



Our Ref: SFG ASX Letter 06 September 2017

06 September 2017

Mr J Newman
ASX Compliance Pty Ltd
Level 40
152 – 158 St Georges Terrace
Perth WA 6000

By email: Jeremy.newman@asx.com.au

Dear Mr Newman,

Response to ASX Query

We refer to your query (**ASX Query**) regarding the change in the price of Seafarms Group Limited's (**Company**) securities and trading volumes. We understand the query has been raised in the context of the execution of the project development agreement between Project Sea Dragon Pty Ltd (a subsidiary of the Company) and the Northern Territory Government (**Development Agreement**) in relation to the Company's 'Project Sea Dragon'.

The ASX Query needs to be considered in the context of two announcements made by the Company in relation to Project Sea Dragon:

- "SFG ILUA Authorisation" released to the ASX Market Announcement Platform at 3.30pm (AEST) on Wednesday, 30 August 2017 (**ILUA Announcement**) announcing that an indigenous land use agreement (**ILUA**) in respect of the Legune Station had been agreed between Seafarms and the Native Title holders. The Legune Station is the proposed site for the 'grow-out ponds' and is highly critical to the success of Project Sea Dragon; and
- "SFG NTG Project Development Agreement" released to the ASX Market Announcement Platform at 10.29am (AEST) on Friday, 1 September 2017 (**Development Agreement Announcement**) announcing that the Development Agreement had been finalised, representing a significant milestone needed prior to financing Stage 1 of Project Sea Dragon.

Authorisation of the ILUA

The Company kept the market fully up to date as to the status of negotiation of the ILUA through periodic announcements on the ASX Market Announcement Platform. On 14 August 2017, the Company announced that the Northern Land Council had issued a public notice for an authorisation meeting for Native Title holders to consider the ILUA.

The authorisation of the ILUA on Wednesday, 30 August 2017 was a critical milestone in achieving the full suite of approvals for Project Sea Dragon to proceed and the ILUA Announcement was materially price sensitive.

In the Company's view, the increase in the price and volume of trading in the Company's securities between the close of trade at 4pm (AEST) on Wednesday, 30 August 2017 and 10.22am (AEST) on Friday, 1 September 2017 is most likely related to market reaction to the ILUA Announcement made at 3.30pm on Wednesday, 30 August 2017 and the associated media coverage that followed, including:

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- the article, “Mega prawn form Project Sea Dragon nets Indigenous Land Use Agreement in northern Australia” published by ABC at 17.05pm on Wednesday, 30 August 2017;
- the article, “Seafarms gets green light for \$2bn prawn farm” published by the Australian Business Review at 12.28pm on Thursday, 31 August 2017; and
- segments on PSD and authorization of the ILUA that were aired on various television and radio shows on Wednesday and Thursday. These are too numerous to list.

Disclosure in relation to the Development Agreement

Consistent with the Company’s approach in relation to disclosure of key milestones, the Company had made periodic announcements on the ASX Market Announcement Platform in relation to the status of negotiation of the Development Agreement, including:

- the ‘SFG Half Year Presentation and Update’ lodged on **27 February 2017** which stated (on page 20) that the “Finalisation of a Project Development Agreement with Northern Territory Government [was] well advanced”.
- the ‘Market Update and Capital Raising Overview’ lodged on **2 June 2017** which stated (on page 11) that the ‘NT Government Project Agreement was being finalised’, and
- the ‘SFG Annual Report Market Update’ lodged on **30 August 2017** which stated (on page 28) that “a Project Development Agreement with the Northern Territory Government is expected to be finalised shortly”. This update was re-iterated on pages 19 and 20,

(the, **Update Announcements**).

The Company believes that as a result of these Update Announcements, especially the ‘SFG Annual Report Market Update’ released on 30 August 2017, the market was sufficiently informed that execution of the Development Agreement was imminent.

The Company is not aware of any leak of confidential or price sensitive information prior to the ILUA Announcement or the Development Agreement Announcement.

We respond separately to the questions in the ASX Query as follows:

1. Does the Entity consider the agreement between the Entity’s subsidiary, Project Sea Dragon and the Northern Territory Government (“Development Agreement”) to be information that a reasonable person would expect to have a material effect on the price of value of its securities?

Yes. However, we note the market has been kept informed of the status of negotiations of the Development Agreement and therefore the materiality of the execution itself needs to be considered in this context.

2. If the answer to question 1 is “no”, please advise the basis for the view:

Not Applicable.

3. When did the Entity first become aware that the Development Agreement was likely to be executed?

The Development Agreement was negotiated over a long period and the Company kept the market informed as to the status of the negotiations (see above).

The Company became aware on Monday, 28 August 2017 that the execution of the Development Agreement was imminent but remained subject to finalisation of a number of outstanding terms. There was no certainty as to the exact date the Development Agreement would be executed until these final matters had been resolved and Ministerial availability had been confirmed, both of which were beyond the Company’s control.

The final matters were resolved on Friday, 1 September 2017 and the Development Agreement executed shortly thereafter at or about 10.25am on Friday, 1 September, 2017. The timing of the key steps on Friday post execution of the Development Agreement were as follows:

| | |
|--|----------------|
| Lodgement of Development Agreement Announcement with ASX: | 10.26am (AEST) |
| Release of Development Agreement Announcement by ASX: | 10.29am (AEST) |
| Press briefing regarding execution of the Development Agreement: | 10.30am (AEST) |

A Media Statement entitled "Significant Milestone to Pave Way for NT jobs" (**Media Statement**) was released by the Northern Territory Government shortly after the Press briefing. The Media Statement was not released by the Northern Territory Government until 12.25pm (AEST)

- 4. When was the Development Agreement executed? In answering this question, please specify at what time the Development Agreement was executed.**

At or about 10.25am on Friday, 1 September, 2017.

- 5. If the Entity first became aware that the Development Agreement was likely to be executed before lodging the lodging the Development Agreement Announcement with the ASX Market Announcement Platform, did the Entity make any announcement prior the Development Agreement Announcement that set out that the Development Agreement was likely to be executed? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.**

There was no material delay between execution of the Development Agreement and release of the Development Agreement Announcement. For further details, see response to Question 3 above.

- 6. When did the Entity become aware of the Media Statement? In answering this question, please specify at what time the Entity first became aware of the Media Statement.**

The Company became aware of the Media Statement upon its release on Friday, 1 September 2017. Again the Media Statement was not released by the Northern Territory Government until 12.25pm (AEST).

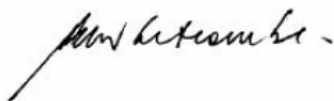
- 7. Was the Entity asked to provide comments in relation the Media Statement prior to its publication? If so, please specify at what date and time the Entity was first contacted to provide comments in relation to the proposed Media Statement.**

No.

- 8. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1**

The Company is in compliance with the Listing Rules, including Listing Rule 3.1.

Yours faithfully
Seafarms Group Limited



Harley Whitcombe
Company Secretary



5 September 2017

Mr Harley Whitcombe
Company Secretary
Seafarms Group Limited

By email:

Dear Mr Whitcombe

SEAFARMS GROUP LIMITED ("ENTITY"): ASX AWARE QUERY

ASX Limited ("ASX") refers to the following:

1. The increase in the price of the Entity's securities from \$0.065 at the close of trade on Wednesday, 30 August 2017 to \$0.076 at 10:22 am (AEST) on Friday, 1 September 2017 and the increase in the volume of trading that occurred in the Entity's securities over the same period.
2. The Entity's announcement titled "*SFG NTG Project Development Agreement*" lodged with the ASX Market Announcements Platform at 10:26:05 am (AEST) and released at 10:29:58 am (AEST) on 1 September 2017 ("Development Agreement Announcement") setting out that:

"Seafarms Group Limited (Seafarms) is pleased to announce that a Project Development Agreement between Seafarms subsidiary, Project Sea Dragon and the Northern Territory Government has been finalised.

This agreement provides a development pathway for the entire 10,000 hectare Project Sea Dragon and its associated infrastructure. Completion of this agreement represents the last significant milestone needed prior to financing Stage 1 of the project, as other major approvals required to construct the first stage have been achieved or will follow as a consequence of the agreement being reached."

3. A Media Statement released by the Northern Territory Government's Newsroom entitled "*Significant Milestone to Pave Way for NT jobs*" made on 1 September 2017 ("Media Statement").
4. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
5. The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."



Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

6. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Entity consider the agreement between the Entity’s subsidiary, Project Sea Dragon and the Northern Territory Government (“Development Agreement”) to be information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. When did the Entity first become aware that the Development Agreement was likely to be executed?
4. When was the Development Agreement executed? In answering this question, please specify at what time the Development Agreement was executed.
5. If the Entity first became aware that the Development Agreement was likely to be executed before lodging the Development Agreement Announcement with the ASX Market Announcement



Platform, did the Entity make any announcement prior the Development Agreement Announcement that set out that the Development Agreement was likely to be executed? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Entity was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the information was released promptly and without delay.

6. When did the Entity become aware of the Media Statement? In answering this question, please specify at what time the Entity first became aware of the Media Statement.
7. Was the Entity asked to provide comments in relation the Media Statement prior to its publication? If so, please specify at what date and time the Entity was first contacted to provide comments in relation to the proposed Media Statement.
8. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **3 pm (WST), Thursday, 7 September 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at jeremy.newman@asx.com.au and tradinghaltsp Perth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.



In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[sent electronically without signature]

Jeremy Newman
Senior Adviser, ASX Listings Compliance