

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 2020 (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
 Hisami Sakai
 Naoto Sato

Principal activities

The Group is focused on developing its world-class Project Sea Dragon project.

Company financial performance

The overall financial performance over the 2020 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 \$25,542,668 (2019: loss \$30,944,301).

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

	Segment revenues		Segment results	
	2020	2019	2020	2019
Consolidated	\$	\$	\$	\$
Aquaculture	27,715,767	24,268,583	(22,772,670)	(18,216,237)
Carbon services	-	-	-	595,824
Other	99,924	126,220	(2,443,485)	(4,749,791)
Total segment revenue/result	27,815,691	24,394,803	(25,216,155)	(22,370,204)

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 undertaken at three sites: Flying Fish Point (commercial hatchery), Cardwell (Farms 1 & 2 and Processing Plant) and Ingham (Farm 3).

Total production for the year was 1,366 tonnes (2019: 1,770 tonnes). Black Tiger Prawns constituted 88% of production with Banana prawns produced to provide fresh product throughout the year during seasonal periods when cooler temperatures do not favour Black Tiger Prawn production at these farms. As reported at the half year, the first half was impacted by lower growing temperatures and adjustments to the stocking schedule. The second half production was broadly in line with expectations taking into account two adjustments made late in the third quarter. First, with the onset of the Covid-19 pandemic a decision was taken to not stock some ponds for banana prawn production across winter. Second, part of the second-half year crop was held over into the current financial year in order to accelerate product acceptance in Europe (see below).

Production at Farm 3 was in line with expectations. The biological metrics on Farm 3 continue to demonstrate the feasibility of achieving key assumptions for Project Sea Dragon.

Biosecurity remains a core company focus. Farms 1 & 2 at Cardwell are some of Australia's oldest continuously operating prawn farms, accordingly the company decided to invest in the construction of incoming water settlement ponds at these farms. Nine production ponds totalling 11 hectares across both farms were converted to settlement ponds. This infrastructure upgrade is intended to improve on-farm water quality and reduce biosecurity risk. While grow out pond area has been decreased it is expected that the long term sustainable profit of the farms will improve through improved animal health.

Seafarms Queensland achieved Best Aquaculture Practices (BAP®) Four Star accreditation. This highly regarded international certification applies across Seafarms' production namely hatchery, farms, processing and feed supply. BAP standards are built on the four pillars of sustainability: food safety, environmental, social welfare and animal health and welfare. It is the only third-party aquaculture certification program that encompasses compliance with the Global Food Safety Initiative (GFSI), Global Social Compliance Programme (GSCP) and Global Sustainable Seafood Initiative (GSSI).

Seafarms program of Occupational Health and Safety management at its operations resulted in 80% of operating areas recording nil injuries or incidents for the year. Overall performance was adversely affected for the year (TRFIR was up 12%) due to a vehicle incident with third party liability

Market development

The declared strategy of using Seafarms Queensland operations to develop, trial and demonstrate concepts that, if successful, will be transferred to Project Sea Dragon also extends to market development.

In the domestic market the company successfully launched a 1kg frozen pack of black tiger prawns for consumers available through Woolworths. This is a further brand extension for the Crystal Bay® brand and complements the MAP fresh and cooked offerings as well as other formats sold 'under the glass' and through food service. To meet the growing consumer demand for fresh high quality prawns, Seafarms continues to align its production systems to provide a continuous supply of fresh product. It currently supplies fresh product 10 months of the year - significantly longer than other domestic producers.

The company delivered its first shipment of Queensland product to Nissui in Japan, a 1kg co-branded premium pack designed for the Japanese market. Seafarms continues to work closely with Nissui to refine export procedures, testing and quality.

Review of operations (continued)

Queensland Operations (continued)

Early in calendar year 2020, Seafarms announced that it has secured an off-take agreement for Project Sea Dragon into the European Union (EU) with Primstar BV a highly regarded Netherlands based seafood producer and distributor and part of the large multinational Cornelis Vrolijk group. The off-take agreement is for Project Sea Dragon and, subject to the terms of the agreement, is for approximately 15% of the product from the Project on an ongoing basis. The Agreement is for distribution across the EU and includes the objective of building a high value high quality jointly-branded product into these markets.

Project Sea Dragon

Project Sea Dragon, Seafarms' world-class integrated aquaculture project remains shovel-ready. Where required, key agreements such as the Project Development Agreement with the Northern Territory Government have been amended to accord with the current project timeline. Where necessary permits and approvals were extended.

Construction of the first step of the expansion of the Exmouth Founder Stock Facility proceeded as outlined in the company's previous Annual Report. The seawater intake was improved, and a series of site adjustments made to improve biosecurity and work-flow around the site. The discharge water treatment system has been upgraded as required by the operating licence. Three large additional sheds were constructed on site. The first of these was fully-fitted out with tanks, water recirculation systems and commissioned. Subsequent to the end of the Financial Year the company reported that it had produced the third generation (G3) of prawns within its Specific Pathogen Free (SPF) program. The experience being gained on the east coast reinforces the benefits of the SPF strategy for Project Sea Dragon.

At Bynoe Harbour all planned early works were completed prior to the commencement of the Wet Season. The site has been fenced, land cleared and access roads upgraded. The raw seawater settlement ponds and the outlet ponds were constructed, lined and fenced. The site is ready for construction which will commence upon financing.

Environmental and regulatory requirements were maintained however, minimal activity took place at Legune with the company pausing some minor activities as a result of border controls being implemented (see below).

The Indigenous Land Use Agreement with the Native Title Holders continues to be implemented.

The company continued to pursue all avenues to achieve financing of the project with the Project team working with Seafarms finance facilitators to put in place a further round of Due Diligence to confirm the first Step of the Project.

COVID-19

The first wave of the COVID-19 pandemic in Australia had a substantial impact on Easter sales such that eligible staff in Queensland were able to access the Job Keeper package.

As an early measure the board determined that the company should hedge against reduced domestic demand by not stocking some ponds for banana prawns in the second half of the year. This decision reduced total production by 42 tonnes.

Management undertook a comprehensive risk assessment with Marsh Insurance brokers and has utilised IR advice from external experts to develop a comprehensive COVID-19 response. This includes COVID-19 leave and health policies including monitoring, contingency plans, travel policies and a series of measures on-farm and in the processing plant to ensure social distancing.

The Board moved early to reduce risk in relation to COVID-19 and directed management to consider a range of cropping options. Given the highly unpredictable nature of the course of this pandemic it remains necessary to be able to retain as much flexibility in relation to production as practicable. The successful second half year crop means that the company is confident it can supply into the Christmas period.

Review of operations (continued)

Project Sea Dragon (continued)

Project Sea Dragon continued to progress despite the pandemic. Nonetheless on-ground adjustments were required. Border restrictions and control meant that unless full financing was achieved the logistics at Legune meant that mobilising to site to undertake relatively minor or early works would be inefficient. COVID-19 management plans enabling effective construction at the various sites have been drafted. The plans can be amended to incorporate the government requirements. They are intended to be lodged proximate to project finance being in place.

The timing for financing remains the material factor in the construction schedule.

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 \$17,297,491 (2019: \$51,083,022) mainly as the result of the following:

- A debt equity conversion on 30 August 2019 after shareholder approval was received to issue 33,333,333 fully paid ordinary shares at \$0.09 per share to reduce the debt owed by the Company to Avatar Finance Pty Limited by \$3 million.
- Seafarms Group Ltd successfully completed a private share placement to professional and sophisticated investors, of 228,686,667 shares at \$0.03 per share, on 2 April 2020, raising \$6.86 million.
- After receiving shareholder approval, a private placement on 29 June 2020 of 187,979,999 shares at \$0.03 per share, to Avatar Industries Pty Ltd raising \$5.64 million.
- 208,333 options being exercised during the period amounting to \$20,208.
- The equity raising fees associated with the above amounted to \$0.5 million.
- 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 \$0.09 per share up to the maximum conversion amount of \$12.2 million (135,555,555 shares).

Unlisted share options issued

No unlisted share options were issued during the year.

Matters subsequent to the end of the financial year

The Company has negotiated a \$7 million unsecured loan facility from an unrelated party on normal and usual terms. The loan is repayable on the earlier of any equity raising or 30 September 2021.

At the date of this report no other matter or circumstance has occurred subsequent to 30 June 2020 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 and 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

675,871,221 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 Managing Executive Officer of Nissui. His responsibilities include being in charge of European business, Business Supervisor in Oceania and Asia and in charge of International Sales and Business Development Department.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

None

Interests in shares and options

None

Naoto Sato *Alternate Director for Hisami Sakai (since 7 August 2018)*

Experience and expertise

Mr Sato has nearly 14 years accounting and finance experience with Nissui and is currently a Manager at Nissui.

Other current directorships

None.

Former directorships in last 3 years

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 2020, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees			
			Audit		Nomination & Remuneration	
	A	B	A	B	A	B
Ian Norman Trahar	13	13	3	3	2	2
Harley Ronald Whitcombe	13	13	-	-	-	-
Dr Christopher David Mitchell	13	13	3	3	2	2
Paul John Favretto	13	13	3	3	2	2
Hisami Sakai	13	13	-	-	-	-

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

The Directors are pleased to present your Company's 2020 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.

Remuneration report (continued)

Executive remuneration policy and framework (continued)

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.

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 2021 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)

Remuneration report (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (continued)

- 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:

- Dallas Donovan (Chief Operating Officer, Seafarms Operations Limited)
- Rodney Dyer (Project Director, Seafarms Group Limited)

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

Remuneration report (continued)

(b) *Details of remuneration (continued)*

Name	Short-term employee benefits				Post-em	Long-	Share-based		Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	ployment	term	payments		
					benefits	benefits	Termination	rights /	
	\$	\$	\$	\$	\$	\$	Performance	\$	
Year ended 30 June 2020									
Non-executive Directors									
P Favretto	35,200	-	-	24,085	-	-	-	-	59,285
H Sakai	-	-	-	-	-	-	-	-	-
Sub-total non-executive directors	35,200	-	-	24,085	-	-	-	-	59,285
Executive Directors									
I Trahar	240,450	-	-	37,845	4,388	-	-	-	282,683
H Whitcombe	270,811	-	-	35,727	4,942	-	-	-	311,480
C Mitchell	294,398	-	17,817	37,968	5,373	-	-	-	355,556
Other key management personnel (Group)									
D Donovan	278,539	-	-	26,461	5,083	-	-	-	310,083
R Dyer	310,502	-	-	29,498	1,700	-	-	-	341,700
Total key management personnel compensation (Group)	1,429,900	-	17,817	191,584	21,486	-	-	-	1,660,787
Year ended 30 June 2019									
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	-	-	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 41 of the financial statements.

Remuneration report (continued)

No share based payments expenses were incurred in the current financial year.

Details of the awards for each scheme, the status of those awards and share based payment expense for the KMP's in the prior year 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 (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.

Remuneration report (continued)

(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 14 above:

Consolidated

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
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%	-%	-%	-%	-%
R Dyer	100%	100%	-%	-%	-%	-%
J Bulinski*	-%	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 (2019: NIL).

The unlisted options issued during the 2018 financial year (15,000,000), which had no performance conditions attached, vested last financial year and remained unexercised as at 30 June 2020.

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 (continued)

(d) *Additional statutory information (continued)*

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

Shares provided on exercise of options (continued)

	Year ended 30 June 2020	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017	9 months ended 30 June 2016
	\$	\$	\$	\$	\$
Revenue	27,815,691	24,394,803	25,901,587	28,544,808	23,529,287
Net (loss) before tax	(25,542,668)	(30,944,301)	(20,140,749)	(11,312,176)	(18,735,523)
Net (loss) after tax	(25,542,668)	(30,944,301)	(19,947,283)	(19,775,462)	(18,360,319)
Share price at start of year	9c	8c	6c	7c	6c
Share price at end of year	5c	9c	8c	6c	7c
Dividend	-	-	-	-	-
Basic (loss) per share	(1.24)c	(1.82)c	(1.42)c	(1.75)c	(2.03)c
Diluted (loss) per share	(1.24)c	(1.82)c	(1.42)c	(1.75)c	(2.03)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 2019 financial period. The company did not receive any specific feedback at the AGM or throughout the period on its remuneration practices.

Remuneration report (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 2020	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	454,557,889	-	-	221,313,332	675,871,221
H R Whitcombe	18,298,258	-	-	-	18,298,258
C D Mitchell	11,327,268	-	-	-	11,327,268
P J Favretto	37,916,666	-	-	-	37,916,666
Other key management personnel of the Group					
Ordinary shares					
R Dyer	-	-	-	-	-
D Donovan	-	-	-	-	-

* A debt equity conversion on 30 August 2019, after shareholder approval was received to issue 33,333,333 fully paid ordinary shares at \$0.09 per share to reduce the debt owed by the Company to Avatar Finance Pty Ltd by \$3 million. After receiving shareholder approval, a private placement on 29 June 2020 of 187,979,999 shares at \$0.03 per share, to Avatar Industries Pty Ltd raising \$5.64 million.

Consolidated 2019	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	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).

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.

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 29(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 2020 (2019: 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 23.

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
29 September 2020