

Directors' report

The Directors present their report together with the financial statements of Seafarms Group Limited (referred to hereafter as Seafarms or the Group) consisting of Seafarms Group Limited and the entities it controlled at the end of or during the year ended 30 June 2018.

Directors

The following persons were Directors of Seafarms Group Limited during the whole of the financial period and up to the date of this report:

Ian Norman Trahar
 Harley Ronald Whitcombe
 Dr Christopher David Mitchell
 Paul John Favretto

On 7 August 2018 Mr Hisami Sakai was appointed as a Non-Executive Director of Seafarms Group Limited as Nippon Suisan Kaisha Limited's representative.

Principal activities

The Group's principal continuing activities during the year consisted of aquaculture project development, aquaculture operations, carbon project management (Australia and Vietnam), the provision of environmental services (advisory in ecosystem offsets and carbon farming projects), and trading environmental credits.

Review of operations

The Group has reported a loss for the year after taxation of \$19,947,283 (2017: loss \$19,775,463).

A summary of consolidated revenues and results for the year by significant industry segments is set out below:

	Segment revenues		Segment results	
	2018	2017	2018	2017
Consolidated	\$	\$	\$	\$
Aquaculture	26,973,529	29,296,388	(14,262,502)	(10,937,644)
Carbon services	6,593,791	5,379,148	(1,338,530)	(277,238)
Other	1,484,586	1,063,715	566,308	294,594
Total segment revenue/result	35,051,906	35,739,251	(15,034,724)	(10,920,288)

Review of operations (continued)

Comments on the operations and the results of those operations are set out below:

Aquaculture

Production at Seafarms' operations in North Queensland was lower than expected due to the previously reported YHV7 outbreak, which negatively affected the Christmas crop. As a result a number of additional biosecurity measures have been implemented along with a number of changes to pond production systems. These changes have provided a positive impact with second half results showing significant improvement on a year on year basis.

As a result of the research and development into stocking rates and scheduling that was reported last year, the company continues to be self-sufficient for Post-Larvae for pond-stocking. Seafarms' high QA/QC standards for its Post-Larvae also contributed to improved performance in grow-out in the second half of the year.

Seafarms continues to produce both Black Tiger and Banana prawns which are sold through supermarkets, seafood markets and wholesalers. The company's unique Crystal Bay® brand strengthened its presence in supermarkets and restaurants. The in-store sales were supported through social media and web expansion.

The Queensland operations are primarily intended to demonstrate the fundamental operating concepts for Project Sea Dragon and provide the platform for the core of the workforce required for the much larger greenfield project.

Project Sea Dragon, Seafarms' world-class integrated aquaculture initiative achieved a series of major milestones in its development during the year.

In order to assist the development of Project Sea Dragon, Seafarms secured a material investment in the Project via an equity placement in Seafarms Group Ltd. The investor is Nippon Suisan Kaisha (Nissui) one of the world's leading seafood companies. Nissui, which is listed on the Tokyo Stock Exchange and a member of the Nikkei 225 Index, is one of the world's largest producers of seafood and has expertise in fisheries, aquaculture, marine research and development, processing, logistics and marketing. This investment which represents a 14.99% shareholding interest in the company, also includes off-take agreements and an agreement to distribute Seafarms existing product as well as produce from Project Sea Dragon, through its half-owned business Sealord. Nissui's investment in Seafarms followed an exhaustive due diligence process that examined all facets of Project Sea Dragon and Queensland operations.

A Project Development Agreement with the Northern Territory Government was signed in September 2017. This Agreement provides the strategic pathway for the full 10,000 Ha development and commits both Parties to fully realise the economic opportunities arising from the Project. The Territory Government will support the project through investments in public infrastructure and will ensure robust land tenure for all Northern Territory project sites.

At its Exmouth Founder Stock Centre, Project Sea Dragon produced its first generations of specific pathogen free Black Tiger Prawns. Development of a domesticated population of specific pathogen free animals is a core strategy to reduce biosecurity risk in Project Sea Dragon.

Major approvals for the breeding facility site at Bynoe Harbour and for the Grow-out Centre at Legune were obtained.

At Bynoe Harbour the approvals that were obtained include the development approval with approval to clear vegetation, a waste discharge licence, an Aboriginal Areas Protection Authority Certificate and the aquaculture licence.

The company successfully negotiated an Indigenous Land Use Agreement (ILUA) for Legune Station. The ILUA was formally authorised on 31 August 2017 and all parties signed the Agreement on 1 November 2017. An Aboriginal Areas Protection Authority Certificate accompanied this ILUA. The use of the land for aquaculture was granted through a Non-Pastoral Use Permit together with a Vegetation Clearing Permit which under the relevant Act is also the development permit.

Review of operations (continued)

Aquaculture (continued)

Seafarms extended its option to purchase Legune Station in order to finalise and then complete formal agreements between itself and the proposed purchaser of Legune which is AAM Investment Group. Securing a land partner is an important part of the strategy for Project Sea Dragon as it establishes a sound management base for the complementary pastoral enterprise that will co-exist with Project Sea Dragon's aquaculture operations. The ability for Seafarms to sub-lease the required parts of the property significantly reduces the initial capital costs of the project.

The company also identified a suitable site for a commercial hatchery at Gunn Point near Darwin. Development consent for the hatchery was obtained in February 2018. The Northern Territory Government committed to upgrading road infrastructure to Gunn Point.

The technical work for the Feasibility Study underwent an exhaustive vendor due diligence process that confirmed all technical assumptions associated with the project. The company refined the construction approach in order to bring forward the stocking and production of prawns. The construction strategy is designed to enable production upon completion of the first farm at Legune.

Seafarms support of the Australian Research Council's Industrial Transformation Research Hub for Advanced Prawn Breeding has yielded a unique set of data from which to launch advanced breeding programs. The Centre published the transcriptome of the black tiger prawn which is the 'library' of active genes making proteins in the prawn. This is the most comprehensive transcriptome for any crustacean and includes 9 different types of tissue from the adult and 8 larval stages. Scientists and staff working on the project have sampled 67,237 prawns and made 447,000 phenotypic measurements. More than 25,000 genetic markers have been identified.

Environmental / Carbon services

CO2 Australia continued to deliver advisory, land management and carbon services. Performance was as expected during the year with earnings from the company contributing positively to the group.

CO2 Australia successfully bid into the Emissions Reduction Fund (ERF) securing long-term Carbon Abatement Contracts (CACs) with the Australian Government in relation to a series of eligible ERF projects from a diverse range of emissions management activities. This builds on an existing set of CACs, as well as multi-decade carbon service contracts with large clients, providing long-term revenue certainty for the company.

CO2 Australia continued to secure clients in the land management sector, with multi-year contracts secured through the Australian Government's 20 million trees program and with the NSW Office of Environment and Heritage.

The company led the advisory component of Project Sea Dragon's environmental impact assessments and successfully brought together the work required for two Environmental Impact Statements to achieve environmental approval under the *Environmental Protection and Biodiversity Conservation Act*. This has significantly strengthened CO2 Australia's capabilities and is generating valuable IP that can be applied in other projects.

Other

CO2 Australia's team of environmental professionals continues to extend its range of service offerings, with a substantive expansion in the variety of engagements secured within the environmental services sector. The company continues to secure repeat business from its blue-chip client base and to attract new customers for its service offering.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial period were as follows.

Contributed equity increased by \$2,161,705 (2017: \$22,491,474) as the result of a debt equity swap with Avatar Finance Pty Ltd to assist with the continuing development of Project Sea Dragon as disclosed in note 26 to the financial statements.

Matters subsequent to the end of the financial year

On 23 May 2018 the Group announced an agreement with Nippon Suisan Kaisha (Nissui) that included a \$24.99 million equity investment in Seafarms. This investment will assist with the development of the Company's world class Project Sea Dragon. One of the conditions of this agreement was that the Group would divest its existing carbon sequestration, trading and environmental services business.

On 15 June 2018, the Group sent out a Notice of Extraordinary General Meeting of shareholders to be held on 16 July 2018. This meeting was primarily being held to seek approval for the demerger of the CO2 Australia Group from the Seafarms Group.

On 16 July 2018, at the extraordinary general meeting, the Group received shareholder approval for the demerger, which was completed on 23 July 2018.

On 7 August 2018 Nippon Suisan Kaisha Limited's equity investment in Seafarms shares at 10 cents per share was completed. This resulted in an equity raising of \$24.99 million.

No matter or circumstance has occurred subsequent to 30 June 2018 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

Likely developments and expected results of operations

Project Sea Dragon continues to be the major focus of development activities. With the achievement of major milestones, as outlined in this report or nearing completion, the next period will see more attention paid to financing and to the final design of Stage 1 of the Project. Construction for Stage 1 is planned to take place across two Dry Seasons as previously outlined.

Queensland operations continue to be de-risked through initiatives to improve operational practices that include water treatment prior to use in grow-out ponds, changes in husbandry such as the use of nursery ponds and continued trials of feed.

Information on directors

Ian Norman Trahar B.Ec, MBA. *Executive Chairman (since 13 November 2001)*

Experience and expertise

Mr Trahar has a resource and finance background. He is a director and significant shareholder of Avatar Industries Pty Ltd, an unlisted private company. Ian is a member of the Australian Institute of Company Directors.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chair of the board.

Member of the audit committee.

Member of remuneration committee.

Interests in shares and options

453,391,227 shares in Seafarms Group Limited.

Harley Ronald Whitcombe B.Bus, CPA. *Executive Director. (since 13 November 2001)*

Experience and expertise

Mr Whitcombe has had many years' commercial and finance experience, providing company secretarial services to publicly listed companies.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chief Financial Officer & Company Secretary of Seafarms Group Limited.

Interests in shares and options

18,048,259 ordinary shares in Seafarms Group Limited.

Information on directors (continued)

Dr Christopher David Mitchell PhD, BSc (Hons), GAICD. *Executive Director. (since 27 July 2005)*

Experience and expertise

Dr Mitchell has a PhD in biology from the University of Melbourne, is a graduate of the Australian Institute of Company Directors and has a 20 year involvement in Australian and international climate change research. He is an Adjunct Professor at the School of Environmental Science Murdoch University and a member of the Community and Industry Advisory Board of the University of Melbourne's Office of Environmental Programs. Prior to joining the Group full time Dr Mitchell was Foundation Director of the Centre for Australian Weather and Climate Research, a partnership between CSIRO and the Bureau of Meteorology, and was CEO of the Cooperative Research Centre for Greenhouse Accounting. He chaired the Victorian Climate Change Minister's Reference Council on Climate Change Adaptation and was on the CSIRO's Environment and Natural Resources Sector Advisory Committee.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Member of the audit committee.

Member of remuneration committee.

Interests in shares and options

10,993,936 ordinary shares in Seafarms Group Limited.

Paul John Favretto LL.B. *Independent Non-executive Director. (since 18 December 2007)*

Experience and expertise

Mr Favretto was previously Managing Director of Avatar Industries Limited. Before that Mr Favretto worked for 20 years in the financial services industry holding senior management positions with Citibank Limited (1976 to 1985) and Bankers Trust Australia Limited (1986 to 1994).

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

Chairman of remuneration committee.

Chairman of audit committee.

Interests in shares and options

37,750,000 ordinary shares in Seafarms Group Limited.

Information on directors (continued)

Hisami Sakai *Non-executive Director (since 7 August 2018)*

Experience and expertise

Mr Sakai has had nearly 40 years commercial experience with Nippon Suisan Kaisha Limited (Nissui), one of the biggest global seafood companies in Japan. He is currently an Executive Officer of Nissui. His responsibilities include Business Supervisor in Europe and Oceania, in charge of the Supply Chain Management and Marine Business Strategy Departments.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

None

Interests in shares and options

None

Company secretary

The Company secretary is Mr Harley Ronald Whitcombe B.Bus, CPA. Mr Whitcombe was appointed to the position of Company secretary on 13 November 2001.

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the 12 months ended 30 June 2018, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Ian Norman Trahar	11	12	2	2	3	3
Harley Ronald Whitcombe	14	14	-	-	-	-
Dr Christopher David Mitchell	14	14	2	2	3	3
Paul John Favretto	14	14	2	2	3	3
Hisami Sakai	-	-	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the Director held office, was invited to attend or was a member of the committee during the 12 months

Remuneration report (audited)

The Directors are pleased to present your Company's 2018 remuneration report which sets out remuneration information for Seafarms Group Limited's non-executive Directors, executive Directors and other key management personnel.

Non-executive director remuneration policy

The shareholders of Seafarms Group Limited on 24 February 2012 approved, for the purposes of the ASX Listing Rules and the Group's Constitution, an increase in the maximum aggregate directors' fees to \$400,000, with such fees to be allocated to the directors as the board of directors may determine.

The Remuneration Committee determines the remuneration of all non-executive directors, none of whom have service contracts with the company.

Executive remuneration policy and framework

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives and the creation of shareholder value;
- performance linkage / alignment of executive compensation;
- transparent; and
- acceptable to shareholders.

Alignment to shareholders' interests:

- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience; and
- provides recognition for contribution.

The board has established a remuneration committee which makes recommendations to the board on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non executive directors. The Corporate Governance Statement provides further information on the role of this committee.

Remuneration report (audited) (continued)

Executive remuneration policy and framework (continued)

The executive remuneration and reward framework has several components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in the "Seafarms Group's Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

The combination of these comprises an executive's total remuneration. The Group intends to conduct a review of the incentive plans during the year ending 30 June 2019 to ensure continued alignment with financial and strategic objectives.

(a) Elements of remuneration

Base pay and benefits

Executives receive their base pay and benefits structured as a total employment cost (TEC) package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are guaranteed base pay increases included in all of the executives' contracts.

Short-term incentives

If the Group achieves a pre-determined profit target set by the remuneration committee, a short-term incentive (STI) pool is available to executives and other eligible participants. Cash incentives (bonuses) were payable on 15 November each year, with the change of accounting date to 30 June this will be 15 August in future years. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with the business plan. The distribution of the STI pool is at the discretion of the Executive Chairman.

Long-term incentives

Long-term incentives may be provided to directors and staff via the Seafarms Group Employee Incentive Plan as approved by shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

The Seafarms Group Employee Incentive Plan is designed to provide long-term incentives ("LTI") for directors and staff to deliver long-term shareholder returns. Under the plan, participants may be granted unlisted Share Options and/or Performance Rights which only vest if certain performance conditions are met and the directors and staff are still employed by the Group at the end of the vesting period. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

(b) Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) of Seafarms Group Limited and the Group are set out in the following tables.

The key management personnel of Seafarms Group Limited includes the directors as listed below:

- Ian Norman Trahar (Chairman and Executive Director)
- Harley Ronald Whitcombe (Executive Director and Company Secretary)
- Dr Christopher David Mitchell (Executive Director)
- Paul John Favretto (Non-executive Director)

Remuneration report (audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (continued)

In addition to the directors the following executives that report directly to the Board are key management personnel:

- Dallas Donovan (Chief Operating Officer, Seafarms Operations Limited)
- Rodney Dyer (Project Director, Seafarms Group Limited, appointed 31 October 2017)
- Aaron Soanes (Director and General Manager of Operations, CO2 Australia Limited)
- Dr James Bulinski (Director, CO2 Australia Limited)

The following table shows details of the remuneration expense recognised for the Group's directors and executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Remuneration report (audited) (continued)

(b) *Details of remuneration (continued)*

Name	Short-term employee benefits		Post-em employment benefits	Long- term benefits	Share-based payments Performance rights / Share options**		Total
	Cash salary and fees	Cash bonus	Non- monetary benefits	Super- annuation	Long service leave	Termi- nation benefits	
	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2018							
Non-executive Directors							
P Favretto	35,200	-	-	23,144	-	-	58,344
Sub-total non-executive directors	35,200	-	-	23,144	-	-	58,344
Executive Directors							
I Trahar	240,450	-	-	38,128	4,378	-	282,956
H Whitcombe	270,811	-	-	35,727	4,931	- 324,000	635,469
C Mitchell	294,398	-	17,817	37,968	5,360	- 486,000	841,543
Other key management personnel (Group)							
D Donovan	266,539	-	-	37,321	4,565	- 42,476	350,901
R Dyer (from 31 October 2017)	185,503	-	-	17,623	565	- 12,636	216,327
A Soanes	189,895	-	32,373	18,040	3,458	-	243,766
J Bulinski	216,500	-	16,462	24,068	4,006	-	261,036
Total key management personnel compensation (Group)	1,699,296	-	66,652	232,019	27,263	- 865,112	2,890,342

** The estimation of the fair value of share-based payment awards requires judgement concerning the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions. A Black scholes valuation methodology was used to determine the value. Further details on the valuation assumptions and individual scheme awards are provided in note 38 of the financial statements.

Name	Short-term employee benefits		Post-em employment benefits	Long- term benefits	Share-based payments Performance rights		Total
	Cash salary and fees	Cash bonus*	Non- monetary benefits	Super- annuation	Long service leave	Termi- nation benefits	
	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2017							
Non-executive Directors							
P Favretto	35,200	-	-	25,025	-	-	60,225
Sub-total non-executive directors	35,200	-	-	25,025	-	-	60,225
Executive Directors							
I Trahar	240,450	-	-	42,050	4,378	-	286,878
H Whitcombe	270,811	-	-	38,227	4,931	-	313,969
C Mitchell	286,065	-	24,944	39,676	5,360	-	356,045
Other key management personnel (Group)							
D Donovan	241,846	20,000	-	37,635	3,043	-	302,524
A Soanes	185,804	-	26,387	17,651	3,390	-	233,232
J Bulinski	184,000	-	12,886	23,480	3,460	-	223,826
Total key management personnel compensation (Group)	1,444,176	20,000	64,217	223,744	24,562	-	1,776,699

* The cash bonus to D Donovan was paid on 15 March 2017 as recognition of the improved performance of the Cardwell operations.

Remuneration report (audited) (continued)

Details of the awards for each scheme, the status of those awards and share based payment expense for KMP's is provided in the table below.

Name / Scheme	Allocation date	Vesting date	Balance of	Granted	Vested /	Balance of	Fair value per	Fair value at	Share based
			unvested		Exercised in	unvested			
			equity	Number of	FY18	equity	security	grant date	payments
			awards as at	rights	Number of	awards as at	Cents	\$	expenses
			1 July 2017		rights	30 June 2018			FY18
			Number of			Number of			\$
			rights			rights			
H Whitcombe									
Performance rights	22 August 2017	22 August 2017	-	5,400,000	(5,400,000)	-	6.0	324,000	291,600
C Mitchell									
Performance rights	22 August 2017	22 August 2017	-	8,100,000	(8,100,000)	-	6.0	486,000	437,400
D Donovan									
Unlisted options 1	22 August 2017	22 August 2017	-	10,000,000	-	10,000,000	6.0	600,000	47,591
R Dyer									
Unlisted options 2	19 January 2018	19 January 2018	-	5,000,000	-	5,000,000	6.6	330,000	12,987
TOTAL			-	28,500,000	(13,500,000)	15,000,000		1,740,000	789,578

Details in relation to the KMP long term incentives are set out in note 38 to the financial statements.

Remuneration report (audited) (continued)

(c) Service agreements

Remuneration has been determined after the Remuneration Committee, for executive directors, and the Board, for group executives, has investigated current market terms and conditions.

The Remuneration Committee will continue to revise the remuneration practices and develop policy for future appointments and determine performance-based salary increases and bonuses, bearing in mind the size of the Group and the need to ensure quality staff are employed and retained.

I Trahar, H Whitcombe, Executive Directors:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving twelve months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to 100% of base salary for the unexpired period of notice. The employee may terminate on giving three months notice.
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

C Mitchell, Managing Director, Project Sea Dragon:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer may terminate employment on giving six months notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to six months of base salary for the unexpired period of notice;
- In the event of redundancy, six months base salary is to be paid plus payment equivalent to three weeks of base salary for each completed year of service;
- Salary-packaged motor vehicle is included.
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

D Donovan Chief Operating Officer, Seafarms Operations Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

R Dyer Project Director, Seafarms Group Limited (appointed 31 October 2017)

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (any adjustment will be at the Company's discretion);
- Employer or employee may terminate employment on giving one months notice;
- Eligible to participate in the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016.

A Soanes Director and General Manager of Operations, CO2 Australia Limited:

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;
- In the event of redundancy, three months base salary is to be paid plus payment equivalent to two weeks of base salary for each completed year of service;

Remuneration report (audited) (continued)

(c) Service agreements (continued)

J Bulinski Managing Director, CO2 Australia Limited

- Term of agreement - no fixed term;
- Base salary which includes superannuation is reviewed annually (minimum increase of CPI);
- Employer or employee may terminate employment on giving one months notice;

(d) Additional statutory information

(i) Remuneration breakdown

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense on page 10 above:

Consolidated

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Executive Directors of Seafarms Group Limited						
I Trahar	100%	100%	-%	-%	-%	-%
H Whitcombe	100%	100%	-%	-%	-%	-%
C Mitchell	100%	100%	-%	-%	-%	-%
Other key management personnel of the group						
A Soanes	100%	100%	-%	-%	-%	-%
J Bulinski	100%	100%	-%	-%	-%	-%
R Dyer (from 31 October 2017)	100%	-%	-%	-%	-%	-%
D Donovan	100%	100%	-%	-%	-%	-%

Cash bonuses are at the discretion of the remuneration committee and do not form part of the remuneration breakdown shown above.

(ii) Share-based compensation

On 22 August 2017, 13,500,000 performance rights (exercise price \$0.00, expiry date 22 August 2019) and 30,000,000 unlisted options (exercise price \$0.10 per option, expiry date 22 August 2021) were issued to directors and staff. In addition on 18 January 2018, 5,000,000 unlisted options (exercise price \$0.10 per option, expiry date 31 October 2021) were issued to staff. All of these rights and options were issued pursuant to the "Seafarms Group Employee Incentive Plan" as approved by the shareholders at the AGMs held on 1 February 2016 and 25 November 2016 (2017: Nil).

Shares provided on exercise of options

On 23 May 2018, Seafarms Group announced that the performance criteria for the Performance Rights issued to directors, on 22 August 2017, had been achieved and consequently fully paid ordinary shares were issued to Dr Mitchell (8,100,000) and Mr Whitcombe (5,400,000). The shares issued rank equally with those currently on issue and will have the same dividend entitlements as existing shares on issue (2017: Nil).

All of the unlisted options issued during the year (35,000,000) remained unexercised as at 30 June 2018.

Remuneration report (audited) (continued)

(d) *Additional statutory information (continued)*

(ii) *Share-based compensation (continued)*

Shares provided on exercise of options (continued)

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the last five financial periods:

	Year ended 30 June 2018	Year ended 30 June 2017	9 months ended 30 June 2016	Year ended 30 September 2015	Year ended 30 September 2014
	\$	\$	\$	\$	\$
Revenue	35,051,906	35,739,152	23,529,287	26,215,415	23,477,385
Net (loss) before tax	(19,943,707)	(13,506,165)	(18,735,523)	(16,334,712)	(8,045,199)
Net (loss) after tax	(19,947,283)	(19,775,464)	(18,360,319)	(15,959,969)	(6,649,227)
	30 June 2018	30 June 2017	30 June 2016	30 September 2015	30 September 2014
Share price at start of year	6c	6c	6c	6c	6c
Share price at end of year	8c	6c	7c	6c	6c
Dividend	-	-	-	-	-
Basic (loss) per share	(1.42)c	(1.75)c	(2.03)c	(2.31)c	(1.36)c
Diluted (loss) per share	(1.42)c	(1.75)c	(2.03)c	(2.31)c	(1.36)c

On 31 August 2011, shareholders approved the Seafarms Group Limited Employee Incentive Plan. Under the Plan, eligible participants were granted Performance Rights to acquire ordinary shares in Seafarms Group Limited, subject to satisfying any vesting conditions. The Plan commenced on 30 September 2011, and terminated 1 February 2014.

At the 2015 Annual General Meeting of Seafarms Group Limited, held on 1 February 2016, and again at the 2016 Annual General meeting of shareholders of Seafarms Group Limited, held on 25 November 2016, shareholders approved the "Seafarms Group Employee Incentive Plan" under which the Board may grant equity securities (including performance rights and options) to eligible participants under the plan, which may, subject to the discretion of the Board, include executive directors or key management personnel. No equity securities have been granted to date by the Group pursuant to this plan.

(iii) *Voting and comments made at the company's Annual General Meeting*

Seafarms Group Limited received more than 98% of "yes" votes on its remuneration report for the 2017 financial period. The company did not receive any specific feedback at the AGM or throughout the period on its remuneration practices.

(e) *Equity instrument disclosures relating to key management personnel*

(i) *Share holdings*

The numbers of shares in the Company held during the financial period by each Director of Seafarms Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Remuneration report (audited) (continued)

(e) *Equity instrument disclosures relating to key management personnel (continued)*

(i) *Share holdings (continued)*

Consolidated 2018	Balance at the start of the period	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the period	Balance at end of the period
Name					
Directors of Seafarms Group Limited					
Ordinary shares					
I N Trahar	411,724,561	-	-	41,666,666	453,391,227
H R Whitcombe	12,648,259	-	-	5,400,000	18,048,259
C D Mitchell	2,893,936	-	-	8,100,000	10,993,936
P J Favretto	37,750,000	-	-	-	37,500,000
Other key management personnel of the Group					
Ordinary shares					
A Soanes	1,672,841	-	-	-	1,672,841
J Bulinski	931,525	-	-	-	931,525
R Dyer	-	-	-	-	-
D Donovan	-	-	-	-	-
Consolidated 2017	Balance at the start of the year	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the year	Balance at end of the year
Name					
Directors of Seafarms Group Limited					
Ordinary shares					
I N Trahar	405,974,561	-	-	5,750,000	411,724,561
H R Whitcombe	12,013,259	-	-	635,000	12,648,259
C D Mitchell	2,393,936	-	-	500,000	2,893,936
P J Favretto	36,666,666	-	-	1,083,334	37,750,000
Other key management personnel of the Group					
Ordinary shares					
A Soanes	1,672,841	-	-	-	1,672,841
J Bulinski	931,525	-	-	-	931,525
R Dyer	-	-	-	-	-
D Donovan	-	-	-	-	-

Loans to key management personnel

There are no loans made to directors of Seafarms Group Limited and other key management personnel.

Shares under option

There are no unissued ordinary shares of Seafarms Group Limited under option at the date of this report.

The company has in issue 30,150,190 convertible preference shares that have not been exercised. For further information relating to the convertible preference shares, please refer to note 26(a).

Insurance of officers

(a) Insurance of officers

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr H R Whitcombe, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer 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.

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined at note 29 to the financial statements.

Dividends - Seafarms Group Limited

The Directors of Seafarms Group Limited do not recommend the payment of a dividend for the year ending 30 June 2018 (2017: Nil).

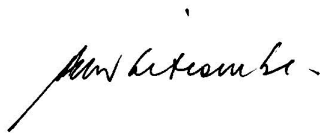
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



Harley Ronald Whitcombe
Perth
31 August 2018