



Our Ref: SFG ASX Announce Placement (465)

3 June 2016

ANNOUNCEMENT 465

Market Announcements Office
Australian Securities Exchange
Level 6
20 Bridge Street
SYDNEY NSW 2000

By ASX Online
Number of pages: 30
(including this page)

Dear Sir

A\$10 million placement to institutional and professional investors

Seafarms Group Limited ACN 009 317 846 (**Company**) is pleased to announce that it has received commitments for a share placement to major domestic and international, institutional and professional investors to raise up to approximately A\$10 million (**Placement**).

Up to 142,860,000 fully paid ordinary shares in the capital of the Company (**Shares**) will be issued shortly to institutional and sophisticated clients of joint lead managers Bell Potter Securities Limited and Euroz Securities Limited under the Company's 25% placement capacity (pursuant to ASX Listing Rules 7.1 and 7.1A) to raise A\$10m at A\$0.07 per Share.

The Placement saw the introduction of new institutional investors to the Company's register. The Placement price of A\$0.07 represents a 7.89% discount to the Company's last close price at Tuesday 31 May 2016 of A\$0.076 and an 8.36% discount to the 5 day volume weighted average price to Tuesday 31 May 2016.

The Company will issue a maximum of 142,860,000 Shares under the Placement, resulting in its total Share capital after completion of the Placement increasing to 1,028,967,449 Shares. New Shares when issued will rank equally with all ordinary shares already on issue.

Use of Proceeds

The Company intends to use the proceeds raised through the Placement to fund the development and expansion of the Company's Project Sea Dragon (**PSD**), including to fast track stage 2 development of PSD, to bring forward early capital work programs and works associated with securing PSD tenure and access, and further domestic and international marketing and brand development for PSD. In addition, the funds will also be applied to expenses associated with the Placement and used for general working capital requirements.

Indicative Timetable

Indicative dates for the Placement are provided below:

Announcement of Placement Friday 3 June 2016

Settlement of Placement Thursday 9 June 2016

These dates are indicative only and may be subject to change. Subject to the Corporations Act and the Listing Rules, the Company reserves the right to vary the timetable without prior notice.

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ABN 50 009 317 846

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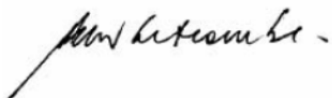
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Enquiries

General enquiries in relation to the Company or the Placement can be made to the Company Secretary at Level 11, 225 St Georges Terrace, Perth, Western Australia or by telephone on +61 8 9321 4111 at any time between 8.30am and 5.00pm (AWST time) on any business day.

Yours faithfully

Seafarms Group Limited

A handwritten signature in black ink, appearing to read 'Harley Whitcombe', with a long, sweeping horizontal stroke extending to the left.

Harley Whitcombe
Director and Company Secretary

Media contact:

Elena Madden
Michels Warren Munday
0447 710 108

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INVESTOR UPDATE

JUNE 2016

**TRANSFORMATION OF AUSTRALIA'S LARGEST AQUACULTURE PRAWN
PRODUCER INTO A GLOBAL PLAYER**

SEAFARMS GROUP LIMITED

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The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the FMC Act and the Securities Act (Overseas Companies) Exemption Notice 2013.

The New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
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Seafarms Group Limited

- Seafarms Group Ltd is an ASX listed Australian agri-food company (“SFG” or the “Company”) comprising:
 - Queensland Prawn Operations
 - Project Sea Dragon
 - CO2 Australia
- Largest producer of farmed prawns (shrimp) in Australia, operating since 1988
- Growing, processing and distributing approximately 1,500t per annum from existing aquaculture operations in Queensland, Australia
- Crystal Bay™ Prawn brand sold in major Australian retail outlets - gaining international recognition in Asian and European markets
- Key focus for SFG is development of Project Sea Dragon (“PSD”) a world class, industrial scale, integrated, land-based prawn aquaculture project in northern Australia
- PSD commenced in 2011, with \$60m+ spent to date. Project to be developed in stages producing premium quality prawns. Strong WA, NT and Federal Government backing
- CO2 carbon business is cash flow positive with earnings reinvested into PSD

Placement Summary

- SFG will undertake a placement to sophisticated and professional clients of Bell Potter Securities Limited and Euroz Securities Limited to raise up to A\$10 million (**Placement**).
- The Placement of 142,860,000 New Shares will be under the Company's ASX LR 7.1 and 7.1A capacity, which are anticipated to be issued on or about Thursday, 9 June 2016.
- The issue of 142,860,000 New Shares represents 16.12% of the 886,107,449 shares currently on issue in SFG.
- The Placement price is A\$0.07 and represents a:
 - ▲ 7.89% discount to the last traded price on Tuesday, 31 May 2016 (\$0.076); and
 - ▲ 8.36% discount to the 5 day VWAP on Tuesday, 31 May 2016 (\$0.076).

Use of Proceeds

- Proceeds raised through the Placement will serve to fast track the development of the Company's PSD and fund the project through to FID in Q4 2016
- Proceeds pursuant to the Placement will principally be applied to:
 - ▲ Securing outstanding Agreements / Approvals / Permits / Licenses
 - ▼ Environmental Impact Statement
 - ▼ Indigenous Land Use Agreement
 - ▼ Non-pastoral land use permit
 - ▼ Government approvals
 - ▲ Further domestic and international marketing and brand development of PSD
 - ▲ Expenses associated with the Placement and general working capital requirements

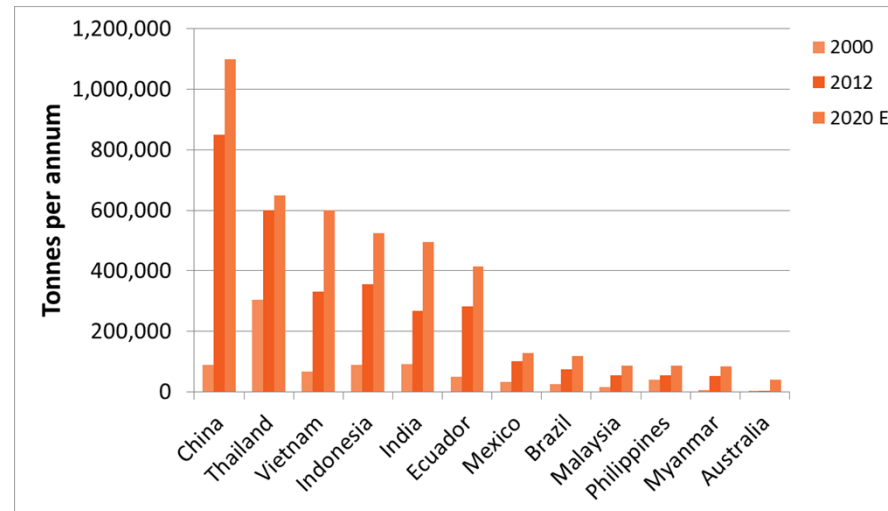
The Placement will fully fund PSD through to completion of the Bankable Feasibility Study in late 2016 with construction anticipated for Q3 2017



PROJECT SEA DRAGON

Project Sea Dragon – Global Opportunity

- Growing population and wealth underpinning global demand for protein particularly in Asia
- Large global growth in shrimp aquaculture



- Current market dominated by small producers predominately based in Asia
 - ▲ Unsophisticated operational and husbandry practices
 - ▲ Disease outbreaks a continuing issue
- Limited capacity to establish new farming regions globally driven by
 - ▲ Biosecurity
 - ▲ Increasing market focus on quality of product and environment

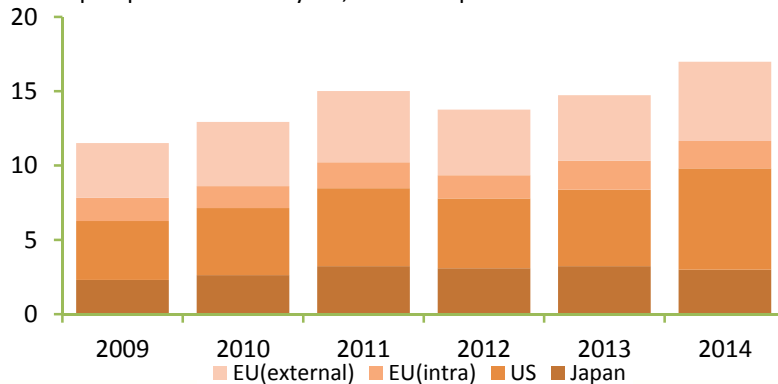
Project Sea Dragon - Need for New Shrimp Farming

- High value and the one of world's most traded seafood products

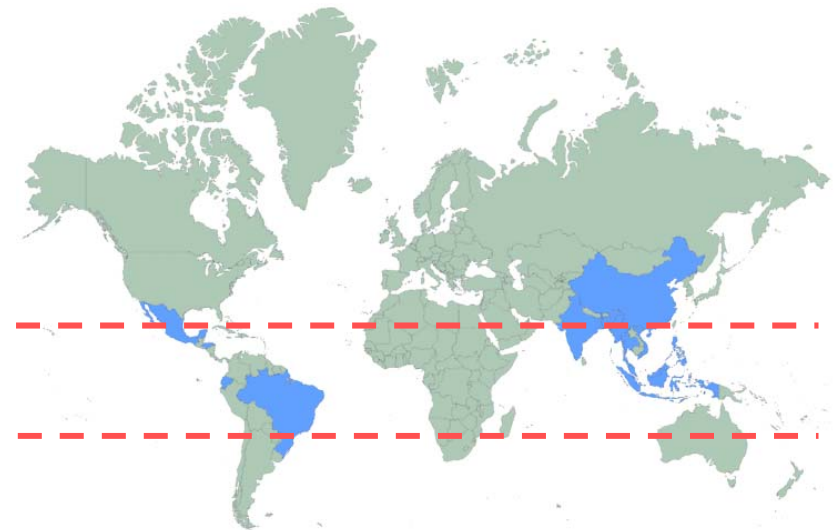
Strong underlying demand for shrimp

- Shrimp is one of the world's most traded seafood products
- A high value seafood product which is benefiting from the growing middle class in developing countries
- Future demand growth is expected to occur within the producing regions

Shrimp imports in value by EU, US and Japan



Limited new shrimp farming regions



- Warm water shrimp require tropical and sub-tropical temperatures

Project Sea Dragon – Project Investment & Outcomes

- 10,000ha project staged over 7 years
- Stage I and Stage II
 - Construction to commence dry season 2017
 - Includes headworks for 10,000 hectare project:
internal roads, power transmission, port, canals
 - Estimated CAPEX Stage I & II and headworks US\$420m

Project Sea Dragon – Financial Outcomes

	Stage I & II	Final
Production (Ha's)	2,160	10,000
Crops (per annum)	1.8	1.8
Current Yield (Run Rate) (per crop)	7.5	9.0
Tonnes (per annum)	29,160	162,000
Domestication/Breeding Generation	2	12
Average Selling Price	US\$13.00kg	US\$13.00kg
Cost of Production	US\$8.00	US\$5.00
Gross Contribution	US\$5.00	US\$8.00
Total Revenue	US\$379 million	US\$2,106 million
Gross Contribution	US\$145.8 million	US\$1,296 million
CAPEX	US\$420 million	US\$1,450 million

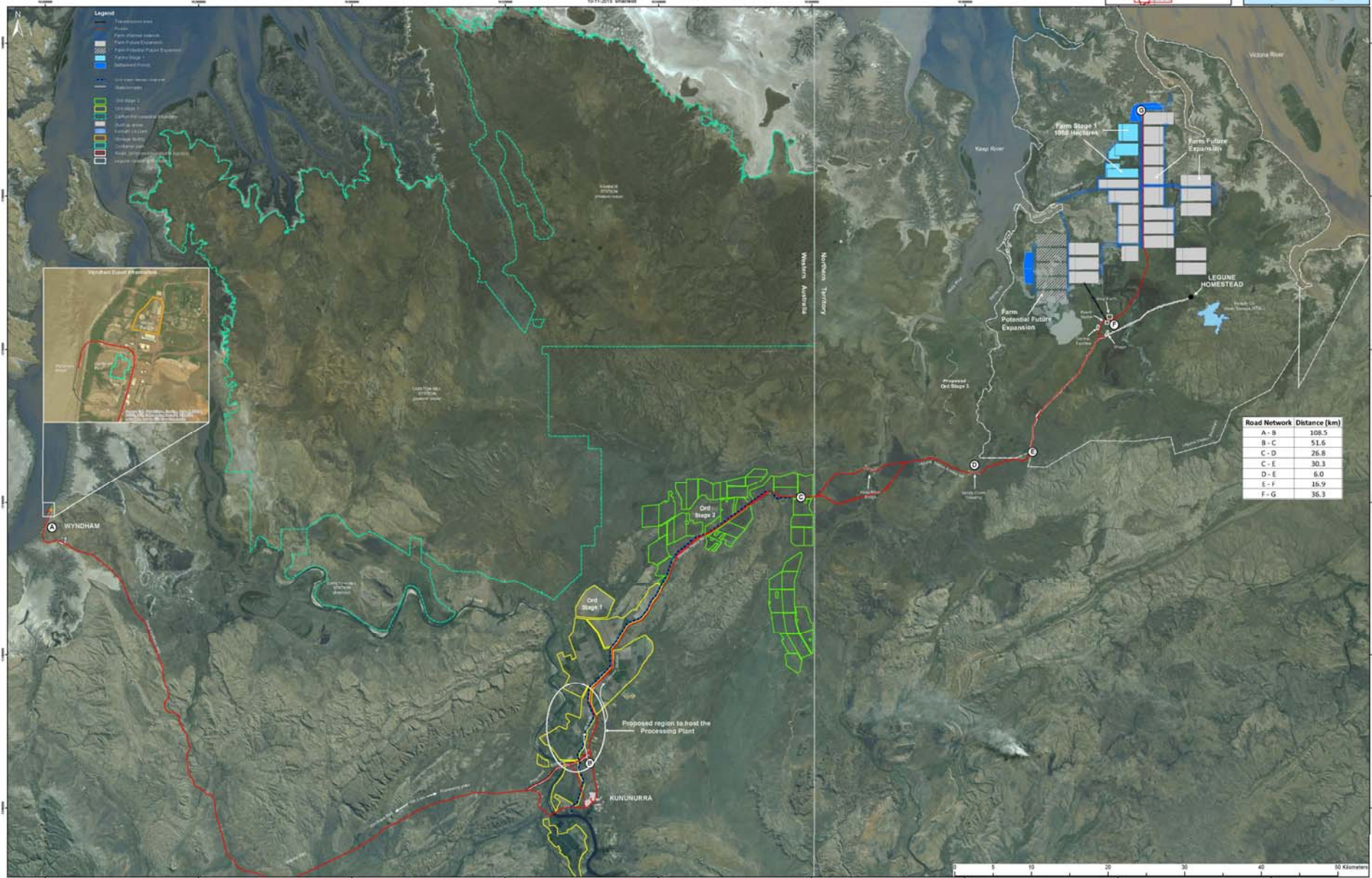
Project Sea Dragon – Unique Attributes

- Industrial scale land-based shrimp aquaculture project based in northern Australia
 - ▲ 10,000 hectare aggregation – staged US\$1.45 billion development over 7 years
 - ▲ Revenue of US\$2.1 billion at full production of 162,000 tonnes
 - ▲ Stage 1: 1,080ha and fast tracking of Stage 2: an additional 1,080ha
 - ▲ Stages 1 & 2: expected to generate revenues of c. US\$380m and 29,000 tonnes
 - ▲ Export focused: Export licences for Europe/US/Asia in place
 - ▲ Project expands to meet market
- A developed country platform
 - ▲ Professional management capabilities
 - ▲ Advanced research, breeding and production techniques
 - ▲ Best practice biosecurity and food safety
 - ▲ Access to infrastructure
 - ▲ Stable political environment
- Integrated production
 - ▲ Genetics, broodstock
 - ▲ Hatchery
 - ▲ Grow-out
 - ▲ Processing
- Product differentiation
 - ▲ Black tiger shrimp versus white-legged shrimp (vannamei)
 - ▲ Superior product offering larger sizes, product of Australia

PROJECT SEA DRAGON - Regional Footprint

Wyndham, Kununurra and Legune Station

Coordinate System: WGS 1984 Web Mercator Auxiliary Sphere
 Projection: Mercator Auxiliary Sphere
 Datum: WGS 1984
 Map ID: 8000_CEN_MP_RP007
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Project Sea Dragon – Economic Drivers

- Industrial scale drives economies of value
 - ▲ Reducing major cost inputs: feed, people and power
 - ▲ Evidenced in the development of the salmon market
 - ▲ Key objective: industry lowest quartile cost structure

- Improved production techniques
 - ▲ Further cost reduction – especially labour unit cost
 - ▲ Qld operations 16 tonnes per FTE versus PSD target of 100 tonnes per FTE

- Biosecurity is critical to delivering outcomes
 - ▲ Industry leading approach and plan for biosecurity
 - ▼ Specific pathogen free broodstock
 - ▼ Tight site management protocols including quarantine processes and site surveillance
 - ▼ Facilities designed for biosecurity – not an afterthought
 - ▲ Major shrimp diseases not reported in Australia (lower disease risk profile)

Project Sea Dragon – World Class Capabilities and Track Record

■ Current Queensland Operations demonstrating production capability

- Commercial pilot (160ha) for Stage 1 of PSD (1,080ha)
- Operating achievements to date
 - ✓ Production: 600tpa to 1,500tpa
 - ✓ Improved genetics, breeding & survival rates
 - ✓ Significant improvement in food conversion rates and yield
 - ✓ Processing rates: increased from 10 tonnes to 21 tonnes per day
 - ✓ Domestic product SKUs: from 4 to 22 across deli, frozen and refrigerated
 - ✓ Continued improvement of safety KPIs
 - ✓ Secured export licences; now deploying product samples



Project Sea Dragon – World Class Capabilities and Track Record

Strong strategic oversight and business development track record

- Board and senior management have significant business experience
- Broad skillsets across strategy, project funding and stakeholder relations including government

Prawn Operations management with international expertise

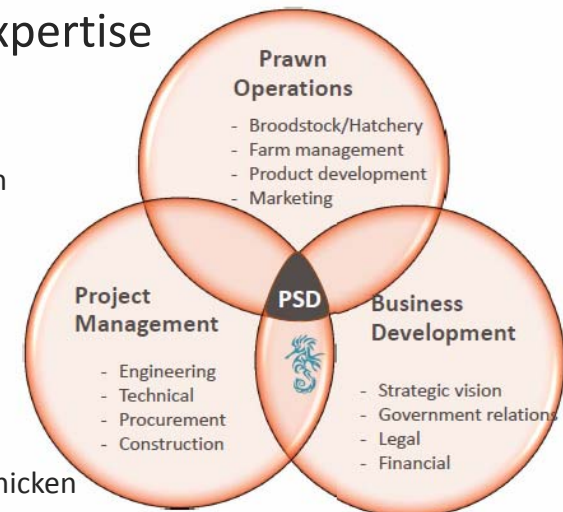
- International team led by Dallas Donovan
- Key members have prawn aquaculture experience
- Design, construction and operation of NPC, Saudi based, c. 4,000ha operation

Research strength is achieving milestones

- Dr Chris Mitchell leads PSD research programmes
- “producing more robust larger animals more quickly”
- \$5m R&D programme with CSIRO and other leading institutions
- Analogous to successful programmes with other protein categories such as chicken
- Already producing G3 animals

Project Management expertise

- Overseen by Owen Stacy, Director Project Delivery (previous experience BHP & SKM)
- Largest single cost is earthworks
- Significant components are existing technology and “plug and play”: hatchery, processing, power station

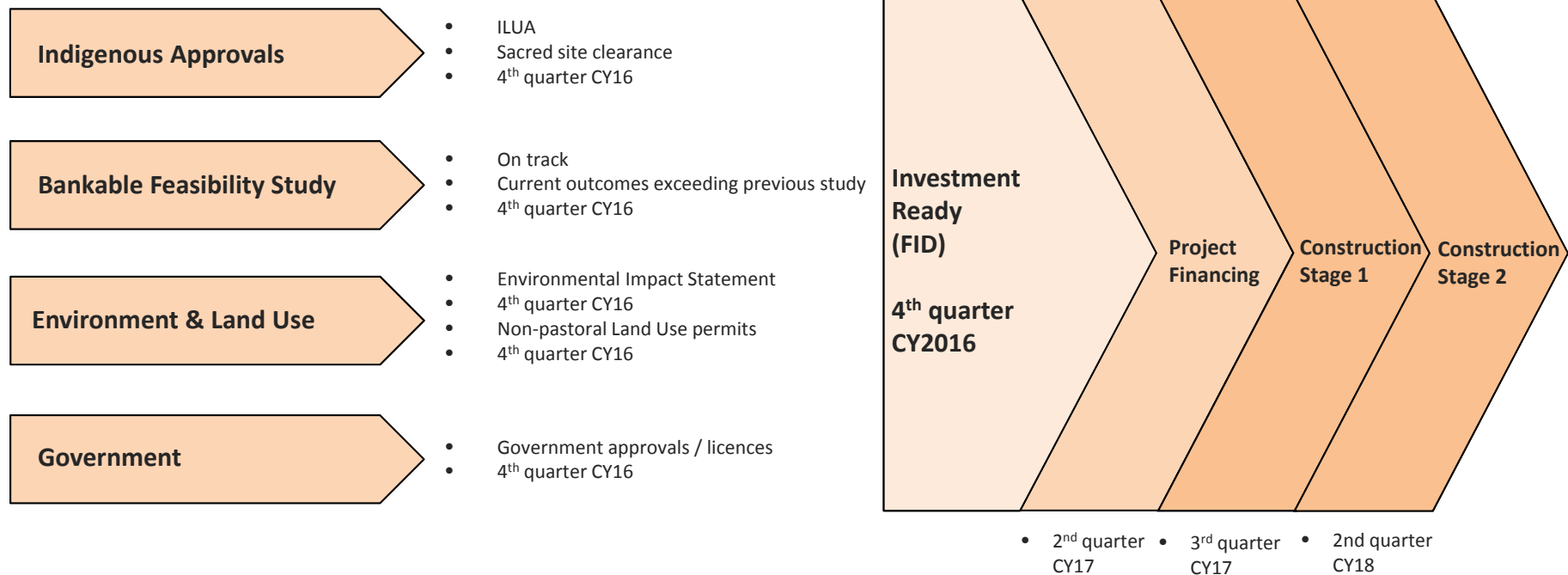


Project Sea Dragon – Status

- Completed Concept Study (April 2013) and Pre-Feasibility Study (June 2013)
- Secured key PSD operating site
 - Legune Access and Option Agreement (Feb 2015)
 - Selected from multi-criteria analysis of northern Australia: Port Hedland to Cape York
- Acquired Queensland aquaculture companies (January 2014)
- Granted Major Project Status by NT, WA and Federal Governments (July to September 2015)
- Bankable Feasibility Study
 - Commenced April 2015
 - Achieved Sacred Site Clearance for on-ground testing
 - Expected completion in fourth quarter of calendar 2016 (CY16)
- \$60 million+ invested on PSD to date

Project Sea Dragon – Key Milestones

The critical approvals relate to the Environment Impact Statement and Indigenous Land Use Agreement (ILUA)



Project Sea Dragon – Investment/Financing Overview

- Positive financing engagement
 - ▲ Strategic and industry - major domestic and international companies (US/Europe/Asia) including major offtake buyers, processors and retailers
 - ▲ Banks and capital markets
 - ▲ Government – Commonwealth, Northern Territory and Western Australia

- Potential participation
 - ▲ Direct project equity investment
 - ▲ Direct project equity and offtake investments
 - ▲ Capital market products and project finance
 - ▲ Potential infrastructure support and project funding via government initiatives

- Financing initiatives expected to accelerate once SFG achieves FID

Seafarms Group: CO2 Australia Limited

- CO₂ provides carbon and environmental services
- 100% owned subsidiary
- Profitable business providing cash flow for SFG
- Continues to secure new business
 - March 2016: additional contracts under Commonwealth 20 Million Trees Programme
- Owns a substantial portfolio of emission credits
- Well positioned for a resurgence in the carbon economy

Corporate Snapshot

The following information was extracted from the 31 March 2016 audited accounts unless otherwise stated

ASX Code	SFG		
Market Capitalisation (31 May 2016)	\$67 million		
Shares on Issue	886 million		
Convertible Preference Shares	30.5 million		
	Audited 31 March 2016 \$'million	Equity Raising \$'million	Pro-forma 31 March 2016 \$'million
Cash on Hand (31 Mar 2016)	5.2	9.5	14.7
Net Assets (31 Mar 2016)	27.8	9.5	37.3
Debt (31 Mar 2016)	10.4	0	10.4
Financial Year End	30 June		
Staff	110		
Directors Holdings	Ian Trahar, Executive Chairman Paul Favretto Harley Whitcombe Chris Mitchell	45.82% 4.14% 1.36% 0.27%	
Company Secretary	Harley Whitcombe		

SFG released its 31 March half-year report to the ASX on 31 May 2016

The Company changed its financial year end to 30 June at its AGM in February 2016

Seafarms – Key Risks

Company Risks





-  **Ability to raise sufficient capital to fund growth and development** - the continued growth and development of the Company's carbon and aquaculture businesses will be dependent upon the ability to access funds to finance required capital for growth through expansion of existing operations and new acquisitions and to continue studies into, and if applicable, develop PSD. There is a risk that access to capital on acceptable terms will not be available. Even if finance is available it may be on terms that materially dilute your equity position.
-  **Aquaculture operation risks** - given the remote location of the Company's current and proposed aquaculture operations, the Company may be unable to attract and retain suitable staff, poor labour efficiency/productivity may result, equipment used may not meet expectations and difficulties may arise with respect to logistics and marketing. In addition, labour costs in Australia are high compared with many competitors.
-  **Carbon operation risks** - national and state laws and changes in regulation affect many facets of carbon markets. Changes in regulation can impact on market conditions and thus business confidence. Carbon sinks are exposed to agricultural risk associated with weather and seasonal climatic conditions which may influence the growth of plantations.

Seafarms – Key Risks

- ❏ **Insurance** - the Company has taken out insurance to cover its current business operations. However, the Company's insurance policies, in some circumstances may not provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.
- ❏ **Environmental regulations** - national and local environmental laws and regulations affect nearly all existing and planned aquaculture operations. These laws and regulations set various standards governing certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. The Company has environmental monitoring protocols in place, but changes in regulations or unforeseen events may create liability for the Company.
- ❏ **Dependence on key personnel** - the Company is reliant upon its key management personnel. The loss of the services of certain personnel could have an adverse effect on the Company, as it may not be able to recruit replacements for the key personnel within a short time frame.
- ❏ **Research and Development** - the Company's business activities and operations involve research and development, which has inherent risk.





Seafarms – Key Risks

Project Sea Dragon Risks

-  **PSD is an early stage opportunity** - although the Company is progressing studies into PSD there can be no assurance that the studies will be successful or will result in a project being developed and, if developed, being a profitable operation.
-  **Project Approvals** - the development of PSD is subject to the Company receiving the required state and local government approvals.
-  **Project Execution** - PSD is also subject usual project development risks, including those associated with engineering, unforeseen project construction delays or site specific challenges.
-  **Shrimp Market** - the financial performance of PSD will be influenced by certain economic factors, including: the price and availability of key inputs such as feed; any material disruption to distribution channels; and fluctuations in consumer demand which may negatively impact the international price for shrimp.




Seafarms – Key Risks

Aquaculture Industry Risks

-  **General Aquaculture risks** - aquaculture is a form of primary production and has the normal and usual risks associated with primary production. These risks include but are not limited to, weather and climate risk, risk of natural catastrophe such as storm surge or wind damage, risks from pest and disease, sudden changes in environmental conditions that impact growth performance, or even death arising from failures in systems, plant and equipment (including adverse changes in water temperature, oxygen concentrations or salinity levels).
-  **Disease/Biosecurity** - disease is a major risk in any animal husbandry or aquaculture project. Disease may enter the production system through the broodstock and hatchery system, from the environment via water or through wildlife or human vectors. The Company has minimised these risks by implementing tight operational biosecurity measures and minimising the use of externally sourced post-larvae, and through rigorous pond preparation. The Company undertakes careful monitoring of prawn health which, combined with modern husbandry techniques that reduce the prevalence of pathogens, also mitigate the effects of any disease. The remote locations of the Company's current and proposed aquaculture operations geographic separation and the lack of water and air pollution also reduces the risk of disease and contamination.
-  **Environmental Impacts** - aquaculture operations have the risk of impacting on the environment, internally and externally. Externally, tail water from an aquaculture farm may fail to meet required specifications. Strategies to minimise the impact and risks to the environment, including surrounding vegetation, terrestrial and marine species are in place for the Company's existing operations.
-  **Water supply** - aquaculture operations require sufficient access to quality water sources year round. The Company currently has access to adequate sources of water for its current operations in northern Queensland.

Seafarms – Key Risks

Placement Risks

-  There are certain risks associated with participating or not participating in the Placement, including:
 -  **Alternative funding** - if the Company is unable to successfully complete the Placement, it will have to consider alternative funding options, which may or may not be available on acceptable terms or may result in dilution to shareholders.
 -  **Future capital requirements** - the Company is likely to require additional capital in the future. The Company's ability to do this at an appropriate price will be significantly impacted by commodity prices, market conditions and the capital raising environment at that time. Future capital raising by the Company may result in your shareholding being diluted.

Seafarms – Key Risks

General risks

- ▣ The business activities of the Company are subject to various general economic and investment risks that may impact on the future performance of the Company. These risk factors include, but are not limited to those summarised below.
- ▣ **Taxation and government regulations** - changes in taxation and government legislation in a range of areas (for example, the Corporations Act, accounting standards and taxation law) can have a significant influence on the outlook for companies and the returns to investors.
- ▣ **Investment in capital markets** - as with all stock market investments, there are risks associated with an investment in the Company. Securities listed on the stock market, can experience price and volume fluctuations that may be unrelated to the operating performances of such companies. These factors may materially affect the market price of shares regardless of the Company's performance. The price of shares might trade below or above the issue price for the New Shares.
- ▣ **Accounting standards** - Australian accounting standards are set by the Australian Accounting Standards Board (**AASB**). Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in the Company's financial statements.
- ▣ **General economic risks** - the operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, oil prices, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters.

Directors and Officers



Ian Trahar
Executive Chairman



Dr Chris Mitchell
Executive Director



Dallas Donovan
Chief Operating Officer



Harley Whitcombe
Executive Director and CFO





<http://seafarms.com.au/>