

ASX Announcement | 30 October 2024

Seafarms Group Limited (ASX: SFG)

SFG ASX Announcement No: 781

Notice of Annual General Meeting

Seafarms Group Limited (ASX:SFG) (**Seafarms** or the **Company**) advises that the Company will be holding an Annual General Meeting to be held at the offices of Mills Oakley, Level 23, 66 Eagle Street, Brisbane QLD 4000 and via webcast live online at 10.00am (Brisbane time), Friday 29 November 2024 (the **Meeting**).

The Company invites shareholders to attend in person or to participate online. Securityholders must use the Computershare Meeting Platform to attend and participate in the meeting.

To participate in the meeting, you can log in by entering the following URL <https://meetnow.global/MGAFCTC> on your computer, tablet or smartphone.

Online registration will open 30 minutes before the meeting.

To make the registration process quicker, please have your SRN/HIN and registered postcode or country code ready. Proxyholders will need to contact Computershare prior to the meeting to obtain their login details.

To participate in the meeting online follow the instructions below.

Click on 'Join Meeting Now'.

1. Enter your SRN/HIN. Proxyholders will need to contact Computershare on +61 3 9415 4024 prior to the meetings to obtain their login details.
2. Enter your postcode registered to your holding if you are an Australian securityholder. If you are an overseas securityholder select the country of your registered holding from the drop-down list.
3. Accept the Terms and Conditions and 'Click Continue'.

You can view the meeting live, ask questions verbally or via a live text facility and cast votes at the appropriate times while the meeting is in progress.

We invite shareholders to submit questions also in advance of the meeting. Questions may be sent via email to agmquestions@seafarms.com.au by no later than 5:00pm on Wednesday 27th November 2024.

In accordance with the Treasury Laws Amendment (2021 Measures No. 1) Act 2021 (Act), the notice of meeting, accompanying explanatory statement and annexures (including an online meeting guide and proxy form) (Meeting Materials) are being made available to shareholders electronically, unless you have requested to receive a hard copy since the Act has come into force. This means that:

-  You are able to access the Meeting Materials online at the Company's website at: www.seafarms.com.au/seafarms-group-agm/
-  A complete copy of the Meeting Materials have been posted on the Company's ASX market announcements page.

- ☛ If you have nominated an email address and have elected to receive electronic communications from the Company, you will also receive an email to your nominated email address with a link to an electronic copy of the Meeting Materials and the proxy voting form.

In addition, shareholders may lodge a proxy form online at www.investorvote.com.au by entering:

- ☛ the following 6 digit control number: 184467 for HIN holders; and 134467 for SRN holders.
- ☛ that shareholders' HIN/SRN and postcode to logon.

If you are unable to access the Meeting Material online, please contact our office between 9.00am and 5.00pm AWST Monday to Friday, to arrange a copy.

As a valued shareholder in the Company, we look forward to your participation in the Meeting.

Approved and authorised for release by the Board of Seafarms.

Ends.

For further information, please contact:

Seafarms Group

Mr. Harley Whitcombe
Company Secretary
P: +61 8 8923 7924

Media / Investor Enquiries

John Fergusson
P: +61 407 826 952
E: info@seafarms.com.au

About Seafarms Group

Seafarms Group Limited (ASX: SFG) is a sustainable aquaculture company, producing the premium Crystal Bay® Prawns and developing the Project Sea Dragon prawn aquaculture project in northern Australia.

SEAFARMS GROUP LIMITED

ABN 50 009 317 846

Notice of 2024 Annual General Meeting

10.00am (Brisbane time), 29 November 2024

Held at the offices of Mills Oakley, Level 23, 66 Eagle Street, Brisbane Qld 4000 and via
webcast live online

Seafarms Group Limited

NOTICE OF MEETING

An Annual General Meeting of

Seafarms Group Limited (the **Company**)

will be held at Level 23, 66 Eagle Street, Brisbane Qld 4000 at 10.00am AEST 29 November 2024 and via webcast live online.

Dear Shareholder

I am pleased to invite you to attend the 2024 Annual General Meeting (the **Meeting**) of the Company, to be held at Level 23, 66 Eagle Street, Brisbane Qld 4000 and via webcast live online at 10.00am (Brisbane time), 29 November 2024.

To facilitate Shareholder participation, the Meeting will be a hybrid meeting, held both physically and via webcast live online. If you choose to participate via the live online webcast, please register on the Company website www.seafarms.com.au.

By registering for the webcast of the Meeting, Shareholders will be able to listen to the proceedings, ask questions relevant to the business of the Meeting, and vote on the resolutions to be considered at the Meeting, online.

The Meeting is an ideal opportunity for you to meet the Company's board (**Board**) and senior management team and I encourage you to participate in the Meeting.

Instructions on how to join the webcast, submit questions and vote on the resolutions via the online platform are set out in the Online Meeting Guide (**Online Meeting Guide**) available at

<https://www.computershare.com.au/virtualmeetingguide>.

Please note the meeting ID is MGAFCTC.

The complete Meeting materials and Proxy Forms are located on www.seafarms.com.au/seafarms-group-agm/.

The Meeting will only consist of the items of business set out in this notice of meeting (**Notice**). There will be a presentation by the Chairman.

Voting on all resolutions will be conducted by a poll.

The following pages contain details on the items of business to be conducted at the Meeting. Your Directors believe that each of the resolutions is in the best interests of the Company and its Shareholders.

This Notice of Annual General Meeting, Explanatory Memorandum and Independent Expert's Report should be read in their entirety. The Independent Expert's Report is relevant to Resolution 4, wherein the **Independent Expert has concluded that the Proposed Transaction under Resolution 4 is not fair but reasonable to the Non-Associated Shareholders.**

Voting on the resolutions at the Meeting is important and if you are not able to attend I encourage you to nominate a proxy by returning the enclosed Proxy Form. If you nominate a proxy, please carefully consider the proxy comments in this Notice. Please ensure you forward the manual Proxy Form to the Company's Share Registry, Computershare Investor Services Pty Limited, so that it is received by 10.00am (Brisbane time), 27 November 2024.

Your Board and senior management team look forward to engaging with you at the Meeting.

Yours faithfully



Ian Trahar
Non-Executive Chairman

30 October 2024

The following pages contain details on the items of business to be conducted at the Meeting.

Seafarms Group Limited

NOTICE OF MEETING

Items of Business	Resolution	Approval	Further Details
ORDINARY BUSINESS			
A. DISCUSSION OF FINANCIAL STATEMENTS AND REPORTS	To receive and consider the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2024.	Not applicable	Page 7
1. REMUNERATION REPORT	To adopt the Remuneration Report for the year ended 30 June 2024.	Non-binding	Page 7
2. RE-ELECTION OF DIRECTOR – MR HARLEY WHITCOMBE	That, for the purposes of Listing Rule 14.4, rule 11.3 of the Company's Constitution and for all other purposes, Mr Harley Whitcombe, be re-elected as a Director of the Company.	Ordinary resolution	Page 8
SPECIAL BUSINESS			
3. ADDITIONAL CAPACITY TO ISSUE SECURITIES	That, for the purposes of Listing Rule 7.1A and for all other purposes, the Company approve the issue of up to that number of equity securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Notes.	Special resolution	Page 8
4. APPROVAL OF TRANSACTIONS WITH AVATAR FINANCE PTY LTD UNDER CHAPTER 2E [ITEM 7] OF THE CORPORATIONS ACT AND LISTING RULES 10.1 AND 10.11	That in accordance with Chapter 2E and section 611 (Item 7) of the Corporations Act 2001, and under Listing Rules 10.1 and 10.11 and for all other purposes, the Company be authorised, with effect from the passing of this Resolution 4 to proceed with: (a) the issue of the Avatar Convertible Notes, capable of being converted into Shares in the Company, to Avatar Finance with a face value of \$7,000,000, pursuant to the terms of the Convertible Note Deed (the Convertible Notes); (b) the subsequent conversion of the Convertible Notes into up to 3,663,859,062 Conversion Shares and Interest Shares and Avatar Finance acquiring a relevant interest in the Conversion Shares and Interest Shares on conversion of the Convertible Notes; (c) the granting of the Security by the Company to Avatar Finance to secure the indebtedness associated with the	Ordinary resolution	Page 10

Seafarms Group Limited

NOTICE OF MEETING

Convertible Notes;

- (d) the giving of financial benefits to Avatar Finance to the extent it is a related party of the Company;
- (e) the Voting Power of Mr Ian Trahar (and his Associates) increasing up to a maximum of 59.78% on conversion of the Convertible Notes,

pursuant to the terms and conditions of the Convertible Notes, the details of which are summarised in the Explanatory Notes.

NOTES FOR ITEM 4:

For the purpose of section 611 of the *Corporations Act*, an Independent Expert's Report prepared by Nexia is **enclosed** with this Notice of Meeting in Annexure A.

Nexia has concluded that the **Proposed Transaction is not fair but is reasonable to the Non-Associated Shareholders**.

Further details regarding the Proposed Transaction are set out in the accompanying Explanatory Notes and Independent Expert's Report which the Directors recommend Shareholders read in full before making any decision in relation to Resolution 4.

A copy of this Notice of Meeting and the accompanying Explanatory Notes has been lodged with the ASIC in accordance with section 218 of the *Corporations Act*.

CONDITIONAL

5.	SPILL RESOLUTION CONDITIONAL ON ITEM 1	That, subject to, and conditional on, at least 25% of the votes cast on Resolution 1 being cast against the adoption of the Company's Remuneration Report for the year ended 30 June 2024:	Ordinary Resolution	Page 28
		(a) an extraordinary general meeting of the Company (Spill Meeting) be held within 90 days of the passing of this resolution;		
		(b) all of the Directors who were in office when the Directors' Report for the year ended 2024 was approved and who remain in office at the time of the Spill Meeting cease to hold office immediately before the end of the Spill Meeting; and		
		(c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting.		

Certain capitalised terms are defined in the attached Explanatory Notes.

Seafarms Group Limited

NOTICE OF MEETING

VOTING

Notice Record Date

The Company's shareholders (**Shareholders**) recorded on the Company's register of members at 5.00pm (Brisbane time) on Wednesday, 30 October 2024 (**Notice Record Date**) will be entitled to receive this Notice.

Voting Entitlement

Shareholders recorded on the Company's register of members at 5.00pm (Brisbane time) on Wednesday, 27 November 2024 (**Voting Entitlement Date**) will be entitled to vote on Items at the Company's Meeting.

Becoming a Shareholder

Persons who become registered Shareholders between the Notice Record Date and the Voting Entitlement Date, and wish to vote at the Meeting by proxy should call 1300 798 306 (within Australia) or +61 3 9415 4830 (outside Australia) and request an additional personalised voting form.

Persons who become beneficial Shareholders between the Notice Record Date and the Voting Entitlement Date, and wish to vote at the Meeting by proxy should contact their broker or intermediary for instructions on how to do so.

Voting Procedure

Under the Company's constitution (**Constitution**), any poll will be conducted as directed by the chair of the Meeting (the **Chair**). All voting will be conducted by poll.

To facilitate shareholder participation, Shareholders will be able to attend the Meeting physically and the Company will webcast the Meeting live online. Shareholders can vote on the resolutions to be considered at the Meeting, either at the Meeting, via the online platform or by appointing a proxy to vote on their behalf.

Instructions on how to join the webcast and vote on the resolutions via the online platform are set out in the Online Meeting Guide which can be found at <https://www.computershare.com.au/virtualmeetingguide>.

The Meeting ID is MGAFACTC.

If you elect to attend the meeting online, Shareholders can participate by logging in and entering the following URL <https://meetnow.global/MGAFACTC> on your computer, tablet or smartphone.

Online registration will open 30 minutes before the meeting.

To make the registration process quicker, please have your SRN/HIN and registered postcode or country code ready. Proxyholders will need to contact Computershare prior to the meeting to obtain their login details.

To participate in the meeting online follow the instructions below.

1. Click on 'Join Meeting Now'.
2. Enter your SRN/HIN. Proxyholders will need to contact Computershare on +61 3 9415 4024 prior to the meetings to obtain their login details.
3. Enter your postcode registered to your holding if you are an Australian securityholder. If you are an overseas securityholder select the country of your registered holding from the drop down list.
4. Accept the Terms and Conditions and 'Click Continue'.

You can view the meeting live, ask questions verbally or via a live text facility and cast votes at the appropriate times while the meeting is in progress.

Voting Restrictions

The voting exclusions under the ASX Listing Rules (**Listing Rules**) for each Item are set out in the Explanatory Notes to this Notice.

PROXY FORMS

Proxy Form

Enclosed with this Notice is a personalised proxy form (**Proxy Form**). The Proxy Form allows Shareholders who are not attending the Meeting to appoint a proxy to vote on their behalf.

If you hold fully paid ordinary shares in the capital of the Company (**Shares**) in more than one capacity, please complete the Proxy Form that is relevant to each holding.

Appointing proxies

Shareholders, who are entitled to attend and vote at the Meeting, may appoint a proxy to act generally at the Meeting and to vote on their behalf.

A proxy need not be a Shareholder of the Company.

A Shareholder entitled to attend and vote can appoint up to two proxies, and should specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes. If you wish to appoint two proxies please call 1300 798 306 (within Australia) or +61 3 9415 4830 (outside Australia) and request an additional Proxy Form.

We encourage Shareholders who intend to appoint a proxy to submit their Proxy Forms as early as possible. Lodgement instructions (which include the ability to lodge proxies electronically) are set out in this Notice and on the Company's website.

A corporate Shareholder or proxy must appoint a person as its corporate representative.

Seafarms Group Limited

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Undirected proxies

Any proxy given to:

- a member of the Company's key management personnel (the Company's directors (**Directors**) and other executives) (**Key Management Personnel**), other than the Chair; or
- their closely related parties (including a spouse, dependent or other close family members, as well as any companies they control) (**Closely Related Parties**),

for Item 1 will not be counted unless Shareholders specify how the proxy is to vote.

Any undirected proxy given to the Chair for Item 1 by a Shareholder entitled to vote on Item 1 will be voted by the Chair in favour of the Item, in accordance with the express authorisation on the Proxy Form.

The Chair intends to vote all valid undirected proxies in favour of Items 1 to 4, and against Item 5 in the event it is put to the AGM.

Power of attorney and corporate representatives

If the Proxy Form is signed by an attorney, the power of attorney or a certified copy of it must be sent with the Proxy Form.

A body corporate member may elect to appoint a representative, rather than appoint a proxy. Where a body corporate appoints a representative, written proof of the representative's appointment must be lodged with, or presented to the Company before the Meeting.

A body corporate appointed as a proxy must also lodge a certificate of appointment of a corporate representative.

LODGING PROXY FORMS

Deadline

Proxy Forms must be received by 10.00am (Brisbane time) on 27 November 2024.

How to lodge Proxy Forms

You can lodge your Proxy Form with the Company by:

Online lodgement: at www.investorvote.com.au

Mail: to GPO Box 242, Melbourne, Victoria 3001.

Delivery: to GPO Box 242 Melbourne VIC 3001 Australia.

Facsimile: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

Custodian: For Intermediary Online subscribers only (custodians), please visit www.intermediaryonline.com to submit your voting intentions.

Further details on how to lodge your Proxy Form can be found on the reverse side of the Proxy Form.

SHAREHOLDER QUESTIONS

Shareholders will be able to ask questions relevant to the business of the Meeting, at the Meeting. Instructions on how to submit questions via the online platform are set out in the Online Meeting Guide and can also be found on the Company's website (www.seafarms.com.au).

Shareholders who are unable to attend the Meeting may submit written questions by emailing agmquestions@seafarms.com.au. Questions must be received by 10.00am (Brisbane time) 27 November 2024. The more frequently raised Shareholder issues will be addressed by the Chair during the course of the Meeting. However, there may not be sufficient time available at the Meeting to address all of the questions raised. Please note that individual responses will not be sent to Shareholders.

ENQUIRIES

If you have any questions about this Notice or your Proxy Form please contact the Company's share registry, Computershare Investor Services Pty Ltd, at 1300 798 306 (within Australia) or +61 3 9415 4830 (outside Australia).

By order of the Board of Directors



Ian Trahar
Non-Executive Chairman

30 October 2024

EXPLANATORY NOTES

ITEM A DISCUSSION OF FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, Shareholders will have a reasonable opportunity to ask questions or make comments on the Company's Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2024.

The Company's auditor, Pitcher Partners, will be available at the Meeting and Shareholders will have an opportunity to ask the auditor questions in relation to the conduct of the audit, the Auditor's Report, the Company's accounting policies and the independence of the auditor.

The auditor will also respond to any written questions, provided these are submitted to the Company no later than five business days prior to the Meeting.

There is no requirement for Shareholders to approve the Company's Financial Report, Directors' Report and Auditor's Report.

ITEM 1 REMUNERATION REPORT

Background

The Remuneration Report for the financial year ended 30 June 2024 is included in the Company's Annual Report and sets out the Company's remuneration arrangements for Key Management Personnel.

The Chair will allow a reasonable opportunity for Shareholders to ask questions about, or make comments on, the Remuneration Report at the Meeting. Shareholders will then be asked to vote on the Remuneration Report.

The vote is advisory only and does not bind the Company or its Directors. The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company's remuneration policies.

Spill resolution

If at two consecutive AGMs, at least 25% of the votes cast are against the adoption of the Company's Remuneration Report, Shareholders must vote on whether the Board should go up for re-election.

At the Company's 2023 AGM, 40.61% of the votes cast on the resolution to adopt the Remuneration Report for the financial year ended 30 June 2023 were against the resolution. Accordingly, the Company received a 'first strike'. The Directors have not taken further action since the 2023 AGM as the Company did not receive any specific feedback at the meeting on the FY2023 Remuneration Report, and the total votes on the resolution only represented 7.6% of the total Shares on issue. The Company notes that a Shareholder had lodged a proxy vote in favour of the resolution in 2023, however when logging into the meeting had inadvertently cancelled the proxy vote but had not then voted online.

The Board takes its responsibilities to remuneration very seriously. Absent of any feedback from the 2023 AGM, the Board believes that the remuneration outcomes for the financial year ended 30 June 2024 continues to align with Shareholder interests and furthers the Company's strategy. The Remuneration Report incentivises Key Management Personnel to optimise financial outcomes and allows the Company to operate with a minimally sufficient but highly skilled team. The quantum of remuneration remains unchanged from prior years.

Shareholders should note that whilst the vote on Item 1 is advisory only, if at least 25% of the votes cast on this resolution are cast against the adoption of the Remuneration Report for the financial year ended 30 June 2024, the Company would receive a 'second strike'. This outcome would require the Company to put the conditional spill resolution in Resolution 5 to this AGM.

Board recommendation

The Board unanimously recommends that Shareholders vote **in favour** of the adoption of the Remuneration Report.

The Chair intends to vote undirected proxies in favour of Item 1 in accordance with the express authorisation on the Proxy Form.

Voting prohibition statement

In accordance with the Corporations Act, the Company will disregard any votes cast on Item 1:

- by or on behalf of a member of Key Management Personnel (details of whose remuneration are including in the Remuneration Report), or their Closely Related Parties, regardless of the capacity in which the votes are cast; or
- by a person who is a member of the Key Management Personnel at the date of the Meeting, or their Closely Related Parties, as a proxy.

EXPLANATORY NOTES

However, votes will not be disregarded if they are cast as a proxy for a person entitled to vote on Item 1:

- in accordance with a written direction specifying the way the proxy is to vote on the resolution; or
- by the Chair pursuant to an express authorisation to exercise the proxy even if this Item is connected directly or indirectly with the remuneration of the Key Management Personnel.

ITEM 2 RE-ELECTION OF DIRECTOR

Mr Harley Whitcombe was appointed to the Board on 20 May 2022.

In accordance with Listing Rule 14.4 and rule 11.3 of the Constitution, the Board is seeking confirmation of Mr Whitcombe's re-election as a Director at this Meeting. His relevant skills and experience are summarised below.

Mr Harley Whitcombe

Term	Appointed on 20 May 2022
Independent	No.
Skills and experience	Mr Whitcombe has many years of commercial and finance experience, providing company secretarial services to publicly listed companies. Mr Whitcombe was a director of the Company between 12 November 2001 and 29 October 2021.
Other directorships	None.
Special responsibilities	Company Secretary.
Interests in the Company	19,680,984 Fully Paid Shares.

Board recommendation

The Board (other than Mr Whitcombe who has an interest in the resolution) believe that the re-election of Mr Whitcombe to the Board is in the best interests of the Company and unanimously recommend that Shareholders vote **in favour** of the re-election of Mr Whitcombe.

The Chair intends to vote undirected proxies in favour of Item 2.

ITEM 3 ADDITIONAL CAPACITY TO ISSUE SECURITIES

Background

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities (as defined below) that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a Special Resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and has a market capitalisation of A\$300 million or less. The Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a market capitalisation of less than A\$300 million.

An equity security includes a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security. Any equity securities issued under the Additional 10% Capacity must be in the same class as an existing class of quoted equity securities. As at the date of this Notice, the Company currently has one class of quoted equity securities on issue, being Shares.

Purpose of approval

Item 3 seeks Shareholder approval by way of a Special Resolution for the Company to have the Additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without shareholder approval.

EXPLANATORY NOTES

If Item 3 is passed, the Company will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further shareholder approval.

If Item 3 is not passed, the Company will not be able to access the Additional 10% Capacity to issue equity securities without shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1, which may limit the Company's ability to take advantage of opportunities to raise equity capital.

Details of the Additional 10% Capacity

Minimum issue price The Company will not issue securities under the Additional 10% Capacity at a price less than 75% of the VWAP for the securities in the same class, calculated over the 15 ASX Trading Days on which trades in that class were recorded immediately before:

- the date on which the price at which the securities are to be issued is agreed; or
- if the securities are not issued within 10 Trading Days of the date in the paragraph above, the date on which the securities are issued.

Date of issue The Additional 10% Capacity will commence on the date of this Meeting and expire on the earlier of:

- the date that is 12 months after the date of the Meeting;
- the time and date of the Company's next annual general meeting; or
- the time and date Shareholders approve a significant change to the nature or scale of the Company's activities or a disposal of the Company's main undertaking under Listing Rules 11.1.2 or 11.2.

Use of funds Securities must be issued for cash consideration. The funds raised may be used to fund the development of the PSD Project, for the growth of the Company's aquaculture business, for general working capital or to acquire new assets or investments.

The Company will comply with its disclosure obligations under Listing Rule 7.1A.4 in relation to any issue of securities under the Additional 10% Capacity.

Allocation policy The identity of allottees will be determined on a case-by-case basis having regard to factors which may include:

- the methods of raising funds which are available to the Company;
- the effect of an issue on the control of the Company; and
- advice from corporate, financial and broking advisers.

As at the date of this Notice, the allottees have not been determined. They may, however, include substantial Shareholders and/or new Shareholders, but will not include related parties of the Company (or their Associates).

Risk of dilution

There is a risk of economic and voting dilution to the Shareholders, including that:

- the market price for the equity securities may be significantly lower on the date of the issue than it is on the date of the Meeting; and
- the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the issue date.

The table below sets out:

- the economic and voting dilution based on 100%, 150% and 200% of the Company's current issued share capital; and
- the capital raised by an issue of securities at the current market rate, at a 50% reduction and at a 100% increase to the current market rate.

EXPLANATORY NOTES

Shares on Issue	Shares Issued	Capital raised (\$)		
	10% voting dilution (Shares)	At 50% decrease in market price \$0.0015	At current market price \$0.003	At 100% increase in market price \$0.006
Current 4,836,599,179	483,659,917	\$725,489.88	\$1,450,979.76	\$2,901,959.53
50% increase 7,254,898,768	725,489,876	\$1,088,984.82	\$2,177,969.63	\$4,355,939.25
100% increase 9,673,198,358	967,319,835	\$1,452,479.77	\$2,904,959.53	\$5,809,919.06

Assumptions and explanations

- The market price is based on the closing price for the Shares on 15 October 2024, being \$0.003.
- These calculations assume that each Shareholder maintains its current Shareholding in the Company and does not participate in the issue which utilises the Additional 10% Capacity.
- No further equity is issued either under the Company's current capacity to issue 15% of its equity securities or on conversion of convertible securities.
- The Company utilises the full Additional 10% Capacity by issuing Shares.
- The table represents dilution as a whole and is not an example of dilution that may be caused to a particular Shareholder.

Previous approval

At the Company's 2023 AGM, Shareholders approved the Company's capacity to issue equity securities equivalent to an Additional 10% of the Company's ordinary securities. The approval given at the 2023 AGM expires 12 months after the date of the Company's 2023 AGM (i.e. 23 November 2024).

Security issues in the last 12 months

The Company has not issued or agreed to issue any equity securities under Listing Rule 7.1A in the 12 months preceding the date of the Notice.

Special Resolution

For Item 3 to be passed, it must be approved by a Special Resolution, requiring approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Board Recommendation

The Board unanimously recommends Shareholders vote **in favour** of granting the Company the Additional 10% Capacity. The Chair intends to vote undirected proxies in favour of Item 3.

Voting Prohibition Statement

The Company is not proposing to make an issue of equity securities under the Additional 10% Capacity at the time of dispatching the Notice. Accordingly, no Shareholders are currently excluded from voting on this Item.

ITEM 4 APPROVAL OF TRANSACTIONS WITH AVATAR FINANCE PTY LTD UNDER CHAPTER 2E AND SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT AND LISTING RULES 10.1 AND 10.11.

1 Background

Project Sea Dragon

The Company refers to various announcements made to the ASX in respect of Project Sea Dragon, the PSD Project and legal proceedings through the Federal Court.

EXPLANATORY NOTES

The Company appealed the decision of His Honour Derrington J in respect of the proceedings QUD 151/2024 which was heard by the Full Court of the Federal Court on 12 and 13 August 2024. At the time of the circulation of this Explanatory Notes, judgment had not been handed down.

During this litigation the Company has been unable to raise money from unrelated third party resources and has been relying on existing cash reserves, the existing Revolving Credit Agreement provided by Avatar Finance (discussed further below) and moneys received through the transaction disposing of Farm 1 and Farm 2 at the Company's Cardwell facility.

Financing from Avatar Finance

On 18 April 2024 the Company entered into a Revolving Credit Agreement with Avatar Finance on favourable terms under which Avatar Finance agreed to make available up to \$3 million in debt funding to the Company. The amount advanced under the Revolving Credit Agreement was repayable on 1 September 2024. The Company and Avatar Finance subsequently agreed to increase the amount available to \$7 million and to extend the repayment date to 7 days after the Company's 2024 AGM.

The Company requires further funding in order to pursue its strategy to develop the PSD Project. In the absence of securing any unrelated third party funding, Avatar Finance has agreed to offer other funding to the Company, up to \$7 million by way of the Convertible Notes. This funding is intended to replace the funding available under the Revolving Credit Agreement and, not be in addition to it.

The following sets out information in respect of the Convertible Notes which have been secured in order to enable the Company to continue to pursue its strategy to develop the PSD Project.

Convertible Note Deed

The Convertible Note Deed with Avatar Finance secures \$7,000,000 in funding to enable the Company to repay the outstanding moneys that will become due and payable 7 days after this AGM and assist in pursuing the Company's strategy to proceed with the PSD Project. The key terms of the Convertible Note Deed are as outlined below:

- (a) the face value of the Notes is \$7,000,000;
- (b) the Maturity Date is 30 June 2025. This date was agreed to enable funds from the Mainstream Transaction to be available to redeem the Notes;
- (c) interest will be payable at BBSY 30 days plus 4% per annum;
- (d) the Notes may be converted into Shares at an issue price of the VWAP of Shares during the 30 Trading Days on which Shares traded in the ordinary course of business on the ASX prior to the date which is three business days prior to the date of the Meeting, on the Maturity Date, provided that the issue price is not lower than \$0.002 per Share;
- (e) subject to Shareholder approval being obtained, the Company will grant to Avatar Finance the following:
 - (1) general security deeds over the Company and each of its Subsidiaries;
 - (2) mortgages over all real property held by the Company and each of its Subsidiaries (other than those real properties which have been offered as security under the Mainstream Transaction while those securities are in place; and
- (f) Notes redeemed prior to the Maturity Date may be reissued at the option of the Company.

The Company is presently reliant upon the funding from Avatar Finance and its existing cash reserves to continue to fund its operations.

As at 15 October 2024, the cash reserves (excluding any guarantees or deposits) of the Company are \$2,156,445.68.

Further details regarding the terms of the Convertible Note Deed are set out in Schedule 1.

Shareholder Approval

Under the Listing Rules the Company is obliged to seek Shareholder approval of Resolution 4.

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In addition to the Resolutions set out in 1 - 3, the Meeting has been convened for the purpose of, inter alia, seeking the approval of Shareholders to the issue of the Convertible Notes, conversion of the Convertible Notes pursuant to the Convertible Note Deed, the issue of the Conversion Shares and Interest Shares and to grant the Security.

The Company engaged Nexia to prepare an Independent Expert's Report on the Proposed Transaction and the granting of the Security to assist Shareholders to decide whether or not to vote in favour of Resolution 4.

Independent Expert and Non-Interested Director consideration

The Independent Expert has assessed that the Proposed Transaction is not fair but is reasonable to Non-Associated Shareholders, but strongly recommends that Shareholders also have regard to all of the information set out in the balance of the Independent Expert Report which appears as Annexure A to the Explanatory Notes. Shareholders are also referred to sections 7 and 13 of the Explanatory Notes for further details as to the contents of the Independent Expert's Report.

The Non-Interested Director (being Mr Rod Dyer) has given detailed consideration to the Proposed Transaction. The Non-Interested Director considers that the Proposed Transaction is in the best interests of the Company and recommends the Proposed Transaction to Shareholders.

Summary of Proposed Transaction and document terms

An explanation of the rationale of the Proposed Transaction is set out in section 2 and the advantages and disadvantages of the Proposed Transaction are set out in section 3.

A summary of the key terms of the relevant transaction documents are set out as follows:

- (a) Convertible Note Deed – Schedule 1; and
- (b) Security – Schedule 2.

Resolution 4 seeks the approval of Shareholders in respect of the issue of the Convertible Notes, conversion of the Notes into Shares and the provision of Security to Avatar Finance in accordance with terms of the Convertible Note Deed.

If this approval is not provided, the Company will be unable to repay the amount owing to Avatar Finance under the Revolving Credit Agreement, which will become repayable seven (7) days after this AGM.

The Company does not currently have another source of funding to enable the Company to make this payment in the event Shareholders do not approve this Resolution.

2 The rationale for the Proposed Transaction

The Non-Interested Director has given detailed consideration to the provision of funding pursuant to the Convertible Note Deed. The rationale for the Convertible Note Deed includes:

- (a) The Company's primary business focus is the development of the PSD Project.
- (b) There is strong current interest from third-party investors in investing in the PSD Project.
- (c) Third-party investors are reluctant to invest in the PSD Project while it remains a possibility that the court may order that Project Sea Dragon be placed into liquidation.
- (d) The timing for the Federal Appeals Court judgement is unknown.
- (e) Potential paths to develop the PSD Project exist even if Project Sea Dragon is placed into liquidation,
- (f) The Company expends significant funds on continuing to develop the PSD Project's successful breeding program at Exmouth albeit with lower costs.
- (g) The Company continues to expend funds on maintaining its licences, permits, and a minimally sufficient team to provide investor confidence of the readiness to develop the PSD Project.
- (h) The Company has expended significant resources on issues experienced with the PSD Project

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and the legal action arising from the entry of Project Sea Dragon into voluntary administration in accordance with previous ASX announcements made by the Company.

- (i) To provide essential cash and support for the funding and development of PSD Project, the Company entered into an asset sale contract for various Queensland assets through the Mainstream Transaction.
- (j) Avatar Finance supported the Company throughout this process by the provision of the Revolving Credit Agreement under which an initial amount of \$3 million was made available to the Company. That agreement was due for repayment on 1 September 2024. Avatar Finance and the Company subsequently agreed to increase the amount under the Revolving Credit Agreement to \$7 million and extend the date for repayment to 7 days after this AGM.
- (k) The Company's rationale for undertaking the proposed funding transaction by way of a convertible, interest bearing, and fully secured note has been to enable the Company to have the funding certainty that is required in order for it to be able to continue to fund its operations until such time as the Mainstream Transaction completes or the Company has obtained unrelated third party funding for the purposes of completing the PSD Project.
- (l) Whilst the Company has sought finance, both debt and equity, from other parties these attempts have proven unfruitful to date. This lack of success is considered to have been brought about by the Company having experienced issues in connection with the litigation brought against Project Sea Dragon's voluntary administration, the possibility that the Appeals Court may order Project Sea Dragon be put in liquidation, accompanying uncertainty as to future funding for the PSD Project, and the continued expenditure required to maintain the future of the PSD Project. Given these difficulties, the Company reached out to its cornerstone shareholder seeking additional funding. This funding has been offered as outlined in section 1. The Company continues to seek alternative avenues for the funding of its operations in an attempt to obtain the best financial terms possible as it seeks to further progress its business objectives.
- (m) The completion of the Mainstream Transaction enables the Company to repay Avatar Finance.
- (n) The reality is that the Company is, in addition to its cash reserves, presently reliant upon funding from Avatar Finance to continue operations. If Shareholders do not approve Resolution 4, Avatar Finance may demand full repayment of all funds advanced under the Revolving Credit Agreement. The Company does not currently have other funding options available to it to fund the repayment of these amounts.

3 Key Advantages and Disadvantages of the Proposed Transaction

The advantages to Non-Associated Shareholders of entering into the Convertible Note Deed include:

(a) Ability to repay Revolving Credit Agreement

As noted above, Avatar Finance has previously advanced funding of \$3 million to the Company under the Revolving Credit Agreement with terms very favourable to the Company. This funding was due for repayment on 1 September 2024 and contained a covenant which required any proceeds received from the Mainstream Transaction to be used to reduce the balance outstanding to Avatar Finance. Avatar Finance and the Company agreed to increase the amount available to \$7 million and extend this repayment date to 7 days after this AGM. As at the date of this Notice of Meeting and the Explanatory Notes, the Company owes Avatar Finance, \$2,550,000.00.

The Company currently does not have other funding options to repay the Revolving Credit Agreement until the Mainstream Transaction is completed. Avatar Finance offered the Convertible Note Deed as a means for the Company to be able to repay the Revolving Credit Agreement and provide funding up to a total of \$7 million. Issue of the Notes, Conversion of the Notes and the provision of Security under the terms of the Convertible Note Deed (with commercial interest rates which are more usual for this type of transaction), are subject to

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Shareholder Approval. Avatar Finance preferred Convertible Notes as opposed to a secured loan agreement as it provides, among other benefits, additional flexibility.

If Shareholder approval is not obtained at this AGM, Avatar Finance may demand full repayment of all funds advanced under the Revolving Credit Agreement. Accordingly, absent Shareholder approval of Resolution 4, the Company will be placed in a difficult financial position if it is required at short notice to repay all funds advanced under the Revolving Credit Agreement. In the unlikely event that the Company would be able to obtain funding to repay Avatar Finance in those circumstances, any funding under this scenario would likely be very expensive with oppressive terms, would highly likely contain similar if not identical terms and conditions including requirement for the provision of security and also be heavily dilutive to the interests of existing shareholders.

(b) Redraw

The Convertible Notes may be redeemed by the Company prior to the Maturity Date and reissued to Avatar Finance prior to the Maturity Date at the election of the Company. This provides the Company with certain flexibility in relation to its ongoing financing.

(c) Conversion Price

The Convertible Notes have a conversion price of the average of the daily VWAPs per Share during the 30 Trading Days prior to the date which is three business days prior to the date of the Meeting.

The conversion price in respect of the Convertible Notes (with a total face value of \$7,000,000) is the higher of:

- (i) average of the daily VWAPs per Share during the 30 Trading Days prior to the date which is three business days prior to the date of the Meeting; and
- (ii) \$0.002.

The 30 Trading Day VWAP prior to 15 October 2024 was \$0.00292.

The Company intends to repay, in full or in part the amount owing under the Convertible Note Deed by use of proceeds from the Mainstream Acquisition. Given its present cash position and market conditions for future fundraisings by the Company, the Company considers that it will currently be difficult for it to raise the necessary funds on more favourable terms so as to have the ability to repay the money owing to the holders of the Convertible Notes in the event the Mainstream Transaction does not complete or is delayed for any reason.

(d) Ability to convert

Approval of the issue of the Notes provides the opportunity for the Company to ultimately be able to repay the principal amount owing (and capitalised interest) under the Convertible Note Deed in Shares rather than in cash. The election to do so ultimately rests with Avatar Finance (that is, the Company cannot ordinarily elect to convert the Convertible Notes), however, without Shareholder approval, this will not be possible.

Avatar Finance has the ability to convert some, or all of the Convertible Notes held.

(e) Independent Expert

The Independent Expert has concluded that the Proposed Transaction is not fair but is reasonable to the Non-Associated Shareholders.

The disadvantages to Non-Associated Shareholders of the Proposed Transaction include:

(a) Dilution of Shareholders' interests

If Resolution 4 is approved and the Convertible Notes are ultimately converted into Shares, Shareholders will hold a diluted interest in the Company's assets and will have to share any upside in the Company's asset portfolio with Avatar Finance. Please refer below at 12(b) for the potential dilutionary effect arising if Resolution 4 is approved.

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(b) Influence on the strategic direction of the Company

Avatar Finance has stated to the Directors of the Company that if Resolution 4 is approved they have no intention to change the strategic direction, management or other operations of the Company. However there is no binding restriction on Avatar Finance preventing it from doing so.

(c) Takeover offer may become more difficult

If Resolution 4 is approved and the Convertible Notes are all converted, Avatar Finance and its Associates will increase their shareholding from 29.32% of the Company to 59.78% of the Company. In this circumstance, any takeover offer for 100% of the Shares in the Company will require the support of Avatar Finance and its Associates.

(d) Security over all assets

The result of the granting of the Security will be that a security interest is granted over all of the assets of the Company and the Company Group, in favour of Avatar Finance. This is likely to affect the Company's ability to secure further funding where such additional funding is contingent on the granting of security in favour of the financier. The consent of Avatar Finance would be required for any further material security interests to be granted over the assets of the Company or alternatively, Avatar Finance would need to be paid out as part of the financing. This may adversely affect the Company's ability to obtain additional funding in the future, and particularly if this funding was proposed to occur other than by way of an issue of equity in the Company.

It is noted that the Company does have prepayment rights without penalty, and is able to redraw those amounts pre-paid during the term of the Convertible Note Deed.

(e) Short repayment period

Assuming Resolution 4 is passed, the Convertible Notes will be required to be repaid by the Company on 30 June 2025. The Company intends to fund the repayment from the proceeds of the Mainstream Transaction. While the Company expects the Mainstream Transaction to complete per the Agreement and on time, if completion of the Mainstream Transaction is delayed for any reason the balance that SFG will receive from Mainstream won't be sufficient to redeem the Convertible Notes if they are all outstanding. The Company does not anticipate that it will be in a position to fund such redemption from internal cash flow and would need to seek an extension to the repayment or other external funding in order to repay such amounts (which may be in excess of \$7 million exclusive of any capitalised interest). Other than funds from the Mainstream Transaction, the Company has no certainty as to its ability to raise funds for repayment of these funds if this was to occur on 30 June 2025. The balance payable under the Mainstream transaction is \$5.5-6 million.

(f) Conversion Price of Convertible Notes not known, however floor price imposed

As set out above, the Conversion Price of the Convertible Note is not currently known and will be set having regard to the prevailing market price at the time (i.e. the average of the 30 trading day VWAP prior to 26 November 2024, being three business days prior to the expected date of the Meeting), however it will be no less than \$0.002. Whilst the Conversion Price is not currently known, it will be known by Non-Associated Shareholders prior to voting on Resolution 4 and the 30 trading day VWAP prior to 15 October 2024 is \$0.00292.

(g) Proposed Transaction is not fair but is reasonable

The Independent Expert has concluded that the Proposed Transaction is not fair but is reasonable to the Non-Associated Shareholders.

4 Potential Position of Shareholders if Resolution 4 is Not Approved

(a) Existing Shareholders will continue to own 100% of the Company

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Existing Shareholders will continue to own 100% of the Company and be entitled to any potential upside or downside risks associated with the future earnings and value of the Company. Existing Shareholders will receive any benefits or losses that may arise from the Company's operations and future endeavours.

(b) The Company will require alternative capital raising

All amounts provided by Avatar Finance under the Revolving Credit Agreement would be payable 7 days after this AGM. As such, the Company would need to obtain further finance options within that timeframe, or have alternatives on foot should Resolution 4 fail to pass. This would be extremely challenging.

The Directors consider that the alternatives available to the Company in circumstances where Resolution 4 is not approved include:

(1) Raising alternate equity capital

This option has been considered by the Directors of the Company. As noted above, the Company has sought and continues to seek investment and funding from other parties however, these attempts have proven unfruitful to date largely due to the potential liquidation of Project Sea Dragon as described above. Shareholders should note that further attempts to identify an alternative suitable cornerstone investor may require considerable amounts of time and even if a suitable cornerstone investor was able to be identified, there is no guarantee of the price at which they would invest in the Company or other terms and conditions that would be required. There is also no guarantee that those terms would be materially better than those offered by Avatar Finance.

(2) Raising alternate debt capital

Alternatively, the Company may need to attempt to establish an alternate debt facility. If the Company was able to secure such a facility, there is no guarantee that it would be on terms whether with respect to pricing, security or otherwise that are more favourable to the Company.

The Company currently has been supported by Avatar Finance with a number of debt facilities including the Revolving Credit Agreement.

The Company notes that the speed with which Avatar Finance made these facilities available, may give Shareholders some degree of comfort as to their individual intentions to further support the Company in the future. However, there is no current legal obligation for this to occur.

As noted above, the Company has sought and continues to seek finance from other parties however, these attempts have proven unfruitful to date.

The ongoing financial support to the Company provided by Avatar Finance reflects Avatar Finance's confidence in the potential of the PSD Project, and is welcomed by the Directors.

5 Potential Position of Shareholders if Resolution 4 is Approved

(a) The Company will repay amounts under Revolving Credit Agreement

All amounts provided by Avatar Finance under the Revolving Credit Agreement would be payable 7 days after this AGM. If the Resolution 4 is approved, the Company will be in a position to repay the amounts payable under the Revolving Credit Agreement.

(b) The Convertible Notes will be Repaid on the Maturity Date

The Company will be required to repay the amounts under the Convertible Notes Deed to Avatar Finance by the Maturity Date. This will be done using the proceeds from the Mainstream Transaction, facilitating the Company repaying Avatar Finance in full. Prior to repayment, Avatar Finance will take Security in the form described within Schedule 2. This may put assets of the Company and its Subsidiaries at risk if the Mainstream Transaction is delayed.

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(c) Facilitates further funding for the PSD Project

The Company has expended significant funds in developing the PSD Project, and continues to believe in its viability. If Resolution 4 is approved, this provides further funding which the Company can utilise for further development of the PSD Project. Existing Shareholders will continue to receive any benefits that arise from the PSD Project.

(d) Existing Shareholders Voting Power will be diluted

Avatar Finance, together with their Associates may increase their Voting Power up to 59.78%. This would significantly dilute the Voting Power of existing Shareholders and provide Avatar Finance with the ability to change the strategic direction of the Company. This would diminish the ability of existing Shareholders to influence the future direction of the Company.

6 Increasing the Voting Power of Avatar Finance and Mr Trahar

Avatar Finance, together with its Associates (which includes Mr Ian Trahar), currently are the registered holders of 1,417,864,377 Shares or 29.32% of the current issued Shares in the Company. Accordingly, Avatar Finance, together with its Associates, has Voting Power of 29.32% in the Company. If Conversion Shares and Interest Shares were issued, the Voting Power of Avatar Finance (and its Associates including Mr Trahar) would significantly increase.

Shareholders are referred to Schedule 4 for detailed information on the potential Voting Power of Avatar Finance (and their Associates) under various scenarios. The following provides an example of the potential Voting Power of Avatar Finance (and their Associates):

- (a) If the Convertible Notes were converted into Shares at \$0.002 per Share, the Voting Power of Avatar Finance (and their Associates) would increase to up to approximately 59.78% (assuming no further Shares in the Company are issued);
- (b) If the Convertible Notes were converted into Shares at \$0.0024 per Share, the Voting Power of Avatar Finance (and their Associates) would increase to up to approximately 56.67% (assuming no further Shares in the Company are issued);
- (c) If the Convertible Notes were converted into Shares at \$0.0028 per Share, the Voting Power of Avatar Finance (and their Associates) would increase to up to approximately 54.13% (assuming no further Shares in the Company are issued);
- (d) If the Convertible Notes were converted into Shares at \$0.0032 per Share, the Voting Power of Avatar Finance (and their Associates) would increase to up to approximately 52.03% (assuming no further Shares in the Company are issued); or
- (e) If the Convertible Notes were converted into Shares at \$0.0036 per Share, the Voting Power of Avatar Finance (and their Associates) would increase to up to approximately 50.25% (assuming no further Shares in the Company are issued).

Accordingly, the Proposed Transaction may significantly dilute the shareholding interests of Non-Associated Shareholders in the Company and, if so, will diminish their ability to influence the future direction of the Company. For completeness it is noted that the above provides an example of the potential Voting Power of Avatar Finance (and their Associates) using arbitrary Share prices. As the Conversion Price of the Convertible Notes is variable, it may be that the applicable issue price or Conversion price differs from those used by way of example above which may result in the potential Voting Power of Avatar Finance (and their Associates) being different to that set out above. However, ultimately Resolution 4 seeks approval for a maximum increase in the Voting Power of Avatar Finance (and their Associates) to 59.78%.

7 Conclusion of the Independent Expert

The Independent Expert has assessed that the Proposed Transaction is not fair but is reasonable to the Non-Associated Shareholders, but strongly recommends that Shareholders also have regard to all of the information set out in the Independent Expert Report. In summary:

- (a) The Independent Expert concluded the Proposed Transaction is not fair as the value of Shares

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after the Proposed Transaction under all sets of assumptions is less than the value of the Shares prior to the Proposed Transaction.

- (b) Having regard to the potential advantages and disadvantages to the Non-Associated Shareholders in the event that Resolution 4 is approved and other considerations set out in the Independent Expert's Report, the Independent Expert concluded the Proposed Transaction is reasonable in the absence of a superior offer or any other information.

Shareholders are also referred to section 13 and Annexure A to the Explanatory Notes.

8 Substantial Shareholders

The impact on the interests of Shareholders who have advised the Company that they are substantial Shareholders following the issue of Shares on conversion of the Convertible Notes are set out in Schedule 3.

9 Shareholder Approval

Resolution 4 seeks Shareholder approval under Chapter 2E and section 611 (Item 7) of the Corporations Act, and under Listing Rules 10.1 and 10.11 to the Proposed Transaction and the grant of the Security.

10 Relevant Legislation – Chapter 2E and section 611 item 7 of the Corporations Act

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a Financial Benefit to a Related Party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition. Relevantly, there is an exception if the company first obtains the approval of its Shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met.

A "Related Party" is defined widely in section 228 of the Corporations Act and includes, relevantly, a Director (or proposed Director) of a public company (section 228(2)) and any entity that is controlled by a person or entity which is otherwise a Related Party (section 228(4)), or there are reasonable grounds to believe that a person/entity is likely to become a Related Party of the public company (section 228(6)). In addition, a person will be considered a related party of a company pursuant to section 228(7) of the Corporations Act if they act in concert with another related party of a company on the understanding that the other related party will receive a financial benefit if the company gives the person a financial benefit.

A "Financial Benefit" for the purposes of the Corporations Act has a very wide meaning. It includes a public company paying money or issuing securities to the Related Party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

This proposed Resolution, if passed, will confer Financial Benefits and involve the issue of Securities, namely, the Convertible Notes, the Conversion Shares and the Interest Shares.

Avatar Finance is a Related Party of the Company as a director of the Company, Mr Ian Trahar, controls Avatar Finance in accordance with section 50AA of the Corporations Act. As such, the Proposed Transaction involves the issue of Conversion Shares and Interest Shares and the grant of Security to a Related Party. Therefore, the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act.

11 Information for Shareholders - Chapter 2E of the Corporations Act

Refer to sections 1 to 5 above for the background and circumstances in which the Financial Benefit is given and the existing interest of Avatar Finance.

For the purposes of Chapter 2E of the Corporations Act and for all other purposes the following information is provided to Shareholders:

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(a) The nature of the Financial Benefit (section 219(1)(b))

The nature of the proposed Financial Benefit is the various matters comprising the Proposed Transaction including, without limitation:

- (1) the issue of the Convertible Notes;
- (2) the issue of the Conversion Shares and Interest Shares on conversion of the Convertible Notes;
- (3) the grant of the Security to secure the obligations under the Convertible Note Deed.

Refer also to sections 1 to 5 above, for the reason for giving the benefit and the basis for which it is given.

(b) Directors' Recommendation (section 219(1)(c))

The Non-Interested Director (Mr Rod Dyer) recommends that Shareholders vote in favour of Resolution 4.

The reasons for this recommendation are set out above in section 2.

As Mr Trahar and Mr Whitcombe are directors of Avatar Finance, they make no recommendation with respect to Resolution 4.

(c) Directors' Interest and other remuneration (section 219(1)(d))

The Non-Interested Director does not have a material personal interest in the outcome of Resolution 4, save for any interest they may have solely in their capacity as Shareholder which interest they hold in common with the other non Associated Shareholders.

No other Director has any interest in the outcome of Resolution 4 or any other relevant agreement.

(d) Valuation

(1) Valuation at the time of the announcement

The minimum issue price of Conversion Shares under the Convertible Note Deed of \$0.002 represents a 31.507% discount to the volume weighted average share trading price (VWAP) for the previous 30 trading days prior to 15 October 2024 being \$0.00292 per Share. It is noted for completeness that the Company will disclose to the ASX the issue price in respect of the Convertible Note Deed at least 72 hours prior to the Meeting.

Further details of the potential premium or discount of the Conversion Shares to the Share price are set out in section 3(c) above.

(e) Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors (section 219(1)(e) and 219(2))

There is no other information known to the Company or any of its Directors save and except as follows:

(1) Market Price movements

The closing market price of the Shares in the Company on 15 October 2024 was \$0.003. The VWAP for the previous 20 trading days prior to 15 October 2024 was \$0.00295 per Share.

(2) Trading history

In the 14 months prior to 15 October 2024 the Company's trading history is as follows:

- (A) the highest trading price was \$0.006 (2 January 2024);
- (B) the lowest trading price was \$0.002 (27 September 2024); and
- (C) the VWAP per Share over the 14 month period prior to 15 October 2024 was

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\$0.00364.

The trading price of the Shares on the close of trading on 15 October 2024 was \$0.003.

(3) **Opportunity Costs**

The opportunity costs and benefits foregone by the Company potentially issuing Conversion Shares and Interest Shares pursuant to Resolution 4 and granting the Security are explained in full detail at sections 3 to 4 above.

The disadvantages are considered by the Directors to be offset by the advantages accruing to the Company in undertaking the Proposed Transaction and potentially granting the Security.

(4) **Taxation Consequences**

No stamp duty will be payable in respect of the Proposed Transaction or the granting of the Security. No GST will be payable by the Company in respect of the Proposed Transaction or the granting of the Security.

(5) **Dilutionary Effect**

The effect that the issue of the Conversion Shares and Interest Shares will have on the issued Shares of the Company in various scenarios is set out in Schedule 4.

(6) **Alternative Options to the transaction and implications of not proceeding with the transaction**

Set out above at section 4 are the alternative available options identified by Directors if this Resolution 4 is not passed.

(7) **Impact of the transaction on the Company**

The impact of the transaction on the Company is set out in full detail at sections 1 to 5 above.

Save as set out in the Explanatory Notes, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to the benefits contemplated by Resolution 4.

(f) **Voting exclusion**

The voting exclusion for Resolution 4 is set out in the Voting Prohibition Statement at the end of this Resolution.

12 Information for Shareholders - Chapter 6, section 611 (Item 7) of the Corporations Act

Section 606 of the *Corporations Act* prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if the acquisition would result in that person's Voting Power in the company increasing:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%,

(Takeover Prohibition).

However, there are certain specified exceptions to the Takeover Prohibition. In particular, under section 611 (Item 7) of the *Corporations Act* an acquisition will not contravene the Takeover Prohibition if Shareholders approve the acquisition by passing a Resolution at a general meeting, where:

- (a) no votes were cast in favour of the Resolution by the person proposing to make the acquisition or their Associates; and
- (b) shareholders were given all information known to the acquirer or the company that was material to the decision on how to vote,

(Takeover Exception).

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ASIC Regulatory Guide 74: Acquisitions Approved by Members' (**ASIC RG 74**) also specifies certain requirements where a Company seeks an acquisition to be exempt under section 611 (Item 7).

Therefore, the acquisition by Avatar Finance of the Conversion Shares and Interest Shares will result in them acquiring a Relevant Interest in issued voting Shares which will cause the Voting Power of Avatar Finance (and their Associates) in the Company to increase from a starting point that is above 20% to below 90%.

Accordingly, Resolution 4 seeks approval for the issue of Shares to Avatar Finance under section 611 (Item 7).

In accordance with Listing Rule 7.2 (Exception 16), an issue of Securities approved for the purposes of section 611 (Item 7) does not require further approval under Listing Rule 7.1. Therefore, any Shares issued to Avatar Finance will not count towards the Company's 15% Capacity under Listing Rule 7.1.

For the purposes of section 611 (Item 7(b)), the Company advises that:

(a) Section 611 (Item 7(b)(i)): The identity of the person proposing to make the acquisition and their Associates

The identity of the person proposing to make the acquisition is Avatar Finance. Mr Ian Trahar and Mr Harley Whitcombe are Associates of Avatar Finance. Mr Trahar is a director of and controls Avatar Finance for the purposes of section 50AA of the Corporations Act. Mr Whitcombe is a director of Avatar Finance.

(b) Section 611 (Item 7(b)(ii)): The maximum extent of the increase in that person's Voting Power in the Company that would result from the acquisition

There are currently 4,836,599,179 Shares on issue in the Company. There are also currently 30,150,190 fully paid convertible preference shares issued at \$0.00001, with no maturity date. To convert to fully paid ordinary shares, each holder is required to pay \$0.06499. The convertible preference shares have limited voting rights as described in ASX Listing Rule 6.3 and are entitled to the payment of a dividend equal to one hundred thousandth of any dividends declared in respect of ordinary shares and such dividend will rank in priority over ordinary shares for payment. Avatar Finance, together with its Associates (which includes Mr Ian Trahar), currently holds 1,417,864,377 Shares, representing 29.32% of the issued capital of the Company.

The current registered holders of the interests of Avatar Finance and its Associates are as follows:

- (1) Avatar Finance – 321,818,182;
- (2) Mr Ian Trahar – 1,668,191;
- (3) Avatar Industries Pty Ltd – 873,322,202;
- (4) Zeppelin Holdings Pty Ltd – 1,184,628;
- (5) Arlec Australia Pty Ltd – 795,748;
- (6) Gabor Investments Pty Ltd – 828,232;
- (7) Gabor Holdings Pty Ltd – 21,016,472; and
- (8) Gabor Holdings Pty Ltd as trustee for the Tricorp Trust – 197,230,722.

The number of Shares which may be issued pursuant to the Proposed Transaction is dependent upon the Company's Share price at different points of time as follows:

- (1) The number of Conversion Shares which may be issued in respect of the Convertible Note Deed will be determined on the date of the Meeting as the conversion price is not yet set. The conversion price in respect of the Convertible Note the average of the daily VWAPs per Share during the 30 Trading Days on which Shares traded in the ordinary course of business on the ASX prior to the date which is three business days prior to

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the date of the Meeting, provided that the conversion price is not lower than \$0.002 per Share. The following table outlines a number of examples of the number of Conversion Shares that may be issued in respect of the Convertible Note Deed depending on the ultimate conversion price, and includes the maximum number of Conversion Shares that may be issued if the conversion price is the minimum of \$0.002 per Share:

Conversion Price	Maximum number of Shares for full conversion of \$7,000,000 Convertible Note
0.0036	1,944,444,444
0.0032	2,187,500,000
0.0028	2,500,000,000
0.0024	2,916,666,667
0.002	3,500,000,000

- (2) It is assumed that the Company will pay interest with respect to the Convertible Note Deed. If the interest is not paid, the Company will issue additional Interest Shares to the Conversion Shares in the amount of that interest. The interest amount will be determined using the BBSY on the Maturity Date. The number of Interest Shares which may be issued in respect of the Convertible Note Deed will be determined on the Maturity Date being the average of the daily VWAPs per Share during the five Trading Days on which Shares traded in the ordinary course of business on the ASX prior to the Maturity Date. The following table outlines examples of the number of Interest Shares that may be issued assuming the maximum possible interest that may be paid using an example BBSY of 8.3025% depending on the ultimate issue price:

Interest Share issue price	Maximum number of Interest Shares for assuming maximum possible interest of \$327,718.13
0.0036	91,537,250
0.0032	102,409,718
0.0028	117,768,250
0.0024	136,574,292
0.002	163,859,065

- (3) The maximum holdings of Avatar Finance, together with its Associates (which includes Mr Ian Trahar), would be as follows if the maximum number of Conversion Shares and Interest Shares (as set out in the tables above by way of example only) were issued:

Issue Price	Avatar Finance together with its Associates
0.0036	Shares held: 3,453,341,633 ordinary shares Relevant interest: 50.25%
0.0032	Shares held: 3,707,776,291 ordinary shares Relevant interest: 52.03%
0.0028	Shares held: 4,034,906,564 ordinary shares Relevant interest: 54.13%
0.0024	Shares held: 4,471,080,262 ordinary shares

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	Relevant interest: 56.67%
0.002	Shares held: 5,081,723,439 ordinary shares Relevant interest: 59.78%

If any of the Convertible Notes are redeemed, this will result in a lesser number of Conversion Shares and Interest Shares which may be issued and in such a case, the potential increase in the holding of Avatar Finance in the Company will be less than that set out above.

The possible dilutionary effect of the issue of the Conversion Shares and Interest Shares is provided in a table in Schedule 4.

(c) Section 611 (Item 7(b)(iii)): The Voting Power that the person would have as a result of the acquisition.

Paragraph (b) above, sets out details of the possible Voting Power of Avatar Finance (and their Associates), which may be up to 59.78% as a result of the Proposed Transaction.

(d) Section 611 (Items 7(b)(iv) and 7(b)(v)): The maximum extent of the increase in the Voting Power of each of that person's Associates that would result from the acquisition and the Voting Power that each of that person's Associates would have as a result of the acquisition.

The Associates of Avatar Finance are set out in section 11.

Paragraph (b) above, sets out details of the possible Voting Power of Avatar Finance (and their Associates), which may be up to 59.78% as a result of the Proposed Transaction.

In accordance with ASIC RG 74.25, the Company advises that:

(a) Reasons for the proposed acquisition

The reasons for the Proposed Transaction are set out above at sections 2 to 4.

(b) When the proposed acquisition is to occur

The issue of the Convertible Notes will take place on the business day following Shareholder approval being granted (that is Monday, 2 December 2024). The proposed Conversion Shares may be issued at any time after the issue of the Convertible Notes until the Maturity Date of the Convertible Note Deed.

The Interest Shares may be issued during the term of the Convertible Notes (and within two months of the maturity of the Convertible Notes) subject to the matters set out below.

The Security granted under the relevant documents outlined in Schedule 2 will commence on the issue of the Convertible Notes, being Monday, 2 December 2024.

(c) Material terms of the proposed acquisition

The Conversion Shares will rank *pari passu* with all other Shares on issue in the Company.

The material terms of the Convertible Note Deed are set out in Schedule 1.

Other than as already set out in the balance of the Explanatory Notes there are no other material terms.

(d) Details of any other relevant agreement between the acquirer and the Company that is conditional or depends on members' approval of the proposed acquisition

Apart from the Convertible Note Deed and the Security, there is no other relevant agreement between Avatar Finance and the Company that is conditional or depends on members' approval of the proposed acquisition.

(e) Acquirer's intentions regarding the future of the target entity if members approve the acquisition

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Other than as disclosed in the Explanatory Notes, Avatar Finance has advised the Company that if Resolution 4 is approved they:

- (1) have no current intention to make any significant change to the existing business of the Company;
- (2) have no current intention to inject further capital into the Company;
- (3) intend that the Board and management will remain as is currently the case and intends to continue to employ the current employees and consultants of the Company;
- (4) do not intend for any property be transferred between the Company and Avatar Finance or any person associated with any of them; and
- (5) have no current intention to redeploy any of the Company's fixed assets.

(f) Intention of the acquirer to significantly change the financial or dividend distribution policies of the entity

Avatar Finance has advised the Company that if Resolution 4 is approved they have no current intention to change the Company's financial or dividend policies.

(g) The interests that any Director has in the acquisition or any relevant agreement disclosed above

Mr Ian Trahar is a director of Avatar Finance and controls Avatar Finance for the purposes of section 50AA of the Corporations Act.

Mr Harley Whitcombe is a director of Avatar Finance.

13 Independent Expert's Report

For Shareholder approval sought under item 7 of section 611 of the *Corporations Act*, ASIC RG 74 also requires that Shareholders be provided with an Independent Expert's Report. One of the purposes of which is to consider whether the issue of the Shares is fair and reasonable to the Shareholders who are not associated with Avatar Finance.

The Company has engaged Nexia to provide the Independent Expert's Report which appears as Annexure A to the Explanatory Notes. Shareholders are also referred to Section 6 for further details as to the contents of the Independent Expert's Report. Shareholders are asked to note that the Independent Expert's Report has been prepared by the Independent Expert and the Company does not accept or assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

Shareholders are urged to read and consider the Independent Expert's Report in full which is Annexure A to the Explanatory Notes, prior to making a decision as to how to vote on Resolution 4.

The Independent Expert's Report concludes that the Relevant Interest Acquisition is not fair but is reasonable to Non-Associated Shareholders.

Fairness – Proposed Transaction

In accordance with RG 111, the Proposed Transaction is considered to be fair if the value of a Share following the Proposed Transaction is equal to or greater than the value of a Share prior to the Proposed Transaction.

The Independent Expert determined the value per Share prior to the Proposed Transaction under two assumptions:

- (a) the DOCA is upheld and Project Sea Dragon proceeds; or
- (b) the DOCA is defeated and Project Sea Dragon is liquidated.

Under (a), the Independent Expert determined the value per Share prior to the Proposed Transaction to be \$0.00568. Under (b), the Independent Expert determined the value per Share prior to the Proposed Transaction to be \$0.00501.

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The Independent Expert determined the value of each share after the Proposed Transaction using a low share price of \$0.00302, a mid share price of \$0.00435 and a high share price of \$0.00568. Under these assumptions, the Independent Expert determined the value per Share after the Proposed Transaction to be as follows:

- (a) Low - \$0.00232.
- (b) Mid - \$0.00301.
- (c) High - \$0.00370.

The Independent Expert concluded that the value of Shares after the Proposed Transaction under both assumptions, being that the DOCA is upheld and that it is defeated, are less than the value of Shares prior to the Proposed Transaction. Accordingly, the Independent Expert considered the Proposed Transaction to not be fair to the Non-Associated Shareholders.

Reasonableness – Proposed Transaction

In accordance with RG 111, the Proposed Transaction may still be considered reasonable if it is considered not fair, if after considering other significant factors, the Shareholders should obtain an overall benefit if the Proposed Transaction

The Independent Expert considered the advantages and disadvantages of the Proposed Transaction to determine whether it was reasonable, along with other considerations. These were as follows:

- (a) Advantages:
 - (1) The Company is unlikely to be able to raise sufficient capital to repay the various Avatar Finance loans by their due dates;
 - (2) It is unlikely that the Company could source alternative debt financing on the open market on commercially acceptable terms;
 - (3) If the Proposed Transaction were not to occur, and alternative debt financing was not sourced, it is unclear how the Company would fund repayment of the Avatar Finance loans;
 - (4) If repayment of the Avatar Finance loans was enforced on the respective due dates, the Company may not be able to continue as a going concern and Non-Associated Shareholders would be unlikely to see any return on investment;
 - (5) The Proposed Transaction does not result in additional cash funding for the Company, but instead results in significant short term cash outflows being avoid that would be payable but for the Proposed Transaction;
 - (6) If capital of the Company were to be used to repay the Avatar Finance loans, this would use funds that could otherwise be used for the continued development of the PSD Project, and other working capital requirements for existing business operations; and
 - (7) The Non-Associated Shareholders will retain the ability to participate in any potential valuation upside associated with the continued holding of Shares, and the benefit of any future dividends or capital returns.
- (b) Disadvantages:
 - (1) Even if the Proposed Transaction were to proceed, it remains likely that the Company will require further funding to continue the development of the PSD Project until such time as it becomes operationally cashflow positive;
 - (2) There is no certainty that future funding will occur, in which case the Company may not be able to complete development of the PSD Project;
 - (3) If future funding were to occur, there is no certainty the PSD Project will be successfully, and this further funding may come with further dilutionary impacts on existing holdings;
 - (4) Avatar Finance and its Associates may hold as much as 59.78% of all issued

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ordinary Shares, obtaining significant control in the Company; and

- (5) The Proposed Transaction is unlikely to provide the Company with the ability to pay dividends in the short to medium term.

After considering the above, the Independent Expert considered that the advantages of the Proposed Transaction outweighed the disadvantages. Therefore, in the absence of a superior offer or any other information, the Independent Expert considers the Proposed Transaction to be **reasonable** to the Non-Associated Shareholders.

14 Listing Rules – Listing Rule 10.11

Listing Rule 7.1 - Issues exceeding 15% of capital

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing in any 12 month period new Equity Securities equivalent in number to more than 15% of the total number of ordinary securities on issue at the beginning of the 12 month period (**15% Capacity**) without the prior approval of a majority of disinterested Shareholders, or the issue otherwise comes within one of the exceptions to Listing Rule 7.1 (**15% Rule**). However, under Listing Rule 7.2 (Exception 14), if approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1. Therefore the issue of the Convertible Notes, Conversion Shares and Interest Shares will not count towards the Company's 15% Capacity under Listing Rule 7.1, assuming Resolution 4 is approved.

Listing Rule 10.11

Listing Rule 10.11 requires that an entity must obtain the approval of Shareholders to issue Securities to a Related Party and in doing so must provide the information specified in Listing Rule 10.13, unless an exception applies.

As noted in section 10 above, Avatar Finance is controlled by Mr Ian Trahar. Therefore Avatar Finance is considered to be a Related Party of the Company

Listing Rule 10.13

For the purposes of Listing Rule 10.13 and for all other purposes the following information is provided to Shareholders:

(a) 10.13.1 and 10.13.4: Name and relationship of the Related Party

The Related Parties (along with their shareholding) are:

- (1) Avatar Finance – 321,818,182;
- (2) Mr Ian Trahar – 1,668,191;
- (3) Avatar Industries Pty Ltd – 873,322,202;
- (4) Zeppelin Holdings Pty Ltd – 1,184,628;
- (5) Arlec Australia Pty Ltd – 795,748;
- (6) Gabor Investments Pty Ltd – 828,232;
- (7) Gabor Holdings Pty Ltd - 21,016,472; and
- (8) Gabor Holdings Pty Ltd as trustee for the Tricorp Trust – 197,230,722

Details regarding the relationship to Mr Ian Trahar are detailed in section 14 above.

(b) 10.13.2: Maximum Number of Securities to be issued (if known) or the formula for calculating the number of Securities to be issued

The number of Shares which may be issued pursuant to the Proposed Transaction is dependent upon the Company's Share price at different points of time. Further details in this regard are set out in section 12(b). The maximum number of Shares approved for issue pursuant to Resolution 4 is as follows:

- (1) Conversion Shares – 3,500,000,000; and

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(2) Interest Shares – 163,859,065.

(c) **10.13.3: Date by which the Securities will be issued**

The Company will issue the Convertible Notes within one month following the Meeting.

The Conversion Shares will be issued at any time after the issue of the Convertible Notes until the Maturity Date of the Convertible Notes.

(d) **10.13.5: Issue price and terms of the Securities**

The Convertible Notes will have a total face value of \$7,000,000. Details regarding the terms of the Convertible Notes are set out in Schedule 1.

The relevant Conversion Shares will be issued at:

- (1) the higher of \$0.002 each; or
- (2) the average of the daily VWAPs per Share during the 30 Trading Days on which Shares traded in the ordinary course of business on the ASX prior to the date which is three business days prior to the date of the Approval Meeting.

Each Conversion Share will rank, on and from issue, in all respects *pari passu* with the then existing Shares.

(e) **10.13.6A: Intended use of funds raised**

The funds raised from the Convertible Note Deed will be used to repay the Revolving Credit Agreement and the remainder as working capital.

No additional funds will be raised by the issue of the Convertible Notes or the Conversion Shares and Interest Shares.

(f) **10.13.6: Voting exclusion**

The voting exclusion for this Resolution 4 is set out in the Voting Prohibition Statement at the end of this Resolution.

15 Listing Rules

Listing Rule 10.1

Listing Rule 10.1 requires the Company to obtain Shareholder approval prior to the acquisition or disposal of a substantial asset from or to a Related Party, a subsidiary, a substantial holder (within the meaning of Listing Rule 10.1.3) or an Associate of any of them. A substantial asset is an asset valued at greater than 5% of the equity interests of the Company as set out in the latest accounts given to ASX by the Company.

Given the Security will extend over all of the assets and undertakings of the Company and the Company Group, the Security will relate to a “substantial asset” of the Company. Additionally, as a result of the wide ambit of the definition of “dispose” provided in ASX Listing Rule 19.12 (which includes using an asset as collateral), the grant of the Security will fall within the ambit of Listing Rule 10.1. This is because in the event that the Security was enforced, this may result in Avatar Finance obtaining control of the assets the subject of the Security or such assets otherwise being disposed of.

Avatar Finance is a Related Party of the Company as it is controlled by Mr Ian Trahar, a director of the Company.

Accordingly, the Related Party and their Associates are:

- (a) Avatar Finance;
- (b) Mr Ian Trahar;
- (c) Avatar Industries Pty Ltd;
- (d) Zeppelin Holdings Pty Ltd;
- (e) Arlec Australia Pty Ltd;
- (f) Gabor Investments Pty Ltd;

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- (g) Gabor Holdings Pty Ltd; and
- (h) Gabor Holdings Pty Ltd as trustee for the Tricorp Trust.

Listing Rule 10.10.2 provides that Shareholder approval sought for the purpose of Listing Rule 10.1 must include a report on the proposed acquisition from an independent expert. Accompanying the Explanatory Notes is an Independent Expert's Report prepared by Nexia. This report provides a detailed examination of the Relevant Interest Acquisition and the granting of the Security, and Nexia has concluded that the Proposed Transaction is not fair but is reasonable to the Non-Associated Shareholders.

The Independent Expert's Report is for the purpose of assisting the Non-Associated Shareholders' consideration and assessment of the merits of the Proposed Transaction, and the making of their decision whether to vote in favour of Resolution 4. Shareholders are urged to carefully read the Independent Expert's Report, to understand the scope of the report, the methodology of the valuation and the assumptions made.

A copy of the Independent Expert's Report has been mailed to each Shareholder entitled to receive this Notice of Meeting and the Explanatory Notes. Irrespective of this, a copy of the Independent Expert's Report is available on the Company's website at <http://seafarms.com.au/seafarms-group-agm/> and additional copies, free of charge, may be requested by a Shareholder by contacting the Company's registered office.

Board recommendation

The Non-Interested Director recommends that Shareholders vote **in favour** of Resolution 4.

As Mr Ian Trahar is a director and controller of Avatar Finance and Mr Harley Whitcombe is a director of Avatar Finance, they make no recommendation with respect to Resolution 4.

Voting Prohibition Statement

For the purposes of Listing Rules 10.1 and 10.11, the Company will disregard any votes cast on this Resolution by:

- (a) Avatar Finance Pty Ltd; and
- (b) any Associate of Avatar Finance Pty Ltd.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

For the purposes of Part 2E and Item 7, Section 611 of the Corporations Act, a vote on Resolution 4 must not be cast by or on behalf of:

- (a) Avatar Finance Pty Ltd; and
- (b) any Associate of Avatar Finance Pty Ltd.

However, this does not prevent the casting of a vote on Resolution 4 if it is cast by a person as a proxy in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of a person referred to in sub-paragraphs (a) or (b) directly above.

ITEM 5 SPILL RESOLUTION

Background

Item 5 is a conditional resolution which will only be put to the AGM if at least 25% of the votes cast on Resolution 1 are cast against the resolution. If less than 25% of votes cast on Resolution 1 are against the resolution, there will be no "second strike" and this Spill Resolution will not be put to the AGM.

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If this Spill Resolution is put to the AGM, it will only be passed by an Ordinary Resolution, requiring approval of 50% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Effect of Spill Resolution if passed

If this Spill Resolution is put to the AGM and passed, an extraordinary general meeting of Shareholders (**Spill Meeting**) must be held within 90 days.

In that event, the following Directors who were in office when the Directors' Report for the year ended 30 June 2024 was approved and who remain in office at the time of the Spill Meeting will cease to hold office immediately before the end of the Spilling Meeting (unless they are re-elected at the Spill Meeting):

- (a) Mr Ian Trahar;
- (b) Mr Harley Whitcombe*; and
- (c) Mr Rod Dyer.

**Assuming that Mr Harley Whitcombe is re-elected at the 2024 AGM under Resolution 2.*

Each of the Directors listed above is eligible for re-election at the Spill Meeting and has indicated that they intend to seek re-election if a Spill Meeting occurred. The Spill Meeting, if required, would be subject to separate notice in accordance with the Company's Constitution and the Corporations Act.

If this Spill Resolution is put to the AGM, the Directors suggest that Shareholders consider the following factors in deciding how to cast their vote:

- (a) holding a Spill Meeting would require substantial additional expense;
- (b) the Board considers that it currently has the right mix of skills and experience to achieve the Company's financial goals;
- (c) it would cause significant disruption to the composition of the Board when the Company needs to remain fully focussed on the financial goals of the Company;
- (d) it would cause significant disruption to the PSD Project and the transaction contemplated under Resolution 4 if passed;
- (e) the Company's 'first strike' was received following votes of only 7.6% of the total Shares issued; and
- (f) the Company received no specific feedback at the 2023 AGM in respect of the Director's Remuneration Report.

The voting exclusion set out below in the Voting Prohibition Statement at the end of this Resolution 5 This voting exclusion will not apply to the Spill Meeting and all Shareholders will be entitled to vote on the Director appointments at the Spill Meeting.

If you do not want the Spill Meeting to take place, you should vote against Resolution 5. If you do want a Spill Meeting to take place, you should vote for Resolution 5.

Board recommendation

The Board unanimously recommends that Shareholders vote **against** the Spill Resolution.

The Chair intends to vote undirected proxies in favour of Item 5 in accordance with the express authorisation on the Proxy Form.

Voting Prohibition Statement

In accordance with the Corporations Act, the Company will disregard any votes cast on Item 5:

- by or on behalf of a member of Key Management Personnel (details of whose remuneration are including in the Remuneration Report), or their Closely Related Parties, regardless of the capacity in which the votes are cast; or
- by a person who is a member of the Key Management Personnel at the date of the Meeting, or their Closely Related Parties, as a proxy.

However, votes will not be disregarded if they are cast as a proxy for a person entitled to vote on Item 5:

- in accordance with a written direction specifying the way the proxy is to vote on the resolution; or
- by the Chair pursuant to an express authorisation to exercise the proxy even if this Item is connected directly or indirectly with the remuneration of the Key Management Personnel.

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GLOSSARY

Reference	Definition
Additional 10% Capacity	Under Listing Rule 7.1A, an eligible entity can seek approval from its members, by way of a Special Resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%
AGM	Annual general meeting
Associate	Associates as defined in the Corporations Act
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Avatar Finance	Avatar Finance Pty Ltd
BBSY	Rate of interest which is the average bid rate for bills (as defined in the <i>Bills of Exchange Act 1909</i> (Cth)) having a tenor of 30 days which is displayed on the page of the Reuters Monitor System designated “BBSY”.
Board	The board of directors of the Company
Chair	The Chairperson of the Meeting
Closely Related Parties	A spouse, dependent or other close family members, as well as any companies they control
Company	Seafarms Group Limited
Constitution	The constitution of the Company
Conversion Price	Conversion Price of the Convertible Note which is set having regard to the prevailing market price at the time being three business days prior to the expected date of the Meeting
Conversion Shares	Conversion of the Convertible Notes into Shares by Avatar Finance
Convertible Note Deed	Deed between Avatar Finance and the Company concerning the issue of the Convertible Notes to Avatar Finance
Convertible Notes / Notes	The convertible notes issued under the Convertible Note Deed, capable of being converted into Shares in the Company, to Avatar Finance Pty Ltd with a face value of \$7,000,000
Corporations Act	The Corporations Act 2001 (Cth)
Directors	The directors of the Company
DOCA	Deed of Company Arrangement which Project Sea Dragon is under, and which is also the subject of proceedings brought by Canstruct
Independent Expert	Nexia Australia, trading as ‘Moore Australia’
Independent Expert’s Report	Report prepared by Nexia on the Proposed Transaction
Interest Shares	Interest that may accrue under the Convertible Note Deed which are converted into Shares by Avatar Finance
Key Management Personnel	The directors of the Company and other executives
Listing Rules	The Listing Rules of the Australian Securities Exchange
Mainstream	Mainstream Aquaculture Property Pty Ltd
Mainstream Acquisition / Mainstream Transaction	Transaction between the Company and Mainstream agreeing to sell and lease back certain assets and real property owned by Seafarm Queensland Pty Ltd in Cardwell,

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Reference	Definition
	Queensland
Maturity Date	Date on which the Convertible Note Deed matures, being 30 June 2025
Non-Associated Shareholders	The holders of fully paid ordinary shares in the Company that do not have an interest in the relevant Resolution
Non-Interested Director	Directors that do not have an interest in the Proposed Transaction
Notice	Notice of Annual General Meeting and Explanatory Notes prepared by the Company for the meeting held on or about 29 November 2024
Online Meeting Guide	The Online Meeting Guide available at: https://www.computershare.com.au/virtualmeetingguide
Project Sea Dragon	Project Sea Dragon Pty Ltd ACN 604 936 192 (subject to Deed of Company Arrangement)
PSD Project	The Northern Territory prawn farm project of Project Sea Dragon
Proxy Form	Personalised Proxy Form enclosed with the Notice which allows Shareholders who are not attending the Meeting to appoint a proxy to vote on their behalf
Proposed Transaction	Transaction with Avatar Finance including: (a) the issue of the Avatar Convertible Notes, capable of being converted into Shares in the Company, to Avatar Finance with a face value of \$7,000,000, pursuant to the terms of the Convertible Note Deed; (b) the subsequent conversion of the Convertible Notes into up to 30 April 2024 Conversion Shares and Avatar Finance Pty Ltd acquiring a relevant interest in the Conversion Shares on conversion of the Convertible Notes; (c) the granting of the Security by the Company to Avatar Finance to secure the indebtedness associated with the Convertible Notes; (d) the giving of financial benefits to Avatar Finance Pty Ltd to the extent it is a related party of the Company; (e) the Voting Power of Mr Ian Trahar (and his Associates) increasing up to a maximum of 59.78% on conversion of the Convertible Notes,
Related Party	Related Party as defined in the Corporations Act
RG	Regulatory Guides published by ASIC
Relevant Interest Acquisition	Acquisition of a relevant interest in the Conversion Shares and Interest Shares on conversion of the Convertible Notes
Remuneration Report	The report contained in the 2024 Annual Report outlining the Company's remuneration arrangements for Key Management Personnel
Revolving Credit Agreement	Agreement with Avatar Finance to make available up to \$3million in debt funding to the Company as amended from time to time
Security / Securities	Security granted by the Company to Avatar Finance to secure indebtedness associated with the Convertible Notes as detailed in Schedule 2
Shareholders or Shareholder	The shareholders of the Company
Shares or Share	Fully paid ordinary shares in the capital of the Company
Special Resolution	Resolution requiring at least 75% of the votes cast by shareholders of the company entitled to vote on the resolution
Subsidiaries	(a) Seafarm Hinchinbrook Pty Ltd ACN 601 432 946; (b) Marine Harvest Australia Pty Ltd ACN 601 614 608; (c) Project Sea Dragon Pty Ltd ACN 604 936 192;

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Reference	Definition
	(d) PSD Operations Employment Pty Ltd ACN 622 740 390; (e) PSD Construction Employment Pty Ltd ACN 622 740 434; (f) Project Sea Dragon Finance Pty Ltd ACN 638 393 932; (g) PSD Infrastructure Co Pty Ltd ACN 648 152 676; (h) Seafarm Operations Pty Ltd ACN 116 812 634; (i) Seafarm Queensland Pty Ltd ACN 167 090 539; and (j) Sea Dragon Shrimp Pty Ltd ACN 675 636 012;
Trading Days	Days when the ASX is open for trading.
Voting Entitlement Date	Shareholders recorded on the Company's register of members at 5.00pm (Brisbane time) on Wednesday, 27 November 2024.
Voting Power	Percentage of ordinary shares held relative to total Shares on issue by the Company
VWAP	Volume Weighted Average Price
2024 Annual Report	Company's Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2024

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Schedule 1 – Summary of Key Terms of the Convertible Notes Deed

Term	Details
Parties	The Company Avatar Finance
Face Value	\$1.00 per Note.
Principal Amount	\$7,000,000.00.
Purpose	The Company will apply the Principal Amount as follows: • Firstly, to repay the full amount outstanding under the Revolving Credit Agreement between the parties; and • Secondly, in respect of the balance of Principal Amount, for working capital purposes.
Maturity Date	The Maturity Date is 30 June 2025.
Interest	Interest rate is BBSY plus 4% per annum. Interest is to accrue and be capitalised monthly. Interest is calculated from and including Completion to the earlier of the Redemption Date and the Conversion Date.
Conversion	On or prior to the Maturity Date, Avatar Finance can elect to have any or all of the Notes the Notes Converted into Shares on the Maturity Date (number of Shares is the Outstanding Amount divided by the price per Share, which is the volume weighted average price of Shares in the 30-day period ending on the day that is 3 days prior to the 2024 annual general meeting of the Company). If no election on Conversion is made the Company must Redeem the Notes on the Maturity Date. If there is a Merger (the Company merges with another entity or at least 19.9% of the Company's issued capital being is acquired) prior to the Maturity Date, the Notes will automatically Convert into Shares, immediately prior to the completion of such merger or acquisition.
Other Conversion Terms	If there is a Reorganisation Event or changes to the Company's issued capital, including a pro rata issue of equity securities, a subdivision or consolidation of equity securities and other reorganisation or reconstruction of the Company's issued capital, the number of Shares into which the Notes are Convertible will be adjusted accordingly.
Redemption	Avatar Finance may elect to Redeem all Notes outstanding on the Maturity Date. The Company may elect to Redeem some or all of the Notes prior to the Maturity Date but not prior of completion of a Merger. The Company must use proceeds from the Mainstream Transaction to redeem notes. Notes redeemed by the Company may be re-issued if the Company provides notice in writing to the Avatar Finance requesting same. On the Maturity Date, the Company must Redeem any outstanding Notes which Avatar Finance has not exercised an election to Convert.
Security	The Notes are secured by the Note Securities, which are summarised in Schedule 2.
Warranties / Undertakings	The document contains warranties and undertakings in favour of Avatar Finance that are usual for a transaction of this nature, including but not limited to a restrictive covenant on future debt.

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Schedule 2 – Summary of terms of Security

All money and obligations owed by the Company to Avatar Finance under the Convertible Notes Deed are to be secured by comprehensive Securities granted by the Company and its Subsidiaries in favour of Avatar Finance under the following documents:

- (a) General Security Deed to be granted by the Company and its Subsidiaries (**GSD**);
- (b) Real Property Mortgages to be granted by each of the Company and its Subsidiaries who is the registered proprietor of any real property (**Land Mortgages**); and
- (c) Leasehold Mortgage to be granted by Seafarm Queensland Pty Ltd ACN 167 090 539 (**Leasehold Mortgage**).

Avatar Finance is referred to as 'Secured Party' below. The following tables provide summaries of the terms of the above documents.

1 GSD

Term	Details
Parties	- Company - Company's Subsidiaries - Avatar Finance
Security	The Company and its Subsidiaries, except for Seafarm Queensland Pty Ltd ACN 167 090 539, grants a security interest over all of its assets and undertakings (Secured Property) in favour of the Secured Party to secure the payment of the Secured Moneys and the performance of the Secured Obligations.
Key Definitions	"Secured Moneys" refers to all money that the Company may become liable to pay to the Secured Party under or in relation to the Transaction Documents "Secured Obligations" means all obligations for the payment or repayment of the Secured Moneys and any other obligations to the Secured Party under or in relation to the Transaction Documents.
Warranties and Undertakings	The form of the GSD is reasonably market-standard for the type of transaction contemplated under Resolution 4. It contains the usual warranties and undertakings requiring the Company to keep the Secured Property in good condition, to protect the Company's title in the Secured Property and that no other security interests exists or affects any Secured Property.
Key Terms	Where the Asset Sale Agreement and Land Sale Contract in connection to the Mainstream Transaction has been completed in accordance with its terms and conditions, Seafarm Queensland Pty Ltd ACN 167 090 539 also grants a security interest over the Security Property except for those subject which are subject to the Asset Sale Agreement and Land Sale Agreement and the premises or Seafarm Queensland Pty Ltd ACN 167 090 539 rights under the lease entered into between Mainstream and Seafarm Queensland Pty Ltd ACN 167 090 539 on or about 20 June 2024.
Event of Default	The definition of Event of Default is also market-standard for this type of transaction. It includes if any Event of Default as contemplated under the Convertible Notes Deed occurs, if there is non-payment or non-performance under the Transaction Documents and if the Company or its Subsidiaries permits a security interest to exist over any of the Secured Property. On an Event of Default, the Secured Moneys will become due and payable, the Secured Obligations will be become immediately enforceable and the Secured Party may do or exercise any right which the Company or its Subsidiaries would ordinarily have in relation to the Secured Property.
Release	If all the Secured Moneys and Secured Obligations have been paid or performed in full, the Secured Party is required to release the Secured Property from the security.

EXPLANATORY NOTES

2 Land Mortgages

Term	Details
Parties	- Each of the Company and its Subsidiaries who is the registered proprietor of the real property - Avatar Finance
Security	A mortgage of land granted by Seafarm Hinchinbrook Pty Ltd ACN 601 432 946 over all its right, title and interest in each parcel of Land specified below: (a) Lot 9 on Survey Plan 193141; (b) Lot 10 on Survey Plan 118939; (c) Lot 183 on Crown Plan CWL3484; (d) Lot 166 on Crown Plan CWL3565; (e) Lot 1 on Survey Plan 118940; and (f) Lot 2 on Survey Plan 118940. A mortgage of land granted by Seafarm Queensland Pty Ltd ACN 167 090 539 over all its right, title and interest in each parcel of Land specified below: (a) Lot 235 on Crown Plan NR7590; (b) Lot A on Crown Plan AP21263; and (c) Lot B on Crown Plan AP21263; In the event the Asset Sale Agreement and Land Sale Agreement does not complete in accordance with its terms and conditions, a mortgage of land granted by Seafarm Queensland Pty Ltd ACN 167 090 539 over its right, title and interest in each parcel of Land specified below: (a) Lot 1 on Survey Unit Plan 125429; (b) Lot 3 on Registered Plan 703909; (c) Lot 16 on Registered Plan 732868; (d) Lot 2 on Crown Plan 882247; (e) Lot 50 on Crown Plan CWL841331; and (f) Lot 51 on Crown Plan CWL841330.
Key Definitions	The definitions reflect the GSD, except for definitions required to ensure the Land Mortgages are registrable.
Warranties and Undertakings	Unless required for registrability, there are no commercially significant additional representations, warranties or undertakings.
Key Terms	Other than specific terms required to ensure the Land Mortgages are registrable, the terms and conditions of the Land Mortgages substantially reflect the commercial provisions of the GSD.
Event of Default	There are no additional events of default beyond those in the GSD.
Release	If all the Secured Moneys and Secured Obligations have been paid or performed in full, the Secured Party is required to release the Secured Property from the security.

3 Leasehold Mortgage

Term	Details
Parties	- Seafarm Queensland Pty Ltd ACN 167 090 539 - Avatar Finance
Security	In the event that the Asset Sale Agreement and Land Sale Contract does not complete in

EXPLANATORY NOTES

Term	Details
	accordance with its terms and conditions, a leasehold mortgage will be granted in favour of the Secured Party by Seafarm Queensland Pty Ltd ACN 167 090 539 over Lot 16 on Registered Plan 732868.
Key Definitions	The definitions reflect the GSD, except for definitions required to ensure the Leasehold Mortgage is registrable.
Warranties and Undertakings	Unless required for registrability of the Leasehold Mortgage, there are no commercially significant additional representations, warranties or undertakings to the GSD.
Key Terms	Other than specific terms required to ensure the Land Mortgages are registrable, the terms and conditions of the Leasehold Mortgage substantially reflect the commercial provisions of the GSD.
Event of Default	There are no additional events of default beyond those in the GSD.
Release	If all the Secured Moneys and Secured Obligations have been paid or performed in full, the Secured Party is required to release the Secured Property from the security.

EXPLANATORY NOTES

Schedule 3 – Substantial Shareholders' Interest

Shareholder ³	Current Shares	Shares upon issue of Conversion Shares and Interest Shares ^{1, 2}				
		Issue Price \$0.0036	Issue Price \$0.0032	Issue Price \$0.0028	Issue Price \$0.0024	Issue Price \$0.002
Gabor Holdings Pty Ltd⁵	Shares held: 1,417,864,377 ⁴ ordinary shares	Shares held: 3,453,341,633 ordinary shares	Shares held: 3,707,776,291 ordinary shares	Shares held: 4,034,906,564 ordinary shares	Shares held: 4,471,080,262 ordinary shares	Shares held: 5,081,723,439 ordinary shares
	Relevant interest: 29.32%	Relevant interest: 50.25%	Relevant interest: 52.03%	Relevant interest: 54.13%	Relevant interest: 56.67%	Relevant interest: 59.78%
Janet Heather Cameron	Shares held: 952,347,727 ordinary shares	Shares held: 952,347,727 ordinary shares	Shares held: 952,347,727 ordinary shares	Shares held: 952,347,727 ordinary shares	Shares held: 952,347,727 ordinary shares	Shares held: 952,347,727 ordinary shares
	Relevant interest: 19.69%	Relevant interest: 13.86%	Relevant interest: 13.36%	Relevant interest: 12.78%	Relevant interest: 12.07%	Relevant interest: 11.20%

Notes:

1. Assumes that no new Shares in the Company are issued other than that as contemplated by Resolution 4.
2. The number of Shares assumes the maximum number of Conversion Shares and Interest Shares as are subject to Resolution 4 are issued to Avatar Finance.
3. The Substantial Shareholders' are as reflected in the Company's Annual Report for 30 June 2024.
4. Gabor Holdings Pty Ltd was stated in the Company's Annual Report for 30 June 2024 as a substantial shareholder with 1,714,864,377 ordinary shares. This has been corrected to reflect their actual shareholding of 1,417,864,377 ordinary shares.
5. Gabor Holdings Pty Ltd is an entity controlled by Mr Ian Trahar.

EXPLANATORY NOTES

Schedule 4 – Dilutionary effect of the issue of the Conversion Shares and Interest Shares

	Current Shares		Issue Price \$0.0036		Issue Price \$0.0032		Issue Price \$0.0028		Issue Price \$0.0024		Issue Price \$0.002	
Ordinary Shares	Securities held	% held	Securities held	% held	Securities held	% held	Securities held	% held	Securities held	% held	Securities held	% held
Current Shareholders 1, 2	3,418,734,80 2	70.68 %	3,418,734,80 2	49.75 %	3,418,734,80 2	47.97 %	3,418,734,80 2	45.87 %	3,418,734,80 2	43.33 %	3,418,734,80 2	40.22 %
Avatar Finance (and associates)³	1,417,864,37 7	29.32 %	3,453,341,63 3	50.25 %	3,707,776,29 1	52.03 %	4,034,906,56 4	54.13 %	4,471,080,26 2	56.67 %	5,081,723,43 9	59.78 %
Total Ordinary Shares	4,836,599,17 9	100%	6,872,076,43 5	100%	7,126,511,09 3	100%	7,453,641,36 6	100%	7,889,815,06 4	100%	8,500,458,24 1	100%

Notes:

1. Excluding Shares held by Avatar Finance and their associates.
2. Assumes that no new Shares in the Company are issued other than that as contemplated by Resolution 4.
3. The number Shares assumes the maximum number of Conversion Shares and Interest Shares as are subject to Resolution 4 are issued to Avatar Finance.

EXPLANATORY NOTES

Annexure A – Independent Expert's Report



INDEPENDENT EXPERT'S REPORT

SEAFARMS GROUP LIMITED (ACN 009 317 846)

Proposed issue of 7,000,000 secured convertible notes to Avatar
Finance Pty Ltd (ACN 009 034 315)

22 OCTOBER 2024

In our opinion, the Proposed Transaction under Resolution 4 in the Notice of Annual General Meeting is not fair but reasonable if the DOCA is either upheld or, defeated to the non-associated shareholders of Seafarms Group Limited.

Moore Australia Corporate Finance

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FINANCIAL SERVICES GUIDE

Dated: 22 October 2024

What is a Financial Services Guide ("FSG")?

This FSG is issued in relation to the independent expert's report ("the Report" or "IER") prepared by Moore Australia Corporate Finance Pty Ltd (ABN 67 603 962 429) ("Moore") to help you decide whether to use any of the general financial product advice provided by Moore, under its Australian Financial Services Licence ("AFSL"), Number 478 534.

This FSG includes information about:

- Moore and how they can be contacted;
- the financial services Moore is authorised to provide;
- how Moore is paid;
- any relevant associations or relationships of Moore;
- how complaints are dealt with as well as information about internal and external dispute resolution systems, and how you can access them; and
- the compensation arrangements that Moore has in place.

Where you have engaged Moore we act on your behalf when providing financial services. Where you have not engaged Moore, Moore acts on behalf of our client when providing these financial services and are required to provide you with an FSG because you receive a report or other financial services from Moore.

Engagement

The Independent Expert's Report ("IER") is intended to accompany the Explanatory Memorandum required to be provided to the shareholders of Seafarms Group Limited (ABN 50 009 317 846) ("Seafarms" or "the Company") included in the Notice of Annual General Meeting ("AGM") ("NOM").

Financial Services that Moore are Authorised to Provide

Moore holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to this type of financial product.

Moore's Responsibility to You

Moore has been engaged by the independent directors of Seafarms to provide general financial product advice in the form of an IER to be sent to the shareholders of Seafarms as part of the notice of AGM to consider a resolution at the AGM of shareholders in accordance with section 611 item 7 of the Corporations Act, rule 7.1 of the Listing Rules and rule 10.1 of the Listing Rules, to issues 7,000,000 secured convertible notes to Avatar Finance Pty Ltd ACN 009 034 315 ("the Noteholder" or "Avatar"), on the terms, and subject to the conditions, of the Draft Convertible Note Deed between Seafarms and Avatar prepared by Mills Oakley.

The IER will be included with the Explanatory Information Memorandum and the Notice of the AGM to be sent to shareholders. These documents are collectively referred to as the "Transaction Documents."

You have not engaged Moore directly but have received a copy of the Report because you have been provided with a copy of an Explanatory Memorandum. Moore or the employees of Moore are not acting for any person other than our client which, in this case, is Seafarms.

Moore is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the IER.

General Financial Product Advice

As Moore has been engaged by Seafarms, the IER only contains general advice as it has been prepared without taking into account your particular personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the IER having regard to your circumstances before you act on the general advice contained in the IER.

You should also consider the other parts of the Transaction Documents before making any decision in relation to the Proposed Transaction on which this IER is based.

Fees Moore May Receive

Moore charges fees for preparing reports. These fees will usually be agreed with and paid by the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay Moore a fee of up to \$35,000 (excluding GST and out of pocket expenses) for preparing the IER. Moore and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this IER.

The partners and employees of Moore receive remuneration from certain Moore associated entities. In the ordinary course of completion of their professional work, remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the IER.

Referrals

Moore does not pay commissions or provide any other benefits to any person for referring customers to them in connection with the reports that Moore is licensed to provide.

Associations and Relationships

Through a variety of business structures, Moore is controlled by and operates as part of the Moore Australia (QLD/NNSW) Group. Moore's Partners are members of the Moore Australia (QLD/NNSW) Group. Mr David Williams, is a director of Moore Australia Corporate Finance Pty Ltd and a member of the Moore Australia (QLD/NNSW) Group, has prepared this Report. The financial product advice in the Report is provided by Moore and not by the Moore Australia (QLD/NNSW) Group.

From time-to-time Moore, the Moore Australia (QLD/NNSW) Group and its related entities may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of the IER holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Proposed Transaction.

Moore's contact details are set out on our letterhead.

Moore is unaware of any matters or circumstances that would preclude it from preparing the IER on the grounds of independence under regulatory or professional requirements. In particular, Moore has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and the Australian Securities and Investment Commission ("ASIC").

Complaints Resolution

As the holder of an AFSL Moore is required to have a system for handling complaints from persons to whom we provide financial product advice. If you have a complaint in relation to the preparation or completion of the IER, please let Moore know. All complaints must be in writing, and in the first instance, should be sent to:



Moore Australia Corporate Finance

Level 12, 10 Eagle
Street Brisbane QLD 4000
GPO Box 475
Brisbane QLD 4001
T+61 7 3340 3800
E brisbane@moore-australia.com.au
www.moore-australia.com.au

The Complaints Officer
Moore Brisbane Corporate Finance Pty Ltd
GPO Box 1189
BRISBANE QLD 4001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, on (07) 3229 2022 for assistance.

Written complaints are recorded, acknowledged within five days and investigated as soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing within this timeframe.

External Complaints Resolution Process

Moore is a member of the Australian Financial Complaints Authority Limited ("AFCA") (member number 362 03). If Moore cannot resolve the complaint to your satisfaction within 45 days, you may refer the matter to AFCA. AFCA is an external dispute resolution scheme for consumers who are unable to resolve complaints with members financial service organisations. From 1 November 2018, AFCA took over the responsibility of dealing with external complaints from the Financial Ombudsman Service ("FOS").

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Australian Financial Complaints Authority Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 931 678
Facsimile (03) 9613 6399
Email: info@afca.org.au

ASIC also has a free call information line which you may use to obtain information about your rights. The ASIC free call number is 1300 300 630.

Compensation Arrangements

Moore has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

We thank you for the opportunity to assist you in this important matter. Should you have any queries please contact me..

22 October 2024

The Directors
Seafarms Group Limited
Unit 5, 3 Swan Crescent
Winnellie NT 0820

Dear Sirs,

Independent Expert's Report on the Proposed Transaction

1. Introduction

Company Background and Operations

- 1.1. Seafarms Group Limited ("Seafarms" or "the Company") is an Australian listed public company and has been listed on the Australian Stock Exchange (ASX-SFG) since 14 June 1990.
- 1.2. The Current directors of Seafarms are as follows:
 - Harley Whitcombe – Executive Director and Company Secretary;
 - Ian Trahar Non-Executive Director and Chairman; and
 - Rod Dyer Non-Executive Director.
- 1.3. Seafarms is an Australian aquaculture company which operates, builds and invests in sustainable aquaculture production, producing high-quality seafood.
- 1.4. Seafarms is one of the largest producers of farmed prawns in Australia and since 1988 its North Queensland farms, have been operating, marketing and selling under the well-known Crystal Bay Prawns® brand.
- 1.5. Seafarms Queensland Pty Ltd ACN 167 090 539 ("SFQ"), a wholly owned subsidiary of Seafarms entered into an agreement to sell its Farms One and Two to Mainstream Aquaculture Property Pty Ltd ACN 606 772 801 ("Mainstream") for \$13,500,000 with a completion date of 30 April 2025 ("the Mainstream Transaction").
- 1.6. Seafarms has undertaken to invest in a major development known as 'Project Sea Dragon' ("the Project"). The Project will be a staged development of up to 10,000 hectares of prawn production ponds, supported by a series of geographically separate facilities across northern Australia. The proposed facilities will include:
 - a quarantine and founder stock centre to be located in Exmouth, Western Australia;
 - a core breeding, brood stock maturation centre to be located in Boyne Harbour, Northern Territory;
 - a hatchery to be located at Gunn Point, Northern Territory;
 - grow out facilities and ponds to be located on Legune Station, Northern Territory; and

- a processing plant to be located at Kununurra, Western Australia.
- 1.7. Project Sea Dragon Pty Ltd (“PSD”) is a wholly owned subsidiary of Seafarms that is undertaking the Project. PSD engaged Canstruct Pty Ltd (“Canstruct”) to perform certain construction works to facilitate the Project.
- 1.8. PSD was placed into administration on 13 February 2023 as a result of a dispute with Canstruct.
- 1.9. Further to Resolution 4 of creditors passed on 21 March 2023, a Deed of Company Arrangement (“DOCA”) was executed which had the effect of the Administrators no longer being responsible or liable for the PSD’s trading activities and expenditure, and management of PSD was returned to its directors.
- 1.10. Under the DOCA a small number of creditors were to be paid 100 cents in the dollar. Canstruct was to be paid 11 cents in the dollar of the amount claimed, noting that PSD’s assessment is that no amount is owing to Canstruct. Seafarms Group, the largest creditor, would receive no amount in respect of the \$64.8 million owed to it.
- 1.11. Canstruct, subsequently sought to have the DOCA terminated, and applied for an interlocutory injunction to restrain the administrators from distributing the DOCA funds pursuant to clause 5 of the DOCA. Canstruct contended that the distribution of the Deed Fund would bring an end to its claim before it could be heard. The administrators did not oppose the granting of the injunction against them. That application was heard on 3 May 2023 and was ultimately successful largely due to the concession by the administrators. It is noted that The Company has appealed this decision and a ruling as at the date of this Report has yet to be handed down.

The Proposed Transaction

- 1.12. In accordance with Chapter 2E and section 611 (Item 7) of the Corporations Act 2001, and under Listing Rules 10.1 and 10.11 and for all other purposes, the Company be authorised, with effect from the passing of Resolution 4 to proceed with:
- (a) the issue of the Avatar Convertible Notes, capable of either redemption by the Company, or being converted into Shares in the Company, to Avatar Finance Pty Ltd with a face value of \$7,000,000, pursuant to the terms of the Convertible Note Deed (the **Convertible Notes**);
 - (b) the subsequent conversion of the Convertible Notes into fully paid ordinary Seafarms shares up to 30 June 2024 and Avatar Finance Pty Ltd acquiring a relevant interest in the Conversion Shares on conversion of the Convertible Notes;
 - (c) the granting of the Security by the Company to Avatar Finance Pty Ltd to secure the indebtedness associated with the Convertible Notes;
 - (d) the giving of financial benefits to Avatar Finance Pty Ltd to the extent it is a related party of the Company;
 - (e) the Voting Power of Mr Ian Trahar (and his Associates) increasing up to a maximum of 59.78% on conversion of the Convertible Notes,
- pursuant to the terms and conditions of the Convertible Notes, the details of which are summarised in the Explanatory Notes.

Voting Exclusion Statement

- 1.13. For the purposes of Listing Rules 10.1 and 10.11, the Company will disregard any votes cast on Resolution 4 by:
- (a) Avatar Finance Pty Ltd; and
 - (b) any Associate of Avatar Finance Pty Ltd.
- 1.14. However, the Company need not disregard a vote if:
- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions in the proxy form; or
 - (b) it is cast by the person chairing the AGM as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Voting Exclusion Statement – Part 2E and Item 7, Section 611 of the Corporations Act

- 1.15. For the purposes of Part 2E and Item 7, Section 611 of the Corporations Act, a vote must not be cast by or on behalf of:
- (a) Avatar Finance Pty Ltd; and
 - (b) any Associate of Avatar Finance Pty Ltd.
- 1.16. However, this does not prevent the casting of a vote on Resolution 4 if it is cast by a person as a proxy in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of a person referred to in sub-paragraphs (a) or (b) directly above
- 1.17. Certain capitalised terms are defined in the attached Explanatory Notes.
- 1.18. It should be noted that Avatar is a related party of Mr Ian Trahar, a non-executive director of Seafarms. Note that the above analysis assumes that:
- there are no other issues of securities before or after the date of the Notice of 2024 AGM ("NOM"); and
 - Avatar will convert all of the 7,000,000 Convertible Notes, capable of being converted into Shares in the Company.
- 1.19. The above analysis also does not take into account the effect of any future capital raising activities, including the effect of the other proposed resolutions in the NOM.

2. Purpose of the Independent Expert Report ("IER")

- 2.1 We have been engaged to prepare this IER in relation to the Proposed Transaction and to advise whether the Proposed Transaction is fair and reasonable.
- 2.2 Under Section 606 of the Corporations Act, a transaction that would result in an entity and its associates increasing their voting power in an entity from:
- 20% or below to great than 20%; or

- A position above 20% and below 90%

is prohibited without making a takeover offer to all shareholders unless an exemption applies.

- 2.3 Item 7 of Section 611 of the Corporations Act provides an exemption from the above if the transaction is approved by shareholders in a general meeting As set out above Avatar and its Associates currently hold 29.32% (1,417,864,377 ordinary shares) of the current outstanding shares in Seafarms and, as result of Resolution 4, Avatar and its Associates will hold 59.78% (3,985,677,245 ordinary shares) after the proposed transaction.
- 2.4 As provided for by Section 611 Item 7 of the Act a person may acquire shares in a public company where that acquisition takes that person from below 20% to over 20% where it is approved previously by a resolution passed at a general meeting of the company in which the acquisition is made, and
- (a) no votes were cast in favour of Resolution 4 by:
 - (i) the person proposing to make the acquisition and their associates; or
 - (ii) the persons (if any) from whom the acquisition is to be made and their associates; and
 - (b) the members of the company were given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on Resolution 4, including:
 - (i) the identity of the person proposing to make the acquisition and their associates; and
 - (ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition; and
 - (iii) the voting power that person would have as a result of the acquisition; and
 - (iv) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
 - (v) the voting power that each of that person's associates would have as a result of the acquisition.
- 2.5 The Company is seeking approval of the shareholders of the Company.
- 2.6 The purpose of this IER is to satisfy the requirements of Chapter 6 and specifically section 611 item 7 of the Act.
- 2.7 Regulatory guidance issued by ASIC requires that a director has the obligation to provide shareholders with full and proper disclosure to enable them to assess the benefits of a proposed transaction for the purposes of assisting them to decide whether to approve any resolution relating to a proposed transaction.
- 2.8 This IER is to accompany the Notice of the AGM of the Company, and the Explanatory Memorandum ("the Transaction Documents") being sent to the shareholders. In addition, the IER will provide assistance to the Independent Directors in respect of AGM their obligations to provide the Shareholders with full and proper disclosure of matters relating to the Proposed Transaction so as to enable them to assess the benefits of the Proposed Transaction and to assist them in deciding on their voting intentions.

3. Approach

3.1 In preparing our IER, we have considered the requirements of:

- ASIC Regulatory Guide 76 Related Party Transactions ("RG 76");
- ASIC Regulatory Guide 111 Content of Expert Reports ("RG 111"); and
- ASIC Regulatory Guide 112 Independence of Experts ("RG 112").

3.2 As indicated above, we have also considered the impact of s611 Item 7 of the Act in terms of the proposed acquisition of shares where the person acquiring increases their holding from below 20% to greater than 20%. Section 611 Item 7 of the Act deals with the rules to be followed for such acquisitions. The purpose of Chapter 6 – Takeovers is to ensure that:

- acquisition of control takes place in an efficient, competitive and informed market;
- holders of shares or interests and the directors of the company or body responsible for the scheme:
 - know the identity of any person who proposes to acquire a substantial interest in the company, body or scheme; and
 - have reasonable time to consider the proposal;
 - are given enough information to enable them to assess the merits of the proposal; and
- as far as practicable, the holders of the relevant class of voting shares or interests all have a reasonable and equal opportunity to participate in any benefits accruing to the holders through any proposal under which a person would acquire a substantial interest in the company, body or scheme; and
- an appropriate procedure is followed as a preliminary to compulsory acquisition of voting shares or interests or any other kind of securities under Part 6A.1 of the Act.

3.3 RG 111 sets out guidelines in respect of IER's and the matters an independent expert should consider to assist shareholders in making informed decisions about transactions such as the subject of this IER. RG 111 also states that the independent expert must provide separate assessments of fairness and reasonableness. In other words, fairness and reasonableness is not a single test but constitutes two different concepts.

3.4 RG 111.11 indicates that an offer is fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The value of the securities being the subject of the offer is determined assuming:

- a knowledgeable and willing, but not anxious, buyer and knowledgeable and willing, but not anxious seller acting at arm's length; and
- 100% ownership of the 'company' and irrespective of whether the consideration is script or cash. The expert should not consider the percentage holding of the 'allottee' or its associates in the company when making this comparison. For example, in valuing securities in the target entity, it

is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares.

- 3.5 For the purpose of considering whether or not the Proposed Transaction is fair, we have compared the fair value of a share in Seafarms on a control basis prior to the Proposed Transaction to the fair value of a share in Seafarms on a minority basis after the Proposed Transaction. That is to say, is the value of the shares held by the non-associated shareholders at least equal to or higher than before the Proposed Transaction assuming the purchaser is paying a premium for control?
- 3.6 In order to determine the value of the securities in the Company prior to the Proposed Transaction on a control basis, it is necessary to adjust the value per share derived in Section 7 of this Report for a control premium.
- 3.7 A control premium is the premium an investor will pay to acquire shares in a company that will provide them a degree or complete control over the decision making of the company, including but not limited to the distribution of profits. A control premium adjustment is necessary as:
- prior to the proposed transaction, Avatar Finance and its associates did not have sufficient shares in the Company to obtain control;
 - subsequent of the transaction, Avatar Finance and its associates will have a considerable degree of control over the Company as:
 - they will own greater than 20% of the company's voting shares but less than 90%; and
 - there will be no one other shareholder or small group of shareholders with a significant enough shareholding to comprise control.
- 3.8 RG 111 states that an offer is reasonable if it is fair. It may also be reasonable if, despite being not fair the independent expert believes that there are sufficient reasons to accept the offer.
- 3.9 When deciding whether an offer is reasonable, in the current context, an expert might consider:
- the Allottee's pre-existing voting power in securities in the Company;
 - other significant security holding blocks in the Company;
 - the liquidity of the market in the Company's securities;
 - taxation losses, cash flow or other benefits through achieving 100% ownership of the Company;
 - any special value of the Company to the non-associated shareholders, such as a particular technology, the potential to write off outstanding loans from the Company, etc;
 - the likely market price if the Proposed Transaction is unsuccessful; and
 - the value to an alternative party and likelihood of an alternative proposal being made.
- 3.10 RG112 sets out guidelines in respect of the level of independence of experts preparing a report of this nature.

4. Summary and Opinion

- 4.1 This section is a summary of our opinion and cannot substitute for a complete reading of this IER. Our opinion is based solely on information available as at the date of this IER.
- 4.2 The principal factors that we have considered in forming our opinion are summarised below.

Assessment of Fairness

- 4.3 In accordance with RG 111, and in the current context, the Proposed Transaction is considered 'fair' if the value of the offer price or consideration paid (cash, shares or a combination of both) is equal to or greater than the market value of the shares & options being issued.
- 4.4 For the purpose of considering whether or not the Proposed Transaction is fair we have compared the fair value of a share in Seafarms on a control basis prior to the Proposed Transaction to the fair value of a share in Seafarms on a minority basis after the Proposed Transaction.
- 4.5 The number of the shares held by Avatar and its related parties prior to the Proposed Transaction is 1,417,864,377 which equates to 29.32% of the total shares of issue as set out in Table 4.1 below.

Table 4.1 - Shares Held by Avatar and Related Parties Prior to Proposed Transaction

Name of Registered Holder	Shares Held	Current % Undiluted
Total Ordinary Shares on Issue as at 31 August 2024	4,836,599,179	
Gabor Holdings Pty Ltd as trustee for the Tricorp Trust	197,230,722	4.08%
Gabor Holdings Pty Ltd	21,016,472	0.43%
Gabor Investments Pty Ltd	828,232	0.02%
Arlec Australia Pty Ltd	795,748	0.02%
Zeppelin Holdings Pty Ltd	1,184,628	0.02%
Avatar Industries Pty Ltd	873,322,202	18.06%
Avatar Finance Pty Ltd	321,818,182	6.65%
Ian Norman Trahar	1,668,191	0.03%
Total Voting Power	1,417,864,377	29.32%

- 4.6 The number of the shares held by Avatar and its related parties after the Proposed Transaction is 4,5081,677,245 which equates to 59.78% of the total shares of issue as set out in Table 4.2 below.

Table 4.2 - Shares held by Avatar and Related Parties Post the Proposed Transaction

Name of Registered Holder	Shares Held	Current % Undiluted
Total Ordinary Shares on Issue After Conversion	8,500,458,242	
Gabor Holdings Pty Ltd as trustee for the Tricorp Trust	197,230,722	2.32%
Gabor Holdings Pty Ltd	21,016,472	0.25%
Gabor Investments Pty Ltd	828,232	0.01%
Arlec Australia Pty Ltd	795,748	0.01%
Zeppelin Holdings Pty Ltd	1,184,628	0.01%
Avatar Industries Pty Ltd	873,322,202	10.27%
Avatar Finance Pty Ltd	3,985,677,245	46.89%
Ian Norman Trahar	1,668,191	0.02%
Total Voting Power	5,081,723,440	59.78%

- 4.7 In Table 4.3 below I have assessed the value of each share prior to the Proposed Transaction under two different assumptions. Under Scenario One I have assumed that the DOCA is upheld and that the management of PSD is returned to the directors and that the project proceeds. Under the Scenario Two I have assumed that the DOCA is defeated and PSD is placed into liquidation. Under Scenario One the share price is assessed to be \$0.0022. Under Scenario Two the share price is assessed to be \$0.00426.

Table 4.3 - Value per Share Prior to Proposed Transaction

	Factor	Scenario One and PSD is Returned to the Directors	Scenario Two DOC Defeated and PSD is Liquidated
Equity Value		8,519,493	16,472,289
Shares on Issue		4,836,599,179	4,836,599,179
Value Per Share		\$ 0.00176	\$ 0.00341
Control Premium	25%	2,129,873	4,118,072
Adjusted Equity Value		10,649,367	20,590,361
Value Per Share		0.0022	0.00426

- 4.8 In Table 4.4 below I have assessed the value of each share after the Proposed Transaction under same two scenarios as outlined in paragraph 4.7 above. Under Scenario One the share price is assessed to be \$0.00179. Under Scenario Two the share price is assessed to be \$0.00272.

Table 4.4 – Value per Share Post Proposed Transaction

Proposed Issue Convertible Notes - Resolution	DOCA Upheld and PSD is Returned to the Directors	DOC Defeated and PSD is Liquidated
Value per Share Control Basis	0.00220	0.00426
Shares on Issue Before Proposed Transaction	4,836,599,179	4,836,599,179
Equity Value Control Basis	10,640,518	20,603,913
Minority Discount	20.0%	20.0%
Equity Value Minority Interest Basis	8,512,415	16,483,130
Conversion of Notes (Repayment of Loan)	7,000,000	7,000,000
Interest on Convertible Notes 8.3025%	(327,718)	(327,718)
Fair Value of Equity on Minority Interest Basis After Proposed Transaction	15,184,696	23,155,412
Issue of Ordinary Shares Upon Conversion	3,663,859,063	3,663,859,063
Ordinary Shares on Issue Post Transaction	8,500,458,242	8,500,458,242
Value Per Share on a Minority Interest Basis Post Transaction	0.00179	0.00272

- 4.9 My assessment of the pre and post Proposed Transactions share prices are set out in Table 4.5 below.

Table 4.5 – Summary of Share Prices Pre and Post the Proposed Transaction

	DOCA Upheld and PSD is Returned to the Directors	DOC Defeated and PSD is Liquidated
Value of Shares Pre the Proposed Transaction	0.00220	0.00426
Value of Shares Post the Proposed Transaction	0.00179	0.00272
Gain/(Loss) in Value of Shares Post the Proposed Transaction	\$ (0.00041)	\$ (0.00154)

- 4.10 As the value of the Seafarms' shares post the Proposed Transaction under the assumption that the DOCA is upheld is less than that before the Proposed Transaction, the Proposed Transaction is assessed to be **not fair** to the non-related shareholders.
- 4.11 As the value of the Seafarms' shares post the Proposed Transaction under the assumption that the DOCA is defeated is less than that before the Proposed Transaction, the Proposed Transaction is assessed to be **not fair** to the non-related shareholders.
- 4.12 The transaction proposed under Resolution 4 is not fair regardless of the DOCA being upheld or defeated.

Assessment of Reasonableness

- 4.13 In accordance with RG 111, a transaction is reasonable if:
- the transaction is fair; or

- despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the transaction proceeds.

4.14 In forming our opinion, while we have assessed that the Proposed Transaction is not fair we have considered the following relevant factors:

- We are advised that the Company is unlikely to be able to raise sufficient capital to repay the various loans that have been provided by Avatar under the Revolving Credit Agreement which was raised to \$7,000,000 and is repayable seven days after the 2024 AGM.
- We understand that it is unlikely that the Company will have sufficient working capital to maintain its existing operations until the proceeds of the sale of Farms One and Two to Mainstream are finalised on 30 April 2025.
- We are of the opinion that it is unlikely that the Company could source alternate debt financing on the open market on acceptable commercial terms.
- We further understand, as set out in the NOM, that while the Company has sought finance, both debt and equity, from other parties these attempts have proven unfruitful to date. This lack of success is considered to have been brought about by the Company having experienced issues in connection with Project Sea Dragon's voluntary administration and accompanying uncertainty as to future funding for this project.
- we are not aware of any alternative proposals.

4.15 We have determined therefore in consideration of the above factors that the transaction is reasonable.

Summary of Opinion

4.16 Accordingly, in our opinion, the Proposed Transaction **is not fair but reasonable** to the non-associated shareholders of Seafarms as a whole under both scenarios being considered in the Report.

5. Other Matters

Shareholders Individual Circumstances

- 5.1 Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, Moore Australia Corporate Finance Pty Ltd (ABN 67 603 962 429) ("Moore") has not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Some individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from those adopted in this IER. Accordingly, individual shareholders may reach different conclusions as to whether or not the Proposed Transaction gives a fair value in their individual circumstances.
- 5.2 The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. After carefully reading all relevant documentation provided, including the Explanatory Memorandum to the Notice of AGM. We strongly recommend that shareholders consult their own professional advisers and consider their own specific circumstances before voting in favour of, or against approving the Proposed Transaction.

Sources of Information Relied Upon

- 5.3 The details of the information referred to and relied upon by Moore in arriving at the opinions expressed in this IER are set out in Appendix CB.
- 5.4 The statements and opinions contained in this IER are given in good faith and are based on our consideration and assessment of the information provided by Seafarms and that which is otherwise publicly available.

Current Market Conditions

- 5.5 The opinions set out in this IER are based on the economic, market and other conditions prevailing at the date of signing this IER. These conditions may change significantly over a relatively short period of time.
- 5.6 Any changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision.

Disclaimer and Limitations

- 5.7 This IER has been prepared at the request of the independent directors of Seafarms and is intended to accompany the Transaction Documents that are to be sent to the shareholders. This IER may be relied upon only by those persons. Accordingly, this IER and the information and opinions contained within it may not be relied upon by any person other than the directors and shareholders without our written consent. Moore accepts no responsibility to any person other than the directors or the shareholders in relation to this IER. Moore acknowledges that this IER will be lodged with the regulatory authority, ASIC.
- 5.8 While we have agreed to the inclusion of this IER with the Transaction Documents to be sent to the shareholders, Moore is not responsible for the contents of the Transaction Documents, or any other document associated with the Proposed Transaction.
- 5.9 Moore and related entities ("Moore Australia (QLD/NNSW)") disclaim liability to any other person relying upon this IER. This IER may not be disclosed, copied to any other person other than to those referred to in the immediately preceding two paragraphs without Moore's express written authority.

Yours faithfully



David Williams B.Com, FCA, CABVS
Director
[Moore Australia Corporate Finance Pty Ltd - AFSL No.478 534](#)

INDEPENDENT EXPERT'S REPORT

Our Report is set out under the following headings:

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1. Outline of the Transaction

- 1.1. The Company refers to various announcements made to the ASX in respect of Project Sea Dragon.
- 1.2. The Company appealed the decision of His Honour Derrington J in respect of the proceedings QUD 151/2024 which was heard by the Full Court of the Federal Court on 12 and 13 August 2024. At the time of the circulation of this Explanatory Statement, judgment had not been handed down.
- 1.3. During this litigation the Company has been unable to raise money from unrelated third party resources and has been relying on existing cash reserves, the existing Revolving Credit Agreement provided by Avatar Finance Pty Ltd (discussed further below) and moneys received through the transaction disposing of Farm 1 and Farm 2 at the Company's Cardwell facility.

Financing from Avatar Finance

- 1.4. The Company had previously entered into a Revolving Credit Agreement with Avatar Finance on arms-length terms under which Avatar Finance agreed to make available up to \$3 million in debt funding to the Company. The amount advanced under the Revolving Credit Agreement was repayable on a date to be determined. The Company and Avatar have agreed to increase the amount available to \$7 million and to extend the repayment date to 7 days after the AGM.
- 1.5. The Company requires further funding in order to pursue its strategy to develop Project Sea Dragon. In the absence of securing any unrelated third party funding, Avatar Finance has agreed to offer other funding to the Company, up to \$7 million by way of the Convertible Notes. This funding is intended to replace the funding available under the Revolving Credit Agreement and, not be in addition to it.
- 1.6. The following sets out information in respect of the Convertible Notes which have been secured in order to enable the Company to continue to pursue its strategy to develop Project Sea Dragon.

Convertible Note Deed

- 1.7. The Convertible Note Deed with Avatar Finance secures \$7,000,000 in funding to enable the Company to repay the outstanding moneys that will become due and payable 7 days after the 2024 AGM and assist in pursuing the Company's strategy to proceed with Project Sea Dragon. The key terms of the Convertible Note Deed are as outlined below:
 - (a) the face value of the Notes is \$7,000,000;
 - (b) the Maturity Date is 30 June 2026. This date was agreed to enable funds from the Mainstream Transaction to be available to redeem the Notes;
 - (c) interest will be payable at BBSY 30 days plus 4%% per annum;
 - (d) the Notes may be redeemed by the Company or converted into Shares by Avatar Finance at an issue price of the daily VWAPs per Share during the 30 Trading Days on which Shares traded in the ordinary course of business on the ASX prior to the date which is three business days prior to the date of the AGM, on the Maturity Date, provided that the issue price is not lower than \$0.002 per Share; and
 - (e) subject to Shareholder approval being obtained, the Company will grant to Avatar Finance the following:
 - (1) general security deeds over the Company and each of its subsidiaries;
 - (2) mortgages over all real property held by the Company and each of its subsidiaries (other than those real properties which have been offered as security under the Mainstream Transaction;

- (f) Notes redeemed prior to the Maturity Date may be reissued at the option of the Company.

- 1.8. The Company is presently reliant upon the funding from Avatar Finance and its existing cash reserves to continue to fund its operations.

2. Purpose of Report

- 2.1. In order to advise the shareholders, it is important to review relevant legislation and the regulatory guidelines issued by the Australian Securities and Investment Commission ("ASIC") for applicability to the Proposed Transaction. The purpose of this IER is to form an opinion and advise the shareholders on whether the share and option issue is fair and reasonable to the shareholders. This IER will accompany the Explanatory Memorandum and the Notice of AGM ("Transaction Documents") required to be provided to the Shareholders to assist them in voting on whether or not to approve the Proposed Transaction.

- 2.2. We have identified the following regulatory requirements will apply to the Proposed Transaction:

- Section 606 of the Act;
- Section 611 Item 7 of the Act;
- ASIC Regulatory Guide 76 Related Party Transactions (RG.76);
- ASIC Regulatory Guide 111 Content of Expert Reports (RG.111); and
- ASIC Regulatory Guide 112 Independence of Experts (RG.112);

Section 606 and s611 Item 7 of the Act

- 2.3. The purpose of Chapter 6 – Takeovers is to ensure that:

- acquisitions of control take place in an efficient, competitive and informed market;
- holders of shares or interests and the directors of the company or body responsible for the scheme:
 - know the identity of any person who proposes to acquire a substantial interest in the company, body or scheme; and
 - have reasonable time to consider the proposal;
 - are given enough information to enable them to assess the merits of the proposal; and
- as far as practicable, the holders of the relevant class of voting shares or interests all have a reasonable and equal opportunity to participate in any benefits accruing to the holders through any proposal under which a person would acquire a substantial interest in the company, body or scheme; and
- an appropriate procedure is followed as a preliminary to compulsory acquisition of voting shares or interests or any other kind of securities under Part 6A.1 of the Act.

- 2.4. Under Section 606 of the Act, an acquisition of an interest in voting shares in a publicly listed company where that acquisition would take the person's interest to greater than 20% are prohibited except as allowed for under Section 611. As provided for by s611 Item 7 of the Act a person may acquire shares in a public company where that acquisition takes that person from below 20% to

over 20% where it is approved previously by a resolution passed at a general meeting of the company in which the acquisition is made, and

- (a) no votes were cast in favour of Resolution 4 by:
 - (i) the person proposing to make the acquisition and their associates; or
 - (ii) the persons (if any) from whom the acquisition is to be made and their associates; and
- (b) the members of the company were given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on Resolution 4, including:
 - (i) the identity of the person proposing to make the acquisition and their associates; and
 - (ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition; and
 - (iii) the voting power that person would have as a result of the acquisition; and
 - (iv) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
 - (v) the voting power that each of that person's associates would have as a result of the acquisition.

2.5. The Company is seeking approval of the shareholders of the Company.

ASIC Regulatory Guide 111 Acquisitions approved by members (RG.111)

2.6. RG.111 sets out guidelines in respect of IER's and the matters an independent expert should consider to assist shareholders in making informed decisions about transaction such as the Proposed Transaction that are the subject of this IER. Included in the guidelines is a recommended approach to analysing the Proposed Transaction and the choice of methodology to be used.

ASIC Regulatory Guide 112 Independence of Experts (RG.112)

2.7. RG. 112 sets out guidelines in respect of the level of independence of experts preparing a report of the nature required by RG.111.

3. Basis of Evaluation

3.1. RG 111 requires analysis of a transaction under two distinct criteria being:

- is the offer fair; and
- is the offer reasonable?

3.2. RG 111 states that fair and reasonable are regarded as two separate elements and are not regarded as a compound phrase.

3.3. In determining what is fair and reasonable in terms of a proposed transaction, RG 111 states that the transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. This comparison should be made:

- assuming a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller acting at arm's length; and
 - assuming 100% ownership of the Company and irrespective of whether consideration is cash or scrip.
- 3.4. For the purpose of considering whether or not the Proposed Transaction is fair we have compared the fair value of a share in Seafarms on a control basis prior to the Proposed Transaction to the fair value of a share in Seafarms on a minority basis after the Proposed Transaction. That is to say, is the value of the shares held by non-associated shareholders at least equal to or higher than before the transaction assuming the purchaser acquires control.
- 3.5. An offer is reasonable if it is fair, or if the offer is not fair, and the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.
- 3.6. For the purpose of considering whether or not the Proposed Transaction are fair we have compared the calculated value under:
- firstly, the using the 90-day Volume Weighted Average Price (VWAP); and
 - secondly Discounted Cash Flow methodology.
- 3.7. In our assessment of the reasonableness of the Proposed Transaction, our consideration has included the following matters:
- other significant security holding blocks in Seafarms;
 - the liquidity of the market in Seafarms' securities;
 - any special value to Seafarms, such as technology, the potential to write-off outstanding loans, etc;
 - the likely market price if the Proposed Transaction does not proceed;
 - the value to an alternate party and the likelihood of an alternative offer being made; and
 - the financial position of Seafarms in general, including its working capital / cashflow requirements in the next 12 months; and
 - the financial positions of Seafarms if the Proposed Transaction does not proceed and it is unable to secure additional working capital and development funding.

Individual Shareholders' Circumstances

- 3.8. The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's assessment of the Proposed Transaction, including their own risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction or matters dealt with in this IER, shareholders should seek independent professional advice.

Scope and Limitations on Reliance on Information

- 3.9. The scope of the procedures we undertook in forming our opinion on whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders as a whole has been limited to those procedures, we believe are required in order to form our opinion. Our procedures did not

include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

- 3.10. The documents and information relied on for the purposes of this IER are set out in Appendix B. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that any documents and material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose.
- 3.11. We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 3.12. An important part of the information used in forming an opinion of the kind expressed in this IER is the opinions and judgement of the directors and management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 3.13. Moore are not the auditors of Seafarms. We have analysed and reviewed information provided by the directors and management of Seafarms and made further enquiries where appropriate. Preparation of this IER does not imply that we have in any way audited the accounts or records of Seafarms.
- 3.14. In forming our opinion, we have assumed:
- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
 - the information set out in the Explanatory Memorandum to the NOM to consider the Proposed Transaction to be sent to shareholders is complete, accurate and fairly represented in all material respects; and
 - the publicly available information relied upon by Moore in its analysis was accurate and not misleading.
- 3.15. This Report has been prepared after taking into consideration the current economic and market conditions. We take no responsibility for events occurring after the date of this IER which may impact upon this IER, or which may impact upon the assumptions referred to in the IER.

4. Assessment of Fairness

- 4.1. As discussed in Section 3, RG.111 states that an offer is fair if the value of the offer price or consideration paid is equal to or greater than the value of the securities that are the subject of the offer. For the purpose of considering whether or not the Proposed Transaction is fair we have compared the fair value of a share in Seafarms on a control basis prior to the Proposed Transaction to the fair value of a share in Seafarms on a minority basis after the Proposed Transaction. That is to say, is the value of the shares held by the non-associated shareholders at least equal to or higher than before the Proposed Transaction?
- 4.2. In order to determine the value of the securities in the Company prior to the Proposed Transaction on a control basis, it is necessary to adjust the value per share derived in Section 7 of this Report for a control premium.

- 4.3. A control premium is the premium an investor will pay to acquire shares in a company that will provide them a degree or complete control over the decision making of the company, including but not limited to the distribution of profits. A control premium adjustment is necessary as:
- prior to the proposed transaction, Avatar and its associates did not have sufficient shares in the company to obtain control;
 - subsequent of the transaction, Avatar Finance and its associates will have a considerable degree of control over the company as:
 - they will own greater than 20% of the company's voting shares but less than 90%; and
 - there will be no one other shareholder or small group of shareholders with a significant enough shareholding to comprise control.
- 4.4. Thus, in considering these matters and in our professional opinion we have adopted a control premium of 25%.
- 4.5. A liquidity discount is the discount that an investor will apply to a share that cannot be quickly and easily converted into cash. While Seafarms is a publicly listed company it is unlikely, particularly given the historical trading volumes, that a single shareholder with over 20% of outstanding shares would be able to dispose of those shares in a short time frame on the open market, or if possible, then at least not likely without dramatically driving down the value of the shares.

5. Overview of Seafarms Group Limited

Corporate Address

- 5.1. Seafarms' registered address is Unit 5, 3 Swan Crescent Winnellie Northern Territory.

Business Activities

- 5.2. Seafarms Group Limited ("Seafarms" or "the Company") develops and offers a number of brands. Seafarms is an Australian aquaculture company which operates, builds and invests in sustainable aquaculture production, producing high-quality seafood.
- 5.3. Seafarms is one of the largest producers of farmed prawns in Australia and since 1988 its North Queensland farms have been operating, marketing and selling under the well-known Crystal Bay Prawns® brand.
- 5.4. Seafarms has undertaken to invest in a major development known as 'Project Sea Dragon' ("the Project"). The Project will be a staged development of up to 10,000 hectares of prawn production ponds, supported by a series of geographically separate facilities across northern Australia. The proposed facilities will include:
- a quarantine and founder stock centre to be located in Exmouth, Western Australia;
 - a core breeding, brood stock maturation centre to be located in Bynoe Harbour, Northern Territory;
 - a hatchery to be located at Gunn Point, Northern Territory;
 - grow out facilities and ponds to be located on Legune Station, Northern Territory; and
 - a processing plant to be located at Kununurra, Western Australia.

Directors and Key Management

5.5. The directors and Key Management Personnel of Seafarms as obtained from the 2024 Seafarms Annual Report are:

- Harley Whitcombe – Executive Director and Company Secretary;
- Ian Trahar Non-Executive Director and Chairman;
- Rod Dyer Non-Executive Director;
- Peter Derrick-Fraser - Chief Executive Officer; and
- Ian Leijer - Chief Financial Officer.

Financial Information

5.6. Seafarms' financial report for the year ended 30 June 2004 was audited by Pitcher Partners and was unqualified. We note that the Audit Report includes a paragraph "Material Uncertainty Related to Going Concern":

"We draw attention to Note 1 in the financial report, which indicates that the Group incurred an operating cash outflow of \$9,808,076 and a net loss of \$19,312,062 for the year ended 30 June 2024. As at 30 June 2024, the Group had net current assets of \$4,255,171, including cash and cash equivalents of \$1,225,696. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter. "We draw attention to Note 2(i) in the financial report, which indicates that the Company incurred a net loss of \$4,459,632 during the year ended 31 December 2023 and, as of that date, the Company's current liabilities exceeded its total assets by \$3,408,431. As stated in Note 2(i), these events or conditions, along with other matters as set forth in Note 2(i), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter".

Capital Structure and Ownership

5.7. Seafarms' issued share capital as at 31 August 2024 comprised 4,836,599,179 fully paid ordinary shares. The top 20 shareholders of Seafarms' issued share capital, as at 31 August 2024 were as set out in Table 5.1 below.

Table 5.1 – Top 20 Shareholders

Shares Held By Top 20 Shareholders	Shares Held	% Held
Mutual Trust Pty Ltd	952,347,727	19.69%
Avatar Industries Pty Ltd (HIN)	636,422,064	13.16%
Avatar Finance Pty Ltd	312,727,273	6.47%
Nippon Suisan Kaisha Ltd	283,230,208	5.86%
Avatar Industries Pty Ltd (HIN)	245,791,047	5.08%
Gabor Holdings Pty Ltd (the Tricorp A/C)	197,230,722	4.08%
UBS Nominees Pty Ltd	139,327,563	3.36%
Rubino Group Pty Ltd Rubino Groub A/C	114,546,091	2.37%
Perpetual Corporate Trust Limited Pastoral Dec Cattle A/C	90,909,091	1.88%
Fifty Second Celebration Pty Ltd JC McBain Super Fund A/C	81,048,296	1.68%
Pinnacle Superannuation P/L PJF S/F A/C	40,462,120	0.84%
Thirty Fifth Celevration Pty Ltd JC McBain Super Fund A/C	40,000,000	0.83%
Narrow Lan Pty Ltd Super Fund A/C	33,045,683	0.68%
Mr Robert Scott Wynd	32,411,036	0.57%
Ace Property Holdings Pty Ltd	24,600,000	0.51%
Mr Xi Yu Zhang	24,130,000	0.47%
Willbow Group Pty Ltd Wilbow Group A/C	23,636,364	0.49%
Permfast Pty Limited Heyworth Super Fund A/C	23,094,553	0.48%
Wilbow Group Pty Ltd	21,718,368	0.45%
Gabor Holdings Pty Ltd	21,016,472	0.43%
Total Top 20	3,354,716,439	69.36%
All Others	1,481,882,740	30.64%
TOTAL Ordinary Shares on Issue	4,836,599,179	100.00%

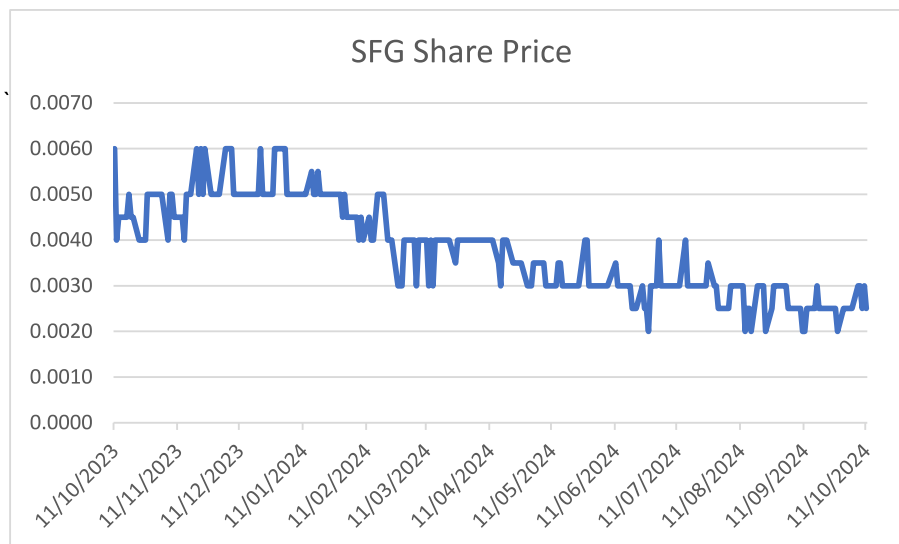
- 5.8. Avatar and its associates currently hold 29.32% of the ordinary shares in Seafarms as is set out in Table 5.2 below

Table 5.2 – Avatar and Associates Current Shareholding

Name of Registered Holder	Shares Held	Current % Undiluted
Total Ordinary Shares on Issue as at 31 August 2024	4,836,599,179	
Gabor Holdings Pty Ltd as trustee for the Tricorp Trust	197,230,722	4.08%
Gabor Holdings Pty Ltd	21,016,472	0.43%
Gabor Investments Pty Ltd	828,232	0.02%
Arlec Australia Pty Ltd	795,748	0.02%
Zeppelin Holdings Pty Ltd	1,184,628	0.02%
Avatar Industries Pty Ltd	873,322,202	18.06%
Avatar Finance Pty Ltd	321,818,182	6.65%
Ian Norman Trahar	1,668,191	0.03%
Total Voting Power	1,417,864,377	29.32%

- 5.9. The following chart, in Table 5.3 below provides a summary of the trading volumes and prices for Seafarms over the last 12 months of trading days to 11 October 2024.

Table 5.3 - Seafarms Share Price for the Last 12 Months to 11 October 2024



- 5.10. The chart above indicates that the share price of Seafarms has traded between \$0.002 and \$0.006 over the past 12 months to 11 October 2024 with a closing price as at 11 October 2024 of \$0.0025. The volume of Seafarms shares that have been traded over the last 12 months period represent 4.972% of the total shares outstanding as at 11 October 2024 as shown in Table 5.4 .below.

Table 5.4 - VWAP

Period		VWAP	Volume	% Volume
1 Day		0.0025	242,558	0.01%
30 Day	▼	0.0022	35,462,784	0.73%
90 Day	▼	0.0027	100,241,369	2.07%
180 Day	▼	0.0032	195,655,698	4.05%

- 5.11. Table 5.4 reflects the VWAP of the Company's shares over various periods. Given that the volumes traded over the four periods are quite low, I consider that there is a lack of liquidity resulting in these calculations being only useful as a cross check.

Financial Performance

- 5.12. Set out in Table 5.5 below are the consolidated profit and loss results of Seafarms for the period from 1 July 2022 to 30 June 2024.

Table 5.5 – Historical Profit and Loss – Consolidated

	Year Ended 30 June	
	2024 Audited	2023 Audited
Total Revenue	25,508,062	25,966,649
Less Expenditure		
Finance Costs	(329,080)	(250,802)
Change in finished goods inventory	(2,271,191)	(600,065)
Changes in biological assets	(2,542,319)	1,617,854
Feed and consumables	(8,641,746)	(12,027,265)
Energy Costs	(3,178,536)	(3,538,977)
Employee benefits expense	(12,932,895)	(12,505,056)
Depreciation and amortisation expense	(2,310,190)	(2,062,361)
Impairment of assets	(2,099,359)	(2,100,509)
Construction (Costs)/reversal	(189,925)	3,538,183
Other Expenses	(10,324,883)	(13,393,553)
Total Expenditure	(44,820,124)	(41,322,551)
EBITDA	(19,312,062)	(15,355,902)
Less Depreciation & Amortisation	(2,310,190)	(2,062,361)
Net Profit/(Loss)	(17,001,872)	(13,293,541)

Source: Seafarms 30 June 2023 and 2024 audited financial statements

Financial Position

- 5.13. Set out in Table 5.6 below are the consolidated Balance Sheets of Seafarms as at 30 June 2023 and 2024.

Table 5.6 – Historical Balance Sheets - Consolidated

	Year Ended 30 June	
	2024 Audited	2023 Audited
Total Revenue	25,508,062	25,966,649
Less Expenditure		
Finance Costs	(329,080)	(250,802)
Change in finished goods inventory	(2,271,191)	(600,065)
Changes in biological assets	(2,542,319)	1,617,854
Feed and consumables	(8,641,746)	(12,027,265)
Energy Costs	(3,178,536)	(3,538,977)
Employee benefits expense	(12,932,895)	(12,505,056)
Depreciation and amortisation expense	(2,310,190)	(2,062,361)
Impairment of assets	(2,099,359)	(2,100,509)
Construction (Costs)/reversal	(189,925)	3,538,183
Other Expenses	(10,324,883)	(13,393,553)
Total Expenditure	(44,820,124)	(41,322,551)
EBITDA	(19,312,062)	(15,355,902)
Less Depreciation & Amortisation	(2,310,190)	(2,062,361)
Net Profit/(Loss)	(17,001,872)	(13,293,541)

Source: Seafarms 30 June 2023 and 2024 audited financial statements

6. Valuation Methodologies

Definition of Market Value

6.1. In forming our opinion as to whether or not the Proposed Transaction is fair and reasonable to the Seafarms Shareholders as a whole, we have assessed the value of the issued shares and options of Seafarms on a fair value basis. RG 111.11 indicates that an offer is fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The value of the securities being the subject of the offer is determined assuming:

- a knowledgeable and willing, but not anxious, buyer and knowledgeable and willing, but not anxious seller acting at arm's length; and
- 100% ownership of the 'target' and irrespective of whether the consideration is script or cash. The expert should not consider the percentage holding of the 'bidder' or their associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares.

Selection of Methodology

- 6.2. RG 111 provides guidance on the valuation methods that an independent expert should consider. These methods include:
- the discounted cash flow method and the estimated realisable value of any surplus assets;
 - the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
 - the amount that would be available for distribution to security holders on an orderly realisation of assets;
 - the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
 - any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets; and
 - the amount that an alternative party might be willing to offer if all the securities in the target were available for purchase.
- 6.3. Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly applied in valuing such an asset and the availability of appropriate information.
- 6.4. As such, we have considered the following commonly accepted valuation methodologies.

Table 6.1 – Valuation Methodologies Considered – Shares in Seafarms

Method	Adopted?	Note
Discounted Cashflow	No	The discounted cashflow methodology is the most technically advanced method. However the forecast provided by Seafarms were for a very limited period and there was insufficient ability to adequately and comprehensively interrogate them to the level required for this IER.
Earnings Multiple	No	Seafarms has no earnings over which to apply an earnings multiple
Net Asset Value	Yes	The Fair value of the net assets of the Company have been provided along with supporting evidence including audited financial statements and external independent valuations of certain significant assets.
Quoted Price of Listed Securities	No	Seafarms is a listed company and as such Volume Weighted Average Price (VWAP) of securities would ordinarily be an appropriate methodology to apply. However, due to the fact that the shares are not liquid, this methodology can at best be used as a cross check.
Recent Genuine Offers	No	No recent genuine offers that reflect current circumstances
Amount that an alternative bidder might offer	No	No evidence that an alternative bidder exists or information as to what they might offer.

- 6.5. In determining the fair value of Seafarms, we have applied the net asset value method based on historical information provided and prepared by the Seafarms. The Fair value of the net assets of the Company have been provided along with supporting evidence including audited financial statements and external independent valuations of certain significant assets. We have reviewed the information provided and held numerous discussions with management.
- 6.6. Furthermore, Regulation 111.65 encourages the expert to consider two methodologies where possible. Accordingly, we have adopted as a secondary methodology being the Quoted Price of Listed Securities methodology. As Seafarms is a listed company we have obtained the Company's 90-Day Volume Weighted Average Price of shares (VWAP) to facilitate a valuation using this methodology. Due to the fact that the will that historical trading the sea farm shares has not been liquid this methodology should be considered as a cross check and indicative only.
- 6.7. It should be noted that under Resolution 4s, Avatar Finance and or its nominees will receive 7,000,000 Convertible Notes under the following terms:
- the face value of the Notes is \$7,000,000;
 - the Maturity Date is to be agreed to enable funds from the Mainstream Transaction to be available to redeem the Notes;
 - interest will be payable at BBSY 30 days plus 4% per annum;
 - Notes may be converted into Shares at an issue price of the daily VWAPs per Share during the 30 Trading Days on which Shares traded in the ordinary course of business on the ASX prior to the date which is three business days prior to the date of the AGM, on the Maturity Date, provided that the issue price is not lower than the floor price of \$0.002
- Subject to Shareholder approval being obtained, the Company will grant to Avatar Finance the following:
- general security deeds over the Company and each of its subsidiaries;
 - mortgages over all real property held by the Company and each of its subsidiaries (other than those real properties which have been offered as security under the Mainstream Transaction while those securities are in place;
- 6.8. Notes redeemed prior to the Maturity Date may be reissued at the option of the Company.

7. Value of Seafarms

Net Asset Valuation Methodology

- 7.1. As indicated above, I will be using the net asset value methodology in order to arrive at a fair market value of the Seafarms shares.
- 7.2. In Table 7.1 below I have set out my assessment of the net asset backing of Seafarms based on two scenarios. The first being based on the assumption that the DOCA is upheld while the second scenario is based on the DOCA being defeated and PSD consequently been placed into liquidation.

Table 7.1 – Net Asset Backing.

As at 31 August 2024				
	Note	Consolidated SFG	Scenario 1	Scenario 2
			DOCA Upheld	DOCA Defeated
Current Account	1	3,793,007	3,793,007	3,793,007
Bank Accounts	1	328,075	328,075	328,075
Term Deposits	1	205	205	205
Petty Cash	1	747	747	747
Loans to Employees	1	28,072	28,072	28,072
Trade and Other Receivables	2	4,628,092	1,128,092	4,438,292
Finished Goods - Cost	1	2,456,768	2,456,768	2,456,768
Finished Goods - Fair Value Adjustment	1	(384,819)	(384,819)	(384,819)
Feed & Consumables	1	585,541	585,541	585,541
Feed Inventory	1	589,598	589,598	589,598
Feed & Consumables	1	229,536	229,536	229,536
Biological Assets in Ponds at Fair Value	1	2,144,593	2,144,593	2,144,593
Prepayments	3	1,242,359	1,216,354	1,216,354
Deposits Paid	4	272,934	262,154	262,154
Seafarm Other	1	(7,560,000)	(7,560,000)	(7,560,000)
Production Cost Absorption	1	183,647	183,647	183,647
Assets Held for Sale	1	5,167,587	5,167,587	5,167,587
Plant & Equipment at WDV	5	3,639,564	3,639,564	3,629,432
Buildings at WDV	6	4,245,685	4,245,685	3,420,953
Ponds (Opening Costs)	1	1,706,606	1,706,606	1,706,606
Motor Vehicles (Additions)	7	1,759	1,759	-
Leased Assets (Additions)	8	1,133,392	1,133,439	1,020,222
Freehold Land (Opening Costs)	1	1,110,000	1,110,000	1,110,000
Leasehold Land	9	1,866,180	1,866,180	(581,292)
Other Non-Current Assets	1	331,999	331,999	331,999
TOTAL ASSETS		\$ 27,741,126	\$ 24,204,387	\$ 24,117,277
Accounts Payable	10	(3,377,120)	(3,377,120)	(1,678,457)
Accruals	11	(145,692)	(145,692)	(138,876)
Payroll Liabilities	1	(247,478)	(247,478)	(247,478)
PAYG Payable	12	(142,474)	(142,474)	(134,009)
GST Receivable (Payable)	13	166,460	166,460	135,475
Provisions	14	(1,390,259)	(1,390,259)	(1,361,740)
Other Current Liabilities	15	(605,441)	(605,441)	(5,441)
Lease liabilities - Current	16	(2,245,136)	(2,245,136)	(298,507)
Loans	1	(3,082,875)	(3,082,875)	(3,082,875)
Vendor Finance - Non Current	1	(130,333)	(130,333)	(130,333)
Long Term Provisions	17	(216,310)	(216,310)	(214,129)
Lease Liabilities	18	(1,611,155)	(1,611,155)	(488,618)
Lease Liability Land	19	(2,657,081)	(2,657,081)	-
TOTAL LIABILITY		\$ (15,684,894)	\$ (15,684,894)	\$ (7,644,988)
NET ASSETS		\$ 12,056,232	\$ 8,519,493	\$ 16,472,289

7.3. The Notes referred to in Table 7.1 above can be found on Appendix A.

7.4. In Table 7.2 below the value of the Seafarms shares are assessed on the basis of the two Scenarios .

Table 7.2 - Value per Share Prior to the Proposed Transaction Under Scenarios One and Two

	Factor	Scenario One and PSD is Returned to the Directors	Scenario Two DOC Defeated and PSD is Liquidated
Equity Value		8,519,493	16,472,289
Shares on Issue		4,836,599,179	4,836,599,179
Value Per Share		\$ 0.00176	\$ 0.00341
Control Premium	25%	2,129,873	4,118,072
Adjusted Equity Value		10,649,367	20,590,361
Value Per Share		0.0022	0.00426

- 7.5. Under Scenario One as set out in Table 7.2 above it has been assumed that the DOCA is upheld and the management of PSD is returned to the directors. In that event the value of the Seafarms shares prior to the Proposed Transaction are assessed to be \$0.0022
- 7.6. Under Scenario Two as set out in Table 7.2 above it has been assumed that the DOCA is defeated and that as a result, PSD is liquidated. Under these assumptions the value of each Seafarms share prior to the Proposed Transaction is assessed to be \$0.00426.

Table 7.3 - Value per Share After the Proposed Transaction Under Scenarios One and Two

Proposed Issue Convertible Notes - Resolution	DOCA Upheld and PSD is Returned to the Directors	DOC Defeated and PSD is Liquidated
Value per Share Control Basis	0.00220	0.00426
Shares on Issue Before Proposed Transaction	4,836,599,179	4,836,599,179
Equity Value Control Basis	10,640,518	20,603,913
Minority Discount	20.0%	20.0%
Equity Value Minority Interest Basis	8,512,415	16,483,130
Conversion of Notes (Repayment of Loan)	7,000,000	7,000,000
Interest on Convertible Notes	8.3025% (327,718)	(327,718)
Fair Value of Equity on Minority Interest Basis After Proposed Transaction	15,184,696	23,155,412
Issue of Ordinary Shares Upon Conversion	3,663,859,063	3,663,859,063
Ordinary Shares on Issue Post Transaction	8,500,458,242	8,500,458,242
Value Per Share on a Minority Interest Basis Post Transaction	0.00179	0.00272

- 7.7. Table 7.4 below shows the share value both pre and post the Proposed Transaction.

Table 7. 4 - Value of Shares Pre and Post the Proposed Transaction

	DOCA Upheld and PSD is Returned to the Directors	DOC Defeated and PSD is Liquidated
Value of Shares Pre the Proposed Transaction	0.00220	0.00426
Value of Shares Post the Proposed Transaction	0.00179	0.00272
Gain/(Loss) in Value of Shares Post the Proposed Transaction	\$ (0.00041)	\$ (0.00154)

- 7.8. As the value of the Seafarms' shares post the Proposed Transaction under the assumption that the DOCA is upheld is Less than before the Proposed Transaction, the Proposed Transaction is assessed to be **not fair** to the non-related shareholders.
- 7.9. As the value of the Seafarms' shares post the Proposed Transaction under the assumption that the DOCA is defeated is Less than before the Proposed Transaction, the Proposed Transaction is assessed to be **not fair** to the non-related shareholders.
- 7.10. The transaction proposed in Resolution 4 is not **fair** to the non-related shareholders if the DOCA is either upheld or defeated.

8. Assessment of Fairness

- 8.1. As discussed in Section 3, RG.111 states that an offer is fair if the value of the offer price or consideration paid is equal to or greater than the value of the securities that are the subject of the offer. For the purpose of considering whether or not the Proposed Transaction is fair we have compared the fair value of a share in Seafarms on a control basis prior to the Proposed Transaction to the fair value of a share in Seafarms on a minority basis after the Proposed Transaction. That is to say, is the value of the shares held by the non-associated shareholders at least equal to or higher than before the Proposed Transaction?
- 8.2. In order to determine the value of the securities in the Company prior to the Proposed Transaction on a control basis, it is necessary to adjust the value per share derived in Section 7 of this Report for a control premium.
- 8.3. A control premium is the premium an investor will pay to acquire shares in a company that will provide them a degree or complete control over the decision making of the company, including but not limited to the distribution of profits. A control premium adjustment is necessary as:
- prior to the proposed transaction, Avatar and its associates did not have sufficient shares in the company to obtain control;
 - subsequent of the transaction, Avatar Finance and its associates will have a considerable degree of control over the company as:
 - they will own greater than 20% of the company's voting shares but less than 90%; and
 - there will be no one other shareholder or small group of shareholders with a significant enough shareholding to comprise control.
- 8.4. Thus, in considering these matters and in our professional opinion we have adopted a control premium of 25%.

- 8.5. A liquidity discount is the discount that an investor will apply to a share that cannot be quickly and easily converted into cash. While Seafarms is a publicly listed company it is unlikely, particularly given the historical trading volumes, that a single shareholder with over 20% of outstanding shares would be able to dispose of those shares in a short time frame on the open market, or if possible, then at least not likely without dramatically driving down the value of the shares.

9. Assessment of Reasonableness

Approach to Assessing Reasonableness

- 9.1. In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. In forming our conclusions in this Report, we have compared the advantages and disadvantages to Seafarms shareholders if the Proposed Transaction proceeds.

Advantages of the Transaction

- 9.2. We outline below potential advantages of the Proposed Transaction:

Advantage	Explanation
From the perspective of the non-associated shareholders	The Proposed Transaction represents an opportunity for the non-associated shareholders to retain some of the value of their shares in circumstances where the Avatar loans are due for repayment in the short term.
	We are advised that the Company is unlikely to be able to raise sufficient capital to repay the various Avatar loans by their due dates and that it is unlikely Seafarms could source alternate debt financing on the open market on commercially acceptable terms.
	In circumstances where resolution 4 was not passed, and alternative sources of funding were not found in the short term, it is unclear how Seafarms would fund repayment of the Avatar loans. If repayment was enforced on the respective due dates. Under that Circumstance, Seafarms may not be able to continue as a going concern. In that event the non-associated shareholders would be unlikely to see any return on their investment.
	Resolution 4 does not result in additional cash funding for Seafarms, but instead results in significant short term cash outflows being avoided that would be payable but for Resolution 4.
	Even if capital could be raised to repay the Avatar loans, this would result in the use of significant funds that could otherwise be utilised to further develop the Sea Dragon Project and to meet short-term and medium-term working capital requirements for its existing business operations.
	The non-associated shareholders will retain the ability to participate in any potential valuation upside associated with the continued holding of shares, as well as the benefit of any future potential dividends or capital returns.

Disadvantages of the Transaction

9.3. We outline following the potential disadvantages of the Proposed Transaction:

Disadvantage	Explanation
From the perspective of the non-associated shareholders	While the proposed transaction results in the avoidance of an immediate short term debt obligation to be repaid in cash, it remains likely that Seafarms will require further funding to continue the development of its Sea Dragon Project, and to meet working capital obligations until such time as it becomes operationally cashflow positive. There is no certainty that future funding or partnering will occur in which case Seafarms may be unable to complete development of its Sea Dragon Project and may be unable to continue as a going concern. Funding issues for the Company are mentioned in Note 2(i) of the audited financial report for the year ended 30 June 2024.
	As part of the Proposed Transaction the Company would grant to Avatar Finance security over the assets and undertakings of Seafarms and its subsidiary companies. In the event that Avatar Finance was to exercise its rights under these security agreements the value of the shares would be negatively impacted.
	If the Proposed Transaction was to proceed and Avatar Finance was to convert the notes to shares, the value of the current shareholders interests in the Company would be diluted significantly from their current position.
	There is no certainty that even if future funding can be obtained that the development of the Sea Dragon Project will be successful. Future funding may come with further dilutionary impacts on existing shareholdings.
	Avatar and its associates stand to obtain significant control and may hold as much as 58.99% of all issued ordinary shares in Seafarms.
	The Proposed Transaction is unlikely to provide the Company with the ability to pay dividends in the short to medium term.

Conclusion as to Reasonableness

9.4. In accordance with RG 111, a transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the transaction proceeds.

9.5. Although the Proposed Transaction is not fair under the assumption that the DOCA is defeated, when taking into account other significant factors, we consider that overall, the advantages outweigh the disadvantages and therefore we conclude that the proposed transaction is reasonable.

9.6. Under the assumption that the DOCA is upheld the Proposed Transaction is both fair and reasonable.

10. Opinion

10.1. Accordingly, in our opinion the Proposed Transaction under Resolution 4 is **not fair but reasonable** to the non-associated Seafarms shareholders if the DOCA is either upheld or defeated.

- 10.2. An individual's decision in relation to the Proposed Transaction may be influenced by his or her particular circumstances. If in doubt the individual should consult an independent adviser, who should have regard to their individual circumstances.
- 10.3. The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. After carefully reading all relevant documentation provided, including the Explanatory Memorandum to the NOM. We strongly recommend that shareholders consult their own professional advisers and consider their own specific circumstances before voting in favour of, or against approving the Proposed Transaction.

11. Appendix A - Notes to Table 7.4

- Note 1 No change in either Scenario One or Scenario Two from the consolidated SFG position.
- Note 2 Under Scenario One SFG will lose the value of SDP trade and other receivables of \$189,800. Under Scenario Two the amount of \$3,500,000 which was put up under the DOCA will not be returned to SFG.
- Note 3 This is mainly prepaid insurances of \$26,005 which would have no recoverable value Under Scenario One or Scenario Two.
- Note 4 This is prepaid office rental of \$10,780 which would have no recoverable value Under Scenario One or Scenario Two.
- Note 5 The difference between the SFG and Scenario One and Scenario Two positions is the written down value of SDP plant and equipment of \$10,131 that would not be available under Scenario Two.
- Note 6 The difference between the SFG and Scenario One and Scenario Two positions is the written down value of SDP buildings of \$824,731 that would not be available under Scenario Two.
- Note 7 The difference between the SFG and Scenario One and Scenario Two positions is the written down value of SDP motor vehicles of \$1,759 that would not be available under Scenario Two.
- Note 8 The difference between the SFG and Scenario One and Scenario Two positions is the written down value of SDP leased assets of \$113,170 that would not be available under Scenario Two.
- Note 9 The difference between the SFG and Scenario One and Scenario Two positions is the written down value of SDP leased land of \$2,447,473 that would not be available under Scenario Two.
- Note 10 The difference between the SFG and Scenario One and Scenario Two positions is the value of SDP accounts payable of \$1,986,663 which would be avoided under Scenario Two.
- Note 11 The difference between the SFG and Scenario One and Scenario Two positions is the value of SDP accruals of \$6,816 which would be avoided under Scenario Two.
- Note 12 The difference between the SFG and Scenario One and Scenario Two positions is the value of SDP PAYG liabilities of \$8,465 which would be avoided under Scenario Two.
- Note 13 The difference between the SFG and Scenario One and Scenario Two positions is the value of SDP GST payable of \$30,985 which would be avoided under Scenario Two.
- Note 14 The difference between the SFG and Scenario One and Scenario Two positions is the value of SDP provisions of \$28,519 which would be avoided under Scenario Two.
- Note 15 The difference between the SFG and Scenario One and Scenario Two positions is the value of SDP other current liabilities of \$600,000 which would be avoided under Scenario Two.

- Note 16 The difference between the SFG and Scenario One and Scenario Two positions is the value of SDP current lease liabilities of \$1,946,629 which would be avoided under Scenario Two.
- Note 17 The difference between the SFG and Scenario One and Scenario Two positions is the value of SDP long term provisions of \$2,181 which would be avoided under Scenario Two.
- Note 18 The difference between the SFG and Scenario One and Scenario Two positions is the value of SDP lease liability of \$1,122,537 which would be avoided under Scenario Two.
- Note 19 The difference between the SFG and Scenario One and Scenario Two positions is the value of SDP land lease liability of \$2,657,081 which would be avoided under Scenario Two.

12. APPENDIX B - GLOSSARY

Abbreviation	Term
ACFA	Australian Financial Complaints Authority
AIHW	Australian Institute of Health and Welfare
ASIC	Australian Securities and Investment Commission
Board	The Board of Directors of the Company
Company or Seafarms	Seafarms Group Limited
Moore	Moore Australia Corporate Finance Pty Ltd (ABN 67 603 962 429)
Non-Associated Shareholders	Those shareholders of the Company other than Avatar and associated entities.
The Independent Directors	All Directors of Seafarms Limited as set out in paragraph 5.5 excluding Mr Ian Tarhar
FOS	The Financial Ombudsman Service which has now been replaced by AFCA
FSG	Financial Services Guide
IER	This independent Expert Report dated 14 October 2024
RG 111	ASIC Regulatory Guide 111: Content of Expert Reports
RG 112	ASIC Regulatory Guide 112: Independence of Experts
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EBIT	Earnings Before Interest and Tax
CAPEX	Capital Expenditure
WC	Working Capital
VWAP	Volume Weighted Average Price

13. APPENDIX C - SOURCES OF INFORMATION

- ASIC database.
- S&P Capital IQ market research database, including comparable company information.
- Audited consolidated financial statements of Seafarms covering the period from 1 July 2022 to 30 June 2024.
- Regulatory Guide 111: Content of expert reports.
- Regulatory Guide 112: Independence of experts.
- Financial forecast for Seafarms for the period 1 September 2024 to 30 June 2025.
- Information provided in discussions with Seafarms' management and Directors and in information provided in response to our queries.
- Notice of AGM and Accompanying Explanatory Memorandum

14. APPENDIX D - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement Moore Australia Corporate Finance Pty Ltd ("Moore") determined its independence with respect to Seafarms with reference to ASIC Regulatory Guide 112: Independence of expert's Reports ("RG 112"). Moore considers that it meets the requirements of RG 112 and that it is independent of Seafarms.

Also, in accordance with Section 648(2) of the Corporations Act 2001 we confirm we are not aware of any business relationship or financial interest of a material nature with Seafarms or its related parties or associates that would compromise our impartiality.

Mr David Williams, Director of Moore, has prepared this Report. Neither he nor any related entities of Moore have any interest in the promotion of the Proposed Transaction nor will Moore receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this Report. Our fee is not contingent upon the success or failure of the Proposed Transaction and has been calculated with reference to the expected time to be spent on the engagement at normal professional fee rates for work of this type. Accordingly, Moore does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

Moore provided a draft copy of this Report to the Directors and management of Seafarms for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of Moore alone. Changes made to this Report, as a result of the review by the Directors and management of Seafarms, have not changed the methodology or conclusions reached by Moore.

Reliance on Information

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report Moore has relied upon information provided on the basis it was reliable and accurate. Moore has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. Moore evaluated the information provided to it by Seafarms as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base its Report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. Moore does not audit, and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix B of this Report.

Qualifications

Moore carries on business at Level 12, 10 Eagle Street, Brisbane, QLD 4000. Moore Australia Corporate Finance Pty Ltd holds Australian Financial Services Licence No: 478 534 authorising it to provide financial product advice on securities to retail clients.

Mr David Williams specifically was involved in preparing this Report. Mr Williams is a Fellow of Chartered Accountants Australia and New Zealand, is a Chartered Accountant Business Valuation Specialist, holds an RG 146 accreditation and has over 40 years' experience in accounting and advisory services in both valuation and corporate finance.

Consent and Disclaimers

The preparation of this Report has been undertaken at the request of the Directors of Seafarms. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the Report should be used for any other purpose than to accompany the Explanatory Memorandum to the Notice of AGM to consider the Proposed Transaction which is to be sent to Seafarms shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Moore's opinion as to whether or not the Proposed Transaction is fair and reasonable to Seafarms shareholders.

Moore consents to the issue of this Report in the form and context in which it is included in the Explanatory Memorandum to the Notice of AGM to consider the Proposed Transaction which is to be sent to Seafarms shareholders.

Shareholders should read all documents issued by Seafarms that consider the Proposed Transaction in their entirety prior to proceeding with a decision. Moore had no involvement in the preparation of these documents, with the exception of our Report.

This Report has been prepared specifically at the request of the directors of Seafarms. Neither Moore, nor any member or employee thereof undertakes responsibility to any person, other than a shareholder of Seafarms, in respect of this Report, including any errors or omissions howsoever caused. This Report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards.

Our opinions are based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of this Report, our conclusions and opinions may differ from those stated herein. There is no requirement for Moore to update this Report for information that may become available subsequent to its date.

APES 225

Our Report has been prepared in accordance with APES 225 Valuation Services.

15. Appendix E - VALUATION METHODOLOGIES

In preparing this Report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods; and
- analysis of share market trading.

Discounted Cash Flow Method Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- a forecast of expected future cash flows;
- an appropriate discount rate; and
- an estimate of terminal value.

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under capitalisation of future maintainable earnings below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- early-stage companies or projects;
- limited life assets such as a mine or toll concession;
- companies where significant growth is expected in future cash flows; or
- projects with volatile earnings.

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if reliable forecasts of cash flow are not available and cannot be determined.

Capitalisation of Earnings Method Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- a level of future maintainable earnings; and

- an appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBIT - in most cases EBIT will be more reliable than EBITDA as it takes account of the capital intensity of the business.

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT value the whole businesses, or its enterprise value irrespective of the gearing structure. NPAT (or P/E) values the equity of a business.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources.

Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX or the NSX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. In Australia, this has been called the comparable transaction methodology.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which are expected to continue. This method is less appropriate for valuing companies or assets if:

- there are no suitable listed company or transaction benchmarks for comparison;
- the asset has a limited life;
- future earnings or cash flows are expected to be volatile; or
- there are negative earnings, or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets.

Asset Based Methods Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset-based methods including:

- orderly realisation;
- liquidation value;
- net assets on a going concern basis;
- replacement cost; and
- reproduction cost.

The orderly realisation of assets method estimates Fair Market Value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame.

Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimate the market values of the net assets of a company but do not take account of realisation costs.

The asset / cost approach is generally used when the value of the business's assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the

relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- an enterprise is loss making and is not expected to become profitable in the foreseeable future;
- assets are employed profitably but earn less than the cost of capital;
- a significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments); or
- it is relatively easy to enter the industry (for example, small machine shops and retail establishments).

Asset based methods are not appropriate if:

(or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets.

Analysis of Share Trading

The most recent share trading history provides evidence of the Fair Market Value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods..

MOORE AUSTRALIAQUEENSLAND / NORTHERN NEW SOUTH WALES

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+61 3 9415 4830 (outside Australia)

**Online:**

www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00am (AEST) on Wednesday, 27 November 2024.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

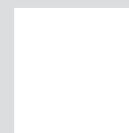
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 184467

SRN/HIN:

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Seafarms Group Limited hereby appoint

☐ the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Seafarms Group Limited to be held at Mills Oakley, Level 23, 66 Eagle Street, Brisbane, QLD 4000 and as a virtual meeting on Friday, 29 November 2024 at 10:00am (AEST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 5 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of Item 5 where the Chairman of the Meeting intends to vote against.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 5 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Remuneration Report	☐	☐	☐
Resolution 2 Re-election of Director – Mr Harley Whitcombe	☐	☐	☐
Resolution 3 Additional Capacity to Issue Securities	☐	☐	☐
Resolution 4 Approval of Transactions with Avatar Finance Pty Ltd under Chapter 2E [Item 7] of the Corporations Act and Listing Rules 10.1 and 10.11	☐	☐	☐
Resolution 5 Spill Resolution	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of Resolution 5 where the Chairman of the Meeting intends to vote against. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /
Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically