



Our Ref: SFG ASX Announce Cap Raising (600)

5 April 2019

ANNOUNCEMENT 600

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

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

Seafarms announces it has raised A\$20 million under a placement and will conduct a share purchase plan to raise up to \$4 million along with a \$3 million debt to equity conversion.

Seafarms Group Limited ACN 009 317 846 (**Seafarms** or the **Company**) is pleased to announce that it has received commitments for a share placement to major domestic, institutional and professional investors in excess of A\$20 million (**Placement**) at A\$0.09 per fully paid ordinary share in the capital of the Company (**Share**) however the Placement was capped at \$20 million. Bell Potter Securities Limited (**Bell Potter**) is acting as lead manager to the Placement.

In addition, Avatar Finance Pty Ltd (**Avatar**), a company controlled by the major shareholder and Chairman of Seafarms, Mr Ian Trahar, has committed to subscribe for A\$3 million of new Shares at the same price as the Placement, which will be used to repay debt (**Debt Conversion**), subject to shareholder approval.

To enable all shareholders to participate, the Company will also implement a share purchase plan (**SPP**) also at A\$0.09 per Share to eligible SFG shareholders, with the expectation of raising A\$4 million (with an ability to accept oversubscriptions subject to the directors' discretion). The Company will accept subscriptions of up to \$15,000 from each shareholder under the SPP.

Seafarms' Executive Chairman, Mr Ian Trahar commented:

"Since the Company's last capital raising in June 2017, Seafarms has secured the material approvals and licences necessary to develop Step 1 of Stage 1 of its world class Project Sea Dragon, secured a global seafood partner Nissui and only recently and importantly secured a 90 year sublease agreement at our major development site – Legune Station in December 2018. This new equity raising will place the company in a strong position to further progress the early works programs for Project Sea Dragon which started in the dry of 2018 and to secure project funding for Step 1 of Stage 1 of the Project. The placement highlights the strong sophisticated investor support for the Project. The share purchase plan ensures our loyal shareholder base is able to participate in the issue and the debt to equity conversion highlights my own confidence in this world class development.

Seafarms has formally notified our global industry partner Nissui of this capital raising. All equity investments by Nissui require formal Nissui board approval and may also require applicable regulatory approvals and consents. The Company has agreed to provide Nissui with a 60 day period commencing on the date of this announcement to

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determine whether it intends to make a further investment into Seafarms at A\$0.09 per Share to maintain its current equity position in the Company."

Attached is an Investor Presentation which provides further details in relation to the raising and an update on Project Sea Dragon.










Use of funds

Seafarms is currently Australia's largest producer of farmed prawns, with significant operational aquaculture expertise and a demonstrated track record of growth and innovation.

Seafarms' Project Sea Dragon (**PSD**) is a world class industrial scale aquaculture project to be developed and constructed in stages primarily located at Legune Station in the Northern Territory. Following eight years of development and approximately \$100 million of investment, Seafarms has obtained the material regulatory approvals required for Stage 1 of the development, meaning that PSD is shovel ready.

Seafarms sponsored early work programs for PSD and government sponsored infrastructure support that commenced in the 2018 dry season.

The funds raised under the Placement and SPP will be applied to:

-  further expansion of Exmouth Founder Stock Centre to enable G3 (third generation) Specific Pathogen Free animals;
-  commencing the initial development of the Bynoe Harbour Broodstock Maturation Centre;
-  undertaking required capital works on Legune Station which are beneficial for PSD and agricultural operations on the station, as agreed in the Sublease and Cooperation Agreement;
-  obtaining/commissioning the engineering and detailed design and procurement packages for the current (2019) and next (2020) dry seasons;
-  finalising processing plant design and associated tender documents;
-  Australian Research Council research commitments;
-  facilitating the project funding process including negotiating with equity and debt funding participants and adviser costs;
-  meeting SFG's ongoing contractual, regulatory and environmental compliance commitments relating to PSD; and
-  the costs of the capital raising and general working capital requirements

Placement

The Placement will see the introduction of new institutional investors to the Company's register.

The Placement price of A\$0.09 represents a 14.29% discount to the Company's last close price on Tuesday, 2 April 2019 of A\$0.105 and a 11.68% discount to the 5 day volume weighted average price to Tuesday, 2 April 2019 of A\$0.1019.

Under the Placement 222,222,222 Shares will be issued to institutional and professional clients of Bell Potter under the Company's placement capacity (under ASX Listing Rules 7.1 (170,069,154 shares) and 7.1A (52,153,068 shares)) to raise A\$20 million at A\$0.09 per Share.

At the shareholders meeting to be convened in May or June 2019, the Company will ask shareholders to ratify the Placement to refresh the Company's placement capacity.

At a shareholders meeting to be convened in early May or June 2019, the Company will ask shareholders to ratify the Placement to refresh the Company's placement capacity.

New Shares when issued will rank equally with all Shares already on issue.

SPP

The SPP will provide eligible shareholders the opportunity to subscribe for up to A\$15,000 each in Seafarms at A\$0.09 per Share, the same issue price as the Placement. The amount to be raised is expected to be up to A\$4 million (with an ability to accept oversubscriptions subject to the directors' discretion).

The books closing date for the SPP was close of business 4 April 2019.

The SPP booklet is scheduled to be sent to shareholders on Monday, 8 April 2019. The Directors propose to participate to the maximum extent permissible under the SPP, subject to any legal or regulatory requirements (including superannuation legislation and policy).

Debt Conversion

Shareholders have previously approved the loan by Avatar of up to A\$15.2 million (**Avatar Facility**). The facility is currently drawn to A\$13.4 million. Subject to shareholder approval, Avatar will subscribe for 33,333,333 new Shares at A\$0.09 per Share. The A\$3 million raised will be used to repay debt in the Company. The Debt Conversion will reduce the debt currently owed by the Company to Avatar Finance to \$10.4 million.

Avatar Finance has also indicated its desire to undertake further debt conversions. Seafarms is considering (subject to obtaining shareholder approval) making amounts outstanding under the existing facility agreement (after the Debt Conversion) convertible into Shares up to a maximum of \$12.2 million, at Avatar Finance's election, at an issue price of A\$0.09 to avoid the need for obtaining shareholder approval prior to any further debt conversions. Further details will be provided if the Company decides to proceed with this.

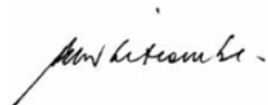
Enquiries

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 9216 5200 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 798 306 (callers within Australia) or +61 3 9415 4830 (callers outside Australia).

Yours faithfully

Seafarms Group Limited



Harley Whitcombe
Director and Company Secretary
ENC

Media contact:

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About Seafarms Group

Seafarms Group Limited (ASX: SFG) is an ASX listed holding company with separate subsidiary aquaculture companies., Seafarm Operations Pty Ltd operates aquaculture operations in northern Queensland, 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.

For further information refer the company's web site: www.seafarms.com.au

Project Sea Dragon

Project Sea Dragon Pty Ltd is developing Australia's largest 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/about-project-sea-dragon/



From left to right: Legume Station 5 ha successful earthworks trial, Seafarms black tiger prawn and Cardwell operations staff.

SEAFARMS GROUP LIMITED

MARKET UPDATE AND CAPITAL RAISING OVERVIEW

APRIL 2019

The transformation of Australia's largest prawn producer to a global low cost producer is underway.

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PROJECT SEA DRAGON
REGIONAL FOOTPRINT MASTER PLAN
FINAL FEASIBILITY
WORKSHEET

Legend

- Stage 1 - Farm
- Stage 1 - Farm services
- Future stages - Farm
- Future stages - Farm services
- Potential lease stages - Farm
- Potential lease stages - Farm services
- Existing dams
- Potential lease dam character
- Road
- State border
- Set-back area
- Old River Irrigation Scheme
- Moist heath character
- Stage 2
- Stage 3
- Leisure property outline
- Setback

0 5 10 15 Kilometres
All Roads 1:100 000
Coordinate System: GDA 1984 UTM

seafarms

WYNDHAM EXPORT INFRASTRUCTURE
PROPOSED PROCESS PLANT
KUNUNURRA
KARIKE STATION
OLD RIVER IRRIGATION SCHEME STAGE 2
OLD RIVER IRRIGATION SCHEME STAGE 1
FARM STAGE 1 (1120 HECTARES)
FARM FUTURE EXPANSION
GROW OUT CENTRE
LEGUNE STATION
LEGUNE
KEEF RIVER
TURTLE POINT
VICTORIA RIVER
SPIRIT HILLS STATION
BULLY PINE RIDGE
DORRIS STATION

Road Network	Distance (km)
A - B	122.5
B - C	26.5
C - D	7.5
D - E	26.5
E - F	23.0
F - G	35.0

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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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EXECUTIVE SUMMARY

- 🔥 Seafarms Group Limited (**Seafarms** or **SFG**) has made significant progress in its development of Project Sea Dragon (**PSD**):
 - 🔥 the project is now shovel ready;
 - 🔥 SFG has secured the necessary major environmental and development approvals/licences and agreements needed to commence construction of PSD – a tier 1 asset development with an operating life of 90 years;
 - 🔥 development has already commenced on workstreams with longer lead-times;
 - 🔥 PSD has secured Major Project Status with the Northern Territory and Western Australian Governments;
 - 🔥 PSD recently had its Major Project Status with the Federal Government extended with Minister Andrews stating that “The Morrison Government recognises the importance of this project to Northern Australia, and to strengthen Australia’s economy”¹.
 - 🔥 SFG has secured significant government financial infrastructure support including major road/bridge upgrades and land packages, with government expenditure underway;
 - 🔥 there is ongoing government investment through in-kind contributions to PSD breeding and domestication program;
 - 🔥 all Native Title matters in respect of Legune Station have been resolved in a comprehensive Indigenous Land Use Agreement (**ILUA**);
 - 🔥 SFG has secured a major industry partner (equity and offtake agreement) in Nippon Suisan Kaisha Limited (**Nissui**), a global seafood company. Additionally a marketing agreement has been reached with Sealord, one of the largest seafood companies in the southern hemisphere;
 - 🔥 PSD is already generating strong demand well above initial production volumes for PSD premium product with arrangements entered into with Nissui (offtake);
 - 🔥 SFG has entered into a long term 90 year sublease at the PSD main facility – the grow out production centre at Legune Station in the Northern Territory; and
 - 🔥 SFG continues to generate new potential equity and/or offtake interest with major Asian corporates, 6 Memorandums of Understanding (**MOU**) (equity and offtake) have been signed with major Asian corporates and an industry player from Europe.
- 🔥 SFG continues to progress project funding options:
 - 🔥 PSD has had extensive independent vendor due diligence undertaken on all major aspects of the project for the whole of Stage 1 as well as industry partner signoff; and
 - 🔥 the pricing for recent tenders received for approximately A\$100M of various major capital work programs are within Seafarms budgeted estimates.
- 🔥 Seafarms Queensland has already secured the necessary accreditations for exports into the major seafood markets of Japan, China and Europe.
- 🔥 SFG is conducting a circa A\$20m placement plus A\$4m SPP capital raising to fast track programs that are targeted to deliver more product more quickly.

¹ The Hon Karen Andrews MP, Minister for Industry, Science and Technology, media release dated 29 March 2019

- ✶ The capital raising is supported by SFG's largest shareholder, being Avatar Finance Pty Ltd (Mr Ian Trahar), which is converting a further A\$3M of its debt facility into equity.
- ✶ Nissui has been notified of this capital raising. SFG has provided Nissui with a 60 day time period to determine whether they want to maintain their current 14.99% interest in SFG.
- ✶ Post capital raising SFG expects to be able to fund PSD early works and development construction, fund PSD through to final investment decision and assist in securing project finance.

PLANNED EARLY WORKS COMPLETED AT LEGUNE IN 2018 - STOCKPILING MATERIAL FOR ROAD CONSTRUCTION AND TO UNDERPIN SEAWATER INTAKE, SETTLING PONDS AND DISCHARGE CHANNEL WALLS



A\$20M PLACEMENT, A\$4M SHARE PURCHASE PLAN AND A\$3M DEBT CONVERSION

The Capital Raising and Debt Conversion will enable Seafarms to continue to develop its world class project, Project Sea Dragon, progress the project funding process for Step 1 of Stage 1 development of PSD from a stronger financial position and fast track programs that are targeted to deliver more product more quickly.

☛ The Capital Raising comprises:

- ☛ **(Placement):** a share placement to institutional and sophisticated investors at an issue price of A\$0.09 per share to raise up to A\$20M; and
- ☛ **(SPP):** a share purchase plan to eligible shareholders at an issue price of A\$0.09 per share which is expected to raise A\$4M, but is uncapped.

☛ The company's largest shareholder supports the Capital Raising:

- ☛ the company's largest shareholder, Avatar Finance Pty Ltd (a company controlled by the Executive Chairman of SFG, Mr Ian Trahar) will be subscribing for A\$3M of new Shares at an issue price of A\$0.09 per share which will be used to repay a portion of the existing debt owed to it under the existing facility agreement (**Debt Conversion**). The Debt Conversion is subject to shareholder approval;
- ☛ Avatar Finance has also indicated its desire to undertake further debt conversions. Seafarms is considering (subject to obtaining shareholder approval) making amounts outstanding under the existing facility agreement after the Debt Conversion convertible into Seafarms shares up to a maximum of A\$12.2M, at Avatar Finance's election, at an issue price of A\$0.09 to avoid the need for obtaining shareholder approval prior to any further debt conversions. Further details will be provided in the applicable shareholder meeting documents;
- ☛ Nissui has various top-up rights available under the Shareholder Rights Agreement between Seafarms and Nissui dated 3 August 2018. In addition, the Board has agreed to provide Nissui with a 60 day period to determine whether it would like to make a further investment into SFG at A\$0.09 per share (i.e. the offer price for this capital raising) so that its shareholding after the issue of shares under the Placement, SPP and Debt Conversion remains at ~14.99%; and
- ☛ the Directors (and their associated entities) propose to participate to the maximum extent permissible under the SPP, subject to any legal or regulatory requirements (including superannuation legislation and policy).

Placement

Amount	A\$20M (before costs)
No. of shares	222,222,222 Shares
Issue price	A\$0.09 per Share
Investor	Institutional and sophisticated investors

SPP

Amount	Expected to raise A\$4M (but is uncapped) with a maximum subscription per shareholder of A\$15,000.
No. of shares	If A\$4M is raised, 44,444,444 shares
Issue price	A\$0.09 per Share
Investor	SFG Shareholders as at 2 April 2019

Debt Conversion

Amount	A\$3M
No. of shares	33,333,333 Shares
Issue price	A\$0.09 per share
Investor	Avatar Finance or its associates

CAPITAL RAISING – KEY DATES

ACTION	INDICATIVE DATE
Placement	
Trading halt (prior to commencement of trading)	Wednesday, 3 April 2019
Announcement of results of Placement and trading halt lifted	Friday, 5 April 2019
Issue of new Shares under the Placement	Friday, 12 April 2019
New Shares issued under the Placement commence trading on normal basis	Monday, 15 April 2019
SPP	
SPP Offer Opens	Monday, 8 April 2019
SPP Offer Closes	5.00pm (WST) Wednesday, 1 May 2019
Issue of new Shares under the SPP	Wednesday, 8 May 2019
New Shares issued under SPP commence trading on normal basis	Thursday, 9 May 2019
Debt Conversion	
EGM for approval of Share issue under Debt Conversion	May/June 2019
Issue of new Shares under the Debt Conversion (subject to shareholder approval)	May/June 2019
New Shares issued under Debt Conversion commence trading on normal basis	May/June 2019

CAPITAL RAISING – USE OF FUNDS

USE OF FUNDS

- ☛ Proceeds will fund PSD early works and development construction, fund PSD through to final investment decision, assist in securing project finance for Step 1 of Stage 1 and advance PSD's ability to deliver more product more quickly.
- ☛ Proceeds from the Capital Raising will principally be applied to:
 - ☛ further expansion of Exmouth Founder Stock Centre to enable G3 (third generation) animals;
 - ☛ commencing the initial development of the Bynoe Harbour Broodstock Maturation Centre;
 - ☛ undertaking required capital works on Legune Station which are beneficial for PSD and agricultural operations on the station, as agreed in the Sublease and Cooperation Agreement;
 - ☛ obtaining/commissioning the engineering and detailed design and procurement packages for the current (2019) and next (2020) dry seasons;
 - ☛ finalising processing plant design and associated tender documents;
 - ☛ Australian Research Council (**ARC**) research commitments;
 - ☛ facilitating the project funding process including negotiating with equity and debt funding participants and adviser costs;
 - ☛ meeting SFG's ongoing contractual, regulatory and environmental compliance commitments relating to PSD; and
 - ☛ the costs of the capital raising and general working capital requirements.

BROODSTOCK AT EXMOUTH FACILITY



THE OPPORTUNITY – WHY INVEST IN PSD?

- PSD will be one of the largest aquaculture operations globally with an operating life of 90 years. It will produce a high quality premium product and will generate estimated revenues at full-scale production in excess of A\$3B p.a.
- The project has been de-risked by implementing a staged development structure, undertaking successful production pond trials at Legune Station and completing independent vendor due diligence on all major aspects of PSD.
- After 8 years of work and approximately A\$100M of investment PSD is shovel ready with early works already underway. Both Seafarms and government sponsored infrastructure support projects commenced in the dry season of 2018. More development is planned by both Seafarms and government in 2019.
- PSD has gained strong government support (from both major political parties), including significant financial support and favourable political policy settings. PSD, when developed, will also benefit from the multiple free trade agreements recently entered into between Australia and major Asian growth markets (**FTAs**). The FTAs have a strong focus on Australian premium produce exports (including seafood).
- There is significant demand for PSD's premium product and Seafarms has secured the necessary approvals for export from Queensland to begin supply into key markets including Japan, China and Europe. PSD has already attracted a major industry partner, global Asian seafood giant Nissui and has entered into non-binding MOU's for potential further offtake and/or equity arrangements with parties in Asia and Europe.
- PSD has been designed with substantial bio-security protection, both physically and by process design, leading to fully domesticated specific pathogen free animals to be grown out in a highly isolated, environmentally clean aquaculture operation. PSD also has scientific breeding and genetic programs; now in its fifth year of development which has led to more robust, faster growing animals. PSD is building on Australia's well established reputation of clean, green and fungible chain of custody sales. PSD is focused on the industrialisation of prawn production by adopting the principles of large scale manufacturing as distinct from 'farming'. This means, when developed, PSD has the capacity to deliver significant volumes of premium product at a low production cost and hence the ability to lower price to expand market demand.
- PSD is the only prawn producer from a low sovereign risk developed country offering significant volume of a superior quality product. PSD is seeking to market premium Black Tiger Prawns in a similar way to the successful growth of the Atlantic Salmon market led by Marine Harvest and others. PSD has a clear focus on e-commerce, both the B to B and B to C channels, to remove intermediaries between prawn production and retail consumption. There is significant potential to expand the existing retail offer by introducing new product ranges, e.g. frozen offers and prepared meals.

SEAFARMS – CORPORATE SNAPSHOT

	Audited 31 December 2018 \$M	Capital Raising and Debt Conversion ¹ \$M	Pro forma 31 December 2018 \$M
Cash	8.5	24.0	32.5
Net Assets	30.2	24.0	54.2
Debt	16.7	(3.0)	13.7

¹ assumes A\$24M raised under Placement and SPP (before fees and expenses)

CAPITAL STATUS (as at 2 April 2019)

Share Price	\$0.105
Market capitalisation (undiluted)	A\$175M
Fully Paid Shares on issue	1,667,255,467
Preference shares on issue	30.2 million
Options:	
Listed	154.1 million
Unlisted	120.3 million
Estimated fully paid shares on issue post capital raising*	1,967,255,468

*assumes A\$20M raised in placement, A\$4M raised via SPP and A\$3M debt conversion

DIRECTORS SHAREHOLDINGS (as 13 March 2019)

	Shareholding
Ian Trahar Executive Chairman	27.19%
Paul Favretto Director	2.26%
Harley Whitcombe Director and Company Secretary	1.08%
Chris Mitchell Director	0.66%

Note: Nissui holds 14.99% and has a nominee director, Hisami Sakai.

COMPANY INFORMATION

ASX	www.asx.com.au (code SFG)
Company Website	www.seafarms.com.au
Share registry	Computer Investor Services Pty Ltd
Share registry contact	(08) 6188 0800

SHARE PRICE



SEAFARMS GROUP OVERVIEW

Seafarms has a market capitalisation of over A\$175M and is currently Australia's largest producer of farmed prawns, with significant operational aquaculture expertise and a demonstrated track record of growth and innovation.

PROJECT SEA DRAGON

- PSD is a world class industrial scale project to be developed and constructed in stages with ponds located at Legune Station in the Northern Territory.
- Following 8 years of development and approximately A\$100M of investment, Seafarms has obtained the material regulatory approvals required for Stage 1 of PSD.
- PSD is shovel ready. Seafarms sponsored early work programs and Government sponsored infrastructure support commenced in the 2018 dry season, with the major upgrading of the Gunn Point Road, amongst other benefits, to "facilitate and progress Project Sea Dragon"², and the commencement of an upgrade of Keep River Road.

GOVERNMENT SUPPORT

- PSD has Major Project Status with the Federal Government (renewed for a further three years in December 2018) and both the Northern Territory and West Australian Governments and continues to attract strong local government, indigenous and local community support.

INDUSTRY PARTNERS

- PSD has already secured major equity and offtake agreements with Asian global seafood company, Nissui.
- Nissui, was formed in 1911 and has a market capitalisation in excess of US\$2B, with annual sales over US\$6.4B and employs 9,000 people globally (on a consolidated basis).
- Briefly, the equity and offtake agreements with Nissui included:
 - A\$24.99M equity investment in SFG, at a substantial premium to SFG's share price at that time, for a 14.99% shareholding in SFG. Nissui has the right to maintain its interest in SFG up to a maximum of 25% (subject to ASX waivers); and
 - an offtake agreement for 15% of Queensland production and between 10-20% of the total annual production of PSD depending on its ownership interest.

GOVERNMENT \$38M SPONSORED GUNN POINT ROAD UPGRADE (2018)



² Minister for Infrastructure, Planning and Logistics, Nicole Manison (19 February 2018)

- Seafarms has entered into a Marketing and Service Agreement with Sealord. Sealord is one of the largest seafood companies in the southern hemisphere. Today Sealord employs more than 1,100 people, with A\$775M of assets and revenues of A\$450M. It markets a diverse range of seafood products to both retail and food service customers and exports to over 40 countries in various fresh and frozen formats.
- Seafarms has entered into a number of non-binding MOUs with major Chinese corporations and a major European seafood industry player in respect of potential offtake and equity arrangements. Negotiations with those parties are ongoing but are confidential and not sufficiently advanced to require disclosure at this stage.

QUEENSLAND OPERATIONS

- Seafarms existing Queensland operations are Australia's largest producer of farmed prawns with the capacity to produce in excess of 1,700 tonnes per annum.
- The Queensland operations produce premium Black Tiger and Banana prawns marketed under the well-recognised Crystal Bay brand.
- The vertically integrated Queensland operations provide Seafarms with a commercially viable pilot to develop and test best practices for PSD.
- Seafarms has already demonstrated through its performance that significant increases in sales are achievable. In just 3 years its supply to the domestic Australian market increased from around 600 tonnes in 2014 to over 1,700 tonnes today.

MARKET CONDITIONS

- Strong growth in demand for prawns both domestically and internationally, in particular in Asia where distributors are seeking more product more quickly, means Seafarms' PSD is well poised to take advantage of market conditions.
- This demand growth has been fuelled by the rapidly growing Asian middle class. For instance, a recent Austrade Report (November 2018) has estimated that only 28 million Chinese could comfortably afford Australian food in 2017. This is forecast to grow to 102 million by 2022.
- Chinese government has removed tariffs on Australian seafood, effective 1 January 2019.








NEXT STEPS

- Offtake arrangements – Advance negotiations with the parties to the MOUs.
- Funding – Progress the project funding process, including negotiating with equity and debt funding participants.
- Project construction – Continue with early works, including the expansion of Exmouth Founder Stock Centre (to develop third generation of specific pathogen free animals) and the development of the Bynoe Harbour Broodstock Maturation Centre, as part of the company's strategy of delivering more product more quickly.
- Government infrastructure support programs continue with the major Keep River Road upgrade, recommencing in July 2019.

OVERVIEW OF SEAFARMS' KEY MANAGEMENT TEAM AND BOARD OF DIRECTORS

Highly experienced board/management team across project development and management, aquaculture operations, marketing, distribution, finance and business development

KEY BOARD AND MANAGEMENT TEAM MEMBERS:

Ian Trahar Executive Chairman	 <ul style="list-style-type: none"> Extensive experience in the resource, consumer products and financial services across multiple industries and organisations Previous roles include joint CEO of Avatar Industries, Chairman of Ranger Minerals along with executive roles at Shell Australia and Citibank Chairman of Arlec Group – major consumer products company 	Sato Naoto (alternate to Hisami Sakai) <ul style="list-style-type: none"> 14 years accounting and finance experience with Nissui
Dr. Chris Mitchell Managing Director	 <ul style="list-style-type: none"> 20+ years' experience in Australian and international climate change research holding both senior and executive roles Foundation Director of the Centre for Australian Weather and Climate Research 	Ian Leijer Commercial Director  <ul style="list-style-type: none"> Chartered Accountant with 20+ years' experience in corporate finance, strategy and business management Previously CFO of former ASX listed company Avatar Industries and interim CEO of ASX listed Kresta
Paul Favretto	<ul style="list-style-type: none"> 20+ years of financial services experience Previous roles include senior management positions at Citibank and Bankers Trust Australia, and Managing Director of Avatar Industries and KLZ Responsibilities at Seafarms include Chairman of the Remuneration Committee and Member of the Audit Committee 	Dallas Donovan Chief Operating Officer  <ul style="list-style-type: none"> 25+ years aquaculture experience including technical and production management, harvesting, processing and marketing 6 years managing the National Prawn Company in Saudi Arabia - one of the world's largest fully integrated aquaculture operations
Harley Whitcombe Director & Company Secretary	 <ul style="list-style-type: none"> Many years of commercial and finance experience, providing company secretarial services to publicly-listed companies He is a CPA certified accountant 	Jairo Llanos Technical / Production Manager  <ul style="list-style-type: none"> 35+ years of experience in Saudi Arabia and South America with direct experience managing commercial shrimps operations, including extensive experience in large scale prawn/shrimp aquaculture including hatchery, breeding programs and grow out
Hisami Sakai Non-Executive Director	<ul style="list-style-type: none"> 40 years commercial experience with Nissui Currently Executive Officer at Nissui Responsibilities include Business Supervisor in Europe and Oceanic, Supply Chain Management and Marine Business Strategy Departments 	Rod Dyer Chief Project Officer  <ul style="list-style-type: none"> 35+ years of experience in the leadership and delivery of a wide range of Projects and Project Programmes over a diverse range of Industry Previous roles include Executive General Manager Projects for Macarthur Coal, Chief Projects Officer for Peabody Energy, VP Projects for BMA as well as project delivery roles for various food companies

PROJECT SEA DRAGON - OVERVIEW

OVERVIEW

- PSD is a world class industrial scale project that will be built in stages. PSD has the capacity to deliver significant volume of a premium product at a low production cost and hence the ability to lower price to expand market demand.
- PSD is designed to meet the growing demand for protein from Asia and if and when fully developed is expected to produce up to 150,000 tonnes of prawns per year from 10,000 hectares of production ponds (at full production), making it the world's largest producer of Black Tiger prawns.
- Only a handful of sites around the world have the climatic conditions suitable for farming Black Tiger prawns and the combination of remoteness from population centres (which provides biosecurity benefits) and the proximity to the Asian markets that Legune Station in the Northern Territory can offer.
- PSD is the only aquaculture project in Australia with Major Project Status (from the NT, WA, and Federal Governments) and has received the necessary approvals to proceed with development of Step 1 of Stage 1 – PSD is shovel ready.
- Initial project development has already commenced, which comprises both company sponsored early work programmes and significant government sponsored infrastructure support projects.

PSD DEVELOPMENT MOMENTUM IS BUILDING / RECENT ACHIEVEMENTS

- Secure land tenure** – Seafarms has secure tenure for 90 years (including an option to purchase) over a portion of Legune Station, the preferred site for PSD under a long term sublease and cooperation agreement.
- Material regulatory approvals obtained** – Seafarms has obtained the material approvals required at this stage of development to commence construction and operation of the aquaculture facilities at Legune Station for Stage 1.
- Offtake and marketing partners** – Seafarms has secured a long term offtake agreement with global seafood company Nissui and an extensive marketing agreement with major seafood corporation, Sealord.
- Commencement of early works for PSD** – Seafarms began the commencement of early works for Step 1 of Stage 1 at Legune Station.
- Chinese import accreditation** – Seafarms Queensland has secured an import accreditation from the Chinese Government required for the import of prawns into China.
- Updates to material agreements** – Seafarms has successfully negotiated and agreed amendments to material agreements with key stakeholders including the Project Development Agreement with the Northern Territory Government and an ILUA for Legune Station.
- Upgrade to Exmouth Feeder Stock Centre** – Continue the upgrade and expansion of the Exmouth Founder Stock Centre to enable the third generation of specific pathogen free animals to be produced.

- 🔥 **Construction of related infrastructure** - The Northern Territory Government has completed construction of a sealed road to the future hatchery site at Gunn Point at an estimated cost of A\$38M. On 18 March 2019, the Northern Territory Government released the tender to upgrade the Keep River Road valued at A\$39.9M to, amongst other things, “support the proposed Project Sea Dragon”.³

INTERNATIONAL DEMAND

- 🔥 Significant international demand for PSD’s premium product is highlighted by the Nissui offtake agreement and MOU’s.
- 🔥 Collectively the MOU’s recently entered into by Seafarms (with Asian and European corporates) and the Nissui offtake agreement exceed the project’s initial production profile.
- 🔥 A common theme expressed by multiple interested domestic and international parties is that they are seeking more PSD product more quickly.

GOVERNMENT SUPPORT

- 🔥 The project enjoys strong government support by both major political parties at both State and Federal level.
- 🔥 Seafarms has entered into a Project Development Agreement with the Northern Territory Government which provides a pathway for the grant to secure tenure over the proposed project sites for PSD and upgrades to public roads.
- 🔥 The Western Australian Government has agreed to provide land tenure to Seafarms over the Kununurra land for the processing plant, under Crown Lease convertible to Freehold and agreed to upgrade the WA portion of the road between Kununurra and Legune Station.
- 🔥 Together these governments have committed significant financial support including infrastructure upgrades (road, bridges) (over A\$190M), land packages for breeding and processing facilities (up to 2,171ha) and in-kind research and development support (A\$9M).

INDIGENOUS, LOCAL GOVERNMENT AND LOCAL COMMUNITIES

- 🔥 The project also enjoys strong support with the indigenous and local communities and local governments.

KEEP RIVER ROAD BRIDGE BEAMS IN KUNUNURRA



³ Joint media release by the Minister for Infrastructure, Planning and Logistics, Eva Lawler and Deputy Prime Minister, Michael McCormack MP dated 18 March 2019.

PSD – A FULLY VERTICALLY INTEGRATED PROJECT

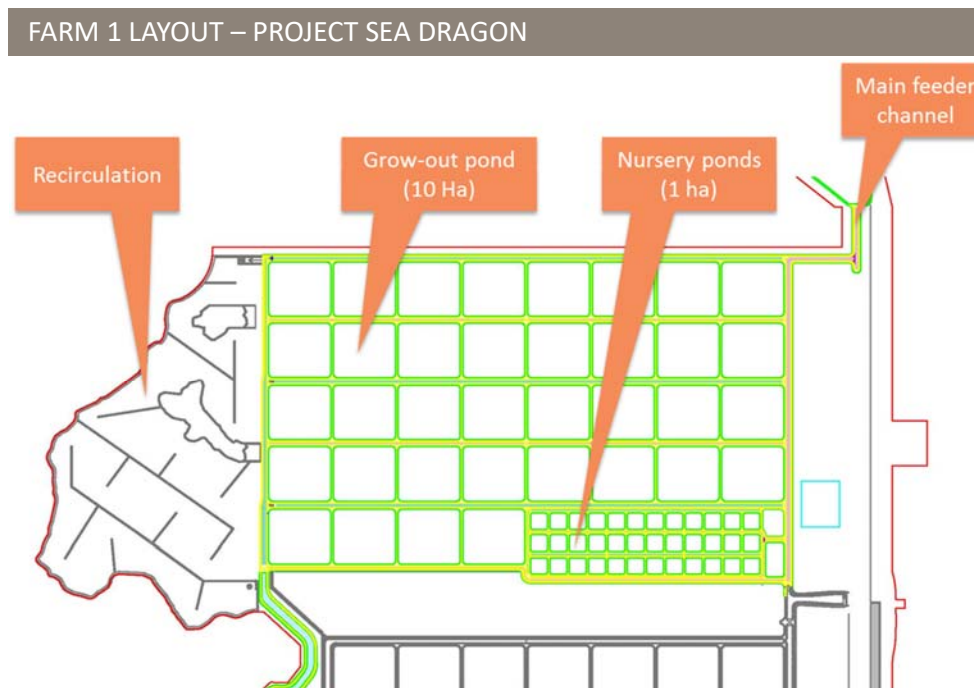
Complete end to end control of operations will allow SFG to ensure absolute biosecurity and process control.

KEY PROCESS STEPS IN PSD PRAWN AQUACULTURE



BIOSECURITY, BREEDING PROGRAM AND RESEARCH AND DEVELOPMENT

- Seafarms has designed PSD to be one of the most biosecure aquaculture projects in the world. The PSD production systems are designed not only to exclude disease but to plan for disease events.
- Seafarms has established a domestic breeding program at Exmouth Founder Stock Centre in Western Australia. This program is in the process of being expanded and is designed to ensure:
 - third generation SPF animals are available for introduction into the Bynoe Harbour Broodstock Maturation Centre; and
 - the founder stock have sufficient genetic diversity to minimise inbreeding and maximise long terms gains though selection.
- Seafarms has a strong commitment to research and development and has engaged with leading industry professional and research institutions including CSIRO and James Cook University.
- Seafarms is the main industry partner in the prestigious ARC, Industrial Transformation Research Hub funding grant for research into the genetics of the Black Tiger prawn and breeding program.



Industry-Leading Biosecurity Standards and Control

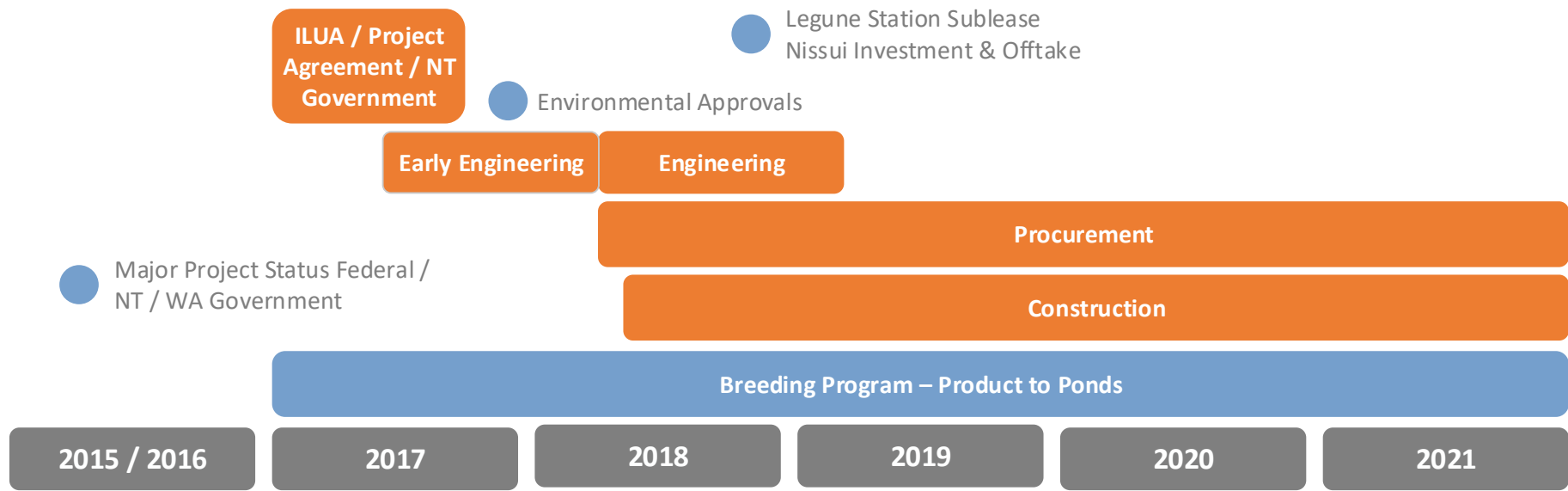
Natural Geographic Biosecurity	Vertically Integrated Business Model	Project Design Considerations Specifically for Biosecurity	Emergency Action Protocol
<ul style="list-style-type: none"> No notifiable disease present in selected locations Geographic isolation from centres of population and all other prawn producers <ul style="list-style-type: none"> nearest prawn producer is on Australia's East Coast Separate locations for breeding, grow out and processing activities to mitigate disease risk <ul style="list-style-type: none"> multiple levels of redundancy and restocking opportunities 	<ul style="list-style-type: none"> Full vertical integration allows for selection of healthy, SPF broodstock, eliminating specific pathogen entry pathway through broodstock World-class genetic breeding program in collaboration with James Cook University and ARC Control over the entire aquaculture value chain allows SFG to continuously test, monitor and rapidly react to issues and any disease events 	<ul style="list-style-type: none"> Buffer zones between farms Best practice water management <ul style="list-style-type: none"> within breeding facilities prawns are in water treated by Ozone and UV light extensive use of recycled water at grow-out facility to limit introduction of potential disease vectors Strict personal and vehicle access controls and movement protocols Strict hygiene at all points 	<ul style="list-style-type: none"> Established emergency action protocol that "ring fences" any disease outbreak <ul style="list-style-type: none"> Day 1: priority harvest of affected pond and surrounding ponds Day 2: harvest next immediate neighbouring ponds Day 3 -7: harvest remaining ponds in the farm Protocol focused on containment and minimising premature terminal harvests

Geographic separation across facilities and SPF high health broodstock limit entry pathway for pathogens; additionally farms can be restarted quickly after any disease event with SPF stock, minimising any losses

DEVELOPMENT STATUS

- ☛ The project continues to generate strong new investor interest (project equity/offtake), particularly from major Asian corporates, with the general theme of wanting more product more quickly.
- ☛ Project funding for this staged development is now being advanced with various funding options being evaluated. Discussion/negotiations are continuing with commercial banks, A\$5B Northern Australia Infrastructure Facility (**NAIF**) and other major Asian corporations.
- ☛ Initial project development has already commenced, which comprises both company sponsored early work programmes and significant government sponsored infrastructure support projects. More development by both parties scheduled in the dry of 2019.
- ☛ To date, SFG has invested over A\$100M on the initial concept and pre-feasibility studies, detailed feasibility study and vendor due diligence, the required Environmental Impact Statements, other environmental approvals, Indigenous approvals and agreements, land access and tenure, and the Queensland operations.
- ☛ Construction at Legune Station 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 is intended to operate all year round for 90 years.

INDICATIVE PROJECT TIMELINE STEP 1 OF STAGE 1 – SUBJECT TO PROJECT FUNDING



APPROVALS AND LAND TENURE

- The regulatory approvals are in place for Stage 1 (1,120ha) with Step 1 development (400ha) now in progress.
- Major land tenure agreements already in place for entire 10,000ha project coupled with an executed ILUA with the Traditional Owners and Project Development Agreement with Northern Territory Government.
- Seafarms has entered into a 90 year Sublease over the portion of Legune Station required for all stages of PSD. SFG has rights under the Sublease which protect its continued use of Legune Station for PSD, such as an option to purchase the pastoral lease over Legune Station⁴.

CAPEX

- The capital requirement for the current development proposal for Step 1 (400ha of production and nursery ponds) is estimated at between A\$260M and A\$280M (excluding contingency and working capital requirements). It includes capital estimates for the breeding and hatchery facilities at Exmouth and Bynoe Harbour, processing plant, Legune grow out centre and project management.
- Approximately A\$100M of budgeted work program tenders have been returned within Seafarms detailed budget estimates to date.
- Step 1 capital estimate includes over A\$150M in infrastructure spend that will service up to a full Stage 1 (1,120ha) project as well as capital that will service other stages up to Stage 7 (+7,000ha). This shared infrastructure includes the sea water intake (**SWI**) jetty, SWI pumps, SWI channel, SWI settling pond, main discharge channel and environment protection zone, discharge systems at Alligator Creek, Forsyth Creek Dam outlet system and fresh water channel, microwave/satellite communications system, and approximately 50km of internal roads at Legune Station. As such, subsequent further similar sized expansions will require significantly less capital.
- Capex estimates are based on current pricing and the following key assumptions:
 - dry and wet season durations remain within usual durations;
 - no significant cyclonic weather affecting Bynoe or Exmouth construction;
 - the project remains PSD managed with right sized construction packages;
 - the construction and earthmoving markets do not become excessively busy (mining, O&G booms) leading to higher costs, longer lead times and poor availability of key equipment, operators and resources; and
 - no significant movements against currency assumptions.
- Seafarms continues to progress the project funding process required to meet the capex requirements for Step 1.

⁴ See ASX announcements on 18 October 2018 and 12 December 2018 for further details.

NORTH QUEENSLAND OPERATIONS

- 🍷 Seafarms Queensland operations are the largest farmed prawn producer of Black Tiger prawns in Australia and were awarded the Prawn Farming Sustainability Program Award in 2016.
- 🍷 The operations act as the training ground for the core team which will lead the implementation and ongoing operations at PSD.
- 🍷 Seafarms Queensland operations are operated as a commercial pilot project for PSD.
- 🍷 Since Seafarms took control of the Cardwell operations:
 - 🍷 production has increased by 180% by increasing yields, lifting survival rates, achieving two crops per year, improving feed conversion and achieving higher processing rates;
 - 🍷 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 strong operational benefits;
 - 🍷 the site has been redesigned (where practical) to reflect the operational design, procedures and methodologies to be adopted at PSD;
 - 🍷 there has been a continuous effort to progressively retrofit modern biosecurity processes and systems; such as environmental surveillance, pathogen screening of wild broodstock, automated vehicle washing, improved hatchery processes and sanitation, in-pond pathogen testing and re-engineering Cardwell Farms to include settlement ponds; and
 - 🍷 Seafarms has recruited key international specialists in large-scale aquaculture, introduced a graduate program and upskilled the existing workforce using specialist vocational training providers.
- 🍷 Changes implemented in the Queensland operations reflect the husbandry and management processes to be implemented at PSD. These include but are not limited to:
 - 🍷 development of computerised information system that routinely collects and analyses hundreds of data points for each crop;
 - 🍷 change from single crop to year-round cropping;
 - 🍷 the introduction of nursery ponds, introduction of probiotics, testing different feed formulations to improve productivity and reduce costs; and
 - 🍷 testing of various automated feeding procedures to optimise food conversion ratios.

SEAFARMS CARDWELL OPERATIONS – PROCESSING PLANT AT FARM 1



PSD - RISKS

KEY RISK FACTORS

1.1. Introduction

There are a number of factors, both specific to the Company and of a general nature, which may, either individually or in combination, affect the future operation, development and financial performance and/or financial position of the Company, its prospects, and/or the value of the Shares. Many of the circumstances giving rise to these risks are beyond the control of the Company, the Directors or its management.

Set out below are the areas the Directors regard as the major risks associated with an investment in the Company. There may also be additional risks (including financial and taxation risks) that you should consider in light of your own personal circumstances.

The following list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The following factors, and others not specifically referred to below, may in the future materially affect the financial performance of the Company and the value of the new Shares offered as part of the Offer.

The Offer of new Shares carries no guarantee with respect to the payment of dividends, returns of capital or the market value of those new Shares. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for new shares offered under the Offer.

1.2. Financing risk

The Company's continued ability to operate its business and effectively implement its business plan over time will depend in part on its ability to raise additional funds for future operations and to repay or refinance debts as they fall due. The Company will require additional financial resources to continue funding the future development of PSD and any other projects. It is difficult to predict the level of funding that may be required with any accuracy at this time. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms acceptable to the Company or its Shareholders.

If additional funds are raised through the issue of equity securities, the capital raising may be dilutive to Shareholders and such securities may, subject to requisite Shareholder approval, have rights, preferences or privileges senior to those of the holders of the company's Shares then on issue. Debt finance, if available on terms acceptable to the Company, may involve restrictions on financing and operating activities. If sufficient funds are not available from either debt or equity markets to satisfy the Company's short, medium or long-term capital requirements, when required, the Company may be required to limit the scope of its anticipated operations, which could adversely impact on its business, financial condition and value of its Shares.

1.3. Company specific risks

(a) Commodity prices

The value Company's assets may be affected by fluctuations the price of prawns and exchange rates. These prices can fluctuate rapidly and widely, and are affected by numerous factors beyond the control of the Company. These factors include the price and availability of key inputs such as feed, any material disruption to distribution channels and fluctuations in consumer demand.

(b) Aquaculture

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 pests and disease, sudden changes in environmental conditions that impact growth performance, or even unusually high mortalities arising from failures in systems, plant and equipment (including adverse changes in water temperature, oxygen concentrations or salinity levels).

(c) Environment

The operations and proposed activities of the Company are subject to State and Commonwealth laws and regulations concerning the environment. If such laws are breached, the Company could be required to cease its operations and/or incur significant liabilities including penalties, due to past or future activities. As with all aquaculture operations, the Company's activities are expected to have an impact on the environment. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including in compliance in all material respects with relevant environmental laws. Nevertheless, there are certain risks inherent in the Company's activities which could subject the Company to extensive liability.

The cost and complexity in complying with the applicable environmental laws and regulations may affect the viability of development of the Company's projects, and consequently the value of those projects, and the value of the Company's assets. Further there can be no assurances that any future environmental laws, regulations or stricter enforcement policies will not have a material effect on the viability of development of the Company's projects, including PSD, and consequently the value of those projects, and the value of the Company's assets.

(d) Human resources

The Company is dependent on the experience of its key management personnel. Whilst the Board has sought to and will continue to ensure key management personnel are appropriately incentivised, their services cannot be guaranteed. The loss of any one of the key management personnel may have an adverse effect on the performance of the Company pending replacements being identified and retained.

As the Company grows, it will need to employ and retain appropriately motivated, skilled and experienced staff. Given the remote location of the Company's current and proposed aquaculture operations, the Company may find it difficult to attract and retain staff. Difficulties in attracting and retaining such staff may have an adverse effect on the performance of the Company.

(e) Project Sea Dragon

The development of the Company's PSD is subject to numerous risks, many of which are beyond the Company's control. These risks include many of the company specific risks outline in this section 1.3 and that the development of PSD is subject to state and local government approvals, the finalisation of stakeholder agreements and an affirmative final investment decision being made. Similarly the construction of PSD will be subject to typical construction risks including design faults, delays or specific site challenges.

(f) Construction risk

The construction of PSD, by its nature, contains elements of significant risk with no guarantee of success. Seafarms' ability to commence production in the future will depend in a significant respect on:

- 🔥 the success of its engineering and construction program; and
- 🔥 the economic returns from and the costs of developing the project.

The purchase of long lead time capital items, early works and construction of material infrastructure for PSD, including capital expenditure items described in the "Use of Funds" and in the "Capex" section of the PSD overview are based on certain assumptions with respect to the method and timing of the development of PSD. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's development program for PSD. Although this presentation sets out the Company's current intentions, the actual PSD development timelines and expenditure will depend on many factors. As such, actual expenditure may differ from the budgeted expenditure presented.

(g) Dependence on external contractors

The Company intends to outsource substantial parts of its development activities pursuant to services contracts with third party contractors. Such contractors may not be available to perform services for the Company, when required, or may only be willing to do so on terms that are not acceptable to the Company. Once in contract, performance may be constrained or hampered by labour disputes, plant, equipment and staff shortages, and default. Contractors may not comply with provisions in respect of quality, safety, environmental compliance and timeliness, which may be difficult to control. In the event that a contractor underperforms or is terminated, the Company may not be able to find a suitable replacement on satisfactory terms within time or at all. These circumstances could have a material adverse effect on the Company's development of PSD and ongoing operations and give rise to claims against the Company.

(h) Insurance

The Company intends to ensure that insurance is maintained to address insurable risks within ranges of coverage the Company believes to be consistent with industry practice, having regard to the nature of the Company's activities. However, no assurance can be given that the Company will be able to obtain insurance cover for all risks faced by the Company at reasonable rates or that the insurance cover it arranges will be adequate and available to cover all possible claims. 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.

1.4. General risks

(a) Economic conditions

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 international economic conditions, significant acts of terrorism, hostilities or war or natural disasters.

(b) Changes in law, government policies and accounting standards

The Company's activities may be impacted by regulatory or other changes implemented by the Commonwealth or State Governments. A change in laws that impact on the Company's operations, such as land access, Native Title, environmental protection (refer to section 1.3(c) above for further information), carbon emissions, labour and taxation, could have an adverse impact on the Company's operations. Aquaculture industry activities are subject to discretionary regulations and approvals, the exercise of which cannot always be predicted. Changes in accounting standards or the interpretation of those accounting standards that occur after the date of this presentation may impact adversely on the Company's reported financial performance.

(c) Market conditions

There are a number of risks associated with any stock market investment. Factors affecting the price at which the Shares are traded on the ASX may be unrelated to the Company's operating and financial performance and beyond the control of the Directors. As such, Shares offered under this Offer may trade at prices above or below the Offer Price or the net asset value of the Company per Share.

(d) Liquidity and realisation risk

There can be no guarantee that an active market in the Shares will develop or continue, or that the market price of the Shares will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their Shares, as there may be relative few, if any, potential buyers or sellers of the Shares on ASX at any time. Volatility in the market price for Shares may result in Shareholders receiving a price for their Shares that is less or more than the Offer Price.

(e) Other general risks

The future viability of and profitability of the Company is also dependent on a number of other factors which affect the performance of all industries, and not just aquaculture and food processing. These include, but are not limited to: default by a party to any contract to which the Company is, or may become, a party; insolvency or other managerial failure by any of the contractors used by the Company in its activities; industrial disputation by the Company's workforce or that of its contractors; litigation; natural disasters and extreme weather conditions; and acts of war and terrorism or the outbreak or escalation of international hostilities and tensions.



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ASX Announcements

The company is subject to continuous disclosures obligations under the ASX Listing Rules and announcements made by the company can be read on the company's website and on the ASX website at the link below.

<https://www.asx.com.au/asx/statistics/announcements.do?by=asxCode&asxCode=SFG&timeframe=D&period=M6>