access funds to finance required capital for growth through expansion of existing operations and new acquisitions and to continue to develop Project Sea Dragon. There is a risk that access to capital on acceptable terms will not be available. Even if finance is available it may be on terms that materially dilute your equity position.</p>
<b>Aquaculture operation risks</b>	<p>Given the remote location of the Company's current and proposed aquaculture operations, the Company may be unable to attract and retain suitable staff, poor labour efficiency/productivity may result, equipment used may not meet expectations and difficulties may arise with respect to logistics and marketing. In addition, labour costs in Australia are high compared with many competitors.</p>
<b>Carbon operation risks</b>	<p>Seafarms is still engaged in its existing carbon business. National and state laws and changes in regulation affect many facets of carbon markets. Changes in regulation can impact on market conditions and thus business confidence. Carbon sinks are exposed to agricultural risk associated with weather, fire event and seasonal climatic conditions which may influence the growth of plantations.</p>
<b>Insurance</b>	<p>the Company has taken out insurance to cover its current business operations. However, the Company's insurance policies, in some circumstances may not provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.</p>
<b>Government regulations</b>	<p>National and local laws and regulations affect nearly all existing and planned aquaculture operations. These laws and regulations set various standards governing certain aspects of Project Sea Dragon's proposed operations, including for example health and environmental quality and provide for penalties and other liabilities for the violation of such standards. The Company has environmental monitoring protocols in place, but changes in regulations or unforeseen events may create liability for the Company.</p>
<b>Dependence on key personnel</b>	<p>The Company is reliant upon its key management personnel. The loss of the services of certain personnel could have an adverse effect on the Company, as it may not be able to recruit replacements for the key personnel within a short time frame.</p>
<b>Research and Development</b>	<p>The Company's business activities and operations involve research and development, which has inherent risk.</p>

# Seafarms – Key Risks

## Project Sea Dragon Risks

<b>PSD is a near term development opportunity</b>	Although the Company is progressing with final investment decision on Project Sea Dragon there can be no assurance that a final investment decision will be made or will result in committed financing and a project being developed.
<b>Project Approvals and Agreements</b>	the development of Project Sea Dragon is subject to the Company receiving the required state and local government approvals and finalisation of stakeholder agreements.
<b>Project Execution</b>	Project Sea Dragon is also subject usual project development risks, including those associated with funding, engineering, unforeseen project construction delays or site specific challenges.
<b>Shrimp Market</b>	the financial performance of Project Sea Dragon will be influenced by certain economic factors, including: the price and availability of key inputs such as feed, any material disruption to distribution channels; and fluctuations in consumer demand which may negatively impact the international price for shrimp.

## Aquaculture Industry Risks

<b>General Aquaculture risks</b>	Aquaculture is a form of primary production and has the normal and usual risks associated with primary production. These risks include but are not limited to, weather and climate risk, risk of natural catastrophe such as storm surge or wind damage, risks from pest and disease, sudden changes in environmental conditions that impact growth performance, or even death arising from failures in systems, plant and equipment (including adverse changes in water temperature, oxygen concentrations or salinity levels).
<b>Disease/Biosecurity</b>	Disease is a major risk in any animal husbandry or aquaculture project. Disease may enter the production system through the broodstock and hatchery system, from the environment via water or through wildlife or human vectors. The Company has minimised these risks by implementing tight operational biosecurity measures and minimising the use of externally sourced post-larvae, and through rigorous pond preparation. The Company undertakes careful monitoring of prawn health which, combined with modern husbandry techniques that reduce the prevalence of pathogens, also mitigate the effects of any disease. The remote locations of the Company's current and proposed aquaculture operations, geographic separation and the lack of water and air pollution also reduces the risk of disease and contamination.
<b>Environmental Impacts</b>	Aquaculture operations have the risk of impacting on the environment, internally and externally. Externally, tail water from an aquaculture farm may fail to meet required specifications. Strategies to minimise the impact and risks to the environment, including surrounding vegetation, terrestrial and marine species are in place for the Company's existing operations.
<b>Water supply</b>	Aquaculture operations require sufficient access to quality water sources year round. The Company currently has access to adequate sources of water for its current operations in northern Queensland.

# Seafarms – Key Risks

## Capital Raising Risks

There are certain risks associated with participating or not participating in the Capital Raising, including:

<b>Underwriting risk</b>	<p>The Company has entered into an Underwriting Agreement with Bell Potter Securities Limited (the Underwriter) under which the Underwriter has agreed to underwrite the Capital Raising, subject to the terms and conditions of the Underwriting Agreement. The Underwriters' obligations to underwrite the Placement and SPP are conditional on certain customary matters, including (but not limited to) the Company delivering certain confirmation certificates, due diligence documentation and shortfall certificates.</p> <p>Further, if certain events occur, the Underwriter may terminate the Underwriting Agreement. Termination of the Underwriting Agreement may have an adverse impact on the Company's ability to fund the Company's carbon and aquaculture businesses. If the Underwriting Agreement is terminated, it will have to consider alternative funding options, which may or may not be available on acceptable terms or may result in dilution to shareholders. Termination of the Underwriting Agreement could materially and adversely affect the Company's business, cashflow, financial performance, financial condition and share price.</p>
<b>Future capital requirements</b>	<p>The Company is likely to require additional capital in the future. The Company's ability to do this at an appropriate price will be significantly impacted by commodity prices, market conditions and the capital raising environment at that time. Future capital raising by the Company may result in your shareholding being diluted.</p>

## General Risks

The business activities of the Company are subject to various general economic and investment risks that may impact on the future performance of the Company. These risk factors include, but are not limited to those summarised below:

<b>Taxation and government regulations</b>	<p>Changes in taxation and government legislation in a range of areas (for example, the Corporations Act, accounting standards and taxation law) can have a significant influence on the outlook for companies and the returns to investors.</p>
<b>Investment in capital markets</b>	<p>As with all stock market investments, there are risks associated with an investment in the Company. Securities listed on the stock market, can experience price and volume fluctuations that may be unrelated to the operating performances of such companies. These factors may materially affect the market price of shares regardless of the Company's performance. The price of shares might trade below or above the issue price for the new shares issued in connection with the Capital Raising</p>

# Seafarms – Key Risks

## General Risks cont.

### Accounting standards

- Australian accounting standards are set by the Australian Accounting Standards Board (AASB). Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in the Company's financial statements.

### General economic risks

- The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, oil prices, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters.



## Contact Us

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