

## 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 2021 (referred to hereafter as "Seafarms" or the "Group").

### Directors

The following persons were Directors of Seafarms 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 2021 financial year continues to reflect 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 \$25,755,546 (2020: loss \$25,542,668).

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

	<b>Segment revenues</b>		<b>Segment results</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Consolidated</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Aquaculture	<b>20,981,035</b>	27,715,767	<b>(24,452,525)</b>	(22,772,670)
Other	<b>840</b>	99,924	<b>(850,065)</b>	(2,443,485)
Total segment revenue/result	<b>20,981,875</b>	27,815,691	<b>(25,302,590)</b>	(25,216,155)

## **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 1,068 tonnes (2020: 1,366 tonnes) which across the entirety of the year exceeded the budget. As previously outlined the difference in production from the previous year was driven by the decision undertaken by the company to reduce H1 stocking by 53% across the Cardwell Farms in order to reduce exposure to market risk arising from the COVID-19 pandemic. Commensurate reductions in input costs were achieved. Production for the second half was ahead of expectations.

Black Tiger Prawns constituted 91% of production with the balance of production ascribable to the continuation of the successful Banana prawn program in partnership with select retailers that provide fresh product throughout the year during seasonal periods when cooler temperatures do not favour Black Tiger Prawn production at these farms.

The second half crop from Farm 2 outperformed against expectations, with 50% of the farm stocked with domesticated animals. However, overall performance at Farm 2 showed improvement regardless of the origin of stock. Part of the crop was held across the end of the year, with processing from this crop tailored to export markets.

Production at Farm 3 was ahead of expectations. For the first time 80% of this farm was stocked with domesticated animals that were developed as part of the ARC Industry Transformative Hub Program. The biological metrics of the Farm 3 again demonstrated the feasibility of achieving key assumptions for Project Sea Dragon. A statistical analysis of the performance of ponds stocked with domesticated animals compared with those originating from wild broodstock showed a significant difference between the two, with the domesticated animals out performing those from the wild. Noting that these domesticated animals are not Specific Pathogen Free, nor selectively bred this was a good result.

During the first quarter of the year, the Group completed a first phase assessment of an automatic feed system. As a result of this assessment the company will examine alternate systems. In addition to assessing the 'off-the-shelf' performance of automated systems, the farms at Cardwell offer the opportunity to test and develop the integration of a range of in-pond monitoring technologies. Design work for the next phase of trials progressed.

Seafarms program of Occupational Health and Safety management at its operations resulted in zero Lost Time Injuries for the year. Overall performance resulted in an 88% reduction in Total Reportable Injury Frequency Rate (TRIFR) from the previous comparable reporting period.

### *Market development*

Integral to the plans of Project Sea Dragon, market development supports the Group's objective to build a high value, high quality, and premium branded offer for both domestic and export markets.

Domestically, the company has developed share in the frozen self-serve category, with 1kg Crystal Bay Tiger Prawns® cooked, frozen boxes available at Woolworths nationwide. Expansion in the frozen category and new product development continues to be a core focus, with a second product to be launched in October 2021. Seafarms frozen packaging supports the high-quality, sustainable Australian prawns brand message at point of purchase, and underpins the strategy to extend the availability of the Crystal Bay Tiger Prawns® brand.

High brand engagement was achieved during the fresh Crystal Bay Tiger Prawns® season, with the "100% Aussie Freshness" message driven at point of purchase in key wholesalers and retailers/fishmongers. Furthermore, brand development continued with social media communication sharing the Australian Crystal Bay Tiger Prawns® journey from pond to plate, achieving a solid reach of half a million people over the last 12 months.

## **Review of operations (continued)**

### *Queensland Operations (continued)*

Internationally, Seafarms exports have expanded. Australian Crystal Bay Tiger Prawns® branded packaging was utilised for the Primstar, European shipment. And further containers of dual branded product were sent to Japan. Seafarms has continued to work with its international partners to develop the Company's international reputation for producing superior tasting Australian Black Tiger Prawns.

### *Project Sea Dragon*

Late in the year the Group was pleased to inform the market of a successful \$92.5 million equity placement that enables construction of Project Sea Dragon to start. This is a major milestone for both Project Sea Dragon and the company.

This milestone followed the appointment of Canstruct Pty Ltd as managing contractor with a Project Framework Agreement executed in May. Canstruct and Project Sea Dragon have negotiated construction packages to the value of \$78 million, which is subject to the Group issuing work orders. At 30 June 2021, the Group has no material commitments in relation to these construction packages. The packages pertain to construction accommodation, roads, earth works and pre-cast concrete structures.

The intention of the capital raising and the agreement with Canstruct was to commence mobilisation and progress as much construction at Legune as feasible during the 2021 dry season. Canstruct have already delivered accommodation facilities to site and are now progressing the mobilisation of heavy earth moving machinery.

Capital from this equity raise will also be invested at Exmouth to continue the development of the SPF founder stock population, and at Bynoe Harbour to enable the transfer of SPF Broodstock to that facility as soon as practicable.

Seafarms continued to pursue the debt finance package for Project Sea Dragon, the due diligence being conducted by the prospective lending group was slower than expected in part because the COVID-19 pandemic reduced the ability of independent assessors and lenders to conduct physical site inspections. Directors remain confident of finalising the debt package in the coming period.

The contractors to the Northern Territory Government completed the construction of the bitumised all-weather road from the NT/WA border to Legune Station, the property within which the Grow-out Facility for Project Sea Dragon will be sited. The WA Government commenced construction of the Moonamang Road that connects the existing bitumised road from Kununurra to the upgraded Keep River Road.

Despite capacity constraints the program to develop Specific Pathogen Free domesticated stock at the Exmouth Founder Stock Centre continued to progress. The company announced that it has successfully produce the fourth generation (G4) of Black Tiger Prawns that continue to test negative to the list of specific pathogens. While SPF programs with Black Tiger prawns have been achieved successfully internationally to the company's knowledge this is the first time an Australian program utilising Australian wild genetics has achieved this result.

The Indigenous Land Use Agreement with the Native Title Holders continues to be implemented. At the request of the Northern Land Council, Seafarms agreed to bring forward the planning of the Caring for Country (Ranger) Program. The NLC appointed the ranger coordinator who commenced planning consultations with the groups. Formal ILUA Committee Meetings were interrupted due to the inability of all participants to attend in person, where possible meetings were held by video-conference.

### *COVID-19*

The COVID-19 pandemic continued to affect company operations in a number of subtle and less subtle ways. Prior to the start of the reporting year, the company moved promptly to develop relevant COVID-19 policies including leave policies. As government COVID-19 management requirements became more clearly defined the company monitored developments and actively modified plans and practices to confirm with official advice and requirements. Seafarms has in place COVID-safe and Outbreak management plans for its Queensland and Exmouth operations and all sites have COVID-safe plans in place. Seafarms processing plant at Cardwell is considered a high risk worksite.

## **Review of operations (continued)**

### *COVID-19 (continued)*

Seafarms employees reported zero cases (nil positive tests) of COVID-19 during the year. The company's COVID leave policy requires that any employee with any symptoms, or if their close family or household members have any symptoms, to not attend the workplace; it also provides leave to attend vaccination and for post-vaccination recovery. 22 days of COVID-19 leave were recorded for the year and 138 COVID-19 inductions were completed.

At an operational level, in Queensland, changes in the seasonal labour that is available in regional Australia due to changed international border and visa arrangements, did create pressures within the business. The Directors continue to pursue all viable options to reduce risk in relation to labour supply. Similarly the indirect effects of the pandemic such as the tightening of the accommodation markets across the whole of regional Australia, require active management.

The COVID-19 pandemic had uneven effects on the seafood market, much information of which is anecdotal. While food service was significantly impacted, retail channels showed considerable resilience. In reality the company's average selling prices across the board; that is, taking into account size, price seasonality and quality did not appear to be materially impacted by the pandemic.

Interstate border changes required constant and close monitoring as well as adjustments to workplans. Additional costs due to these border closures were incurred especially at the more remote Exmouth site in WA where several periods of 14 day quarantine for staff, were required.

### **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 \$367,099 (2020: \$17,297,491) mainly as the result of the following:

- 379,189 options being exercised during the period amounting to \$36,781; and
- Value of conversion rights on convertible loan to Avatar Finance Pty Ltd, \$330,318.

### **Matters subsequent to the end of the financial year**

On 30 July 2021, at an extraordinary general meeting, shareholder approval was received for the following eight resolutions relating to the capital raising conducted to fund certain development activities for Project Sea Dragon (PSD) and the conversion of exiting Seafarms debt into Seafarms shares and options:

- (1) The issue of shares to sophisticated and professional investors under tranche 1 of the placement. 363,379,000 Shares were issued at a share price of \$0.055 per share on 5 July 2021.
- (2) Approval of the issue of shares to sophisticated and professional investors under tranche 2 of the placement. 952,492,327 Shares were issued at a share price of \$0.055 per share on 13 August 2021.
- (3) Approval of the issue of shares to Avatar Industries (a related party) under tranche 2 of the placement. 363,636,364 Shares, at a share price of \$0.055 per share, and 218,181,818 unlisted options, for no consideration, were issued on 16 August 2021. The unlisted options will have an exercise price of \$0.0975 and will expire on 13 August 2024.
- (4) Approval of the issue of shares to Mr Paul Favretto (a related party) under tranche 2 of the placement. 2,000,000 Shares, at a share price of \$0.055 per share, and 1,200,000 unlisted options, for no consideration, issued on 13 August 2021. The unlisted options will have an exercise price of \$0.0975 and will expire on 13 August 2024.
- (5) Approval for issue of share purchase plan shares and unlisted options. A total of 272,727,273 shares were issued, at a share price of \$0.055 per share, and 163,636,364 unlisted options were issued, for no consideration, were issued on 13 August 2021 and 17 August 2021. The unlisted options will have an exercise price of \$0.0975 and will expire on 23 August 2024.
- (6) Approval of issue of unlisted options under the tranche 1 issue and the non-related issue. 218,027,400 unlisted options in connection with tranche 1 were issued; and 571,495,396 unlisted options in connection with tranche 2 were issued, for no consideration. The unlisted options will have an exercise price of \$0.0975 and will expire on 13 August 2024.

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

- (7) Approval for issue of shares and unlisted options to Avatar Finance Pty Ltd (a related party) (Avatar conversion). 276,363,637 Shares, at a share price of \$0.055 per share, and 165,818,182 unlisted options, for no consideration, were issued on 16 August 2021. The unlisted options will have an exercise price of \$0.0975 and will expire on 23 August 2024. The \$15.2 million raised by the issue of these shares was used to repay the full Avatar outstanding amount.
- (8) Approval for the issue of shares and unlisted options to the Elsie Cameron Foundation Pty Ltd (ECF conversion). 137,454,546 Shares, at a share price of \$0.055 per share, and 82,472,728 unlisted options, for no consideration, were issued on 16 August 2021. The unlisted options will have an exercise price of \$0.0975 and will expire on 13 August 2024. The \$7.56 million raised by the issue of these shares was used to repay the full ECF outstanding amount.

**Summary of the balance sheet impacts of the approved shares issued per the details above:**

<b>Resolution Number</b>	<b>Number of shares issued</b>	<b>Share issue price per share</b>	<b>\$ Increase / (decrease) Equity (excluding brokerage fees)</b>	<b>\$ Increase / (decrease) Borrowings</b>	<b>\$ Increase / (decrease) Cash</b>
(1)	363,379,000	\$0.055	19,985,845	-	19,985,845
(2)	952,492,327	\$0.055	52,387,078	-	52,387,078
(3)	363,636,364	\$0.055	20,000,000	-	20,000,000
(4)	2,000,000	\$0.055	110,000	-	110,000
(5)	272,727,273	\$0.055	15,000,020	-	15,000,020
(6)	-	-	-	-	-
(7)	276,363,637	\$0.055	15,200,000	(15,200,000)	-
(8)	137,454,546	\$0.055	7,560,000	(7,560,000)	-
<b>TOTAL</b>	<b>2,368,053,147</b>	<b>\$0.055</b>	<b>130,242,943</b>	<b>(22,760,000)</b>	<b>107,482,943</b>
<b>Brokerage fees</b>	-	-	<b>(3,857,808)</b>	-	<b>(3,857,808)</b>
<b>Total net of brokerage fees</b>	<b>2,368,053,147</b>		<b>126,385,135</b>	<b>(22,760,000)</b>	<b>103,625,135</b>

Subsequent to 30 June 2021 the Group committed to initial Project Sea Dragon construction work with a value of \$17,808,681.

At the date of this report no other matter or circumstance has occurred subsequent to 30 June 2021 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 and construction.

**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 as at 30 June 2021**

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 as at 30 June 2021**

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 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**

CO2 Australia limited (unlisted)

**Former directorships in last 3 years**

None.

**Special responsibilities**

Member of the audit committee.

Member of remuneration committee.

**Interests in shares and options as at 30 June 2021**

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 as at 30 June 2021**

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 2021, 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	12	12	2	2	3	3
Harley Ronald Whitcombe	12	12	-	-	-	-
Dr Christopher David Mitchell	12	12	2	2	3	3
Paul John Favretto	12	12	2	2	3	3
Hisami Sakai	12	8	-	-	-	-
Naoto Sato	12	12	-	-	-	-

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 2021 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, 25 November 2016 and 15 December 2020.

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.

**Remuneration report (continued)**

*(b) Details of remuneration (continued)*

*Amounts of remuneration (continued)*

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:

- 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)**

*(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 15 above:

**Consolidated**

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
<b>Executive Directors of Seafarms Group Limited</b>						
I Trahar	100%	100%	-%	-%	-%	-%
H Whitcombe	100%	100%	-%	-%	-%	-%
C Mitchell	100%	100%	-%	-%	-%	-%
<b>Other key management personnel of the group</b>						
R Dyer	100%	100%	-%	-%	-%	-%
D Donovan	100%	100%	-%	-%	-%	-%

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

(ii) *Share-based compensation*

*Shares provided on exercise of options*

No performance rights were issued to directors or staff during the current financial year (2020: NIL).

The unlisted options issued during the 2018 financial year (15,000,000), which had no performance conditions attached, vested last financial year and were exercised on 11 August 2020.

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

	Year ended 30 June 2021	Year ended 30 June 2020	Year ended 30 June 2019	Year ended 30 June 2018	9 months ended 30 June 2017
Revenue	20,981,875	27,815,691	24,394,803	25,901,587	28,544,808
Net (loss) before tax	(25,755,546)	(25,542,668)	(30,944,301)	(20,140,749)	(11,312,176)
Net (loss) after tax	(25,755,546)	(25,542,668)	(30,944,301)	(19,947,283)	(19,775,462)
Share price at start of year	5c	9c	8c	6c	7c
Share price at end of year	6c	5c	9c	8c	6c
Dividend	-	-	-	-	-
Basic (loss) per share	(1.06)c	(1.24)c	(1.82)c	(1.42)c	(1.75)c
Diluted (loss) per share	(1.06)c	(1.24)c	(1.82)c	(1.42)c	(1.75)c

**Remuneration report (continued)**

(d) *Additional statutory information (continued)*

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

*Shares provided on exercise of options (continued)*

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 97.96% of "yes" votes on its remuneration report for the 2020 financial period. The company did not receive any specific feedback at the AGM or throughout the period on its remuneration practices.

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

(i) *Share holdings*

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

<b>Consolidated 2021</b>	<b>Balance at the start of the period</b>	<b>Other changes during the period</b>	<b>Balance at end of the period</b>
<b>Name</b>			
<b>Directors of Seafarms Group Limited</b>			
<b>Ordinary shares</b>			
I N Trahar	675,871,221	-	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
<b>Other key management personnel of the Group</b>			
<b>Ordinary shares</b>			
R Dyer	-	-	-
D Donovan	-	-	-

**Remuneration report (continued)**

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

(i) *Share holdings (continued)*

Consolidated 2020	Balance at the start of the year	Other changes during the year *	Balance at end of the year
<b>Name</b>			
<b>Directors of Seafarms Group Limited</b>			
<b>Ordinary shares</b>			
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
<b>Other key management personnel of the Group</b>			
<b>Ordinary shares</b>			
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.

**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 23(c).

**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 26 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 2021 (2020: Nil).

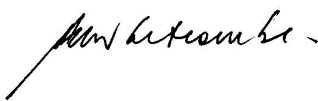
**Auditor's independence declaration**

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  
31 August 2021