



Our Ref: SFG ASX Announce 2016 AGM Notice (496)

26 October 2016

ANNOUNCEMENT 496

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

**By ASX Online**  
**Number of pages: 73**  
(including this page)

Dear Sir

**Seafarms Group Notice of Annual General Meeting and Proxy**

Enclosed are the following Seafarms Group Limited documents which will be sent to shareholders today:

- Notice of Annual General Meeting with supporting Explanatory Memorandum (including Independent Experts Report);
- Pro forma Proxy Form;
- GoOnline Form; and
- Lost Holder Letter.

The Annual Report for the period ended 30 June 2016, which will be sent to those shareholders who have requested a copy, was released to the market on 28 September 2016. The Report and the Independent Experts Report are available on our web site [www.seafarms.com.au/investor](http://www.seafarms.com.au/investor)

The Company's Annual General Meeting will be held in Melbourne, on Friday 25 November 2016 at 10.00 am AEDST. Please telephone Harley Whitcombe on (08) 9321 4111 with any queries.

Yours faithfully

**Seafarms Group Limited**

A handwritten signature in black ink, appearing to read "Harley Whitcombe".

Harley Whitcombe  
Company Secretary

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**Seafarms Group Limited**  
ABN 50 009 317 846

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# SEAFARMS GROUP LIMITED

ABN 50 009 317 846

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## Notice of 2016 Annual General Meeting

10.00am (AEDST), Friday, 25 November 2016

At Corrs Chambers Westgarth  
Level 25,  
567 Collins Street  
Melbourne VIC 3000

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# Seafarms Group Limited

## NOTICE OF MEETING 2016

The 2016 Annual General Meeting of Seafarms Group Limited (**SFG** or the **Company**) will be held at Corrs Chambers Westgarth Level 25, 567 Collins Street, Melbourne VIC 3000 at 10.00am (AEDST), Friday, 25 November 2016.

### Dear Shareholder

I am pleased to invite you to attend the 2016 Annual General Meeting of Seafarms Group Limited to be held at Corrs Chambers Westgarth Level 25, 567 Collins Street, Melbourne VIC 3000 on Friday, 25 November 2016 at 10.00am (AEDST).

The Annual General Meeting is an ideal opportunity for you to meet your Board and senior management team and I encourage you to attend the meeting.

The Company's principal continuing activity during the year consisted of aquaculture project development, aquaculture operations, carbon project management (Australia, New Zealand and Vietnam), the provision of environmental services (advisory in ecosystem offsets and carbon farming projects), and trading environmental credits.

The Board of Seafarms Group has continued to develop Project Sea Dragon (**PSD**) and have now commenced a bankable feasibility study. The Project has continued to show robust economics and the ability to occupy a position in the lowest quartile of lowest cost producers internationally. The Cardwell operations have been fundamental in building the key operating skills necessary for the staged development of PSD. The Crystal Bay brands have continued to achieve strong retail and food services acceptance with the expansion of our stock keeping units and our range of products from the delicatessen to refrigerator and to the freezer.

An electronic copy of the Company's 2016 Annual Report is available to download or view on the Company's website at <http://www.seafarms.com.au>. The Company's 2016 Annual Report has also been sent to those Shareholders who previously elected to receive a hard copy.

The following pages contain details on the items of business to be conducted at the 2016 Annual General Meeting. Your Directors believe that each of the resolutions is in the best interests of the Company and its Shareholders.

Voting on the resolutions at the 2016 Annual General 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 (AEDST) on Wednesday, 23 November 2016.

Your Board and management team look forward to seeing you at the 2016 Annual General Meeting.

Yours faithfully



Ian Trahar  
Executive Chairman  
26 October 2016

# Seafarms Group Limited

## NOTICE OF MEETING 2016

Items of Business		Shareholder Approval	Voting Restrictions and Further Details
<b>ORDINARY BUSINESS</b>			
1. <b>DISCUSSION OF FINANCIAL STATEMENTS AND REPORTS</b>	To receive and consider the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2016.	Not applicable	5
2. <b>REMUNERATION REPORT</b>	To adopt the Remuneration Report for the year ended 30 June 2016.	Non-binding	5
3. <b>ELECTION OF DIRECTOR – HARLEY WHITCOMBE</b>	That Mr Harley Whitcombe be re-elected as a Director.	Ordinary resolution	5
<b>SPECIAL BUSINESS</b>			
4. <b>APPROVAL OF NEW LOAN ARRANGEMENTS WITH AVATAR FINANCE PTY LTD</b>	<p>That for the purposes of ASX Listing Rule 10.1, the New Loan Arrangements with Avatar Finance Pty Ltd be approved on the terms set out in the Explanatory Notes.</p> <p><b>The Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd concludes that the proposed New Loan Arrangements outlined in Item 4 are fair and reasonable to Shareholders not associated with Avatar Finance Pty Ltd. Shareholders are referred to Annexure A of this Notice.</b></p>	Ordinary resolution	5
5. <b>ADDITIONAL CAPACITY TO ISSUE SECURITIES</b>	That for the purposes of ASX Listing Rule 7.1A and for all other purposes the Company be granted an additional equity raising capacity equivalent to 10% of the Company's ordinary securities as described in the Explanatory Notes.	Special resolution	8
6. <b>APPROVAL OF EMPLOYEE INCENTIVE PLAN</b>	That, the Seafarms Group Employee Incentive Plan ( <b>Incentive Plan</b> ) and the grant of incentives and the allotment and issue of ordinary shares upon the exercise or vesting of the incentives under the terms of the amended Incentive Plan as described in the Explanatory Notes, be approved for the purposes of ASX Listing Rule 7.2 Exception 9(b) and for all other purposes.	Ordinary resolution	10
7. <b>ADOPTION OF NEW CONSTITUTION</b>	That for the purposes of section 136(2) of the Corporations Act and for all other purposes, the new constitution tabled at the Meeting (excluding Rule 5), and signed by the Chairman of the Meeting for the purposes of identification, be approved and adopted as the constitution of the Company, in place of the current constitution, with effect from the close of the Meeting.	Special resolution	13
8. <b>APPROVAL OF PROPORTIONAL TAKEOVER PROVISIONS</b>	That for the purposes of section 648G of the Corporations Act and all other purposes, conditional upon the approval of Item 7 and with effect from the close of the Meeting, the proportional takeover provisions set out in Schedule 3 to the Explanatory Notes of this Notice be inserted into the new constitution tabled at the Meeting, signed by the Chairman of the Meeting for purposes of identification and approved under Item 7.	Special resolution	13

# Seafarms Group Limited

## NOTICE OF MEETING 2016

### VOTING

#### Notice Record Date

The Company's shareholders (**Shareholders**) recorded on the Company's register of members at 7.00pm (AEDST) on Friday, 21 October 2016 (**Notice Record Date**) will be entitled to receive this notice of meeting (**Notice**).

#### Voting Entitlement

Shareholders recorded on the Company's register of members at 7.00pm (AEDST) on Wednesday 23 November 2016 (**Voting Entitlement Date**) will be entitled to vote on Items at the Company's 2016 annual general meeting (**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**).

Shareholders can vote in one of two ways:

- by attending the Meeting and voting; or
- by appointing a proxy to attend and vote on their behalf.

Shareholders are asked to arrive at the venue 30 minutes prior to the time designated for the Meeting, if possible, so that the Company may check their Shareholding against the Company's share register and note attendances.

#### Voting Restrictions

The voting prohibitions under the *Corporations Act 2001* (Cth) (**Corporations Act**) and voting exclusions under the ASX 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.

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

#### 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 Items 2 and 6 will not be counted unless Shareholders specify how the proxy is to vote.

Any undirected proxy given to the Chair for Items 2 or 6 by a Shareholder entitled to vote on Items 2 or 6 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 for all other Items in favour of those Items.

#### 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 to 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 (AEDST) on Wednesday, 23 November 2016.

#### How to lodge Proxy Forms

You can lodge your Proxy Form with the Company by:

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

**Delivery:** to Level 11, 172 St Georges Terrace, Perth, Western Australia 6000.


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

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

### 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



Mr Harley Whitcombe  
Company Secretary  
26 October 2016

# Seafarms Group Limited

## EXPLANATORY NOTES 2016

### ITEM 1 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 2016.

The Company's auditor, Deloitte Touche Tohmatsu, will be present 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.

A copy of the Company's 2016 Annual Report, which includes the Company's Financial Report, Directors' Report and Auditor's Report is available on the Company's website: <http://www.seafarms.com.au>.

### ITEM 2 REMUNERATION REPORT

#### Background

The Remuneration Report for the financial year ended 30 June 2016 is set out in the Company's Annual Report.

The Remuneration Report sets out the Company's remuneration arrangements for Directors and executive staff.

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 Company's board (**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.

#### No spill resolution

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

At the Company's 2015 annual general meeting, less than 25% of the votes cast on the resolution to adopt the 2015 Remuneration Report were voted against the resolution. Accordingly no spill resolution will be held at this Meeting.

#### 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 2 in accordance with the express authorisation on the Proxy Form.

#### Voting prohibition statement

A vote on Item 2 must not be cast (in any capacity) by or on behalf of a member of Key Management Personnel (details of whose remuneration are including in the Remuneration Report) or any of their Closely Related Parties.

However, the prohibition will not apply if the vote is cast as proxy for a person who is entitled to vote, where:

- the Proxy Form specifies how the proxy is to vote on Item 2; or
- the proxy is the Chair, who may vote in favour of Item 2 in accordance with an express authorisation on the Proxy Form.

### ITEM 3 ELECTION OF DIRECTOR

Harley Whitcombe was appointed to the Board on 12 November 2001.

Mr Whitcombe was most recently re-elected at the Company's 2013 annual general meeting, on 28 February 2014.

In accordance with ASX Listing Rule 14.4 and the Company's Constitution, Mr Whitcombe will retire and being eligible, nominate for re-election. His relevant skills and experience are summarised below.

#### Mr Harley Whitcombe *B.Bus CPA*

<b>Term</b>	Appointed 12 November 2001
<b>Independent</b>	No
<b>Skills and experience</b>	Mr Whitcombe has many years' of commercial and finance experience, providing company secretarial services to publicly listed companies. He is a member of the Australian Institute of Company Directors.
<b>Other directorships</b>	None
<b>Special responsibilities</b>	Chief Financial Officer and Company Secretary of the Company
<b>Interests in the Company</b>	12,013,259 Shares

#### Board recommendation

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

The Chair intends to vote undirected proxies in favour of Item 3.

### ITEM 4 APPROVAL OF NEW LOAN ARRANGEMENTS WITH AVATAR FINANCE PTY LTD

**The Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd concludes that the proposed New Loan Arrangements outlined in Item 4 are fair and reasonable to Shareholders not associated with Avatar Finance Pty Ltd. Shareholders are referred to Annexure A of this Notice.**

#### Background

On 11 March 2014, the Company entered into a credit facility agreement with Avatar Finance Pty Ltd (**Avatar Finance**), a related party of the Company. Under this credit facility agreement, Avatar Finance has made available to the Company, a rolling credit facility of \$8.5 million for working capital purposes which is repayable on 31 October 2017 (**Current Loan Arrangements**). A summary of the terms of the Current Loan Arrangements is set out in the second column of the table in **Schedule 1 Part A**.

The full \$8.5 million under the facility is, at the date of this Notice, drawn down by the Company. The fees and interests paid to Avatar Finance on or prior to 30 September 2016 in relation to the Current Loan Arrangements is \$987,601.

# Seafarms Group Limited

## EXPLANATORY NOTES 2016

### New Loan Arrangements

The Board has assessed the Company and its subsidiaries' (**Group's**) funding requirements in the medium term and determined that funding will be required till 31 January 2019 for: (i) the Company to be able to complete the bankable feasibility study for Project Sea Dragon; and (ii) for working capital purposes in relation to the Group's Northern Queensland prawn farming operations (including completion of the second production run in Cardwell for the 2016/17 financial year). Given that most of the funds obtained under the capital raisings conducted by the Company this year are to be utilised in relation to the development of Project Sea Dragon, the absence of further funding may result in a working capital squeeze for the Group's Northern Queensland prawn farming operations which may adversely affect the second production run at Cardwell.

Accordingly, the Company has been in discussions with Avatar Finance in relation to extending the repayment date under the Current Loan Arrangements. The Company and Avatar Finance have agreed to the following new loan arrangements (**New Loan Arrangements**), subject to Shareholder approval:

- (a) the repayment date will be extended from 31 October 2017 to 31 January 2019; and
- (b) Seafarm Queensland Pty Ltd (**SQPL**), a wholly-owned subsidiary of the Company, will grant to Avatar Finance a security over all the assets of SQPL (**Security**).

SQPL holds the Group's Northern Queensland prawn farming assets. Avatar Finance has agreed that in the event the Company obtains funding from an external financier for working capital purposes or for funding Project Sea Dragon, Avatar Finance will subordinate its security interests to such external financier.

The interest rate and the line fee will remain unchanged under the New Loan Arrangements.

For clarity and ease of reference, the third column of the table in **Schedule 1 Part A** indicates the changes to the Current Loan Arrangements proposed under the New Loan Arrangements.

### Purpose of approval – ASX Listing Rule 10.1

Under Item 4, the Company is seeking shareholder approval to the New Loan Arrangements pursuant to Listing Rule 10.1.

ASX Listing Rule 10.1 provides that if an entity or any of its subsidiaries acquires or disposes of a 'substantial asset' to a 'substantial holder' or 'related party' of the entity, it must be approved by the entity's shareholders unless an exception to Listing Rule 10.1 applies. Under the Listing Rules, the term 'dispose' includes disposing or agreeing to disposing directly or through another person by means, including using an asset as a collateral by granting security over the asset.

A 'related party' of an entity is defined under section 228 of the Corporations Act and includes a company that is controlled by a director of the entity. As Avatar Finance is controlled by Ian Trahar, a director (and Chairman) of the Company, Avatar Finance is a related party of the Company.

A 'substantial asset' is an asset valued at more than 5% of the equity interests as set out in the latest accounts given to ASX (currently being a threshold of approximately \$1.5 million for the Company).

Given that:

- (a) the aggregate of the value of the fees and benefits to be paid to Avatar Finance under the New Loan Arrangements exceeds \$1.5 million; and
- (b) Security will be granted by SQPL to secure the New Loan Arrangements,

the New Loan Arrangements will require Shareholder approval for the purposes of Listing Rule 10.1.

### Approval not required under Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires shareholder approval where a public company such as the Company seeks to give a 'financial benefit' to a 'related party' unless an exception applies.

As mentioned above, for the purposes of Chapter 2E of the Corporations Act, Avatar Finance is considered to be a related party. Under the Current Loan Arrangements, the financial benefit being provided to Avatar Finance is the payment of interests and fees. If the New Loan Arrangements are approved, the 'financial benefit' to Avatar Finance will also include the value of the Security proposed to be granted to Avatar Finance.

An exception from the requirement to obtain shareholder approval under the Corporations Act applies where the giving of the financial benefit is on terms that would be reasonable in the circumstances where the public company and the related party were dealing at arm's length or are less favourable to the related party than those on which it is reasonable to expect if the public company or entity and the related party were dealing at arm's length.

Prior to entering into the original 2014 credit facility agreement, the Board considered the terms of the credit facility agreement and determined they were on arm's length or better terms for the Company. In arriving at this determination, the Board considered the attractive commercial terms of the credit facility agreement in comparison with the terms being offered by arm's length third party banks, including that:

- the facility under the credit facility agreement was unsecured;
- the interest rate was comparable to the market interest rate for comparable facilities;
- the credit facility agreement did not require the Company to provide any warranties;
- the credit facility agreement did not require the Company to provide any covenants (typically, agreements of this nature require the debtor to provide covenants regarding the debtor's financial position and conduct of business); and
- the events of default under the credit facility agreement were limited and narrow in scope.

The Board re-considered the arm's length issue each time the credit facility agreement was amended. The material amendments involved either an increase to the facility limit and/ or extension of the repayment date (without imposing any additional obligations on the Company). Accordingly, the Board determined that the credit facility agreement (as amended) remained on arm's length or better terms for the Company.

The Board has assessed the New Loan Arrangements and is confident that the arrangements are on arm's length terms. BDO Corporate Finance (WA) Pty Ltd (**BDO**) in their Independent Expert's Report (see section below) has confirmed that the New Loan Arrangements are on arm's length terms. Accordingly, the Company is not seeking shareholder approval under Chapter 2E of the Corporations Act.

### Independent Expert's Report

To assist you in deciding how to vote on Item 4, the Board engaged BDO to prepare the Independent Expert's Report to provide an opinion on whether or not the New Loan Arrangements are 'fair and reasonable' to Shareholders who are not associated with Avatar Finance.

The Independent Expert's Report prepared by BDO concludes that the New Loan Arrangements are fair and reasonable to Shareholders not associated with Avatar Finance.

The Independent Expert Report also confirms that the New Loan Arrangements are on arm's length terms. For further details, refer to section 10 of the Independent Expert Report.

# Seafarms Group Limited

## EXPLANATORY NOTES 2016

Shareholders may request a hard copy of the Independent Expert's Report from the Company at no cost by contacting the Company Secretary on +61 8 9321 4111. A complete copy of the Independent Expert's Report is provided in **Annexure A** to this Notice and is also available on the Company's website, [www.seafarms.com.au](http://www.seafarms.com.au).

### Non-conflicted Directors' rationale for supporting New Loan Arrangements

The Directors (other than Mr Ian Trahar, who has a material personal interest in the New Loan Arrangements and accordingly did not attend any board meetings, participate in any board discussions or vote on any matters in relation to the New Loan Arrangements) (i.e. **Non-conflicted Directors**) have considered the New Loan Arrangements in depth and support the New Loan Arrangements for the reasons set out below.

- **Debt funding:** Despite sustained efforts, the Board has been unable to secure funding working capital funding from external financiers. Banks have been unwilling to provide working capital finance to the Company pending the completion of a bankable feasibility study in relation to the Company's Project Sea Dragon.

The Non-conflicted Directors consider that on balance the terms of the New Loan Arrangements are more advantageous compared to those which may be offered by external financiers for a similar facility. In this regard it is noted that:

- the interest rate payable to Avatar Finance is higher than that which will be payable under comparable secured loans from a bank. However, external bank finance is not available to the Company and so a higher interest rate was considered to be reasonable in the circumstances.
- the Company is entitled to prepay the facility under the New Loan Arrangements at any time without payment of any fees/ penalty while any prepayment under the terms provided by banks involves a substantial fee;
- the New Loan Arrangements see the Company provide very limited warranties and covenants and events of defaults are limited and narrow in scope; and
- the terms and scope of the Security are more advantageous to the Company than those which would typically be required by banks. For further details regarding the Security to be provided to Avatar Finance under the New Loan Arrangements, see **Schedule 1 Part B**.
- **Capital raisings:** The Company has raised approximately \$21 million through two capital raisings this year. Given the Company's focus on developing Project Sea Dragon, the Non-conflicted Directors are of the view that there is more benefit to Shareholders if those funds are spent on the development and expansion of Project Sea Dragon than for repayment of debt which Avatar Finance has agreed to extend on slightly different yet attractive terms. In the current circumstances as suitable debt from Avatar Finance is available, the Non-conflicted Directors consider that the benefit of a further capital raising to obtain funds for working capital purposes is outweighed by the dilution to existing Shareholders.
- **Comparison of Current and New Loan Arrangements:** The extended repayment date under the New Loan Arrangements will provide the required working capital for the Group's Northern Queensland prawn farming operations and facilitate completion of the second production run at Cardwell. The Non-conflicted Directors consider that this is beneficial to the Company and outweighs the disadvantage of SQPL granting the Security.

Additionally, the Non-conflicted Directors consider that the grant of the Security is unlikely to have a material impact on the Company because:

- the Non-conflicted Directors have no material concerns regarding the ability of the Company to repay the amounts under the New Loan Arrangements in accordance with its terms and accordingly consider the risk of Avatar Finance being required to enforce the Security as low;
- in the unlikely event that the Company is unable to repay all amounts under the New Loan Arrangements in accordance with its terms, Avatar Finance's entitlement in relation to the Security is limited to the amount of the outstanding principal and capitalised interest; and
- as Avatar Finance has agreed to subordinate its interest in the Security to any external financier providing funding to the Company for working capital purposes or for Project Sea Dragon, in the given circumstances, the grant of the Security appears unlikely to have a material impact on the ability of the Company to secure further or alternative debt finance from non-related third parties.

### What if the New Loan Arrangements are not approved by Shareholders?

If the New Loan Arrangements are not approved by Shareholders:

- the Company will need to divert funding from Project Sea Dragon to repay the facility under the Current Loan Arrangements on the current repayment date (31 October 2017) or will require further funding at that stage to repay the debt to Avatar Finance. As mentioned above, the Company may not be able to secure external funding to repay the debt to Avatar Finance; and
- the Current Loan Arrangements will remain on foot. Accordingly, the Security will not have to be granted to Avatar Finance.

### Key advantages and disadvantages of the New Loan Arrangements

Set out below are some advantages of entering into the New Loan Arrangements:

- the Company will have access to \$ 8.5 million of working capital funding until 31 January 2019 (as opposed to 31 October 2017 under the Current Loan Arrangements);
- the New Loan Arrangements do not involve any dilution of Shareholder's equity interest in the Company while any capital raising is likely to result in some dilution of the holdings of existing Shareholders; and
- if the Company is able to secure funding on terms more favourable than the New Loan Arrangements, the Company has the flexibility to prepay the facility under the New Loan Arrangements (without the payment of any fees/ penalty) and obtain funding on more favourable terms.

The disadvantages of entering into the New Loan Arrangements include:

- SQPL having to grant the Security to Avatar Finance. If the Company is unable to repay all amounts under the New Loan Arrangements in accordance with its terms, Avatar Finance may enforce the Security and sell assets comprising the Security; and
- despite Avatar Finance subordinating its interest in the Security in favour of a third party debt provider (as mentioned above), the granting of the Security may create some level of disincentive to any future debt provider.

# Seafarms Group Limited

## EXPLANATORY NOTES 2016

### Additional disclosures

The following additional information is provided to Shareholders to enable them to assess the New Loan Arrangements.

<b>Further details on Avatar Finance</b>	Avatar Finance is controlled by a director of the Company, Ian Trahar, and is accordingly a related party of the Company. Avatar Finance is also a wholly owned subsidiary of Avatar Industries Pty Ltd, a substantial shareholder of the Company. Avatar Finance does not hold any Shares in the Company.
<b>Nature of benefit</b>	The benefit to be received by Avatar Finance under the New Loan Arrangements are: <ul style="list-style-type: none"> <li>the aggregate interests and fees payable to Avatar Finance. As at 30 September 2016, \$987,601 has been paid under the Current Loan Arrangements. If the New Loan Arrangements are approved, the aggregate interest and fees payable to Avatar Finance from 1 October 2016 to 31 January 2019 (i.e. the extended repayment date) will be approximately \$1,215,700<sup>1</sup>; and</li> <li>the ability to exercise the security over the assets of SQPL if the Company is unable to repay all amounts under the New Loan Arrangements in accordance with its terms.</li> </ul>
<b>Impact of the New Loan Arrangements on the Company</b>	If the New Loan Arrangements are approved, the Company will have access to \$8.5 million working capital funding for the Groups' Northern Queensland prawn farming operations till 31 January 2019 which will enable it to, among other things, complete the second production run at Cardwell for the 2016/17 financial year. SQPL will have to grant Security to Avatar Finance.
<b>Alternative options available to the Company</b>	As mentioned above, the Board has not been able to secure working capital debt funding from external financiers. As set out above, given the availability of suitable debt from Avatar Finance, the Board considers that the benefit of raising funds through another capital raising is outweighed by the costs and the potential for equity dilution of the existing Shareholders.
<b>Directors' interest in the outcome</b>	Mr Ian Trahar has a material personal interest in the outcome of Item 4 by virtue of his controlling Avatar Finance. The Non-conflicted Directors do not have an interest in the outcome of Item 4.
<b>Other information</b>	This Notice, the Explanatory Notes and the Independent Expert's Report contain all the information reasonably required by Shareholders to decide whether or not to approve Item 4.

### Board recommendation

After carefully considering all aspects of the New Loan Arrangements (including the advantages and disadvantages set out above), the Independent Expert's Report and the alternatives available (as set out above), each Non-conflicted Director considers that New Loan Arrangements are in the best interests of Shareholders.

Accordingly, each Non-conflicted Director recommends that the Shareholders vote in favour of Item 4. The Chair intends to vote undirected proxies in favour of Item 4.

Mr Ian Trahar declines to make a recommendation to Shareholders in relation to Item 4 due to his interest in the outcome of Item 4 by virtue of his controlling Avatar Finance.

In order to manage any potential or perceived conflict of interest, Mr Ian Trahar has abstained from making a recommendation and did not participate in the Board's consideration or vote in relation to the New Loan Arrangements.

### Voting exclusion statement

The Company will disregard any votes cast on Item 4 by or on behalf of Avatar Finance and any of its associates (including Ian Trahar).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## ITEM 5 ADDITIONAL CAPACITY TO ISSUE SECURITIES

### Background

The Company seeks Shareholder approval to increase the Company's capacity to issue equity securities by a number equal to 10% of the Company's ordinary securities as at the date 12 months prior to this Meeting (**Additional 10% Capacity**).

The Additional 10% Capacity is in addition to the Company's capacity to issue equity securities equivalent to 15% of the Company's ordinary securities, under ASX Listing Rule 7.1.

The Additional 10% Capacity will provide the Company with the maximum flexibility to raise funds by issuing equity securities without the need for further Shareholder approval.

If approved the Additional 10% Capacity will expire on the earlier of:

- 12 months following the date of this Meeting; or
- the 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 ASX Listing Rule 11.1.2 or 11.2.

If the Additional 10% Capacity is not approved, the Company may be required to obtain Shareholder approval at the time of an issue, which may limit the Company's ability to take advantage of opportunities to raise equity capital.

### Purpose of approval

Under ASX Listing Rule 7.1A the Company must obtain Shareholder approval at this Meeting to issue equity securities equivalent to 10% of the Company's ordinary securities in the 12 months following the approval in addition to the Company's capacity to issue equity securities equivalent to 15% of the Company's ordinary securities.

<sup>1</sup> Assumes BBSY + 4% is 5.62% and that the facility under the New Loan Arrangements remains fully drawn and is not repaid prior to maturity on 31 January 2019.

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The Additional 10% Capacity 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). The number of equity securities issued under the Additional 10% Capacity will be determined in accordance with the formula set out in ASX Listing Rule 7.1A.2.

### Details of the Additional 10% Capacity

<b>Minimum issue price</b>	<p>The issue price will be at least 75% of the VWAP for the securities in the same class, calculated over the 15 days on which trades in that class were recorded immediately before:</p> <ul style="list-style-type: none"> <li>the date on which the price at which the securities are to be issued is agreed; or</li> <li>if the securities are not issued within five trading days of the date in the paragraph above, the date on which the securities are issued.</li> </ul>
<b>Date of issue</b>	<p>The Additional 10% Capacity will expire on the earlier of:</p> <ul style="list-style-type: none"> <li>24 November 2017; or</li> <li>the 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 ASX Listing Rule 11.1.2 or 11.2.</li> </ul>
<b>Use of funds</b>	<p>Shares may be issued for:</p> <ul style="list-style-type: none"> <li>cash consideration, to fund the growth of the Company's aquaculture business, to acquire new assets or investments, or for general working capital; and</li> <li>non cash consideration, for the acquisition of new assets, businesses or resources.</li> </ul> <p>The Company will comply with its disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A in relation to any issue of securities under the Additional 10% Capacity.</p>
<b>Allocation policy</b>	<p>The identity of allottees will be determined on a case-by-case basis having regard to factors which may include:</p> <ul style="list-style-type: none"> <li>the methods of raising funds which are available to the Company;</li> <li>the effect of an issue on the control of the Company; and</li> <li>advice from corporate, financial and broking advisers.</li> </ul> <p>As at the date of this Notice, the allottees have not been determined. They may, however, include substantial Shareholders and/or new Shareholders.</p>

### Risk of dilution

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

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

which may have an effect on the amount of funds raised by the issue of the Shares.

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.

Shares on Issue	Shares Issued	Capital raised		
		At 50% decrease in market price \$0.045	At current market price \$0.090	At 100% increase in market price \$0.180
<b>Current</b>				
<b>1,151,349,528</b>	115,134,953	\$5,181,073	\$103,621,458	\$207,242,915
<b>50% increase</b>				
<b>1,727,024,292</b>	172,702,429	\$7,771,609	\$155,432,186	\$310,864,373
<b>100% increase</b>				
<b>2,302,699,056</b>	230,269,906	\$10,362,146	\$207,242,915	\$414,485,830

### Assumptions and explanations

- The market price is \$0.09, based on the closing price for the Shares on 24 October 2016.
- The issue prices included in the table do not take into account discount to the market price (if any).
- These calculations assume that each Shareholder maintains its current Shareholding in the Company and does not participate in the issue which utilises the 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 2015 annual general meeting, Shareholders approved the Company's capacity to issue equity securities equivalent to Additional 10% of the Company's ordinary securities.

The approval given at the 2015 annual general meeting will expire on 31 January 2017.

As at the date of this Notice, the Company has issued 9,943,883 securities under this additional capacity.

### Security issues in the last 12 months

The Company has issued 265,242,079 equity securities in the 12 month period preceding the date of this Notice details of which are set out below:

	10 June 2016	31 August 2016	6 October 2016
<b>Date of Issue</b>			
<b>Brief Details</b>	Placement announced 3 June 2016	First tranche of Two-tranche Placement announced on 23 August 2016	Second tranche of Two-tranche Placement announced on 23 August 2016. Approved by shareholders at EGM on 28 September 2016
<b>Summary of Terms</b>	142,860,000 Shares, issued on the same terms and ranking equally in all respects with existing fully paid ordinary shares on issue in the Company	78,489,713 Shares, issued on the same terms and ranking equally in all respects with existing fully paid ordinary shares on issue in the Company	43,892,366 Shares, issued on the same terms and ranking equally in all respects with existing fully paid ordinary shares on issue in the Company

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Investor / Recipient	Sophisticated and professional investors	Sophisticated and professional investors	Sophisticated and professional investors
Price	\$0.07 per Share	\$0.09 per share	\$0.09 per share
Discount to market price on date of issue	1.43%	5.56%	5.56%
Amount received	\$10,000,200	\$7,064,074	\$3,950,313
Current value of non-cash consideration	N/A	N/A	N/A

On 26 October 2015, the equity securities of the Company constituted, or were convertible into 886,107,449 Shares.

On this measure, the equity securities issued in the preceding 12 months amount to approximately 30% of the equity securities on issue on 26 October 2015.

### 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 5.

### Voting exclusion statement

The Company will disregard any votes cast on Item 5 by or on behalf of any person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if Item 5 is passed, and any associate of those persons.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## ITEM 6 EMPLOYEE INCENTIVE PLAN

### Background

The Company's employee incentive plan (**Incentive Plan**) was approved by Shareholders at its 2015 Annual General Meeting held on 1 February 2016. Some further amendments have been proposed to the Incentive Plan to ensure that the Company is able to retain employees and consultants of the highest calibre for cost-effective and efficient development of the Company's operations and in particular the planning, financing, construction and start-up of Project Sea Dragon. A summary of the proposed terms of the Incentive Plan is set out below.

The Board is seeking Shareholder approval for the Incentive Plan in accordance with the ASX Corporate Governance Council's Best Practice Recommendations. Shareholder approval is also being sought under ASX Listing Rule 7.2, Exception 9(b).

### Purpose of the Incentive Plan

The primary purpose of the Incentive Plan is to retain, attract and motivate key personnel. The Board believes that the success of the Company depends in a large measure on the skills and motivation of the people engaged in the management of the Company's business, it is therefore important that the Company is able to retain and attract people of the highest calibre for the Company's operations and in particular the planning, financing, construction and start-up of Project Sea Dragon. This includes not only employees but also consultants retained by the Company from

time to time. Accordingly, the Company proposes that the categories of participants under the Incentive Plan be expanded to include consultants.

The Incentive Plan forms an important part of a comprehensive remuneration strategy for the Company's executive directors, employees and consultants, aligning their interests with those of Shareholders by linking their rewards to the long term success of the Company and its financial performance.

The Incentive Plan is structured so that the Board may award Performance Rights as well as Incentive Options to eligible employees and consultants (together **Incentives**). In contrast to an Incentive Option, a Performance Right does not have an exercise price and therefore allows an employee or consultant, subject to satisfaction of the relevant vesting conditions and performance hurdles (as applicable), to benefit by their Performance Rights vesting into Shares without the payment of any cash consideration.

The adoption of employee incentive plans which allow for the grant of performance rights (such as the proposed Incentive Plan) is a current trend among ASX listed companies.

### Key Features of the Incentive Plan

#### Eligible persons:

Under the terms of the Incentive Plan, the Board may determine that an employee or consultant of the Company and its subsidiaries (as the term is defined under the Corporations Act) (**Group**) or any other person the Board deems fit is eligible to participate in the Incentive Plan.

The Incentive Plan is targeted at the Group's senior management, employees, (including executive Directors) and consultants as determined by the Board from time to time. There are currently approximately 17 employees, and 3 consultants who will be eligible to participate in the Incentive Plan. Ian Trahar, who is an employee of Seafarms Group, will not participate in the Incentive Plan.

Non-executive directors and casual employees are not eligible to be granted Incentives.

#### Incentives:

The Incentive Plan allows the Board to grant Performance Rights and Incentive Options to eligible persons.

#### Exercise Price:

The Board's current policy is to grant only Performance Rights under the Incentive Plan, which will not require the participant to pay any amount to the Company upon vesting.

However the Board may choose to grant Incentive Options under the Incentive Plan at any time, without further Shareholder approval. If it chooses to do so, the exercise price of any Incentive Options granted under the Incentive Plan is at the absolute discretion of the Board and the Board will determine the exercise price from time to time. Typically, any Incentive Options granted would have an exercise price calculated by reference to a volume weighted average price of the Shares for a period prior to the date of grant.

#### Number of Incentives to be granted:

The number of Incentives granted under the Incentive Plan will be decided by the Board from time to time.

However, the Company will generally be seeking to take advantage of the form of disclosure relief provided by ASIC Class Order 14/1000 in respect of employee incentive schemes for listed bodies. In order to be able to take advantage of that form of relief certain conditions need to be fulfilled including

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that the maximum number of securities which may be granted under incentive plans (including the Incentive Plan and the previous ESOP) in a rolling 3 year period is 5% of the issued share capital of the Company (calculated at the date of the offer under the Incentive Plan).

The Board notes that Performance Rights involve less risk to a participant than Incentive Options, as they do not require the participant to pay any amounts to the Company upon exercise. As a result, where the Board decides to grant Performance Rights, a participant will typically receive fewer Performance Rights when compared with the number of Incentive Options they would have otherwise received under the Incentive Plan or any other employee incentive plan.

**Vesting Conditions:** The vesting terms for grants of Incentives under the Incentive Plan will be decided by the Board from time to time.

Where appropriate, and where participants (ie, senior management) can exercise significant influence over the business, the Board will establish policies on vesting of Incentives using performance hurdles which may be linked to performance over the long term to encourage participants to focus on performance over the long term.

The Board considers that a vesting condition requiring the employee to satisfy a minimum term of employment of 1 year after the date of grant is appropriate, given the current stage of the Company's development.

**Vesting on change of control:** Incentives that remain subject to a vesting condition immediately vest and are received or become exercisable by the participant in the event that a takeover bid is made for the Company, or another corporate transaction is pursued (such as a scheme of arrangement, selective capital return etc) which results in the bidder acquiring voting power to more than 50% of the Company.

The Board also has a general discretion to allow Incentives to immediately vest if the Board determines, acting in good faith and consistent with its fiduciary duties, that a person has obtained voting power which is sufficient to control the composition of the Board.

Incentives will lapse on their expiry date.

**Vesting in other circumstances:** The Board may permit a participant to exercise Incentives or have such Incentives vested, in other limited situations, such as where a resolution is passed approving the disposal of Company's main undertaking or on a winding up of the Company.

**Expiry Date:** The Board may set out in an invitation to participate in the Incentive Plan the date and times when any Incentives lapse. The expiry date will be no later than 15 years after the date of grant.

### Impact of cessation of employment:

### Treatment of Incentives on Cessation of Employment

Cause	Incentives which have not vested	Incentives which have vested
Termination for ill health or death	Immediately lapse unless Board determines otherwise	May be exercised (in the case of ill health) by the participant, or (in the case of death) by the participant's personal representative, until the Incentive lapses
Termination for cause (e.g. fraud, dishonesty, material breach of obligations)	Immediately lapse unless Board determines otherwise	Immediately lapse unless Board determines otherwise
Termination by consent (e.g. resignation)	Immediately lapse unless Board determines otherwise	Are able to be exercised during the period 30 days after cessation of employment or a longer period allowed by the Board
Redundancy, constructive dismissal, other termination by Company not dealt with above	Incentives automatically vest and are able to be exercised during the period 30 days after cessation of employment or a longer period allowed by Board	Are able to be exercised during the period 30 days after cessation of employment or a longer period allowed by the Board

### Exercise into acquirer shares:

Subject to the ASX Listing Rules, the Incentive Plan provides flexibility for the Company to agree with any successful acquirer of the Company to an arrangement whereby Incentives will become exercisable or vest into shares of the successful acquirer or its parent in lieu of Shares. Any such exercise or vesting will be on substantially the same terms and subject to substantially the same conditions as the holder may exercise or vest Incentives to acquire Shares, but with appropriate adjustments to the number and kind of shares subject to the Incentives, as well as to any exercise price.

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<b>Entitlement for Incentives:</b>	Subject to the terms of the Incentive Plan, vesting and the satisfaction of any performance conditions, each Incentive entitles the holder to receive one fully paid ordinary share in Seafarms Group.	Subject to the terms of the Incentive Plan and as otherwise set out above, during the currency of the Incentives and prior to their exercise (in the case of Incentive Options) or vesting and receipt (in the case of Performance Rights), the holder is not entitled to participate in any new issue of securities of the Company as a result of their holding the Incentives.
<b>Trust structure:</b>	<p>Once an Incentive is capable of being exercised the Board will instruct the Trustee to subscribe for, acquire and / or allocate the Shares the participant is entitled to under the Incentive, and the Trustee will hold those Shares on behalf of the participant in accordance with the Trust Deed.</p> <p>The Board will provide the required funds to the Trustee. The Board in its absolute discretion may instruct the Trustee to either subscribe for new Shares or acquire Shares on market, or a combination of both. The legal title in the participant's Shares will be held in the name of the Trustee, with the participant holding a beneficial interest in those Shares.</p>	The Incentives will not be listed.
<b>Restriction of disposal of Shares:</b>	<p>The Board in its absolute discretion may determine that a restriction period of a maximum of 15 years from the grant of the incentive will apply to some or all of the Shares the holder is entitled to under the Incentive. The holder is not entitled to dispose or deal with the Shares whilst they are restricted.</p> <p>The Board may approve the withdrawal of the Shares from the Trust if the participant submits a withdrawal notice in respect of unrestricted Shares, the holder ceases to be an employee or consultant of the Group, or 15 years has elapsed from the grant of the incentive.</p>	<b>Listing:</b> The Incentives will not be listed.
<b>Transferability:</b>	Incentives granted under the Incentive Plan are generally not transferrable.	<b>Board discretion:</b> Notwithstanding the Board's current policy, under the terms of the Incentive Plan, the Board has absolute discretion to determine the exercise price, the expiry date and vesting conditions of any grants made under the Incentive Plan, without the requirement for further Shareholder approval.
<b>Right to participate in dividends:</b>	<p>Incentives will not entitle the holder to any dividends (or Shares or rights in lieu of dividends) declared or issued by the Company.</p> <p>Any dividends payable on the Shares held by the Trustee will be paid by the Company to the Trustee. The Trustee will then distribute the dividends to the participant.</p>	<b>The requirement for shareholder approval</b> As indicated above, the Board is seeking Shareholder approval to the terms of the Incentive Plan in accordance with the ASX Corporate Governance Council's Best Practice Recommendations. Approval is also being sought under ASX Listing Rules 7.2, Exception 9(b).
<b>Adjustment for rights issues:</b>	The exercise price of Incentives (if applicable) will be adjusted in the manner provided by the ASX Listing Rules in the event of the Company conducting a rights issue prior to the lapse of the relevant Incentive.	<b>ASX Listing Rule 7.2</b> Shareholder approval in accordance with ASX Listing Rule 7.2, Exception 9(b) will exempt grants under the Incentive Plan from the calculation of the 15% annual limit on the grant of new securities without prior Shareholder approval, for a period of three years from the date of the passing of Item 6. If Shareholder approval in accordance with ASX Listing Rule 7.2, Exception 9(b) is not granted under this Item 6, the Shareholder approval of the Incentive Plan at the 2015 annual general meeting will remain in full force and effect (for a period of three years from the date of the 2015 annual general meeting). Accordingly, if Shareholder approval under Item 6 is not obtained:
<b>Other rights to participate in bonus issues, reorganisations and new issues etc:</b>	<p>If the Company completes a bonus issue during the term of an Incentive, the number of Shares the holder is then entitled to will be increased by the number of Shares which the holder would have been issued in respect of Incentives if they were exercised (in the case of Incentive Options) or are vested and are received (in the case of Performance Rights) immediately prior to the record date for the bonus issue.</p> <p>In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Incentives to which the holder is entitled or the exercise price of the Incentives (if applicable), or both as appropriate, will be adjusted in the manner provided for in the ASX Listing Rules.</p>	<ul style="list-style-type: none"> <li>grants under the Incentive Plan (as approved at the 2015 annual general meeting) will not count towards the 15% annual limit; and</li> <li>grants under the proposed Incentive Plan (i.e. incorporating the proposed amendments) can occur but to the extent they are inconsistent with the terms of the Incentive Plan (as approved at the 2015 annual general meeting), they will be counted as part of the 15% annual limit.</li> </ul> <p>In accordance with ASX Listing Rule 7.2, Exception 9(b), the following information is provided to members:</p> <ol style="list-style-type: none"> <li>No Incentive Options or Performance Rights have been granted under the Incentive Plan since it was last approved at the 2015 annual general meeting.</li> <li>A summary of the terms of the proposed Incentive Plan are set out above. A copy of the full terms of the Incentive Plan are available for inspection at the Company's registered office during business hours, or may be obtained free of charge from the Company at Level 11, 225 St Georges Terrace, Perth, Western Australia.</li> </ol> <p><b>Other Information</b> The primary purpose of the grant of Incentives under the Incentive Plan is not to raise capital, but to form part of the employee or consultant's remuneration package. No funds will be raised from the grant of the Incentives. If Performance Rights are granted and vest, then no funds will be raised upon the issue of the Shares. However, if Options are granted and are exercised, then the net exercise price paid upon the issue of the Shares will be used for general working capital purposes. An employee or consultant must contribute their own money to the Company to fund the exercise price of any Options.</p>

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There are no significant opportunity costs to the Company or benefits foregone by the Company in granting the Incentives upon the terms of the Incentive Plan proposed.

At the 2015 annual general meeting, Shareholders approved the grant of an aggregate maximum of 13,500,000 Performance Rights to Dr Chris Mitchell and Mr Harley Whitcombe under the Incentive Plan. That approval will remain effective until 31 January 2019.

The Directors are not aware of any information other than that set out in these Explanatory Notes that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the proposed Item 6.

### Board Recommendation

The Board (other than Dr Christopher Mitchell and Mr Harley Whitcombe who do not make a recommendation because they are each eligible to participate in the Incentive Plan) considers that the Incentive Plan remains an appropriate mechanism to assist in the recruitment, reward, retention and motivation of senior executives, employees and consultants of the Group, and therefore the Board recommends that Shareholders vote in favour of Item 6.

The Chairman intends to vote undirected proxies in favour of Item 6 in accordance with the express authorisation on the Proxy Form.

### Voting exclusion statement

The Company will disregard any votes cast on Item 6 by or on behalf of a Director or an associate of a Director (except a Director who is ineligible to participate in the Incentive Plan or any associate of such Director), as required by ASX Listing Rule 7.2 Exception 9(b).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

As at the date of this Notice, the Company has identified that Dr Christopher Mitchell and Mr Harley Whitcombe and their respective associates are the only persons or class or persons who will be excluded from voting on Item 6.

### Voting prohibition statement

A vote on Item 6 must not be cast as a proxy for a person who is entitled to vote, by a member of the Company's Key Management Personnel or any of their Closely Related Parties, unless:

- the Proxy Form specifies how the proxy is to vote on Item 6; or
- the proxy is the Chair, who may vote in favour of Item 6 in accordance with an express authorisation on the Proxy Form.

## ITEM 7 ADOPTION OF NEW CONSTITUTION

### Background

The Company's existing constitution was adopted on 24 February 2011. Since that time, there have been a number of amendments to the Corporations Act, the Listing rules and other applicable laws and rules which impact on the Company which are not reflected in the existing constitution.

Accordingly, the Company has conducted a review of the constitution to bring it into line with current law and best market practice. As the changes introduced affect numerous provisions in the constitution, it is proposed that a new constitution be adopted, rather than amending the existing constitution.

A summary of the key material differences between the Company's existing constitution and the proposed constitution is set out at **Schedule 2**. This summary is not intended to be an exhaustive explanation of all the changes effected by the adoption of the proposed constitution. A full copy of the new constitution is available for inspection at the Company's office. A complete copy will be sent by email to any Shareholder who requests it prior to the meeting. Requests for inspection or a copy should be directed to the Company Secretary on +61 8 9321 4111.

### Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of adopting the new constitution.

The Chairman intends to vote undirected proxies in favour of Item 7.

Rule 5 of the proposed new constitution contains a new proportional takeover approval provision which updates Rule 15 of the existing constitution. This Item 7 to adopt the new constitution does not include the approval of the proposed new Rule 5. Instead the new Rule 5 will require a separate approval which is contained in Item 8. The explanatory notes associated with this rule are set out in the explanatory notes to Item 8 below and Rule 5 of the proposed new constitution is set out in **Schedule 3**.

## ITEM 8 APPROVAL OF PROPORTIONAL TAKEOVER PROVISIONS

### Background

As part of the proposal to adopt a new constitution, it is intended to insert the proposed Rule 5 "Approval required for proportional takeover" (as set out in **Schedule 3**) (Provisions) in the new Constitution. Consideration and approval of Item 8 is conditional on approval of Item 7.

Under the Corporations Act, a company may include provisions in its constitution to enable it to refuse to register shares acquired under a proportional takeover bid unless a resolution approving the bid is passed by the Shareholders. Such provisions cease to apply three years after they were inserted into a company's constitution or last renewed by shareholders. Accordingly, if Item 9 is approved by the Shareholders, the Provisions will apply till 24 November 2019.

Importantly, the Company last renewed the proportional takeover provisions in its existing constitution at the 2014 annual general meeting on 26 February 2015. Accordingly, if Item 7 is not approved, the proportional takeover provisions (Rule 15) in the existing constitution will continue to apply till 25 February 2018. If Item 7 is approved and Item 8 is not approved, Rule 15 of the existing constitution will cease to apply.

Where the approval of Shareholders is sought to include proportional takeover provisions in a constitution, the Corporations Act requires the Company to provide Shareholders with an explanation of the proposed proportional takeover approval provisions. That information is set out below so that Shareholders may make an informed decision on whether to support or oppose Item 8.

### What is a proportional takeover bid?

A proportional takeover bid is a takeover offer sent to all shareholders, but only in respect of a specified portion of each shareholder's shares. Accordingly, if a shareholder accepts in full the offer under a proportional takeover bid, the shareholder will dispose of the specified portion of their shares in a company and retain the balance of the shares.

### Effect of the provisions to be inserted

If the Provisions are inserted, in the event that a proportional takeover offer is made to Shareholders of the Company, the Board will be required to convene a meeting of Shareholders to vote on a resolution to approve the proportional takeover offer. That meeting must be held at least 15 days before the offer under the proportional takeover bid closes.

The resolution shall be taken to have been passed if a majority of Shares voted at the meeting, excluding the Shares of the bidder and its associates,

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vote in favour of the resolution. The Directors will breach the Corporations Act if they fail to ensure the approving resolution is voted on. However, if no resolution is voted on before the end of the 15th day before the close of the offer, the resolution will be deemed to have been passed. Where the resolution approving the offer is passed or deemed to have been passed, transfers of Shares resulting from accepting the offer will be registered provided they otherwise comply with the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and the Company's constitution. If the resolution is rejected then, in accordance with the Corporations Act, the offer will be deemed to be withdrawn.

In accordance with the Corporations Act, the Provisions will cease to operate three years after their adoption (i.e. on 24 November 2019) unless members resolve by special resolution to renew them in accordance with statutory procedure.

The proportional takeover approval provisions do not apply to full takeover bids.

### Reasons for proposing the resolutions

The Directors consider that Shareholders should have the opportunity to include the Provisions in the new constitution. Without the inclusion of the Provisions, a proportional takeover bid for the Company may enable effective control of the Company to be acquired without Shareholders having the opportunity to dispose of all of their shares to the bidder. Accordingly, Shareholders risk passing control to the bidder without payment of an adequate control premium for all their Shares, whilst at the same time being left as part of a minority interest in the Company.

The Provisions deal with this possibility by providing that if a proportional takeover bid is made for Shares in the Company, Shareholders must vote on whether or not a proportional takeover bid should be permitted to proceed.

The benefit of the Provisions is that Shareholders are able to decide collectively whether the proportional offer is acceptable in principle. Further, the Provisions may ensure that any partial offer is appropriately priced.

### Potential advantages and disadvantages for the directors and shareholders of the Company

The inclusion of the Provisions will enable the Directors to formally ascertain the views of Shareholders in respect of a proportional takeover bid. Without such provisions, the Directors are dependent upon their perception of the interests and views of Shareholders. Other than this advantage, the Directors consider that insertion of the Provisions has no potential advantages or potential disadvantages for them personally as they remain free to make a recommendation on whether a proportional takeover offer should be accepted.

The Directors consider that the Provisions will benefit all Shareholders in that they will have an opportunity to consider a proportional takeover bid and then attend, or be represented by proxy at, a meeting of Shareholders called specifically to vote on the proposal. Accordingly, Shareholders will be able to prevent a proportional takeover bid proceeding if there is sufficient support for the proposition that control of the Company should not be permitted to pass under the proportional takeover bid. The Provisions may also help Shareholders avoid being locked in as a minority with one majority Shareholder. In addition, and as stated above, increasing the bargaining power of Shareholders may ensure that any partial offer is adequately priced. Furthermore, knowing the view of Shareholders assists each individual Shareholder to assess the likely outcome of the proportional takeover bid and whether to accept or reject that bid.

As to the possible disadvantages to Shareholders of inserting the Provisions, it may be argued that the proposal makes a proportional takeover bid more difficult and that such proportional takeover bids will therefore be discouraged. The chance of a proportional takeover bid being successful may be reduced. In turn, this may reduce the opportunities which Shareholders may have to sell all or some of their Shares at a premium to persons seeking control of the Company and may reduce any

takeover speculation element in the Company's Share price. Such a provision may also be considered an additional restriction on the ability of individual Shareholders to deal freely in their Shares.

On balance, the Directors consider that the possible advantages outweigh the possible disadvantages such that insertion of the Provisions is in the interests of Shareholders.

### Knowledge of acquisition proposals

As at the date of this Notice, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

### Board Recommendation

The Board unanimously recommends that Shareholders vote **in favour** of Item 8.

The Chairman intends to vote undirected proxies in favour of Item 8.

# Seafarms Group Limited

## SCHEDULE 1 – KEY TERMS OF CURRENT LOAN ARRANGEMENTS AND NEW LOAN ARRANGEMENTS

### PART A

Set out below are the key terms of the Current Loan Arrangements and the proposed New Loan Arrangements (for which shareholder approval is sought under Item 4).

Provision	Current Loan Arrangements	New Loan Arrangements
<b>Entitles involved</b>	The Company Avatar Finance	The Company Avatar Finance Seafarm Queensland Pty Ltd ( <b>SQPL</b> )
<b>Grant of Facility and Facility Limit</b>	Avatar Finance must advance principal amounts (of at least A\$100,000 or an integral multiple of that amount) as and when requested by the Company. The total amount of the outstanding principal must not exceed the facility limit of A\$8.5 million.	No change
<b>Interest Rate</b>	<p>The Company must pay interest on the outstanding principal until it becomes due and owing at the interest rate set out below.</p> <p>With effect from 11 March 2014, 1 April 2014 and the 1<sup>st</sup> day of each successive month, the interest rate payable is the aggregate of:</p> <ul style="list-style-type: none"> <li>the BBSY i.e. the rate percentage per annum which is equal to the average 'bid rate' quoted on the 'BBSY' page of the Reuters Monitor System at or about 10.00am (Sydney time) on that day for bank accepted bills of exchange of a tenor of 30 days; and</li> <li>a margin of 4% per annum.</li> </ul> <p>Interest is payable the last day of each month commencing 31 March 2014. Avatar Finance may capitalise any interest not paid on its due date on a monthly or any other periodic basis it determine. Interest is payable on capitalised interest.</p>	No change
<b>Line Fee</b>	The Company is required to pay a line fee of 0.50% per annum calculated on Facility Limit, payable in arrears on the last day of each month commencing 31 March 2014 and on the Repayment Date (see below).	No change
<b>Repayment Date</b>	31 October 2017	31 January 2019
<b>Prepayment</b>	<p>The Company may prepay any part of the outstanding principal in multiples of \$100,000 on any Business Day i.e. any day other than a Saturday, Sunday or bank or public holiday in Perth, Western Australia.</p> <p>Any prepaid amount may be re-borrowed in accordance with the terms of the agreement.</p>	No change
<b>Negative pledge</b>	The Company must not without the prior approval of Avatar Finance, mortgage, charge or grant any other form of security (including a security interest as defined in the <i>Personal Property Securities Act 2009</i> (Cth), other than a security interest created in the ordinary course of the Company's ordinary business) to any person.	No change
<b>Use of funds</b>	The amounts advanced may be used for working capital purposes only.	No change

## SCHEDULE 1 – KEY TERMS OF CURRENT LOAN ARRANGEMENTS AND NEW LOAN ARRANGEMENTS

<b>Compliance with applicable law</b>	SFG must not pay any interest or fees under the agreement in breach of any applicable law, including any requirement to obtain shareholder approval under the Listing Rules. SFG must take all steps necessary to obtain the relevant regulatory approvals.	No change
<b>Events of Default</b>	<p>Key Events of Default include:</p> <ul style="list-style-type: none"> <li>▪ <b>Non-compliance:</b> the Company not complying with any obligation under the agreement (including failure to pay any amount due for payment under the agreement) and that default is not rectified within 5 Business Days after its occurrence;</li> <li>▪ <b>Void document:</b> the agreement is void, voidable or otherwise unenforceable by Avatar Finance or is claimed to be so by the Company;</li> <li>▪ <b>Authorisation ceasing:</b> an authorisation from a government body necessary to enable (i) the Company to comply with its obligations under the agreement or to carry on its principal business or activity or; (ii) Avatar Finance to exercise its rights under the agreement is withheld or ceases to be in full force and effect;</li> <li>▪ <b>Material Adverse Effect:</b> an event or series of events, including any material adverse change in the property or financial condition of the Company, occurs which is likely to have a material adverse effect on either the ability of the Company to comply with its obligations under the agreement or the effectiveness or enforceability of the agreement; or</li> <li>▪ <b>Insolvency:</b> an insolvency event occurs in respect of the Company.</li> </ul> <p>If any Event of Default occurs, Avatar Finance may at any time by notice to the Company (i) cancel the facility or any part of it as specified in the notice; and/ or (ii) make all amounts owing to Avatar Finance under the agreement payable on demand or immediately due for payment.</p>	No change
<b>Security and guarantee</b>	No security or guarantee provisions.	<p>SQPL, a wholly-owned subsidiary of the Company will grant security to Avatar Finance over all of the assets of SQPL (<b>Security</b>). Further details in relation to the Security are provided in <b>Part B</b> below.</p> <p>SQPL will also guarantee the payment to Avatar Finance of all amounts owing under the New Loan Arrangements.</p>
<b>Indemnities</b>	The Company has indemnified Avatar Finance on demand against any liability, loss, cost or expense caused or contributed to be an 'Event of Default' (described above) or the exercise or attempted exercise of any right by Avatar Finance under this agreement. The provision regarding indemnity survive the termination of the agreement.	<p>Indemnity provision under Current Loan Arrangements continues to operate.</p> <p>Additionally, SQPL indemnifies Avatar Finance against any liability or loss incurred by Avatar Finance if either the Company or SQPL, do not, are not obliged to, or are unable to, make payments to Avatar Finance in accordance with the terms of the arrangements.</p>

## SCHEDULE 1 – KEY TERMS OF CURRENT LOAN ARRANGEMENTS AND NEW LOAN ARRANGEMENTS

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<b>Governing law and jurisdiction</b>	The arrangements are governed by and will be construed in accordance with the laws applicable in Western Australia and Avatar Finance and the Company irrevocably and unconditionally submit to the non-exclusive jurisdiction of the courts exercising jurisdiction in Western Australia.	No change
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### PART B

The Security will comprise a general security agreement and a registered mortgage as set out below.

Term	Details
<b>General Security Agreement</b>	<i>SQPL provides a first registered security interest to Avatar Finance to secure the payment of all amounts owing to Avatar Finance under the New Loan Arrangements. The security interest being provided will include all present and future property owned by SQPL. (but does not include any land/property owned by SQPL).</i>
<b>Registered mortgage</b>	<i>SQPL is proposing to provide a first registered mortgage over the SQPL's property located in Queensland to secure the payment of all amounts owing to Avatar Finance under the New Loan Arrangements. The mortgaged property consists of the whole of the land and any fixtures on the land.</i>

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## SCHEDULE 2 – MATERIAL CHANGES TO THE CONSTITUTION

Set out below are the material changes under the new constitution of the Company for which shareholder approval is sought under Item 7.

Material change	Explanation of change
<b>Structure and layout</b>	The structure and layout of the proposed constitution is clearer, more concise and easier to understand. Detailed clauses have been broken up into shorter clauses with sub-headings for easier navigation through the document. The drafting of a number of clauses have also been simplified and more key terms have been defined for clarity.
<b>Securities</b>	<p>The proposed constitution provides a broad definition of 'securities' including shares, options and debentures. The existing constitution refers separately to shares and options but did not define either term.</p> <p>The proposed constitution enables the Company to make payment by way of brokerage or commission to a person in consideration for the person subscribing to Securities.</p>
<b>Variation of class rights</b>	<p>The proposed constitution allows the Company, subject to the Corporations Act, Listing Rules, and the terms of issue of any class of Securities, to cancel, abrogate or vary rights attaching to those class of Securities either by a special resolution at a general meeting or by the written consent of holders of 75% of the issued Securities of that class. This is the default position under the Corporations Act and in line with market practice.</p> <p>This amends the existing constitution in which the relevant threshold is an ordinary resolution at a meeting or written consent of a majority of holders of the issued Securities of that class.</p>
<b>Cancellation of forfeited shares</b>	Consistent with the Listing Rules, under the proposed constitution, cancellation of any forfeited security and/ or release or waiver of any liability for any amount called but unpaid in respect of a cancelled security requires prior shareholder approval at a general meeting. Approval at the Board level is not sufficient to take these actions.
<b>Notice and conduct of general meetings</b>	<p>The notice requirements for general meetings and the conduct of general meetings have been set out more clearly and succinctly in the proposed constitution.</p> <p>The Board has the flexibility to determine that any notice regarding the change of venue or postponement or cancellation of general meeting be provided to shareholders not through ASX but through a newspaper advertisement or in any other way subject to the Corporations Act and Listing Rules.</p>
<b>Quorum at general meetings</b>	<p>Quorum requirements have been further clarified in the proposed constitution. The clarifications include:</p> <ul style="list-style-type: none"> <li>where a member has appointed two proxies, only one of them counts for the purposes of determining quorum; and</li> <li>a member placing a direct vote (i.e. by post, facsimile or other electronic means) is not taken into account in determining quorum.</li> </ul>
<b>Voting at general meetings</b>	The existing constitution does not contain provisions governing electronic voting by members at a general meeting. As per the proposed constitution, the directors may determine that a member who is entitled to attend and vote on a resolution at a general meeting may vote electronically. The directors are not required to offer electronic voting to members but the proposed constitution provides them with the flexibility to do so if they consider it appropriate.
<b>Director nomination by members</b>	<p>The proposed constitution requires that a candidate for election as director may only be nominated by such number of members as are required to give notice of a resolution at a general meeting (i.e. currently members with at least 5% of the votes that may be cast in a general meeting or at least 100 members entitled to vote at a general meeting). The existing constitution enables one member to nominate a person for election as director.</p> <p>The proposed Constitution also provides that where members intend to nominate a person for election at a general meeting, they must give the Company notice of that intention at least 35 business days before the meeting (as required under the existing constitution) but not more than 90 business days before the meeting. While the existing constitution contains the 35 business days' limit, it does not provide any limit corresponding to the 90 business day period. This change recognises the administrative difficulty of having a long nominations period.</p>
<b>Removal of directors</b>	The existing constitution does not contain provisions governing the removal of a director. While the requirements are set out in the Corporations Act, for clarity and completeness, the proposed constitution contains corresponding provisions.
<b>Material personal interest of directors</b>	In circumstances where a director has a material personal interest, the existing constitution allows the director to be present and to vote on the matter at a meeting unless prohibited by the Corporations Act. Consistent with the Corporations Act, the proposed constitution introduces a strict prohibition against any director with a material personal interest voting on the matter or be present while the matter is being considered at the meeting (unless specifically permitted under the Corporations Act). In addition, the director with a material personal interest will not count for the purposes of determining a quorum.

## SCHEDULE 2 – MATERIAL CHANGES TO THE CONSTITUTION

Material change	Explanation of change
	The proposed constitution also sets out the formal procedure for notifying the board where a director has a material personal interest. The proposed constitution is more closely aligned with the Corporations Act and ensures any conflicts of interest are brought to the Board's attention.
<b>Written resolution of Directors</b>	Under the proposed constitution, the directors may pass a written resolution without board meeting being held if at least 75% of the directors entitled to vote on that resolution (except any director on leave, any director disqualified or prohibited from voting on that resolution) sign a document containing a statement that they are in favour of the resolution set out in the document. In comparison, the existing constitution requires the consent of all the directors (subject to the same exceptions specified in the proposed constitution). This enables the Board to attend to the Company's affairs in a timely and efficient manner.
<b>Dividend reinvestment plan</b>	Under the proposed constitution, the Directors may establish a dividend reinvestment plan under which any dividend or interest due to members who participate in the plan may be applied in subscribing for or purchasing securities of the Company.

## SCHEDULE 3 – PROPORTIONAL TAKEOVER PROVISION

### 5 Approval required for proportional takeover

#### 5.1 Definitions

In this rule 5:

**Approving Resolution** means a resolution of Eligible Shareholders approving a Proportional Takeover.

**Deadline** means the day which is the 14th day before the last day of the bid period for a Proportional Takeover.

**Proportional Takeover** means offers for Securities made under a proportional takeover bid within the meaning of the Corporations Act.

**Eligible Shareholder** means a person (other than the bidder or an associate of the bidder) who, as at the end of the day on which the first offer under a Proportional Takeover was made, held Securities in the class of Securities to which the Proportional Takeover relates.

#### 5.2 Transfer not to be registered

The registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under a Proportional Takeover is prohibited unless and until an Approving Resolution is passed (or is taken to have been passed) in accordance with this Constitution.

#### 5.3 Approving Resolution

- (a) Where offers have been made under a Proportional Takeover, the directors must, before the Deadline, convene a meeting of the Eligible Shareholders to vote on the Approving Resolution for the purpose of considering and, if thought fit, passing a resolution to approve the Proportional Takeover.
- (b) The provisions of this Constitution relating to general meetings apply, with such modification as is necessary, to a meeting convened under this rule 5.3 as if that meeting were a general meeting.
- (c) Any vote cast on an Approving Resolution by the bidder or any of its associates will be disregarded.
- (d) An Approving Resolution that has been voted on is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50%, and otherwise is taken to have been rejected.
- (e) If an Approving Resolution is voted on in accordance with this rule 5.3 before the Deadline, a director or a secretary must, on or before the Deadline, give the bidder and ASX (if required) notice stating that an Approving Resolution has been voted on and whether it was passed or rejected.
- (f) If no Approving Resolution has been voted on in accordance with this rule as at the end of the day before the Deadline, an Approving Resolution is taken, for the purposes of this rule 5, to have been passed in accordance with those provisions.

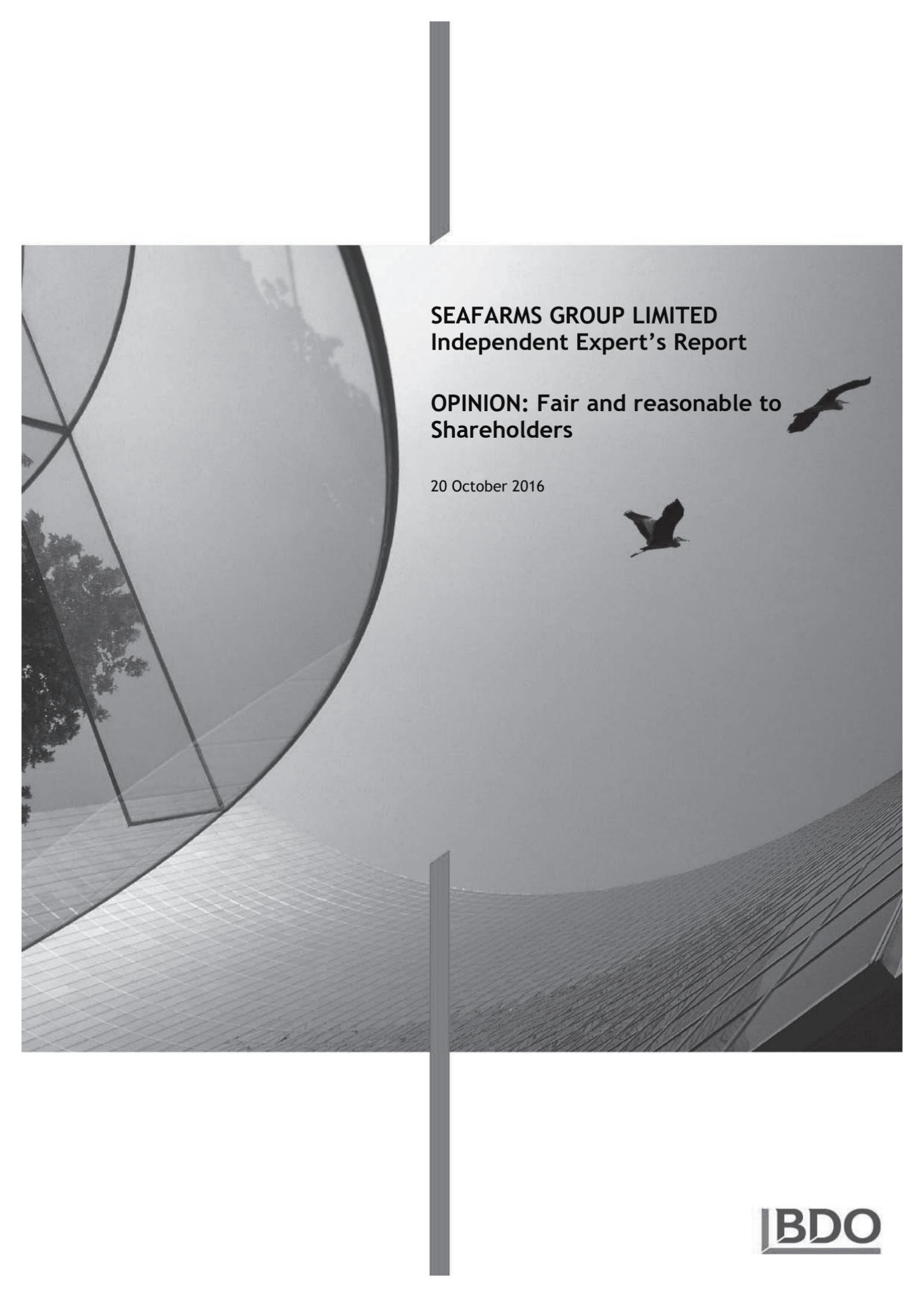
#### 5.4 Cessation of effect

Rules 5.1 to 5.3 cease to have effect at the end of three years after:

- (a) where those rules have not been renewed since their adoption, the date on which those rules were adopted by the Company; or
- (b) if those rules have been renewed since their adoption, the date on which they were last renewed.

**Seafarms Group Limited**

## **ANNEXURE A – INDEPENDENT EXPERT’S REPORT**



**SEAFARMS GROUP LIMITED**  
**Independent Expert's Report**

**OPINION: Fair and reasonable to  
Shareholders**

20 October 2016



## Financial Services Guide

20 October 2016

**BDO Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Seafarms Group Limited ('Seafarms') to provide an independent expert's report on the proposal to amend the terms of the Credit Facility by removing the interest rate cap on the Credit Facility and granting security over the Credit Facility. You will be provided with a copy of our report as a retail client because you are a shareholder of Seafarms.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ♦ Who we are and how we can be contacted;
- ♦ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ♦ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ♦ Any relevant associations or relationships we have; and
- ♦ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

**Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$30,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

**Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Seafarms for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

**Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**Complaints resolution***Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

**Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

**Contact details**

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

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Appendix 5 - Interest Payments

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20 October 2016

The Directors  
Seafarms Group Limited  
Level 11, 225 St Georges Terrace  
PERTH WA 6000

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 11 March 2014, Seafarms Group Limited (**'Seafarms'** or the **'Company'**) entered into an unsecured \$5.0 million credit facility agreement (**'Credit Facility'**) with one of its directors, Ian Trahar (**'Mr Trahar'**) through Avatar Finance Pty Ltd (**'Avatar Finance'**).

Subsequent to the original agreement, numerous amendments were made to the Credit Facility, with the most recent proposed amendment being:

- Extension of the repayment date to 31 January 2019 (**'Repayment Date Extension Transaction'**); and
- Grant of security to secure amounts drawn under the Credit Facility (**'Security Transaction'**).

Interest and payments have been paid by Seafarms to Avatar Finance over the period from 11 March 2014 to date. The existing Credit Facility expires and must be repaid on 31 October 2017 in the absence of an extension from Avatar Finance. The existing Credit Facility contains an interest rate cap clause which prevents the Company from paying any interest or fees that would breach any applicable law or regulation. Avatar Finance has indicated that it will not extend the term of the Credit Facility unless requisite approvals are obtained to enable the applicable interest and fees to be paid.

Obtaining shareholders' approval under Australian Securities Exchange (**'ASX'**) Listing Rule 10.1 will allow Seafarms to continue paying interest or fees under the Credit Facility when the repayment date is extended. The approval is required as the aggregate interest payments (including fees) (**'Aggregate Payments'**) paid or payable to Avatar Finance will exceed 5% or more of Seafarms' equity.

Avatar Finance has also required that it be provided security over all the assets of Seafarms Queensland Pty Ltd (**'SQPL'**), a wholly owned subsidiary of Seafarms that holds the Seafarms group's Northern Queensland prawn farming assets. This also requires shareholders' approval under ASX Listing Rule 10.1.

The Repayment Date Extension Transaction and the Security Transaction are collectively referred to as (**'the Transactions'**).

## 2. Summary and Opinion

### 2.1 Purpose of the report

The directors of Seafarms have requested that BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) prepare an independent expert's report (**'our Report'**) to express an opinion as to whether or not the Repayment Date Extension Transaction and the Security Transaction are fair and reasonable to the non-associated shareholders of Seafarms (**'Shareholders'**).

Our Report is prepared pursuant to ASX Listing Rule 10.1 and is to be included in the Notice of Meeting and Explanatory Memorandum for Seafarms in order to assist the Shareholders in their decision whether to approve the Transactions.

### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission (**'ASIC'**), Regulatory Guide 111 'Content of Expert's Reports' (**'RG 111'**) and Regulatory Guide 112 'Independence of Experts' (**'RG 112'**).

In arriving at our opinion, we have assessed the terms of the Transactions as outlined in the body of this report. We have considered:

- how the value of the assets being acquired compares to the value of the consideration to be paid for the assets;
- the likelihood of a superior alternative offer being available to Seafarms;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- the position of Shareholders should the Transactions not proceed.

### 2.3 Opinion

We have considered the Transaction in two components:

- the Repayment Date Extension Transaction; and
- the Security Transaction.

We have considered the terms of the Repayment Date Extension Transaction as outlined in the body of this report and have concluded that, in the absence of an alternative proposal, the Repayment Date Extension Transaction is fair and reasonable to Shareholders.

We have considered the terms of the Security Transaction as outlined in the body of this report and have concluded that, in the absence of any other relevant information, the Security Transaction is fair and reasonable to Shareholders.

### 2.4 Fairness

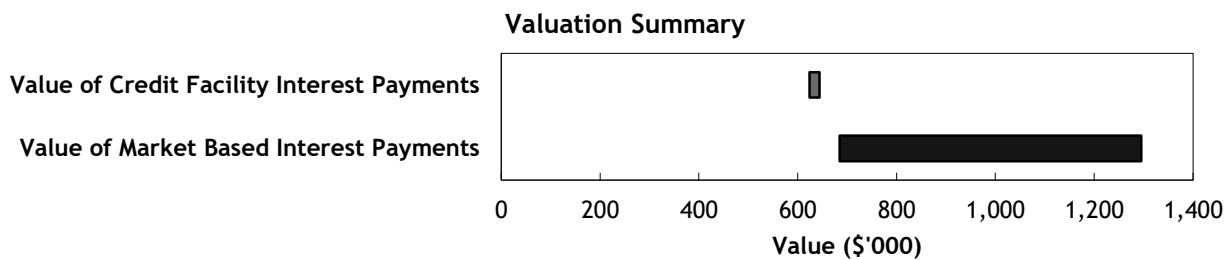
In Section 12, we determined the fairness of the Repayment Date Extension Transaction by comparing the value of the interest repayments on the Credit Facility to be made to Avatar Finance over the period from 31 October 2017 to 31 January 2019 (**'Credit Facility Interest Payments'**) and the value of the benefit to be received by Seafarms, being the value of the interest payments on a debt facility with a market rate of debt over the period from 31 October 2017 to 31 January 2019 (**'Market Based Interest Payments'**).

The values of the Credit Facility Interest Payments and the Market Based Interest Payments are compared below:

	Ref	Low \$'000	Mid \$'000	High \$'000
Value of Credit Facility Interest Payments	11.1	634	634	634
Value of Market Based Interest Payments	11.2	685	990	1,295

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that the value of the Credit Facility Interest Payments is lower than the value of the benefit to be received by Seafarms. Therefore, in the absence of an alternative proposal, the Repayment Date Extension Transaction is fair for Shareholders.

We also concluded that the value of the proceeds of the sale of the security that would be provided to Avatar Finance under the security documents in relation to the Credit Facility in the event of a default is equivalent or lower than the value of the liabilities that would be settled. This is discussed in section 14 of our Report. Therefore, in the absence of any other relevant information, this indicates that the Security Transaction is fair to Shareholders.

## 2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both:

- advantages and disadvantages of the Transactions; and
- other considerations, including the position of Shareholders if the Transactions do not proceed and the consequences of not approving the Transactions.

In our opinion, the position of Shareholders if the Transactions are approved is more advantageous than the position if the Transactions are not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that:

- the Repayment Date Extension Transaction is reasonable for Shareholders; and
- the Security Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
<b>Repayment Date Extension Transaction</b>			
15.1.1	The Repayment Date Extension Transaction is fair	15.2.1	Additional interest costs
15.1.2	Ensures that the business of SQPL remains a going concern without material reductions in operating profile		
15.1.3	Cost of alternative sources of funding		
15.1.4	No dilution of Shareholders' interest		
15.1.5	No change to current operating arrangements		
<b>Security Transaction</b>			
15.1.6	The Security Transaction is fair. RG 111 states that an offer is reasonable if it is fair	15.2.2	Some limited restrictions placed on SQPL's ability to deal with its assets without Avatar Finance's consent
15.1.7	The provision of security enables the Company to obtain the debt funding that it requires and the provision of security for debt funding purposes is not unusual		
Other key matters we have considered include:			
Section	Description		
15.3.1	Alternative proposal		
15.3.2	Benefits received from Credit Facility		

### 3. Scope of the Report

#### 3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset from a related party of the company, a substantial shareholder (i.e. shareholder holding 10% or more of the shares in the company) or an associate of a related party or substantial shareholder, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts.

Under the terms of the Transactions, Seafarms is proposing to vary the terms of the Credit Facility by proposing the:

- extending the repayment date to 31 January 2019;
- extension of repayment date of the Credit Facility from 31 October 2017 to 31 January 2019; and
- grant of security over the Credit Facility.

Interest and payments have been paid by Seafarms to Avatar Finance over the period from 11 March 2014 to date. Shareholders' approval under ASX Listing Rule 10.1 will allow Seafarms to continuing paying interest or fees under the Credit Facility Agreement until the extended repayment date of 31 January 2019, which may result in Aggregate Payments to Avatar Finance exceeding 5% or more of Seafarms' equity. The Aggregate Payments will be considered a 'substantial asset' under ASX Listing Rule 10.1.

The grant of security over the Credit Facility is considered to be a disposal of a 'substantial asset' under ASX Listing Rule 10.1.

Listing Rule 10.1 also applies where the vendor or acquirer of the relevant assets is a related party of the listed entity. Avatar Finance is a related party owned by Mr Trahar who is the current Chairman of Seafarms. Further, Avatar Finance is a wholly-owned subsidiary of Avatar Industries Pty Ltd, which currently has a 16.82% shareholding interest in the Company. Mr Trahar, through Avatar Industries Pty Ltd and Gabor Holdings Pty Ltd, has a 36.66% shareholding interest in the Company.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction non-associated shareholders.

Accordingly, an independent experts' report is required for the Transactions. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Seafarms.

#### 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test—

that is, there should be a separate assessment of whether the transaction is ‘fair’ and ‘reasonable’, as in a control transaction. An expert should not assess whether the transaction is ‘fair and reasonable’ based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Transactions to be control transactions. As such, we have used RG 111 as a guide for our analysis but have considered the Transactions as if they were not control transactions.

### 3.3 Adopted basis of evaluation

RG 111.57 states that a related party transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. 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.

For the Repayment Date Extension Transaction, the benefit provided by the entity (Seafarms) to the related party (Avatar Finance) takes the form of the interest payments and fees arising on the Credit Facility over the extended loan period from 31 October 2017 to 31 January 2019. The consideration being provided to Seafarms is continued access to the Credit Facility over the extended loan period from 31 October 2017 through to 31 January 2019 on terms that are more favourable than Seafarms would be able to secure from other funding sources.

For the Security Transaction, the benefit provided by Seafarms is cash or assets up to the equivalent cash amount sufficient to repay the outstanding liability to Avatar Finance in the case of a default under the Credit Facility. The consideration being provided to Seafarms is continued access to the Credit Facility for the extended loan period.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- a comparison between the value of the interest payable by Seafarms to Avatar Finance under the Credit Facility with the interest that would be payable by Seafarms to an alternative credit provider (fairness - see Section 14 ‘Are the Transactions Fair?’); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 15 ‘Are the Transactions Reasonable?’).

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 ‘Valuation Services’ (**‘APES 225’**).

A Valuation Engagement is defined by APES 225 as follows:

*‘an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.’*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

## 4. Outline of the Transactions

### 4.1 Outline of the Transactions

On 11 March 2014, the Company entered into an 18-month unsecured \$5 million Credit Facility with Avatar Finance, a company controlled by one of its Directors, Mr Trahar. The funds have been used by Seafarms Queensland Pty Ltd ('SQPL') for working capital purposes to expand SQPL's production capacity and efficiency.

Subsequently, the Credit Facility was amended for the following:

- on 25 November 2014, the facility limit was increased to \$7.5 million;
- on 21 May 2015, the facility limit was increased to \$8.5 million and the repayment date was extended from 31 October 2015 to 31 October 2016;
- on 28 April 2016, the repayment date was extended from 31 October 2016 to 31 October 2017; and
- on 31 May 2016, the facility limit was further extended to \$16.5 million.

Interest and payments have been paid by Seafarms to Avatar Finance over the period from 11 March 2014 to date. There is an interest rate cap clause in the Credit Facility agreement which prevents the Company from paying any interest or fees that would breach any applicable law or regulation (including the requirement to obtain shareholder approval under the ASX Listing Rules).

Under the Transactions, Seafarms is proposing to vary the terms of the Credit Facility agreement by:

- extending the repayment date under the Credit Facility to 31 January 2019; and
- granting security over the assets of SQPL to secure amounts drawn under the Credit Facility.

Avatar Finance has indicated it will only extend the repayment date under the Credit Facility if the Company obtains shareholder approval to permit the payment of interest and fees until the extended repayment date of 31 January 2019 and if the security over all the assets of SQPL is provided.

The proposed disposal of a substantial asset, being the Aggregate Payments on the Credit Facility, to Avatar Finance is subject to approval by Shareholders. If Shareholders' approval is not granted for the Repayment Date Extension Transaction, the repayment date of the Credit Facility will not be further extended. Then the Credit Facility will become due and payable on 31 October 2017. If the Repayment Date Extension Transaction is approved, Avatar Finance will agree to an extension to the term of the Credit Facility to 31 January 2019. If Shareholders do not approve the Repayment Date Extension Transaction, Seafarms will need to acquire alternative sources of funding for the continued working capital requirements of SQPL.

The proposed grant of security over the Credit Facility is also subject to Shareholders' approval.

## 5. Profile of Seafarms

### 5.1 History

Seafarms, formerly known as Commodities Group Limited and CO2 Group Limited, is an Australian agri-food company, with its head office located in Perth, Western Australia. Seafarms listed on the Australian Securities Exchange ('ASX') on 14 June 1990.

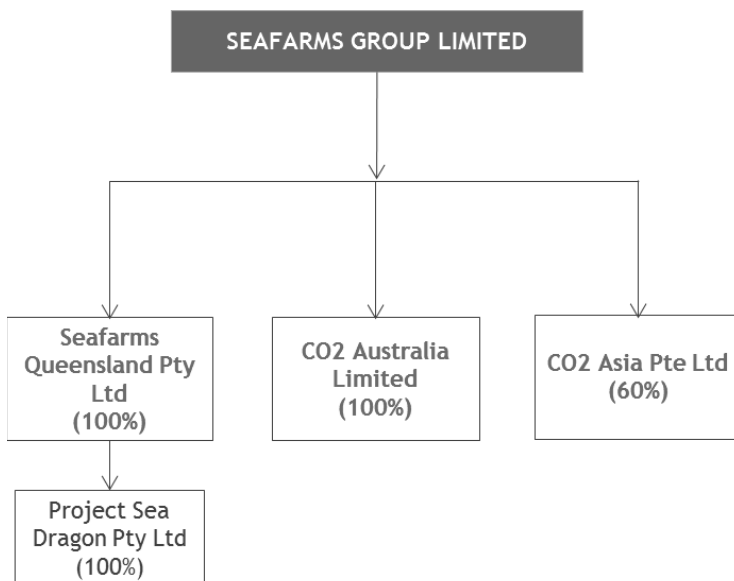
Seafarms principal operations include aquaculture project development, aquaculture operations, carbon project management, provision of environmental services and trading environmental credits.

Seafarms most recent capital raising was completed on 30 August 2016 for \$11 million through the placement of 122.38 million shares at \$0.09 per share.

The Company's current board members and senior management are shown below:

- Ian Trahar - Executive Chairman;
- Harley Whitcombe - Director and Company Secretary;
- Dr Chris Mitchell - Executive Director; and
- Paul Favretto - Non-Executive Director.

Shown below is the organisational structure of Seafarms:



### 5.2 Queensland prawn operations

Seafarms Queensland prawn operations comprise the Company's existing aquaculture prawn operations located in Queensland and Project Sea Dragon ('PSD').

SQPL produces two types of prawns: bananas and black tigers, sold under the Crystal Bay Prawns brand, which are available in supermarkets, seafood outlets and wholesalers.

Major events of Seafarms' Queensland prawn operations are summarised in the following table:

Year	Events
2012	On 6 September 2012, Seafarms announced that it had successfully completed the off market takeover bid for all shares in Western Australian Resources Limited (' <b>WARL</b> '), an Australian aquaculture development company.
2013	<p>In February 2013, Seafarms announced the establishment of Project Sea Dragon an industrial-scale land based prawn farming operation, located in Northern Australia. PSD is designed to produce approximately 100,000,000 kg of prawn per annum of high quality Black Tiger Prawns to the international market, primarily Asia.</p> <p>On 29 April 2013, Seafarms completed a Concept Study on the proposed PSD development of 10,000 hectares prawn production enterprise.</p> <p>A pre-feasibility report undertaken by WARL on PSD was completed on 18 June 2013.</p> <p>On 9 September 2013, Seafarms announced that WARL had successfully acquired Marine Farms Pty Ltd ('<b>Marine Farms</b>') aquaculture sites located in Exmouth Gulf, Western Australia. The Marine Farms aquaculture sites were identified as potential greenfield Bloodstock Facility sites for PSD, which are required to be geographically separated by the hatchery and grow out facilities.</p>
2014	<p>On 6 January 2014, Seafarms announced that WARL had successfully acquired the business and business assets Seafarm Pty Ltd, a Queensland prawn aquaculture company. The acquisition of Seafarm Pty Ltd enabled WARL to become one of the largest prawn producers in Australia. Subsequent to the acquisition, WARL changed its name to Seafarms Group Limited.</p> <p>The Company changed its name from CO2 Group Limited to Commodities Group Limited on 12 March 2014.</p> <p>On 3 November 2014, Seafarms announced that Seafarms Group Limited had successfully completed the acquisition of Coral Seafarms Pty Ltd ('<b>Coral Seafarms</b>'). The acquisition of Coral Seafarms provided an increase of approximately 25% in annual prawn production.</p>
2015	<p>On 16 February 2015, Seafarms Group Limited signed an Access and Option Agreement ('<b>AOA</b>') over Legune Station, an 180,000 hectare operating cattle station located in the East Kimberly region of the Northern Territory, Australia for the development of PSD. The AOA has a term of three years and provides Seafarms Group Limited with:</p> <ul style="list-style-type: none"> <li>the right to commence applications for land tenure for aquaculture, environmental approvals and all licenses and other approvals required for the development and operation of PSD;</li> <li>access to Legune Station for the purpose of carrying out studies, tests and assessments for the licenses and approvals and for the completion of a bankable feasibility study ('<b>BFS</b>') for PSD; and</li> <li>an option to purchase Legune Station at a pre-determine price at any time during the three-year term of the AOA.</li> </ul> <p>The Company changed its name from Commodities Group Limited to Seafarms Group Limited ('<b>Seafarms</b>') on 16 March 2015.</p> <p>On 27 July 2015, Northern Territory Chief Minister Adam Giles and the Deputy Prime Minister Warren Truss announced the granting of 'Major Project Status' to Seafarms' PSD. The granting of Major Project Status</p>

Year	Events
	<p>enables the Company to work with governments to secure export and trade opportunities being created through both the Northern Territory and Commonwealth Government initiatives such as the Free Trade Agreements and other trade related agreements.</p> <p>On 16 September 2015, the Western Australian Government also granted PSD with ‘major project of strategic importance to Western Australia’ status.</p>
2016	<p>The Australian Government committed to a \$40 million upgrade to Keep River Road on 20 June 2016. The upgrade is a vital piece of enabling infrastructure for PSD. The Keep River Road, which is located on Legune Station near the Northern Territory’s border with Western Australia approximately 110 km from Kununurra, is a key link in the transport logistics of PSD.</p> <p>On 8 July 2016, Seafarms 100% wholly owned entity Seafarms Queensland Pty Ltd (<b>‘SQPL’</b>) secured its first export contract, allowing Seafarms to commence international distribution of its Crystal Bay Tiger Prawns.</p> <p>On 12 July 2016, Seafarms commenced the first stage of upgrading the Prawn Quarantine and Founder Stock Facility located in Exmouth, Western Australia. The facility will be used to introduce, hold, rear, test and screen wild broodstock animals for any economically important pathogens. Exmouth was selected as the location for this facility due to its geographical isolation from all other aquaculture activities including the Company’s own hatchery and grow out facilities.</p> <p>On 29 July 2016, Seafarms announced that it had secured a five year lease agreement for the Garrjang Accommodation Village, located in Kununurra, Western Australia. Garrjang Accommodation Village is a fully equipment camp capable of accommodation approximately 230 people.</p> <p>On 9 August 2016, Seafarms successfully completed an earthworks trial at Legune Station. The trial confirmed the sustainability of Legune Station to host the grow-out ponds for PSD.</p> <p>On 7 October 2016, Seafarms announced that it had released its Environmental Impact Statement for Stage 1 of the Project at Legune Station.</p>

### 5.3 CO2 Australia (100%)

CO2 Australia Limited (**‘CO2 Australia’**) a 100% fully owned entity offers businesses tailored strategies to manage to environmental and carbon liabilities, by offering:

- carbon management services;
- environmental offset services;
- environmental and land management services; and
- environmental and carbon credits.

On 6 May 2015, CO2 Australia secured three significant contracts with the Commonwealth Government. CO2 Australia was appointed as a large scale provider to the Commonwealth’s 20 Million Trees Program, a funding initiative designed to protect and restore the environmental and make agriculture more sustainable and productive. CO2 Australia also secured two Carbon Abatement Contracts through the Commonwealth’s Emissions Reduction Fund auction. Under these contracts, Australian Carbon Credit Units (**‘ACCUs’**) will be supplied to the Commonwealth over a 10 year period.

On 9 March 2016, CO2 Australia secured further new contracts with the Commonwealth's 20 Million Trees Program.

#### 5.4 CO2 Asia (60%)

On 27 August 2012, Seafarms announced that it had entered into a joint venture with Asia Energy Development Partners ('AEDP'), establishing CO2 Asia Pte Ltd ('CO2 Asia').

CO2 Asia specialises in developing and commercialising projects under the Kyoto Protocol's Clean Development Mechanism ('CDM') through the provision of integrated carbon solutions.

## 5.5 Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-16 \$	Audited as at 30-Sep-15 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	8,283,532	12,031,225
Trade and other receivables	1,558,373	2,490,434
Inventories	6,366,517	8,596,683
Current tax receivables	15,786	12,210
Other current assets	540,715	735,479
Accrued income	791,890	75,288
Biological assets	3,325,639	3,522,950
Other current financial assets	186,829	216,498
Non-current assets classified as held for sale	-	1,280,000
<b>TOTAL CURRENT ASSETS</b>	<b>21,069,281</b>	<b>28,960,767</b>
<b>NON-CURRENT ASSETS</b>		
Inventories	184,923	184,923
Other financial assets	-	9,354
Investments accounted for using the equity method	499,109	401,153
Property, plant and equipment	18,266,194	19,374,038
Deferred tax assets	6,269,297	5,897,667
Intangible assets	3,401,019	3,725,093
<b>TOTAL NON-CURRENT ASSETS</b>	<b>28,620,542</b>	<b>29,592,228</b>
<b>TOTAL ASSETS</b>	<b>49,689,823</b>	<b>58,552,995</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	6,984,506	4,011,179
Borrowings	1,271,668	3,379,667
Provisions	1,339,549	1,057,978
Deferred revenue	1,072,912	1,322,656
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,668,635</b>	<b>9,771,480</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	8,821,666	9,771,667
Provisions	196,914	68,155
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>9,018,580</b>	<b>9,839,822</b>
<b>TOTAL LIABILITIES</b>	<b>19,687,215</b>	<b>19,611,302</b>
<b>NET ASSETS</b>	<b>30,002,608</b>	<b>38,941,693</b>
<b>EQUITY</b>		
Contributed equity	79,021,152	69,599,918
Reserves	5,252,773	5,252,773
Retained earnings	(54,271,317)	(35,910,998)
<b>TOTAL EQUITY</b>	<b>30,002,608</b>	<b>38,941,693</b>

Source: Audited financial statements for the financial years ended 30 June 2016 and 30 September 2015.

The Company changed its financial year end from 30 September to 30 June in 2016. Its first new reporting period was for the nine month period ended 30 June 2016.

We note that Seafarms' auditor issued a clean audit report with no qualifications for the period ended 30 June 2016.

## Commentary on Historical Balance Sheet:

- Cash and cash equivalents decreased from \$12.03 million as at 30 September 2015 to \$8.28 million as at 30 June 2016 primarily due to a decrease of approximately \$6.06 million in deposits at call caused by expenditure on PSD; principally engineering; land works; preparation of environmental impact statement; development of Exmouth site; and site trials. This was partially offset by an increase of approximately \$2.13 million in cash at bank and in hand.
- The breakdown for inventories is as set out below:

	Audited as at 30-Jun-16 \$	Audited as at 30-Sep-15 \$
Finished goods	5,121,160	7,266,505
Feed and consumables	1,245,357	1,330,178
<b>TOTAL INVENTORIES</b>	<b>6,366,517</b>	<b>8,596,683</b>

- finished goods relate to harvested prawns from the Company's aquaculture operations located in North Queensland; and
- feed and consumables relate to the Company's aquaculture operations.
- Current tax receivables relate to overseas income tax refundable to CO2 Asia Pte Ltd.
- The breakdown for other current assets is as set out below:

	Audited as at 30-Jun-16 \$	Audited as at 30-Sep-15 \$
Prepayments	292,168	456,897
Accrued interest	-	8,882
Deposits paid	19,720	18,091
Environmental credits to FVTPL	169,831	51,037
Other aquaculture assets	58,996	200,572
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>540,715</b>	<b>735,479</b>

- Accrued income of:
  - \$75,288 as at 30 September 2015 relates to accrued income from carbon sink development; and
  - \$791,890 as at 30 June 2016 relates to accrued income from carbon sink management.
- Biological assets relate to live prawns valued at fair value.
- Other current financial assets relate to New Zealand energy futures at FVTPL.
- During the financial year ended 30 September 2015, Seafarms entered into a contract to sell the carbon sink under development for \$1.28 million.
- Other non-current financial assets relate to available for sale investments.
- Investments accounted for using the equity method of \$0.50 million as at 30 June 2016 relates to Seafarms' 60% interest in Blue Leafed Mallee Pty Ltd ('BLM').

- The breakdown for property, plant and equipment is as set out below:

	Audited as at 30-Jun-16 \$	Audited as at 30-Sep-15 \$
Freehold land	2,179,799	2,179,799
Freehold buildings	1,448,734	1,335,213
Ponds	6,048,496	6,302,813
Plant and equipment	6,597,048	6,496,507
Leasehold improvements	64,993	68,492
Carbon sinks	1,387,124	2,451,214
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>18,266,194</b>	<b>19,374,038</b>

- The breakdown for intangible assets is as set out below:

	Audited as at 30-Jun-16 \$	Audited as at 30-Sep-15 \$
Development costs	1,979,482	2,274,995
Goodwill	1,207,187	1,207,187
Computer software	4,277	17,190
NGAC accreditation	210,073	225,721
<b>TOTAL INTANGIBLE ASSETS</b>	<b>3,401,019</b>	<b>3,725,093</b>

- NSW Greenhouse Abatement Certificates ('NGAC') are granted under the New South Wales Greenhouse Gas Abatement Scheme ('NSWGGAS') and allows Seafarms to generate revenues from any single project.
  - NGAC's are granted to those who undertake activities that reduce emissions from existing generators, generate electricity using low emission technologies, improve energy efficiency, sequester carbon in forests, and reduce emissions from industrial processes in large energy consuming industries.
- Current borrowings of \$1.27 million as at 30 June 2016 comprise an unsecured vendor finance facility which relates to the purchase of Coral Seafarms.
- Current and non-current provisions relate to employee benefits.
- The breakdown for deferred revenue is as set out below:

	Audited as at 30-Jun-16 \$	Audited as at 30-Sep-15 \$
Government grants	-	104,250
Deferred income from project development	979,616	551,717
Deferred income from carbon sinks	89,911	587,913
Deferred advisory income	3,385	78,776
<b>TOTAL DEFERRED REVENUE</b>	<b>1,072,912</b>	<b>1,322,656</b>

- Non-current borrowings of \$8.82 million as at 30 June 2016 comprise:
  - an unsecured \$8.50 million credit facility with Avatar Finance; and
  - the non-current component of the vendor finance facility for the acquisition of Coral Seafarms.

- Contributed equity increased from \$69.60 million as at 30 September 2016 to \$79.02 million as at 30 June 2016 as a result of a \$10 million placement to institutional and professional investors, whereby 142.86 million fully paid ordinary shares were issued to raise \$9.42 million (net of transaction costs) on 3 June 2016.

## 5.6 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the 9 months to 30-Jun-16 \$	Audited for the year ended 30-Sep-15 \$
<b>Revenue</b>		
Revenue from continuing operations	23,529,286	26,215,415
Other gains/(losses)	449,814	(35,158)
Fair value adjustment of biological assets	(623,668)	(417,909)
<b>Expenses</b>		
Costs of goods sold	(20,211,159)	(20,760,873)
Plantation costs	(1,621,273)	(982,863)
Employee benefits expense	(4,436,370)	(5,367,324)
Consulting expense	(4,469,263)	(2,458,308)
Travel	(1,223,014)	(751,555)
Rent	(314,034)	(646,439)
Legal fees	(287,430)	(272,732)
Other expenses	(1,203,524)	(2,190,976)
Depreciation and amortization expense	(1,412,484)	(1,808,126)
Marketing	(109,604)	(27,800)
Insurance	(200,633)	(232,916)
Impairment of property, plant and equipment	(905,461)	(311,088)
Impairment of intangible assets	(267,886)	(392,037)
Research and development	(4,981,817)	(2,818,737)
Loss on disposal of subsidiary	-	(2,344,580)
Finance costs	(470,768)	(644,359)
Share of profit from associates	23,765	(86,347)
<b>Loss from continuing operations before income tax</b>	<b>(18,735,523)</b>	<b>(16,334,712)</b>
Income tax benefit/(expense)	375,204	374,743
<b>Loss from continuing operations after income tax</b>	<b>(18,360,319)</b>	<b>(15,959,969)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(18,360,319)</b>	<b>(15,959,969)</b>

Source: Audited financial statements for the financial years ended 30 June 2016 and 30 September 2015

## Commentary on Historical Statement of Comprehensive Income:

- The breakdown for revenue is as set out below:

	Audited for the 9 months to 30-Jun-16 \$	Audited for the year ended 30-Sep-15 \$
Sales revenue		
Project development fees	2,168,162	989,564
Sale of environmental credits	-	2,293,531
Carbon sink project management fees	1,580,488	3,033,467
Fees for services	444,388	942,654
Other revenue	19,220,281	18,350,214
Interest from financial assets not at fair value	62,030	496,418
Crop share and agistment	53,937	109,567
<b>TOTAL REVENUE</b>	<b>23,529,286</b>	<b>26,215,415</b>

- The breakdown for other gains/(losses) is as set out below:

	Audited for the 9 months to 30-Jun-16 \$	Audited for the year ended 30-Sep-15 \$
Net gain on disposal of property, plant and equipment	-	8,692
Net gains on financial assets	(64,878)	(240,341)
Insurance recovery	-	105,000
Net foreign exchange gains	24,031	14,069
Gain/(loss) on environmental credits FVTPL	(25,520)	77,422
Contract termination fees	516,181	-
<b>TOTAL OTHER GAINS/(LOSSES)</b>	<b>449,814</b>	<b>(35,158)</b>

- Insurance recovery relates to cyclone Elwyn claims for Exmouth site.
- Contract termination fees relate to a business partner cancelling its carbon effect project and paying out the contract as per contracted terms.
- Cost of goods sold comprises:
  - variable selling expenses;
  - cost of environmental credits sold; and
  - cost of goods sold - prawns.
- Rent expense relates to operating property leases and operating plant and equipment leases.
  - Rent expense of \$0.65 million for the financial year ended 30 September 2015 relates to three office facilities and eight motor vehicle leases.
  - Rent expense of \$0.31 million for the nine months to 30 June 2016 relates four office facilities and 11 motor vehicle leases.
- Other expenses consist of various administrative and overhead expenses.
- Impairment of property, plant and equipment of:
  - \$311,088 during the financial year ended 30 September 2015 relates to freehold buildings and plant and equipment; and

- \$905,461 during the nine months to 30 June 2016 relates to carbon sinks.
- Impairment of intangible assets relate to development costs.
- Research and development costs are incurred on the carbon projects and Project Sea Dragon.
- During the financial year ended 30 September 2015, Seafarms sold 40% of its interest in BLM to a third party for \$325,000, leaving Seafarms with a 60% interest in BLM. The fair value of Seafarms 60% interest in BLM was determined based on the transaction price of \$325,000, resulting in a loss of \$2,344,580.
- Share of profit from associates relates to the equity accounted profit from Seafarms' 60% interest in BLM.

## 5.7 Capital Structure

The share structure of Seafarms as at 31 August 2016 is outlined below:

	Number
Total ordinary shares on issue	1,107,457,162
Top 20 shareholders	689,352,865
Top 20 shareholders - % of shares on issue	62.25%

Source: Company share register

The range of shares held in Seafarms as at 31 August 2016 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	207	54,461	0.00%
1,001 - 5,000	502	1,554,035	0.14%
5,001 - 10,000	480	3,907,458	0.35%
10,001 - 100,000	1,361	56,180,692	5.07%
100,001 - and over	674	1,045,760,516	94.43%
<b>TOTAL</b>	<b>3,224</b>	<b>1,107,457,162</b>	<b>100.00%</b>

Source: Company share register

The ordinary shares held by the most significant shareholders as at 31 August 2016 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Gabor Holdings Pty Ltd	219,678,543	19.84%
Avatar Industries Pty Ltd	186,296,018	16.82%
Alocasia Pty Ltd	37,536,157	3.39%
Pinnacle Superannuation P/L	36,666,666	3.31%
Zero Nominees Pty Ltd	33,539,904	3.03%
Regal Investments	33,333,333	3.01%
Subtotal	496,162,965	44.80%
Others	611,294,197	55.20%
<b>Total ordinary shares on Issue</b>	<b>1,107,457,162</b>	<b>100.00%</b>

Source: Company share register

## 6. Profile of Avatar Finance

Avatar Finance is a wholly owned subsidiary of Avatar Industries Pty Ltd (**'Avatar Industries'**). Avatar Industries is a private company owned by Ian Trahar.

Avatar Industries distributes and markets electrical, hardware, and other consumer products to retail markets in Australia, Europe and North America. Avatar Industries was incorporated in 2002 and is based in Chatswood, Australia.

Mr Trahar is the Executive Chairman of both Avatar Industries and Seafarms.

## 7. Economic analysis

### 7.1 Global

Overall, the global economy is continuing to grow, though at a lower than average pace. Labour market conditions in advanced economies have improved over the past year but growth in global industrial production and trade remains subdued.

In China, economic activity has eased and the growth rate has continued to moderate following the Government's stimulus plan, which will see China shift away from an economy dependent on manufacturing, to one driven by consumer demand. China's demand for commodities such as crude oil, steel, coal and other raw materials have decreased, therefore affecting the global economy.

Global financial markets have seen improved sentiment following a period of increased volatility. However, uncertainty regarding the global economic outlook and policy settings for major jurisdictions continues. Globally, monetary policy remains accommodative.

### 7.2 Australia

The Australian economy is continuing to grow at a moderate rate. The large decline in mining investment is being offset by growth in other areas including residential construction, public demand and exports. Although household consumption has been growing at a reasonable pace, it appears to have slowed a little recently. Measures of household and business sentiment remain above average.

There is considerable variation in employment growth across the country although, overall, unemployment rate has fallen further. Growth in part-time employment has been strong while growth in full-time employment has been subdued. Forward-looking indicators point to continued expansion in employment in the near term.

The inflation rate remains low in Australia and this is expected to remain the case for some time given very subdued growth in labour costs and very low cost pressures elsewhere in the world.

#### Commodity prices

Commodity prices have risen over recent months, following very substantial declines over the past few years. The higher commodity prices have supported a rise in Australia's terms of trade, although they remain much lower than they have been in recent years.

Prices tend to rely on demand, in particular from the Chinese industrial sector, along with the response to changes in supply. Due to low oil prices, producers of bulk commodities have in general been reducing

their cost of production, as oil is an important input for the transportation of these commodities. However, the ability for these producers to keep on reducing their costs is unlikely and may lead to firms exiting the market.

#### Financial markets

Financial markets have continued to function effectively. Funding costs for high-quality borrowers remain low and monetary policy around the globe remains accommodative. Government bond yields are near their historical lows.

#### Interest rates

Low interest rates are supporting domestic demand. Supervisory measures have strengthened lending standards in the housing market although growth in lending for housing has slowed over the past year. Turnover in the housing market has also declined and the rate of increase in housing prices is lower than it was a year ago. Some markets have strengthened recently but an influx of apartments onto the property market is expected over the next couple of years, particularly in the eastern capital cities. Growth in rents is the slowest for some decades. The cash rate remains unchanged at 1.50%.

#### Australian dollar

The Australian dollar has appreciated recently, despite its noticeable declines against the US dollar over the past year. This in part reflects rises in commodity prices, along with monetary developments globally having a positive impact. Due to current economic circumstances, a strengthening exchange rate could complicate the adjusting economy.

*Source: Statement by Philip Lowe, Governor: Monetary Policy Decision 4 October 2016.*

### Implications for Seafarms

Continual growth in Australia is likely to positively benefit Seafarms, with the rise in disposable incomes allowing consumers to continue purchasing seafood. Further, the weakening commodity sector may result in a number of investors considering other, high-growth areas of investment such as aquaculture.

The result of the United Kingdom's referendum, resulting in Britain's decision to exit the European Union, saw a sharp but orderly repricing of asset classes in global financial markets. Since the announcement, global interest rates have been generally lower. In relation to Seafarms, low interest rates in Australia may bode well for the entity, with possible debt financing seemingly cheaper due to a lower cost of debt.

## 8. Industry analysis

### Industry Overview

The aquaculture industry has grown, however, at slower rates than expected over the past five years. A rise in the pressure from imports of overseas competitors within the industry has offset increased demand and a rise in overall prices; as a result the industry is expected to continue its slow growth rate.

The rising price of many industry products has seen industry profitability grow at a faster pace than revenue. It is expected that rising prices and increasing domestic seafood consumption will lift industry revenue marginally in the foreseeable future.

Other than the rise in domestic seafood consumption, imports from Asia, particularly China and Indonesia, have had a negative impact on demand in seafood processing and retail markets. Over the last five years the amount of imported seafood had considerably increased at the processing level.

A strong Australian dollar over the majority of the past five years has also led to less competitive exports throughout the global market, restricting export earnings for the industry.

### External Drivers

The price of seafood is the key driver of demand within the industry. In general an increase in seafood prices increase industry revenue however, if prices increase too much it can lead to a decline in demand as consumers substitute the product for cheaper meats or poultry. It is expected that the price of domestic seafood will rise in the near future.

Disposable income in households throughout the country has a major impact on the demand for seafood. Due to rising disposable income over the past five years the industry has potential for significant growth, as consumers will tend to spend more on seafood. The rise in disposable income has helped offset the increase in prices over the period. Disposable income is expected to rise throughout 2016.

The price of poultry within Australia has a profound effect on the demand of the industry's products. During poor economic conditions consumers tend to move towards lower price meats, such as poultry. This generally will weaken the demand for fish and other seafood, having a negative effect on industry revenue. It is expected that poultry prices are going to increase over the near future, creating scope for growth within the seafood industry.

The aquaculture industry relies heavily on the demand for seafood products within Australia. Increased consumption of industry products will have a positive effect on revenue within the industry. As stated above, consumption of seafood is expected to grow moderately over the next year or so.

### Current Performance

The aquaculture industry has experienced moderate growth over recent times. The industry has thrived from an increase in domestic demand for seafood and from its sustainability in the face of falling wild fish stocks. However, the rising pressure from imports in aquaculture and wild-caught fishing industries around the globe had subdued growth and production volume over the period. Industry revenue is forecast to rise at a very moderate pace over the next five years.

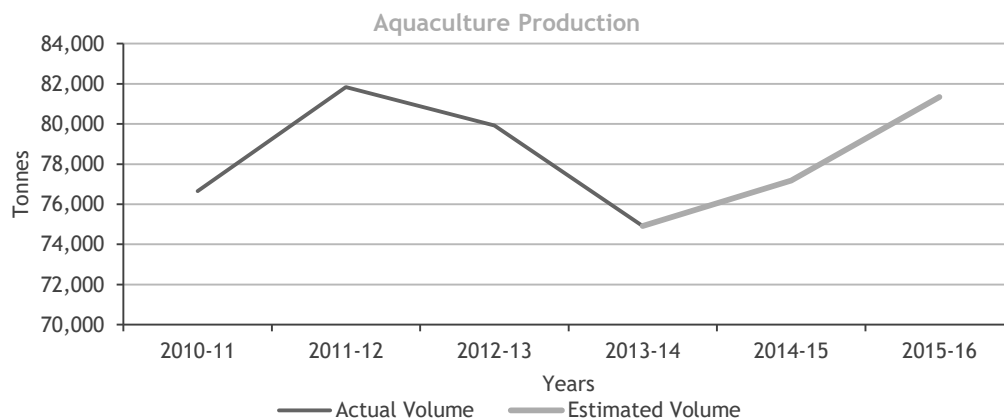
As stated above, rising disposable income and the ongoing push towards health and fitness have supported domestic seafood consumption, even though there has been an increase in the price of seafood in general.

Rising prices and seafood consumption are expected to help increase revenue throughout 2016, however an increase in imports from overseas countries will have a negative impact on the overall performance of the industry.

The high value of the Australian dollar over the past five years has provided opportunity for foreign caught seafood and increased the demand for imported seafood. The strong Australian dollar throughout the early stages of the past five years has also had a negative impact on the industry through constrained export earnings as products become more expensive and less competitive within the foreign markets.

### Aquaculture Production

As depicted below, a fall in aquaculture production throughout 2013-14 was due to weaker demand from downstream markets, having a significant impact on revenue during this period. Over the past five years production volumes have fluctuated as a result of disease outbreaks and dampened demand, however production within the aquaculture industry is projected to be improving in the near future.



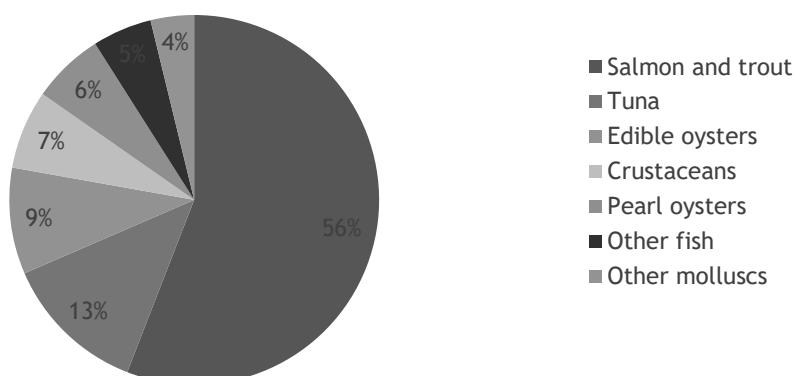
Source: IBISWorld

### Crustaceans (industry in which Seafarms specifically operate)

The crustaceans segment of the aquaculture industry includes products such as prawns, yabbies, marron, crayfish and other species along those lines. The majority of Australia's aquaculture prawn production is based in Queensland, where Seafarms have their operations set up.

An increase in production has enhanced revenue within this area over the past five years. Prawns account for a major share of the crustaceans segment, with the increase in the overall price of prawns over the past five years driving growth as a share of revenue.

Products and services segmentation 2015-2016



Source: IBISWorld

## Industry Outlook

It is projected that the aquaculture industry will grow at a faster rate over the next five years, with revenue forecast to grow at an annualised 1.7% over the five years through 2020-21 to reach \$1.1 billion.

Sustainable fishing practises will become more sought after due to the falling of wild-fish stocks. The rise in disposable income within households and the ever growing push for healthy living amongst consumers are said to provide benefit within the industry, consequently increasing demand. That being said, the pressure from imports is expected to offset profit margins over the next five years by weakening demand from downstream markets.

Source: IBISWorld

## 9. Assessment approach adopted

### 9.1 Fairness approach adopted

As stated in RG 111.57, a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity.

#### Repayment Date Extension Transaction

As stated in section 3.3 of our Report, the fairness assessment requires a comparison between the value of the consideration provided and the value of the benefit received. In the case of Seafarms, the consideration provided to the related party is the interest and fees payments to be made by the Company to Avatar Finance over the extended loan period from 31 October 2017 to 31 January 2019. The value of the benefit received by the Company is the assessed market value of the interest repayments of the Credit Facility provided by Avatar Finance to Seafarms over the extended loan period from 31 October 2017 to 31 January 2019.

We consider any perceived cost saving by Seafarms making interest payments to Avatar Finance on the terms offered by the Credit Facility, relative to what would be offered in the market over the extended

loan period from 31 October 2017 to 31 January 2017, as our assessment of the benefit received by Seafarms.

To quantify this perceived saving in interest payments, and hence value for Shareholders, we have analysed a range of companies with debt facilities to find a market rate of debt that is evidenced in the market that we consider Seafarms would need to accept if the Company was forced to source debt funding from avenues other than the Credit Facility.

### Security Transaction

Under the Security Transaction, we have assessed how the value of the proceeds of the sale of the secured assets that would be provided to Avatar Finance to secure the repayment of monies owed under the Credit Facility, in the event of a default, compares to the value of the liabilities that would be settled.

In the case of the Security Transaction, the value of the financial benefit to be provided by the entity to the related party is the value of the proceeds of the sale of secured assets that would be provided as settlement of amounts payable to Avatar Finance in the event of a default (**'Security Provided'**).

The value of the consideration being provided to the entity is the amounts payable to Avatar Finance that would be settled by the sale of the secured assets, including the principal amount drawn down and related interest accrued (**'Liabilities Settled'**).

The Security Transaction is fair if the value of the Security Provided to Avatar Finance is equal to or less than the value of the Liabilities Settled by this security in the event of default.

## 9.2 Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (**'FME'**);
- Discounted cash flow (**'DCF'**);
- Quoted market price basis (**'QMP'**);
- Net asset value (**'NAV'**); and
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix Two.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

### 9.2.1. Quantification of fairness assessment of Credit Facility

If the Repayment Date Extension Transaction is approved, Avatar Finance has agreed to extend the repayment date of the Credit Facility from 31 October 2017 to 31 January 2019. If the Repayment Date Extension Transaction is not approved, Seafarms will be required to source other means of debt funding for ongoing working capital requirements of SQPL. For reasons outlined above, we have analysed a range of companies with debt facilities to determine a market rate of debt that Seafarms would seek to obtain should the Credit Facility expire on 31 October 2017.

Given that the Credit Facility is currently available until 31 October 2017, our fairness assessment entails comparison of the present value of the interest payments under the terms of the Credit Facility over the period from 31 October 2017 to 31 January 2019 against the present value of the interest payments under a market rate of debt over the period from 31 October 2017 to 31 January 2019.

## 10. Market rate of debt on Credit Facility

The companies outlined in Appendix 3 and Appendix 4 to exhibit a range of business activities from a range of industries (**'the Companies'**).

We consider each company to have relatively lower business risk associated with the operations of each respective business compared to that of Seafarms for the following reasons:

- The operations of the Companies are larger and more diversified than the prawn farming operations of SQPL;
- Seafarms is revenue producing with respect to the prawn farming operations of the business, however this is still at an early stage as the business is yet to make a profit while it is still inputting significant funding into Project Sea Dragon. This indicates the 'start-up' nature of Seafarms. The Companies are relatively mature, when compared to Seafarms, with strong history of earnings;

The analysis above shows that a rate of debt that Seafarms would be able to demand in the market would be, conservatively, on par with the interest rates that the Companies demand, or most likely at a higher interest rate given that the risk of the business operations of Seafarms are significantly higher than the business risk of the Companies.

For the purpose of our analysis we will assume the debt facilities associated with the Companies to be indicative of terms of debt that Seafarms would expect to pay at arm's length. We consider a reasonable range of the market rates of debt observed in Appendix 3 to be between 5.00% and 11.00% (credit margin above a chosen base).

We have assessed that Seafarms is unable to obtain the funding it requires from traditional bank sources meaning that any alternative source of funds would be from non-bank lenders. Note that this range is indicative for the purposes of our fairness assessment, however we consider the analysis above shows that the interest rate terms of the Credit Facility are below what Seafarms could otherwise demand in the market (if the Credit Facility was not available).

Therefore, we consider the terms of the Credit Facility to be at arm's length or less favourable to the related party, Avatar Finance.

## 11. Valuation of consideration paid and benefit received

As set out in Section 9, we consider the value of the benefit received by Seafarms, in lieu of the interest repayments made on the Credit Facility over the extended loan period from 31 October 2017 to 31 January 2019, is the assessed value of the interest payments on a debt facility with a market rate of debt over the extended loan period from 31 October 2017 to 31 January 2019.

### 11.1 Valuation of Credit Facility Interest Payments

We have valued the interest payments to be made under the Credit Facility as at 31 August 2016. This entails the forecast interest payments to be made in the period from 31 October 2017 to expiry on 31 January 2019 discounted to 31 August 2016.

The value of the interest payments under the Credit Facility as at 31 August 2016 is \$633,680.

Details of the value of the interest payments under the Credit Facility are set out in Appendix 5.

### 11.2 Valuation of Market Based Interest Payments

We have valued the interest payments that would be made based on the assessed market rate of debt as at 31 August 2016. This entails the forecast interest payments that would be made in the period from 31 October 2017 to expiry on 31 January 2019 discounted to 31 August 2016.

The value of the interest payments under the assessed market rate of debt as at 31 August 2016 is in the range of \$0.68 million and \$1.29 million.

Details of the value of the interest payments under the assessed market rate of debt are set out in Appendix 5.

## 12. Are the Transactions fair?

### Repayment Date Extension Transaction

We determined the fairness of the Repayment Date Extension Transaction by comparing the value of the Credit Facility Interest Payments and the value of the benefit to be received by Seafarms, being the value of the Market Based Interest Payments.

The values of the Credit Facility Interest Payments and the Market Based Interest Payments are compared below:

	Ref	Low \$'000	Mid \$'000	High \$'000
Value of Credit Facility Interest Payments	11.1	634	634	634
Value of Market Based Interest Payments	11.2	685	990	1,295

We note from the table above that the benefit received by Seafarms is greater than the Credit Facility Interest Payments made. Therefore, we consider that the Transaction is fair.

### Security Transaction

As stated in section 9.1, the Security Transaction is fair if the value of the security provided is equal to or less than the value of the liabilities settled in the event of default.

In the scenario that the value of the secured assets is greater than or equal to the amounts owed to Avatar Finance, and there is an event of default, then Avatar Finance would only be entitled to recover the principal and interest outstanding under the Credit Facility.

In a scenario that the value of secured assets is less than the amounts owed to Avatar Finance, in an event of default, then the secured assets would be sold and the proceeds provided to Avatar Finance. This can be summarised as follows:

Scenario			Consequence			Fairness
Secured Assets	>	Liabilities to be settled	Security provided	=	Liabilities Settled	Fair
Secured Assets	=	Liabilities to be settled	Security provided	=	Liabilities Settled	Fair
Secured Assets	<	Liabilities to be settled	Security provided	<	Liabilities Settled	Fair

Source: BDO analysis

Therefore on the terms of the Credit Facility, specifically if there is an event of default, then Avatar Finance is only entitled to be repaid the principal and interest outstanding under the Credit Facility, we consider that the Security Transaction is fair in all scenarios.

## Conclusion on fairness

In our opinion:

- the Repayment Date Extension Transaction is fair to Shareholders; and
- the Security Transaction is fair to Shareholders.

## 13. Are the Transactions reasonable?

### 13.1 Advantages of Approving the Transactions

We have considered the following advantages when assessing whether the Transactions are reasonable.

#### Repayment Date Extension Transaction

##### 13.1.1. The Repayment Date Extension Transaction is fair

As set out in section 14, the Repayment Date Extension Transaction is fair. RG 111 states that an offer is reasonable if it is fair.

##### 13.1.2. Ensures that the business of SQPL remains a going concern without material reductions in operating profile

If Shareholders' approval is not granted for the Repayment Date Extension Transaction, the repayment date of the Credit Facility will not be further extended. Then the Credit Facility will become due and payable on 31 October 2017. If the Repayment Date Extension Transaction is approved, Avatar Finance will agree to an extension to the term of the Credit Facility.

In the event that the Transaction does not proceed and given that the Company does not expect to derive any significant cash flows from PSD in the near future, the Company will need to secure additional sources of finance to meet its working capital requirements and to repay the amounts owing under the Credit Facility.

With little support from other business ventures, Seafarms has been and continues to be, unsuccessful in its attempts to secure debt financing from large reputable commercial banks. Therefore, Seafarms will be

required to seek debt funding from alternative sources, such as venture capitalists who demand high interest rates. Further, while funds were raised from institutional and professional investors through share placements, we understand that it was conditional that the funds could not be used to repay the debts owing under the Credit Facility nor for the working capital requirements of SQPL.

In the event that the Company is unable to secure alternative sources of funding, its ability to operate as a going concern will be at risk.

The directors have confirmed that previous multiple extensions of the repayment date for the Credit Facility have been the result of going concern issues raised by the Company's auditors.

#### **13.1.3. Alternative sources of funding may need to be convertible debt**

In the event that Shareholder approval is not granted, Avatar Finance has advised the Company that the loan will become payable at expiry on 31 October 2017. As discussed above, the directors of Seafarms believe that they have exhausted all reasonable avenues of finance for SQPL.

For similar stage companies in the mining sector, explorers have obtained convertible debt to fund their exploration activities as they are unable to obtain commercial debt. Similarly, the Company may need to seek convertible debt as an alternative external source of funding if the Repayment Date Extension Transaction is not approved.

However, prima facie, the terms of the Credit Facility provided appear more favourable than other sources of potential debt finance in that:

- there is no debt-to-equity conversion feature which has the potential to dilute the interests of existing shareholders;
- there are no debt covenants on the Credit Facility;
- no security was granted on the Credit Facility (other than the proposed Security Transaction to be approved at the upcoming annual general meeting); and
- despite the level of risk that Avatar Finance is exposed to, a facility was obtained without any conversion feature.

#### **13.1.4. No dilution of Shareholders' interest**

Under the terms of the Transaction, the proposed amendments to the Credit Facility do not contain the provision/option for Avatar Finance to convert any or part of the Credit Facility to shares/equity of Seafarms. If a conversion option was present, it would result in the potential dilution of existing shareholders' interest in the Company.

#### **13.1.5. No changes to current operating arrangements**

We are not aware of any operational changes that Avatar Finance wishes to introduce if the Transaction was approved and there has been no indication from Avatar Finance that they intend to change Seafarms' business as conducted by the current management team.

## Security Transaction

### **13.1.6. The Security Transaction is fair**

As set out in section 14, the Security Transaction is fair. RG 111 states that an offer is reasonable if it is fair.

### **13.1.7. Supports debt funding**

The provision of security enables SQPL to obtain the debt funding that it requires. If Seafarms seeks alternative funding through bank debt, it is most likely that there will be a requirement by bank lenders to request the provision of security to secure the bank debt it seeks. Therefore, the provision of security for debt funding purposes is not unusual.

## **13.2 Disadvantages of Approving the Transaction**

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

### Repayment Date Extension Transaction

#### **13.2.1. Additional interest costs**

As at the date of our Report, Avatar Finance has committed to the terms of the Credit Facility where interest will not be paid if the aggregate of all payments made by Seafarms to Avatar Finance exceeds 5% of the equity of the Company.

If the Transaction is approved, Seafarms will be required to pay more interest to Avatar Finance as the 5% threshold is expected to be exceeded by December 2017. This is assuming that the current equity of the Company does not deteriorate.

### Security Transaction

#### **13.2.2. Some limited restrictions placed on SQPL's ability to deal with its assets without Avatar Finance's consent**

The provision of security by Seafarms to Avatar Finance under a general security deed, and common to most security deeds, place restrictions on the Company's ability to deal with its assets.

## **13.3 Other considerations**

### **13.3.1. Alternative Proposal**

We are unaware of any alternative proposals that might offer the Shareholders of Seafarms a premium over the value, resulting from the Transaction.

### **13.3.2. Benefit received from the Credit Facility**

The Company's strategy of building the operations of SQPL was, in addition to the business being commercially successful and profitable in its own right, to serve as a 'pilot' operation for PSD to undertake research programmes in a number of areas regarding stocking rates and feeding regimes. This involved costs being sunk into SQPL, which triggered the need for additional capital.

The Credit Facility was entered into by Seafarms to fund the additional working capital requirements of SQPL to help improve and increase operations. To date, the Credit Facility has provided working capital to increase production from 600 tonnes to 1,500 tonnes per year/season.

The Credit Facility has contributed to the funding of the pilot operation, which has equipped Seafarms with valuable advances in (i) production (ii) operating (iii) marketing and (iv) experience, as inputs into the concept, pre-feasibility and bankable feasibility studies, and ultimately, the operation of PSD, which is projected to be on a larger scale to the current operations of SQPL.

Without the funds from the Credit Facility to fund the working capital requirements of the operations of SQPL, the ability for Seafarms to grow the operations of SQPL to current levels and progress the development of PSD to its current level, may not have been possible. Accordingly, the Credit Facility has been a critical source of funding for the Company.

## 14. Conclusion

We have considered the terms of the Transactions as outlined in the body of this report and have concluded that, in the absence of a superior offer, the:

- Repayment Date Extension Transaction is fair and reasonable to Shareholders; and
- Security Transaction is fair and reasonable to Shareholders.

We have assessed the Repayment Date Extension Transaction as being fair because the value of the Credit Facility Interest Payments is lower than the value of the benefit to be received by Seafarms, being the value of the Market Based Interest Payments.

We have assessed the Repayment Date Extension Transaction to be reasonable because we consider the advantages of approving the Repayment Date Extension Transaction outweigh the disadvantages of approving the Repayment Date Extension Transaction.

We have assessed the Security Transaction as being fair because value of the proceeds of the sale of the secured assets that would be provided to Avatar Finance to secure the repayment of monies owed under the Credit Facility in the event of a default is equivalent or lower than the value of the liabilities that would be settled.

We have assessed the Security Transaction to be reasonable because we consider the advantages of approving the Security Transaction outweigh the disadvantages of approving the Security Transaction.

## 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Seafarms for the nine months ended 30 June 2016 and the years ended 30 September 2015 and 30 September 2014;
- Financial statements of SQPL for the periods ended 30 September 2014, 30 September 2015 and 30 June 2016
- SQPL management forecasts for the periods ending 30 June 2017 and 30 June 2018;

- Credit Facility Agreement;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Seafarms.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$30,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Seafarms in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Seafarms, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Seafarms and Avatar Finance and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Seafarms and Avatar Finance and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Seafarms, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Seafarms and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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## 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 18. Disclaimers and consents

This report has been prepared at the request of Seafarms for inclusion in the Notice of Meeting and Explanatory Memorandum which will be sent to all Seafarms Shareholders. Seafarms engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal to amend the terms of the Credit Facility to remove the interest rate cap on the Credit Facility and to provide security to Avatar Finance over the Credit Facility.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting and Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting and Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us is false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Avatar Finance. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Seafarms and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved. BDO Corporate Finance (WA) Pty Ltd disclaims any possible liability in respect of these forecasts. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Seafarms, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and the prior to the date of the meeting or during the offer period.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**



**Sherif Andrawes**  
Director



**Adam Myers**  
Director

# Appendix 1 - Glossary of Terms

Reference	Definition
ACCUs	Australian Carbon Credit Units
The Act	The Corporations Act 2001 Cth
AEDP	Asia Energy Development Partners
Aggregate Payments	Aggregate interest and fee payments under the Credit Facility
AOA	Access and Option Agreement
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Avatar Finance	Avatar Finance Pty Ltd
Avatar Industries	Avatar Industries Pty Ltd
BDO	BDO Corporate Finance (WA) Pty Ltd
BFS	Bankable Feasibility Study
BLM	Blue Leafed Mallee Pty Ltd
CDM	Clean Development Mechanism
Christmas Period	Three months ending December
CO2 Asia	CO2 Asia Pte Ltd
CO2 Australia	CO2 Australia Limited
CO2 New Zealand	CO2 New Zealand Limited
The Company	Seafarms Group Limited
Coral Seafarms	Coral Seafarms Pty Ltd
Corporations Act	The Corporations Act 2001 Cth

Reference	Definition
The Credit Facility	Unsecured credit facility from Avatar Finance with a current balance of \$8.5 million
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Liabilities Settled	Amounts payable to Avatar Finance that would be settled by the sale of the secured assets, including the principal amount drawn down and related interest accrued
Marine Farms	Marine Farms Pty Ltd
Mr Trahar	Ian Trahar
NAV	Net Asset Value
NGACs	NSW Greenhouse Abatement Certificates
NSWGGAS	New South Wales Greenhouse Gas Abatement Scheme
PSD	Project Sea Dragon
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Repayment Date Extension Transaction	The proposal to extend the repayment date on the Credit Facility from 31 October 2017 to 31 January 2019
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Seafarms	Seafarms Group Limited
SQPL	Seafarms Queensland Pty Ltd

Reference	Definition
Security Provided	The value of the proceeds of the sale of secured assets that would be provided as settlement of amounts payable to Avatar Finance in the event of a default
Security Transaction	The proposal to grant security over the Credit Facility
Shareholders	Shareholders of Seafarms not associated with Avatar Finance and Mr Trahar
The Transactions	The Repayment Date Extension Transaction and the Security Transaction collectively
Valuation Date	31 August 2016
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WARL	Western Australian Resources Limited

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The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

## Appendix 2 - Valuation Methodologies

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Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity 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 entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

### 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

#### **4     *Discounted future cash flows ('DCF')***

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **5     *Market Based Assessment***

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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## Appendix 3 - Company Debt Facilities Data

Holder	Parent Company	Maturity	Current Base	Current Margin	Total Revenue FY16 (A\$m)	Gross Profit Margin (%)	EBITDA Margin (%)	S&P Credit Rating
Arrium Finance Pty Ltd	Arrium Ltd	22/02/2022	LIBOR	11.00%	3,992*	10.9%	-7.7%	-
Pacific Industrial Services BidCo Pty Ltd	Spotless Group Holdings Limited	02/04/2019	LIBOR	7.75%	3,176	15.8%	9.3%	-
St Barbara Ltd	St Barbara Ltd	31/12/2016	LIBOR	7.50%	610	50.4%	46.2%	B
Atlas Iron Ltd	Atlas Iron Ltd	10/12/2017	LIBOR	7.50%	786	1.5%	7.7%	CCC
Arrow Pharmaceuticals Pty Ltd	Strides Shasun Limited	28/08/2021	LIBOR	4.80%	34,170	50.5%	17.2%	-
Pact Group Holdings Australia Pty Ltd	Pact Group Holdings Limited	29/05/2018	LIBOR	4.50%	1,381	57.3%	15.1%	-
Australasian Food Group Pty Ltd	R&R Ice Cream Plc	01/08/2017	BBSW	4.50%	1,086*	34.0%	19.2%	B+
FMG Resources August 2006 Pty Ltd	Fortescue Metals Group Limited	31/12/2021	LIBOR	4.50%	9,508	28.5%	44.4%	BB
Iron Mountain Australia Pty Ltd	Iron Mountain Incorporated	28/09/2022	BBSW	4.25%	3,133	56.5%	30.1%	BB-
oOh! Media Group Ltd	oOh! Media Limited	15/03/2017	BBSW	4.00%	302	42.5%	21.6%	-
Seafarms Group Limited	Seafarms Group Limited	31/10/2017	BBSY	4.00%	32	12.1%	-65.5%	-

\*US Dollars

Source: S&P Capital IQ

# Appendix 4 - Company Descriptions

Company Name	Description
Arrium Ltd	Arrium Limited engages in the mining and supply of iron ore and other steelmaking raw materials to steel mills in Australia and internationally. The company operates through Mining, Mining Consumables, Steel, and Recycling segments. The Mining segment owns and operates the Middleback Ranges and Southern Iron projects located in South Australia; and exports hematite iron ore. The Mining Consumables segment manufactures and supplies consumables, such as grinding media, grinding rods, grinding media feed, rebar and chemicals, and wire ropes, as well as rail wheels, axles, and wheel sets for the rail transport and mining sectors. The Steel segment manufactures and distributes steel long products, billets, and rail and structural steel products; and distributes steel and metal products, including structural steel sections, steel plates, angles, channels, reinforcing steel, and carbon products to the construction, manufacturing, and resource markets. The Recycling segment supplies steelmaking raw materials to foundries, smelters, and steel mills; and recycles ferrous and non-ferrous scrap metal. The company was formerly known as OneSteel Limited and changed its name to Arrium Limited in July 2012. Arrium Limited is headquartered in St Leonards, Australia.
Spotless Group Holdings Limited	Spotless Group Holdings Limited provides outsourced facility, laundry and linen, technical and engineering, and maintenance and asset management services; and refrigeration solutions to various industries in Australia and New Zealand. The company offers catering and hospitality services, such as food to stadiums, education dining halls, school canteens, hospitals, aged-care facilities, and others; venue, event, and residential catering; and corporate hospitality, business cafe and canteen services, and retail food and beverage. It also provides cleaning services, including heavy and light industrial environments, housekeeping, ground and garden maintenance, waste management and recycling, and pest control, as well as stadium, arena, sterile, general, and event cleaning services; and facility management services comprising strategic asset management, maintenance and mechanical services, grounds and gardens management, security service, pest control, cleaning and housekeeping, and energy and environmental management. In addition, the company provides laundry and linen services, such as linen supply, laundering and management, workwear laundering rental and management, workwear supply and design, and floor care and washroom services; and integrated grounds and garden services for various commercial organizations. It offers its services under the Spotless, AE Smith, Alliance, Asset Services, Clean Domain, Clean Event, Ensign, EPICURE, MUSTARD, Nationwide Venue Management, Taylors, TechGuard Security, and UASG brand names. The company serves business and industry, defense, education, government, health, laundries, infrastructure, utilities, and resources, as well as sports, leisure, and entertainment sectors. Spotless Group Holdings Limited was founded in 1946 and is headquartered in Melbourne, Australia.
St Barbara Ltd	ST Barbara Ltd. engages in the exploration, development, mining, and sale of gold. The company's properties include the Gwalia underground mine located in Leonora, Western Australia; and the Simberi gold mine in New Ireland province, Papua New Guinea. ST Barbara Ltd. was incorporated in 1969 and is based in Melbourne, Australia.
Atlas Iron Ltd	Atlas Iron Limited, an independent iron ore company, explores for, develops, mines, and sells iron ore in the Pilbara region in Western Australia. Its primary projects include the Wodgina, Abydos, and Mt Webber mines. The company is based in Perth, Australia.
Strides Shasun Limited	Strides Shasun Limited, a pharmaceutical company, develops, manufactures, and sells active pharmaceutical ingredients, formulations, and biotech products in Africa, Australasia, North America, Europe, South and Central America, India, and internationally. It operates through Pharmaceutical and Biotech segments. The company develops generic pharmaceutical product portfolio in therapeutic segments, such as immune-suppressants, anti-viral, and antibiotics; and offers general tablets, hard and soft gelatin capsules, sachets, potent drugs, semi-solids, ointments, and creams in the areas of therapeutic segments for prescription, over the counter, and nutraceutical markets. It also provides branded generic products; supplies drugs in the anti-retroviral and anti-malaria segments; and is involved in bio generics business. The company was formerly known as Strides Arcolab Limited and changed its name to Strides Shasun Limited in November 2015. Strides Shasun Limited was founded in 1990 and is headquartered in Bengaluru, India.

Company Name	Description
Pact Group Holdings Limited	Pact Group Holdings Ltd manufactures and supplies rigid plastics packaging and related products in Australia, New Zealand, China, the Philippines, Singapore, Indonesia, Thailand, and the United States. The company operates in two segments, Pact Australia and Pact International. It primarily converts plastic resin and steel into rigid packaging and other products for customers in the food and beverage, personal care, household consumer, industrial and chemical, materials handling, infrastructure, agricultural, and other sectors. The company's products comprise yoghurt, cream and ice-cream containers, milk and beverage bottles, margarine tubs, food jars, meat and bakery trays, cubes, pails, tubes and cartridges, bottle caps and closures, and other customized packaging; steel drums, tinplate pails, and other metal containers; and plastic material handling, industrial, and technical products, as well as sustainability products and services. Pact Group Holdings Ltd was founded in 2002 and is headquartered in Richmond, Australia.
R&R Ice Cream Plc	R&R Ice Cream plc produces and sells ice cream and frozen confectionery worldwide. It provides take-home ice cream products, which include ice cream tubs, as well as multipacks of ice cream cones, ice lollies, ice cream sticks, and ice cream desserts; and impulse ice cream products. R&R Ice Cream plc offers its products primarily under the Kelly's, Cadbury, Oreo, Daim, Nestle, Skinny Cow, YooMoo, Del Monte, and Britvic brands. The company sells its products to supermarkets. R&R Ice Cream plc was founded in 1932 and is based in Northallerton, the United Kingdom. R&R Ice Cream Plc operates as a subsidiary of New R&R Ice Cream Limited.
Fortescue Metals Group Limited	Fortescue Metals Group Limited engages in the exploration, development, production, processing, and sale of iron ore in Australia, China, and internationally. It owns and operates the Chichester Hub that consists of the Cloudbreak and Christmas Creek mines located in the Chichester Ranges in the Pilbara, Western Australia; and the Solomon Hub comprising the Firetail and Kings Valley mines located in the Hamersley Ranges in the Pilbara, Western Australia. The company was founded in 2003 and is based in East Perth, Australia.
Iron Mountain Incorporated	Iron Mountain Incorporated, together with its subsidiaries, provides storage and information management services in North America, Europe, Latin America, and the Asia Pacific. It operates through North American Records and Information Management Business, North American Data Management Business, Western European Business, and Other International Business segments. The company provides storage and information management services for physical records and other media, such as microfilm and microfiche, master audio and videotapes, film, X-rays, and blueprints, including healthcare information services, vital records services, and service and courier operations, as well as the collection, handling, disposal of sensitive documents for corporate customers. It also offers information destruction services primarily consist of physical secure shredding operations; document management solutions to develop, implement, and support storage and information management solutions for the complete lifecycle of its customers' information; fulfillment services; technology escrow services that protect and manage source code; and professional consulting services, as well as sells resultant waste paper to third-party recyclers. In addition, the company is involved in the storage and rotation of backup computer media operations, including records management, data protection and recovery, server and computer backup services, and digital content repository systems to house, distribute, and archive key media assets, as well as for storage, safeguarding, and electronic or physical delivery of physical media primarily for the entertainment and media industry clients. It serves commercial, legal, banking, healthcare, accounting, insurance, entertainment, and government organizations. Iron Mountain Incorporated was founded in 1951 and is headquartered in Boston, Massachusetts.
oOh! Media Limited	oOh!media Limited, an out of home media company, provides outdoor media, production, and advertising services in Australia and New Zealand. It offers advertising spaces, such as large format roadside billboards, as well as sites located in retail precincts, including shopping centers and supermarkets; airport terminals and lounges; and high dwell time environments comprising CBD office buildings, cafés, pubs, universities, gyms, and sports centers. oOh!media Limited was founded in 1989 and is based in North Sydney, Australia.



# Appendix 5 - Interest Payments

## Interest payments as per Credit Facility:

Start Period: End Period:	01-Nov-17 31-Aug-16	01-Nov-17 31-Dec-17	01-Jan-18 31-Jan-18	01-Feb-18 28-Feb-18	01-Mar-18 31-Mar-18	01-Apr-18 30-Apr-18	01-May-18 31-May-18	01-Jun-18 30-Jun-18	01-Jul-18 31-Jul-18	01-Aug-18 31-Aug-18	01-Sep-18 30-Sep-18	01-Oct-18 31-Oct-18	01-Nov-18 30-Nov-18	01-Dec-18 31-Dec-18	01-Jan-19 31-Jan-19
Number of days in period:	#	30	31	31	28	31	30	31	30	31	30	31	30	31	31
Facility Limit	AUD	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
Line Fee	% p.a.	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Line Fee	% p.p.	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Line Fee	AUD	3,493.15	3,609.59	3,609.59	3,260.27	3,609.59	3,493.15	3,609.59	3,609.59	3,609.59	3,493.15	3,609.59	3,493.15	3,609.59	3,609.59
BBSW	%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%
BBSY adjustment	%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Margin	%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
All in rate (pa) %	% p.a.	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%	5.73%
All in rate (pp) %	% p.p.	0.47%	0.49%	0.49%	0.44%	0.49%	0.47%	0.49%	0.49%	0.49%	0.47%	0.49%	0.47%	0.49%	0.49%
Interest payments	AUD	40,031.51	41,365.89	41,365.89	37,362.74	41,365.89	40,031.51	41,365.89	41,365.89	41,365.89	40,031.51	41,365.89	40,031.51	41,365.89	41,365.89
Total payments	AUD	0	43,524.66	44,975.48	40,623.01	44,975.48	43,524.66	44,975.48	44,975.48	44,975.48	43,524.66	44,975.48	43,524.66	44,975.48	44,975.48
Discount Rate	%	2.5%													
NPV	AUD	633,680 As at 31-Aug-16													

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Interest payments as per assessed range of market rate of debt:

Credit margin of 5%:

Start Period: End Period:	01-Nov-17 31-Aug-16	01-Dec-17 30-Nov-17	01-Jan-18 31-Jan-18	01-Feb-18 28-Feb-18	01-Mar-18 31-Mar-18	01-Apr-18 30-Apr-18	01-May-18 31-May-18	01-Jun-18 30-Jun-18	01-Jul-18 31-Jul-18	01-Aug-18 31-Aug-18	01-Sep-18 30-Sep-18	01-Oct-18 31-Oct-18	01-Nov-18 30-Nov-18	01-Dec-18 31-Dec-18	01-Jan-19 31-Jan-19
Number of days in period:	#	30	31	31	28	31	31	30	31	31	30	31	30	31	31
Facility Limit	AUD	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
BBSW	%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%
BBSY adjustment	%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Margin	%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
All in rate (pa) %	% p.a.	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%	6.73%
All in rate (pp) %	% p.p.	0.55%	0.57%	0.57%	0.52%	0.57%	0.55%	0.55%	0.57%	0.57%	0.55%	0.57%	0.55%	0.57%	0.57%
Interest payments	AUD	47,017.81	48,585.07	48,585.07	43,883.29	48,585.07	47,017.81	48,585.07	48,585.07	47,017.81	48,585.07	47,017.81	48,585.07	48,585.07	48,585.07
Total payments	AUD	0	47,017.81	48,585.07	43,883.29	48,585.07	47,017.81	48,585.07	48,585.07	47,017.81	48,585.07	47,017.81	48,585.07	48,585.07	48,585.07
Discount Rate	%	2.5%													
NPV	AUD	684,537 as at 31-Aug-16													

Credit margin of 11%:

Start Period: End Period:	01-Nov-17 31-Aug-16	01-Dec-17 30-Nov-17	01-Jan-18 31-Jan-18	01-Feb-18 28-Feb-18	01-Mar-18 31-Mar-18	01-Apr-18 30-Apr-18	01-May-18 31-May-18	01-Jun-18 30-Jun-18	01-Jul-18 31-Jul-18	01-Aug-18 31-Aug-18	01-Sep-18 30-Sep-18	01-Oct-18 31-Oct-18	01-Nov-18 30-Nov-18	01-Dec-18 31-Dec-18	01-Jan-19 31-Jan-19
Number of days in period:	#	30	31	31	28	31	31	30	31	31	30	31	30	31	31
Facility Limit	AUD	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
BBSW	%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%
BBSY adjustment	%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Margin	%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
All in rate (pa) %	% p.a.	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%	12.73%
All in rate (pp) %	% p.p.	1.05%	1.08%	1.08%	0.98%	1.08%	1.05%	1.05%	1.08%	1.08%	1.05%	1.08%	1.05%	1.08%	1.08%
Interest payments	AUD	88,935.62	91,900.14	91,900.14	83,006.58	91,900.14	88,935.62	91,900.14	91,900.14	88,935.62	91,900.14	88,935.62	91,900.14	91,900.14	91,900.14
Total payments	AUD	0	88,935.62	91,900.14	83,006.58	91,900.14	88,935.62	91,900.14	91,900.14	88,935.62	91,900.14	88,935.62	91,900.14	91,900.14	91,900.14
Discount Rate	%	2.5%													
NPV	AUD	1,294,823 as at 31-Aug-16													





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**For your vote to be effective it must be received by 10:00am (AEDST) Wednesday, 23 November 2016**

### 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.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



**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.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1

#### Appoint a Proxy to Vote on Your Behalf

XX

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 Corrs Chambers Westgarth, Level 25, 567 Collins Street, Melbourne, Victoria on Friday, 25 November 2016 at 10:00am (AEDST) 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 2 and 6 (except where I/we have indicated a different voting intention below) even though Resolutions 2 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**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 2 and 6 by marking the appropriate box in step 2 below.

### 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 2	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Director – Harley Whitcombe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of New Loan Arrangements with Avatar Finance Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Additional Capacity to Issue Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of Employee Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Adoption of New Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of Proportional Takeover Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. 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.

### SIGN

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date

\_\_\_\_/\_\_\_\_/\_\_\_\_

S F G

2 2 0 2 6 5 A

Computershare +



SFG

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



I 999999999999999

LND



 For your security keep your SRN/HIN confidential.

Dear Shareholder,

Our records show that you may not have provided your email address for the above shareholding.

Our company is committed to both its shareholders and the wider community. To that end, we are asking all our shareholders to provide an email address to receive their communications online. This ensures we are providing you with the information you need in the fastest, most cost effective manner possible, while also significantly reducing our environmental impact.

Shareholder communications available online include Annual Report, Voting Forms, Notice of Meeting, Issuer Sponsored Holding Statements, Payment Advices and other company related information. You can view, download or print your shareholding information as you choose.

## WHY GO ONLINE?

Receiving shareholder communications electronically, instead of by post, means:

- > Faster access to important shareholder and company information
- > Reduced environmental impact
- > Secure access to your shareholder documents online, reducing clutter in your home or office
- > Convenient access to all your documents, 24/7



**PROVIDE YOUR DETAILS ONLINE**

1. Go online to [www.investorcentre.com](http://www.investorcentre.com)
2. Select 'Login' for existing users (New users select 'Create Login' and follow the prompts)
3. Enter your 'User ID'
4. Enter your 'Password'
5. Click on 'My Profile' and select 'Communications Preferences' to enter your email address and update your securityholder communication methods.

**OR**



## PROVIDE YOUR DETAILS BY POST

My email address is:

By providing my email address above I am electing to receive all my shareholder communications via email rather than by post. This includes notifications by email (where offered) of Annual Reports, Voting Forms, Notice of Meeting, Issuer Sponsored Holding Statements, Payment Advices and replaces any prior election I may have made. I acknowledge and agree that I have read and understood Computershare's Terms and Conditions of Use which I can obtain from the Computershare website ([www.computershare.com.au/investor](http://www.computershare.com.au/investor)), or alternatively by calling the Computershare Helpdesk on 1300 850 505 (within Australia) or +61 3 9415 4000 (if outside Australia).

**If you do not wish to receive shareholder communications electronically you do not need to take any action.** You can change your election at any time by accessing [www.investorcentre.com/au](http://www.investorcentre.com/au) or by calling the Computershare Helpdesk on 1300 850 505.



SFGRM

MR RETURN SAMPLE  
123 SAMPLE STREET  
SAMPLE SUBURB  
SAMPLETOWN VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Seafarms Group Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

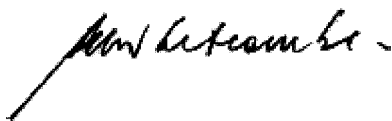
- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne Victoria 3001  
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely



**Harley Whitcombe**  
Company Secretary