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Media Release

Market Update – Operations and Project Sea Dragon

Seafarms Group Limited (**Seafarms**) provides the following market update post the key Christmas trading period.

Queensland Operations (Cardwell)

The important Christmas period has seen an excellent trading season with continued operational improvements and performance generated at the Company's Cardwell operations.

Over the past four years continuous operational improvements have been achieved in production and processing and more recently the company's significant breeding and domestication programs. These elements have combined to significantly lift (up 183% since 2013) our overall production of the company's total prawn (banana and black tiger) production profile as highlighted in the table below.

Calendar Year	Tonnes
2016	1,728
2015	1,397
2014	1,067
2013	611

As previously announced the Cardwell operations were redesigned in 2014 (where practical) to reflect the operational design to be adopted at the Company's Project Sea Dragon (PSD) operation. This also included adopting the operational procedures and methodologies to be used at PSD. In effect the Cardwell operation is the Company's pilot project for PSD.

As can be seen by the increased production outcomes, significant operational achievements and performance at Cardwell have been achieved over all key operating metrics in relation to prawn production and in particular the Company's black tiger prawn operation. Shareholders may recall the Cardwell operation only commenced black tiger production in 2014 and that PSD is designed as a black tiger prawn production facility only.

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Since 2014 the following key (black tiger) operating metrics have seen:

- Total production up by approximately 150%
- Harvest yields (tonnes/hectare) increased by approximately 51%
- Food conversion rates reduced by approximately 131%.
- Days of culture reduced by approximately 5%.

Importantly the operational performance of Cardwell black tiger operations over the key economic metrics has been substantially better than the underlying assumptions included in the Project Sea Dragon (PSD) Bankable Feasibility Study.

White Spot Outbreak

The recent outbreak of white spot disease (WSD) south of Brisbane is more than 1,200 kilometres from Seafarms Queensland operations. Seafarms has not been affected by white spot disease. The Company maintains vigilant and active management protocols in respect of bio security; noting that Seafarms senior operations team is very experienced in dealing with biosecurity issues like this. It has been reported that the white spot disease may have come from imported raw prawns.

On Friday 6th January, 2017 the Agriculture Minister, Barnaby Joyce, banned the importation of any raw prawns into Australia until further notice.

Seafarms Group strongly supports the decisive action taken by the Federal Government.

The Company continues to focus on its bio-security policies and procedures for both Queensland and PSD in light of this very unfortunate outbreak.

Project Sea Dragon Update

Seafarms is pleased with the steady progress of Project Sea Dragon (**PSD**). Momentum continues on a number of critical areas as highlighted below.

Project Funding

Project funding and partnering strategies are being developed and to this end the Company has appointed Lazard Pty Ltd as financial adviser to assist the Company's Australian team in the negotiation of project funding. New York based, Lazard's US and Australian teams will advise Seafarms on the structuring and negotiation of project funding, potentially accessing the United States capital markets.

The United States capital markets are well placed to fund new food projects such as Project Sea Dragon; and the Company's preliminary briefings undertaken prior to Christmas 2016 have been well received.

Environmental Impact Statement (EIS)

The public consultation period has been completed and a supplementary Environmental Impact Statement addressing the issues raised is nearing completion. The supplementary EIS is expected to be submitted to the Northern Territory Environment Protection Authority later this month.

The Company is pleased with the progress of the EIS.

Indigenous Land Use Agreement (ILUA)

The Company has received written advice from the Aboriginal Areas Protection Authority (AAPA) enabling negotiations on an ILUA to advance. Negotiations will be conducted with the Top End Default Prescribed Body Corporate as administered by the Northern Land Council (NLC), acting on behalf of the Traditional Owners.

The Company is appreciative of the efforts of AAPA and the NLC in progressing these negotiations.

Project Development Agreement (PDA)

The Company is expecting to complete a Project Development Agreement with the Northern Territory Government in February 2017.

The PDA sets out the objectives of the Project and the commitments from both the Company and the Government to successfully complete the whole of the Project.

For any queries regarding this announcement please contact Harley Whitcombe on (08) 9321 4111.

Yours faithfully

Seafarms Group Limited



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About Seafarms Group

Seafarms Group Limited (ASX: SFG) is an ASX listed holding company with two separate subsidiary companies operating in nonconventional commodities: aquaculture and carbon. Seafarm Operations Pty Ltd operates aquaculture operations and CO2 Australia Limited the carbon and environmental operations.

For further information refer the company's web site: www.seafarms.com.au

About Seafarm Operations Pty Ltd

Seafarm – a new Australian agri-food company – operates, builds and invests in sustainable aquaculture production platforms producing high-quality seafood. Seafarms is currently the largest producer of farmed prawns – growing, processing and distributing the well-known Crystal Bay Prawns™ premium brand. The company is one of Australia's largest aquaculture enterprises and is also developing Project Sea Dragon – a large-scale, integrated, land-based prawn aquaculture project in northern Australia designed to produce high-quality, year-round reliable volumes for export markets.

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