

Directors' report

The Directors present their report together with the financial statements of Seafarms Group Limited consisting of Seafarms Group Limited and the entities it controlled at the end of or during the year ended 30 June 2019 (referred to hereafter as Seafarms or the Group).

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 has now demerged its environmental services business and is focused exclusively on improving performance at its east coast aquaculture operations and developing its world-class Project Sea Dragon project. The demerged operations are presented as discontinued operations in the financial statements.

Company financial performance

The overall financial performance over the 2019 financial year reflects the investment being made by the Group in pursuing its expansion in aquaculture operations.

Review of operations

The Group has reported a loss for the year after taxation of \$30,944,301 (2018: loss \$19,947,283).

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

Consolidated	Segment revenues		Segment results	
	2019	2018	2019	2018
	\$	\$	\$	\$
Aquaculture	24,268,583	25,894,124	(18,216,237)	(14,262,502)
Carbon services	-	-	595,824	(1,102,973)
Other	126,220	7,463	(4,749,791)	133,708
Total segment revenue/result	24,394,803	25,901,587	(22,370,204)	(15,231,767)

Review of operations (continued)

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

Queensland Operations

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.

The Queensland operations are spread over three sites: Flying Fish Point (hatchery), Farms 1 & 2 (Cardwell) and Farm 3 (Ingham). The Cardwell site also hosts the company's processing plant.

From a production perspective Farm 3 more closely simulates Project Sea Dragon than the older Cardwell Farms. Although Farm 3, being situated further south, produces a single crop each year (as opposed to two at Cardwell and two projected at Legune, and thus one of the reasons to develop Legune), the achieved crop prediction metrics including yield, biomass and survival continue to provide relevant insights into the Project Sea Dragon production model.

Total production for the year was 1,770 tonnes up 19.5% on the 2018FY production. Production against budget was 91.4% of the tonnage planned principally due to the late arrival of the wild-caught broodstock causing a reduction in the length of the crop cycle to meet the Christmas market deadline and a decision to grow a higher proportion of banana prawns than originally planned. The Queensland facilities are still dependent upon the importation of wild broodstock. Key black tiger production metrics improved; with better food conversion rate, higher growth rates, higher yields and survival.

Biosecurity protocols and broodstock screening have seen a significant improvement in animal health with no biosecurity events impacting on production for the year.

The second trial of nursery ponds (two-phase grow-out) concluded successfully and will be adopted as part of routine grow-out in future. The use of nursery ponds results in considerably greater resource-use efficiency leading to lower grow-out costs. These successful trials also informed design adjustments to the first farm to be constructed at Legune Station.

The company installed a semi-IQF (individual quick freeze) processing line at Cardwell. The installation as part of Seafarms agreement with Nissui will provide high quality product to Japan. Although this infrastructure is being retro-fitted to a processing plant designed for the Australian market, the facility is providing valuable real-world data that is being used to further specify and finalise the design of the proposed Project Sea Dragon processing plant in Kununurra. Commissioning and the processing of trial product for Japan required harvesting of some ponds later than planned and elevated processing costs toward the end of the year.

As reported to the market, the farms experienced challenging conditions during the wet season with extreme rainfall events and extended periods of rain. These conditions slowed the delivery of capital projects (the freezer and settlement ponds) and may have reduced the growth rate of the banana prawns over some weeks due to reduced in-pond salinity.

Seafarms program of Occupational Health and Safety management at its operations saw an improvement in overall OHS performance of 59% for the year.

Project Sea Dragon

Project Sea Dragon, Seafarms' world-class integrated aquaculture initiative achieved a series of major milestones and is now shovel-ready.

Stage 1 of the Project has approvals in place and preparatory tendering has been completed to enable construction to commence very soon after financing. The approvals include the aquaculture licences required for production at Exmouth, Bynoe Harbour and Legune. A program of early works was approved by the Board and will be completed prior to the commencement of the 2019 Wet Season.

Review of operations (continued)

Project Sea Dragon (continued)

The Project requires the construction of a carefully sequenced series of infrastructure developments. For the first Step of Stage 1 the required facilities by site are: the Quarantine Founder Stock Centre at Exmouth; the Breeding Centre/Broodstock Maturation Centre at Bynoe Harbour (near Darwin, NT); the Grow-out Centre consisting of farms and ancillary infrastructure including roads, water intake, conveyancing and treatment, stores, power generation and distribution, communications services, and accommodation (Legune Station, NT); and a processing plant (Kununurra, WA).

The Quarantine/Founder Stock Centre at Exmouth provides the critical infrastructure to produce Specific Pathogen Free (SPF) prawns to form a domesticated population of animals for selective breeding. This development pathway is well understood and has been demonstrated internationally but has not previously been achieved in Australia. International data and experience continue to demonstrate that SPF domesticated stock, even those without the benefit of selective breeding, consistently outperform stock from wild populations.

Given the generation times involved early works capital is required to ensure that Seafarms secures the biological resources required to stock the Legune Grow-out Centre and commence production.

Seafarms has successfully produced its first SPF prawns at Exmouth. These are second generation (G2) animals that have been cleared of pathogens.

Company approval for the construction of the first step in the expansion of the facility was given late in the 2019 financial year. This component of PSD will up-grade seawater systems and make small adjustments to site layout that enhance biosecurity and work-flow. Construction of the first indoor shed and broodstock tanks commenced immediately prior to the year's end. The Board authorised the construction of an additional two buildings with associated tanks and systems to further broodstock development.

Upon achieving third generation animals the plan is to export them to a Breeding/Broodstock Maturation Centre at Bynoe Harbour. The Broodstock Maturation Centre at Bynoe Harbour is designed to be developed in stages to match the requirements of the farms at Legune. The EIS for this facility was predicated upon this design. Thus the facility will be capable of supplying all the Broodstock for Project Sea Dragon, thereby breaking production dependence on wild caught broodstock.

The company worked with the Northern Territory Government to amend its Project Development Agreement to provide Seafarms with tenure at Bynoe Harbour that would secure early works investment at this site. With the Development Lease and all approvals in place, including the development, clearing and aquaculture licences, the company was able to make use of the current Dry Season to commence clearing for the sites of the broodstock maturation centre. Inlet and outlet ponds have been formed and site fencing has commenced.

Seafarms signed a Sub-lease and Cooperation Agreement with AAM Investment Group (AAMIG). AAMIG completed the purchase of the Legune Perpetual Pastoral Lease in December and the arrangement between Seafarms and AAMIG not only reduces the overall capital required to develop Project Sea Dragon, but also ensures that the balance of the property is commercially managed as a pastoral enterprise. The planned early works at Legune were completed on time and to budget. Tenders for work packages at Legune were received and have been evaluated and confirm the capability of contractors based in Northern Australia to undertake much of the proposed work.

The development of the processing plant at Kununurra is on track relative to the other infrastructure. The Development Approval, Works Approval and the licence to take water are all in place. As previously outlined the off-take agreement with Nissui is providing useful information in relation to product specifications which are being used to refine the final technical design elements of processing lines to be included in the processing plant.

The Northern Territory Government has completed the road to Gunn Point and has awarded a \$58 million tender for the first section upgrade of the Keep River Road. This upgrade will provide all-weather access across the Keep River. Seafarms Project Development Agreement with the Northern Territory Government was amended to manage current Project Sea Dragon timeframes and enable work to commence at Bynoe Harbour. The company also renewed its Major Project Status with the Australian Government and continues to receive facilitation services from Western Australian Government through its status as a Project of State significance in that jurisdiction.

Review of operations (continued)

Project Sea Dragon (continued)

Seafarms continues to work with Native Title Holders and the Northern Land Council to implement the Legune Indigenous Land Use Agreement. Native Title Holders have with Allan King and Sons established a joint venture company to tender for work on the Project. As a result of the agreement Native Title Holders were able to upgrade the Marrulum outstation, refurbishing buildings and restoring power and water to the community.

The Australian Research Council's Industrial Transformation Research Hub for Advanced Prawn Breeding continued to build its data-bases with almost 80,000 of the company's prawns now phenotyped and sampled. Genotypic/genomic data has also been generated for approximately 15,000 prawns which is by far one of the largest sets of genomic data for a prawn species globally. Statistical analyses are underway to link up the phenotypic variation in commercial traits with genomic variability so that efficient genomic selection algorithms can be developed. This will allow the genetic performance of a prawn to be identified using a DNA test. As a result of this massive sampling method, new approaches to automatically analyse key attributes of prawns (including length, mass and colour) have also been developed. The Hub project has also developed a number of domesticated families of broodstock that are available to be tested under commercial conditions during the coming year. It is now also in the process of developing a high-density genomic array with over 50,000 markers that will increase efficiency of genotyping and accuracy of predicting genetic merit of broodstock. Last year the Hub also undertook the most comprehensive survey of the genetic relationships among wild Australian black tiger prawns. The study has identified three genetic stocks in Australia, one east, one northern Australia, and one near Nickol Bay WA.

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 \$51,083,022 (2018: \$2,161,705) mainly as the result of the following:

- Nippon Suisan Kaisha Limited's equity investment in Seafarms shares at 10 cents per share equating to an equity raising of \$24.99 million on 7 August 2018;
- A share placement to major domestic, institutional and professional investors at 9 cents per share resulted in equity raised of \$20 million on 12 April 2019;
- Nippon Suisan Kaisha Limited's further investment in the Group, pursuant to the top-up rights under the Shareholder Rights Agreement finalised in August 2018, at 9 cents per share resulting in an equity raising of \$3 million on 15 May 2019; and
- Seafarm Groups' Share Purchase Plan, provided eligible shareholders the opportunity to subscribe for up to \$15,000 each in Seafarms at 9 cents per share, raised \$4.3m on 29 May 2019.
- The equity raising fees associated with the above amounted to \$1.4 million.

Unlisted share options issued

On 7 August 2018, the Group issued 5,320,622 unlisted share options to Nippon Suisan Kaisha Limited (Nissui). The options are subject to a voluntary 3-year escrow period, have an exercise period of 5 years at an exercise price of 6.2 cents per unlisted option. At the 30 June 2019, these 5,320,622 unlisted options remain unexercised.

On 12 December 2018, the Group issued 50,000,000 and 30,000,000 unlisted share options to AAM Investment Partners as part of the Legune transaction. Both sets of options are subject to a 12-month escrow period and have an exercise period of 3 years and 5 years respectively at an exercise price of 9.7 cents per unlisted option. At the 30 June 2019, both the 50,000,000 and 30,000,000 unlisted options remain unexercised.

Matters subsequent to the end of the financial year

On 19 July 2019, the Group sent out a Notice of Extraordinary General Meeting of shareholders to be held on 20 August 2019. This meeting was held to seek certain shareholder approvals in connection with the Company's capital raisings announced in April and May 2019 and to approve amendments to the existing debt facility provided to the Company by Avatar Finance Pty Ltd.

Matters subsequent to the end of the financial year (continued)

On 20 August 2019, at the extraordinary general meeting, the shareholder's ratified the Group's capital raising activities carried out in April and May 2019.

In addition the Group received shareholder approval for the following amendments to the existing facility provided to the Company by Avatar Finance Pty Ltd:

- The conversion of \$3 million of debt owed to Avatar Finance Pty Ltd into 33,333,333 Ordinary shares with a deemed issue price of 9 cents per share;
- The issue of a convertible security to Avatar Finance Pty Ltd, which gives Avatar Finance Pty Ltd the right to, at its election, convert amounts outstanding under the facility to shares at a price of 9 cents per share up to the maximum conversion amount of \$12.2 million (135,555,555 shares); and
- The extension of the repayment date under the facility from 15 March 2021 to 15 September 2021.

No other matter or circumstance has occurred subsequent to 30 June 2019 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

There has been no change in the strategic direction of the company which is to develop Project Sea Dragon as a scalable integrated prawn aquaculture project. Focus on the coming period is entirely directed towards financing.

Queensland operations will continue to be de-risked through initiatives such as the construction of settlement ponds, enhanced testing of broodstock

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

454,557,889 shares in Seafarms Group Limited.

21,708,333 options 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

18,298,258 ordinary shares in Seafarms Group Limited.

250,000 options 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

11,327,268 ordinary shares in Seafarms Group Limited.

250,000 options 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

37,916,666 ordinary shares in Seafarms Group Limited.

125,000 options 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 2019, 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	10	10	2	2	2	2
Harley Ronald Whitcombe	10	10	-	-	-	-
Dr Christopher David Mitchell	10	10	2	2	2	2
Paul John Favretto	10	10	2	2	2	2
Hisami Sakai	10	10	-	-	-	-

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 2019 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 2020 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) are payable on 15 August each year. 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)
- Hisami Sakai (Non-executive Director)

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

Remuneration report (audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (continued)

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

* The carbon entities were demerged on 23 July 2018, these directors are included as key management personnel up until the date of demerger (i.e. 1 to 23 July 2018).

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 ployment benefits	Long- term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non- monetary benefits	Super- annuation	Long service leave	Termi- nation benefits	Performance rights / Share options**	
	\$	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2019								
Non-executive Directors								
P Favretto	35,200	-	-	23,144	-	-	-	58,344
H Sakai (appointed 7 August 2018)	-	-	-	-	-	-	-	-
Sub-total non-executive directors	35,200	-	-	23,144	-	-	-	58,344
Executive Directors								
I Trahar	240,450	-	-	37,843	4,378	-	-	282,671
H Whitcombe	270,811	-	-	35,727	4,931	-	-	311,469
C Mitchell	294,398	-	19,643	37,968	5,360	-	-	357,369
Other key management personnel (Group)								
D Donovan	278,538	-	-	26,461	5,072	-	171,542	481,613
R Dyer	301,407	-	-	28,634	1,131	-	108,890	440,062
A Soanes*	11,741	-	17,424	1,115	218	-	-	30,498
J Bulinski*	13,602	-	-	1,292	252	-	-	15,146
Total key management personnel compensation (Group)	1,446,147	-	37,067	192,184	21,342	-	280,432	1,977,172

* The carbon entities were demerged on 23 July 2018, the amounts included are for payments made during the period prior to the demerger date (i.e. 1 to 23 July 2018).

** 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 39 of the financial statements.

Name	Short-term employee benefits			Post-em ployment benefits	Long- term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non- monetary benefits	Super- annuation	Long service leave	Termi- nation benefits	Performance rights	
	\$	\$	\$	\$	\$	\$	\$	\$
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

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	Exercise price per security	Balance of unvested equity awards as at 1 July 2018	Granted	Vested / Exercised in FY19	Balance of unvested equity awards as at 30 June 2019	Fair value per security at grant date	Fair value at grant date	Share based payments expenses FY19
			Cents	Number of rights	Number of rights	Number of rights	Cents	\$	\$	
Unlisted options	22 August 2017 to 19 January 2018	22 August 2017 to 31 October 2018	10	15,000,000	-	15,000,000	-	2.2	341,010	280,432
TOTAL				15,000,000	-	15,000,000	-		341,010	280,432

Details in relation to the KMP long term incentives are set out in note 29 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

- 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 (up until the date the carbon entities were demerged on 23 July 2018)

- 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 (up until the date the carbon entities were demerged on 23 July 2018)

- 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 15 above:

Consolidated

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
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%	-%	-%	-%	-%	-%
J Bulinski*	100%	100%	-%	-%	-%	-%
R Dyer	100%	100%	-%	-%	-%	-%
D Donovan	100%	100%	-%	-%	-%	-%

* The carbon entities were demerged on 23 July 2018, the details included are for payments made during the period prior to the demerger date (i.e. 1 to 23 July 2018).

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

Shares provided on exercise of options

No performance rights were issued to directors or staff during the current financial year (2018: 13,500,000).

All of the unlisted options issued during the previous financial year (35,000,000), which had no performance conditions attached, vested this financial year and remained unexercised as at 30 June 2019.

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

Remuneration report (audited) (continued)

(d) *Additional statutory information (continued)*

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

Shares provided on exercise of options (continued)

	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	9 months ended 30 June 2016	Year ended 30 September 2015
	\$	\$	\$	\$	\$
Revenue	24,394,803	25,901,587	28,544,808	23,529,287	26,215,415
Net (loss) before tax	(30,944,301)	(20,140,749)	(11,312,176)	(18,735,523)	(16,334,712)
Net (loss) after tax	(30,944,301)	(19,947,283)	(19,775,462)	(18,360,319)	(15,959,969)
Share price at start of year	8c	6c	7c	6c	6c
Share price at end of year	9c	8c	6c	7c	6c
Dividend	-	-	-	-	-
Basic (loss) per share	(1.82)c	(1.42)c	(1.75)c	(2.03)c	(2.31)c
Diluted (loss) per share	(1.82)c	(1.42)c	(1.75)c	(2.03)c	(2.31)c

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.

(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 2018 financial period. The company did not receive any specific feedback at the AGM or throughout the period on its remuneration practices.

Remuneration report (audited) (continued)

(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.

Consolidated 2019	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	453,391,227	-	-	1,166,662	454,557,889
H R Whitcombe	18,048,259	-	-	249,999	18,298,258
C D Mitchell	10,993,936	-	-	333,332	11,327,268
P J Favretto	37,750,000	-	-	166,666	37,916,666
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	-	-	-	-	-

* The carbon entities were demerged on 23 July 2018, the amounts included are for shareholdings during the period prior to the demerger date (i.e. 1 to 23 July 2018).

Consolidated 2018	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	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	-	-	-	37,750,000
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 15,000,000 unissued ordinary shares of Seafarms Group Limited under unlisted options issued to key management personnel at the date of this report.

Shares under option (continued)

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 27(d).

End of Remuneration Report

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 30 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 2019 (2018: 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 24.

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
30 August 2019