ASX Announcement | 23 June 2021
Seafarms Group Limited (ASX:SFG)
SFG Announcement No. 683

Seafarms Group announces share placement to raise A$90 million with a Share Purchase Plan to raise a further A$15 million.

Investment Highlights

- Seafarms is seeking to raise A$90 million (with the right to accept oversubscriptions) by way of a placement to institutional and sophisticated investors through a two tranche placement at 5.5 cents per share ("cps") with a free unlisted 3 for 5, three year option exercisable at 9.75 cps.
- Funds sought to immediately commence construction of Seafarms' Project Sea Dragon ("PSD") Stage 1a development program in northern Australia to drive towards first PSD prawn harvest by the third quarter of 2023.
- Eligible shareholders can participate in the capital raising via a share purchase plan ("SPP") to raise an additional A$15 million (with the right to accept oversubscriptions) at 5.5 cps also with a free unlisted 3 for 5, three year option exercisable at 9.75 cps.
- The capital raising will be underpinned by largest shareholder and Seafarms Chairman, Mr Ian Trahar, who will invest $20 million into the capital raising and convert all loans approximating $15.2 million to equity on the same terms as the placement.
- An extraordinary general meeting will be held in late July to approve the placement, SPP, debt conversions and the issue of unlisted options.

Sustainable aquaculture company Seafarms Group Limited (ASX:SFG) ("Seafarms" or "the Company") is pleased to announce the company is undertaking a capital raising to commence construction for Stage 1a of its world class Project Sea Dragon at Legune station in the Northern Territory.

Project Sea Dragon remains a Tier 1 development asset of global significance and once fully developed the multiple-site project will become one of the largest black tiger prawn operations in the world.

This capital raising, undertaken by Bell Potter Securities Limited as sole Lead Manager, enables the Company to commence various construction activities for PSD that will drive towards first PSD prawn harvest by the third quarter of 2023 with first full harvest by the fourth quarter of 2023. All necessary permits and approvals are in place to enable construction to begin.

Mr Ian Trahar, Executive Chairman of Seafarms, comments: "the capital raising will launch Seafarms into the first construction activities towards making PSD one of the largest black tiger prawn operations in the world. We are at the beginning of creating a significant industrial scale food production business. Global demand for prawns continues to expand, particularly in Asia. The genetics we have spent many years developing will result in a product with true premium characteristics both in terms of size and price"

"My endorsement and belief in the ultimate success of PSD has been consolidated through my strong participation in the current capital raising alongside the owners of Legune Station and strong support from a number of other long term existing shareholders."

"This capital raising will transform Seafarms towards a potential multinational business and accordingly the Board has resolved to refresh the organisation with priority at management level and Board level to enable the best delivery of the PSD potential for all shareholders."

Rationale for Capital Raise

The Capital Raising of up to A$105 million will initiate on-the-ground development activities for Project Sea Dragon in the current dry season in northern Australia.

Specific activities include:

- Constructing substantial infrastructure at Legune Station – including 24 nursery ponds, 20 grow out ponds, seawater intake earthworks and internal roads
- Expanding Exmouth Founder Stock Centre with additional facilities completed to advance the Specific Pathogen Free Domestication Breeding Program
- At Bynoe Harbour, constructing Broodstock Maturation Centre Shed 1, water systems and ancillaries completed to enable breeding of the domesticated population.

Commencing construction of Project Sea Dragon Stage 1a now provides several advantages, including:

- Enabling the schedule for Project Sea Dragon Stage 1a project completion in the third quarter of 2023 to be maintained
- Maintaining the momentum of the Specific Pathogen Free domestication program with the need to house animals at Bynoe Harbour to both reduce biosecurity risk and broaden the genetic diversity of the domesticated population
- Meeting commitments under our Project Development Agreement and Major Project Status.

Seafarms continues to see strong demand for its product from domestic and international customers. Commencement of construction works will protect the timing of the plans to supply to our export partners.

The capital raising will enable Seafarms to continue and ultimately finalise other key funding requirements for the completion of Stage 1a including a construction finance facility up to $150 million

Placement Participation

The Company's Chair and major shareholder, Ian Trahar, will subscribe for $20 million under the placement and has agreed to convert $15.2 million of existing debt into equity.

The debt conversion is being conducted on terms equivalent to the placement and will strengthen the Company's balance sheet, providing greater flexibility moving forward.

The owner of Legune Station, AAM Investment Group, where Seafarm's Project Sea Dragon farms are to be located also intends to participate in the Placement through their Pastoral Development Trust (PDT). The owners of Seafarm's major construction partner, Canstruct are a material investor in PDT.

Overview of Status of Additional funding for Stage 1a

Project Sea Dragon will be developed in stages. Stage 1a development is designed to produce 6,000 tonnes of premium black tiger prawns within the first full 12 months of operations. The first product to domestic and already secured export markets (major offtake industry partners are already in place) is expected in the third quarter of 2023.

The estimated capital cost of Stage 1a is A$281 million (before contingencies).

This capital program includes A$150 million of shared infrastructure spend that will service up to full Stage 1, which is designed to deliver 18,000 tonnes of premium black tiger prawn production annually, and subsequent stages.

As previously announced, the Company's continues to work towards finalising a construction debt facility of up to $150 million for the development of Project Sea Dragon Stage 1a development which has been significantly delayed in this COVID-19 environment. Discussions with multiple debt providers are well advanced.

Other funding additional to the proposed construction debt is required to fully fund the development of Project Sea Dragon Stage 1a. This may take the form of future equity.

Details of the Placement

The Company is undertaking a two-tranche placement of new fully paid ordinary shares in the Company ("New Shares") to institutional and sophisticated investors to raise $90 million (before costs) with the ability to accept oversubscriptions. The New Shares are being issued at 5.5 cps ("Offer Price").

The share placement comprises:

- Tranche 1: ~363 million New Shares to be issued on Monday, 5 July 2021 utilising the Company's 15 per cent placement capacity under ASX Listing Rule 7.1 raising gross proceeds of ~$20 million
- Tranche 2: ~1,273 million New Shares to be issued subject to shareholder approval at a general meeting to be convened by the Company in late July 2021 ("EGM") raising gross proceeds of ~$70 million.

Investors in the placement will be granted free unlisted options on a 3 for 5 basis on the terms and conditions detailed further below.

An indicative timetable of key capital raising events is set out below.

Details of the share purchase plan

The Company will offer existing eligible shareholders the opportunity to participate in a share purchase plan to raise about $15 million with the ability to accept oversubscriptions ("SPP").

Under the SPP, eligible shareholders, being shareholders with a registered address in Australia or New Zealand on the Company's share register as at 5.00pm (Perth time) on Monday, 22 June 2021 will have the opportunity to apply for up to $30,000 of New Shares without incurring brokerage or transaction costs.

New Shares under the SPP will be offered at the Offer Price. New Shares issued under the SPP will rank equally with existing Seafarms ordinary shares from the date of issue. Participants in the SPP will be offered free unlisted options on a 3 for 5 basis on the terms and conditions detailed further below.

The issue of New Shares under the SPP is subject to shareholder approval, as the Company is unable to rely on ASX Listing Rule 7.2 Exception 5 (the Offer Price does not satisfy the relevant pricing condition). The Company will seek shareholder approval at the EGM.

The Company reserves the right to accept applications (in whole or in part) that result in oversubscriptions under the SPP. If the amount raised under the SPP is less than $15 million, the Company reserves the right to place any shortfall.

Full details of the SPP will be set out in the SPP Offer Booklet, which is expected to be released to the ASX and dispatched to eligible shareholders shortly.

Details of the unlisted option offer

Investors in the placement, SPP and debt conversions will be offered 3 free unlisted options ("Options") for every 5 New Shares subscribed for, conditional on shareholder approval. The Options will have an exercise price of 9.75 cps and will expire three years from the date of issue.

Provided shareholders approve the proposed Option offer at the EGM, further details of the Option offer (including further details on the terms of the Options) will be set out in a prospectus to be dispatched as soon as practicable after the EGM.

Details of the debt conversions

The Company has drawn down an aggregate $22.8 million under loans provided by associates of Mr Ian Trahar, Executive Chairman of SFG, and The Elsie Cameron Foundation Pty Ltd (**ECF**). In parallel with the capital raising, the Company has secured commitments from both Mr Trahar and ECF to convert, subject to shareholder approval, the full amount of the loans to equity on the same terms as the issue of New Shares under the capital raising (including the offer of Options detailed above).

The debt conversions will strengthen the Company's balance sheet, which will provide greater flexibility when negotiating final term sheets with debt providers.

Use of funds

As stated above, the funds raised will be used to meet current capital expenditure commitments as they fall due for this initial development Stage 1a of Project Sea Dragon (A$90 million of the $281 million estimated total capital works costs), plus provide working capital for Seafarms and expenses relating to the Capital Raising.

Significant Project Sea Dragon Production and associated infrastructure outcomes expected to be delivered include:

- Legune Station – 24 nursery ponds, 20 grow out ponds, seawater intake earthworks, with first production expected in third quarter 2023
- Exmouth – Expand Founder Stock Centre with additional facilities completed to advance the Specific Pathogen Free Domestication Breeding Program
- Bynoe Harbour – Construct Broodstock Maturation Centre Shed 1, water systems and ancillaries completed to enable breeding selection to occur within the domesticated population.

Further information

Further information is provided in the Company's capital raising investor presentation provided to the ASX today. The presentation includes important information including key risks and international offer restrictions with respect to the capital raising as well as further details on Project Sea Dragon generally and Stage 1a.

Indicative dates

Key event	Date
SPP Record Date	5.00pm (Perth time), Tuesday, 22 June 2021
Announcement of Capital Raising	Wednesday, 23 June 2021
Dispatch of EGM notice of meeting	Late June / early July 2021
Issue of New Shares under Tranche 1 of the Placement	Monday, 5 July 2021
Dispatch of SPP Offer Booklet to eligible shareholders SPP opens	Tuesday, 6 July 2021
EGM	Late July 2021
Dispatch of Option offer prospectus to participating shareholders Option offer opens	Late July 2021
SPP closes Option offer closes	Friday, 6 August 2021
Issue of New Shares under Tranche 2 of the Placement, SPP and debt conversions and issue of Options under the Options offer	Friday, 13 August 2021

These dates are indicative only and may be subject to change. The Company will notify shareholders of any changes to indicative dates by subsequent ASX announcement.

Government Support

Seafarms acknowledges the support of the Northern Territory, Western Australian and Federal Governments, including assistance in securing land tenure and developing significant road infrastructure. These contributions have been essential in obtaining the private sector investment that continues to drive the project forward.

Authorised by the Board of Seafarms Group Limited.

Ends.

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

Seafarms Group uses environmentally sustainable processes and is currently Australia's largest producer of farmed prawns, its Crystal Bay® Prawns and Crystal Bay® Tigers are available year round in fresh and frozen formats. To learn more please visit: www.crystalbayprawns.com.au

Seafarms Group is investing in sustainable aquaculture for export through Project Sea Dragon, a large-scale, vertically integrated, land-based, prawn aquaculture project being developed in northern Australia. The standalone marine prawn production system will be capable of annually producing over 150,000 tonnes of prawns and the high-quality, year-round volumes will target export markets. To learn more please visit: www.seafarms.com.au

PROJECT SEA DRAGON CAPITAL RAISING

June 2021

PRIVATE & CONFIDENTIAL

Seafarms' Project Sea Dragon (PSD) is a Tier 1 development asset of global significance. PSD staged development program offers significant inbuilt leverage through economies of scale and an advanced leading domestication and breeding/genetic program.

Executive Summary

Project Sea Dragon is now shovel-ready

1 Stage 1a ready to proceed	• Construction partner Canstruct ready to commence with c$78m of work packages agreed and more packages under negotiation • Weather conditions create an immediate opportunity to commence key activities in the dry season
2 Stage 1a headlines	• First product to market expected in Q3 CY2023 • Estimated production of 6,000 tonne BTP in the first 12 months of production • Funding is required for PSD project development costs. Capital works comprise c$281m (excluding contingencies)
3 Strongly supported proposed Capital Raising 4	• SFG is seeking $105m through a 2 tranche Placement of $90m plus a SPP of $15m (investors who participate in the Capital Raising will receive an attaching unlisted option on a 3 for 5 basis). The Company reserves the right to accept oversubscriptions in respect of the Placement and the SPP • Key stakeholder support already secured including from SFG Chairman Ian Trahar for $20m and convert all loans approximating $15.2 million to equity on the same terms as the placement

Stage 1a project funding 5	• The Capital Raising will partly fund the development of Stage 1a and will initiate on-the-ground development activities for Project Sea Dragon in the current dry season in northern Australia
	• Capital works to be fully funded by Q4 CY2021 through a combination of:
	  • Construction debt and working capital facilities
	  • Alternative funding mechanisms including equity

Why funding now? 6	• Debt facilities well progressed but uncertainty regarding line of sight of equity creates barriers to commence this dry season • Offtake partners are in place with global and domestic demand for SFG product remaining unabated • Queensland Operations have demonstrated that base case assumptions for PSD can be exceeded • Any construction delay will threaten delivery of product in Q3 CY2023
Key outcomes	• Legune Station – 24 nursery ponds, 20 grow out ponds, seawater intake earthworks • Exmouth – Expand Founder Stock Centre with additional facilities completed to advance the breeding program & biosecurity • Bynoe Harbour – Construct Broodstock Maturation Centre Shed 1, water systems and ancillaries completed to advance the breeding program & biosecurity

Overview

After 8 years and significant financial contributions and commitments from Seafarms, its industry partners and governments, Project Sea Dragon is now shovel-ready.

		For more details see pages:
1 **Seafarms is one of Australia's leading prawn farmers**	• SFG is an ASX-listed Australian agri-food company which operates, builds and invests in sustainable aquaculture production platforms. • In CY2020, the Company's existing Queensland operations produced ~18% of Australia's farmed prawns, marketed under the well-known Crystal Bay® Prawns brand.	15
2 **Project Sea Dragon (PSD)**	• SFG's PSD is an opportunity to develop an industrial scale Tier 1 black tiger prawn (BTP) aquaculture facility of global significance located in northern Australia. If and when fully developed, PSD will comprise of up to 10,000ha of production ponds generating some 130,000 – 180,000 tonnes p.a. • PSD is to be developed in stages. 'Stage 1a' of PSD will involve the construction of 396ha of onshore ponds designed to support approximately 6,000 tonnes p.a of premium large BTPs in the first 12 months of production. • PSD is expected to be able to supply the Australian market with fresh premium prawns to meet retail and consumer demands. The BTP produced at PSD are a larger and a higher quality prawn product than globally traded commodity prawns, commanding a pricing premium and are sought after by discerning customers in domestic and export markets.	9 to 13

Overview (cont.)

3		For more details see pages:
Investment highlights	- PSD is shovel ready – work on Stage 1a will commence on receipt of Tranche 1 funds from the Capital Raising. - PSD aims to be a low-cost producer providing significant volumes of premium BTP product. - Significant investment over 8 years, comprehensive feasibility studies and due diligence have de-risked PSD. - 4-star rating Best Aquaculture Practice Certification by the Global Aquaculture Alliance. - Significant support from Commonwealth and State Governments. - Offtake agreements (Nissui, Primstar) covering ~25% of production at market based prices are in place. - SFG has extensive experience in breeding, growing and harvesting prawns through its QLD operations. - PSD is in a strong competitive position – ideal site for industrial scale prawn aquaculture and significant barriers exist for entry into BTP farming. - PSD has end to end control of operations (including reliable source of BTP brood stock) and the project is designed to minimise biosecurity risks. - PSD specific pathogen free (SPF) domestication program up to its 3rd generation with the next generation of SPF animals expected in the near future. - SFG has signed a Project Framework Agreement with Canstruct that reduces construction risks. Canstruct is ready to mobilise to commence work. - First PSD product is scheduled to go to market in CY2023, subject to funding. - Development of subsequent stages will benefit from Stage 1a infrastructure and approvals are in place for the full Stage 1 (approx. 1080ha of grow out ponds).	9 to 11, 14 and 15

Overview (cont.)

		For more details see pages:
4 **Project capital required for PSD Stage 1a**	• Total project development costs (including costs until PSD can fund operations from PSD revenues) are estimated to be approximately A$320m plus debt finance costs (including interest, transaction costs and fees), equity raising costs, transaction costs and allowances for cost overruns and contingencies and any reserves required by financiers. • The capital works for Stage 1a is estimated to fall within the range of A$275m – A$290m with the Company's best estimate being A$281m (in each case excluding contingencies). • This includes ~A$150m in infrastructure spend that will service up to a full Stage 1 (approx. 1,080ha of grow out ponds) as well as some infrastructure that will service parts of other stages.	11, 16 and 18

5 **Initial funding for PSD Stage 1a**	• Seafarms is raising an initial equity investment for Stage 1a under the Capital Raising with the balance of funding for development of PSD Stage 1a to be raised through debt and equity raisings expected to occur in Q4 CY2021.
	• Capital Raising details:
	  • **Amount to be raised:** A$105m (before costs)
	  • **Securities offered:** Fully paid ordinary shares in SFG together with free attaching unlisted options on a 3 for 5 basis, exercisable at A$0.0975 and with a 3 year maturity period.
	  • **Issue price:** A$0.055 per share
	  • **Lead Manager:** Bell Potter Securities Limited (**Bell Potter**)
	  • **Structure of issue**
	    • **Placement**: A$90m two tranche share placement to institutional and sophisticated investors, with the right to accept oversubscriptions. Tranche 2 of the placement is conditional on SFG shareholder approval.
	    • **SPP:** To eligible SFG shareholders to raise up to approximately A$15m with the capacity to accept oversubscriptions. The SPP is conditional on SFG shareholder approval.
	    • **Option issue**: Placement and SPP participants will be offered free attaching unlisted options conditional on shareholder approval. The offer of the unlisted options will be set out in a prospectus.
		11 and 16 to 18

Overview (cont.)

6 Rationale for Capital Raising		For more details see pages:

Rationale for Capital Raising	- SFG is ready to progress construction and is seeking to raise approximately A$105m to initiate on-the-ground development activities for PSD in the current dry season in northern Australia while finalising the remaining debt and equity funding for the development of Stage 1a.
	- Interim raise provides greater time and flexibility to finalise debt arrangements minimising any impact to the construction schedule.
	- Reduced construction risk for lenders as the initial capital works:
	  • Reduce weather impact risk by establishing all weather access to Legune Station to enable works to continue during the coming wet season.
	  • Are expected to reduce debt cost and contingency reserve requirements as they will remove some key construction risk areas and demonstrate lower construction risk and clarity on required construction contingency.
	  • Provide completed project deliverables and assets which add value to the applicable sites. Funding is expected to allow completion of each of the discrete capital works projects (see page 11).
	- Reduced construction risk should attract further potential debt providers, facilitate provision of required debt funding and reduce the required provisions for cost overruns/contingencies.
	- Commencing construction of PSD Stage 1a now provides a number of advantages:
	  • Enables schedule for PSD Stage 1a project completion to be maintained at Q3 CY2023, rather than significant delays if initial works cannot commence during the existing dry season.
	  • Minimises impacts if construction were to be deferred until next dry season – holding costs, staff retention risk, risk of loss of access to Canstruct.
	  • Capture the advantage of fixed-cost pricing at currently agreed rates.
	  • Provides comfort for debt providers.
	  • Maintains momentum with SPF domestication program and sales and marketing strategy.
	  • Meets commitments under our Project Development Agreement and Major Project Status.
		11 to 13, 16 and 18

Overview (cont.)

		For more details see pages:
7 **Key shareholder support**	Strong alignment from SFG Chairman Ian Trahar who has indicated he intends to participate in the Placement for $20m and convert the entire outstanding principal (of up to A$15.2m) owed by SFG to Avatar Finance Pty Ltd into shares (together with attaching options) at the Capital Raising issue price.[1] The owner of Legune Station, AAM Investment Group, where Seafarm's Project Sea Dragon farms are to be located also intends to participate in the Placement through their Pastoral Development Trust (PDT). The owners of Seafarm's major construction partner, Canstruct are a material investor in PDT	19
8 **Funding status**	SFG is seeking debt funding for the development of PSD Stage 1a of: • A$100m – A$150m in construction facilities; and • A$15m – A$35m in working capital facilities. Negotiations are well advanced with a number of debt providers. Indicative commitments received to date remain subject to final investment and credit commitment approvals, completion of due diligence processes, agreement of outstanding commercial terms, finalisation of finance documents and certain other conditions. Seafarms continues to engage with further debt investors, a number of whom are conducting due diligence. In addition to this Capital Raising, further equity funding as well as the proposed debt funding is required to fully fund the development of PSD Stage 1a. The amount of equity required will depend on, among other things, the amount of debt funding obtained, funding costs, allowances for cost overruns and contingencies and any reserves required by financiers.	16

[1] Participation in the Capital Raising and conversion of the shareholder loan provided by Avatar Finance is subject to approval by Seafarms' shareholders under ASX Listing Rule 10.11. The Company may seek a waiver of ASX Listing Rule 10.11 in connection with any Director (including Mr Ian Trahar) participation in the SPP.

Overview (cont.)

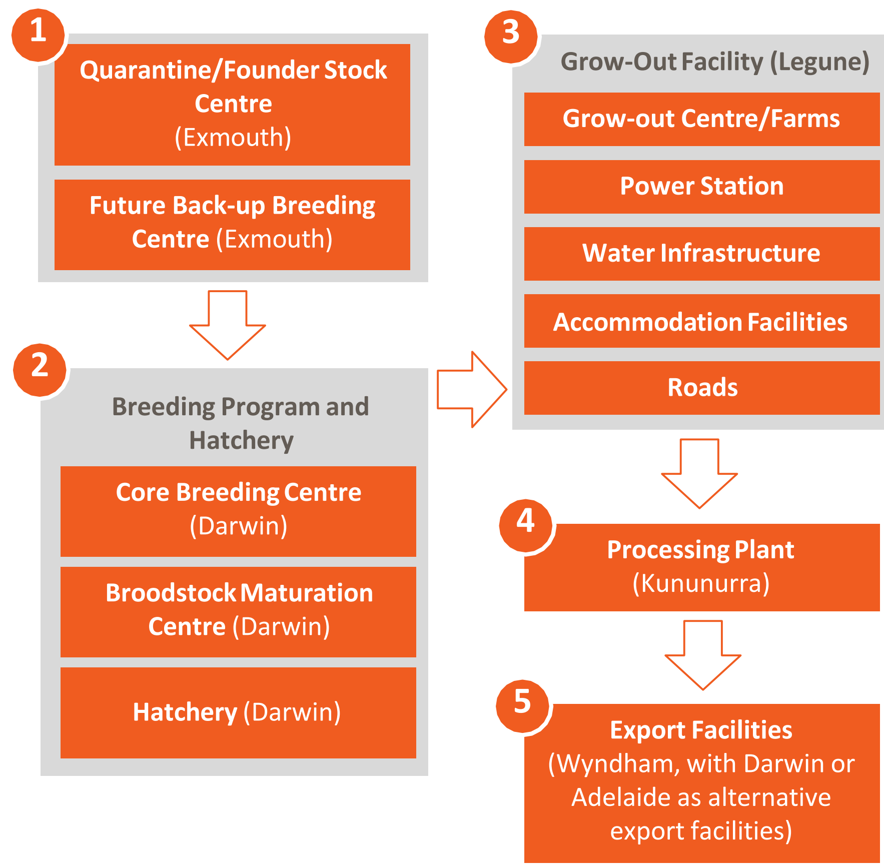
9		For more details see pages:
Key risks	• SFG requires debt financing and further equity finance to fully fund the development of PSD Stage 1a. There is no guarantee the required debt funding and/or further equity funding will be obtained, or obtained on favorable terms, or within the anticipated timelines. • The capital cost component of total project development costs is estimated to be A$281m (excluding contingencies) and the scheduled completion of Q3 CY2023 relies upon additional funding being in place during Q4 CY 2021. • Tranche 2 of the Placement, the SPP and the issue of the attaching free options are all subject to shareholder approval. If those approvals are not obtained, Tranche 1 of the Placement will proceed, but the other components of the Capital Raising (Tranche 2, the SPP and the issue of the attaching free options) will not proceed. SFG directors (who do not have an interest) will recommend the Capital Raising in its entirety and believe that shareholders will support the resolutions required to approve the Capital Raising. • The SPP is not underwritten and so if less than $15m is raised, the Company may not be able to deliver all the capital works proposed to be funded by the Capital Raising. • As with other large projects, the construction of PSD will be subject to construction and contracting risks including contractor failure, unforeseen events, cost overruns and schedule delays. • When operating, PSD will be subject to a range of risks including primary production risks such as achieving desired growth rates, exposure to disease, unfavourable weather, and power failure. • SFG has an experienced core of executives and staff to build and operate PSD and has access to further strategic advice from Canstruct under the Project Framework Agreement announced on 20 May 2021. Delivery of PSD depends on retaining and building appropriately skilled team of executive and operational staff at the appropriate time.	21 to 30

Overview of PSD

Overview

- PSD is an opportunity to develop a Tier 1 land-based aquaculture facility of global significance, expected to have an operating life of 90 years. PSD is designed to:
  - be developed and constructed in stages, located at various sites across Western Australian and the Northern Territory (see page 10 for project sequencing); and
  - produce high-quality, year-round reliable fresh and frozen BTP volumes for export and domestic markets.
- PSD's viability has been proven by comprehensive feasibility studies, extensive due diligence and SFG successfully attaining all material regulatory approvals required for the full Stage 1 development including:
  - Major Project Status which ensures a significant level of support from the Australian Federal Government, WA and NT Governments;
  - Project Development Agreement with the NT Government; and
  - A registered Indigenous Land Use Agreement.
- Collectively SFG, its industry partners and governments, have spent significant monies in developing and assisting in the development of PSD since 2013.

Project Components



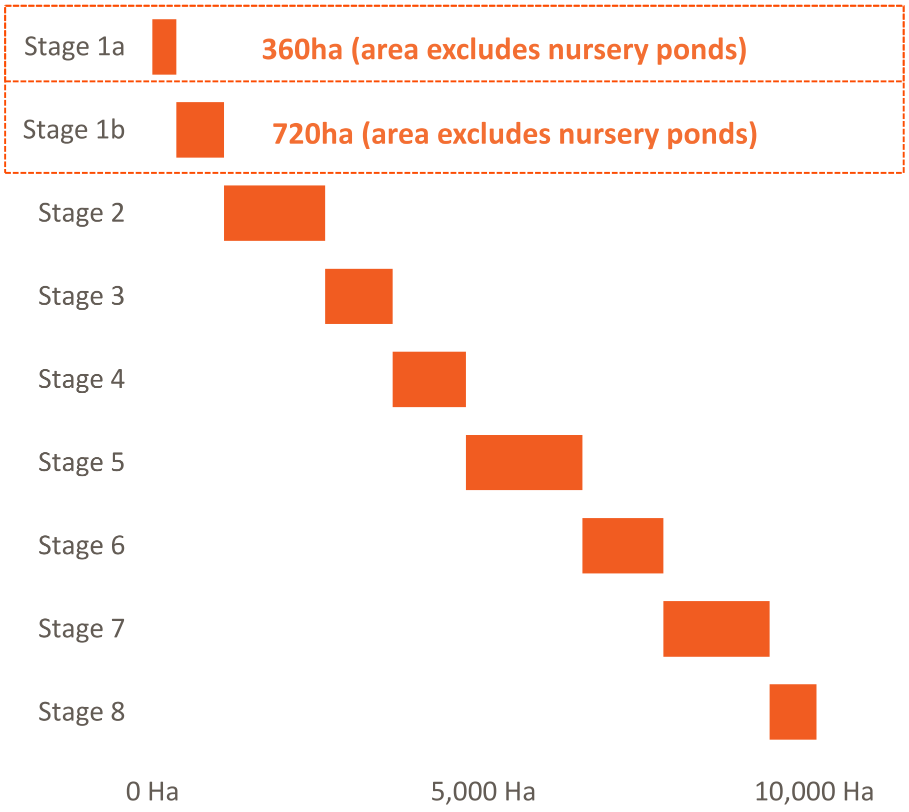
PSD delivery strategy

The project delivery strategy of PSD as a modular project underpins its scalability for future stages

Project sequencing

- Stage 1a comprises 36 x ~10ha of grow out ponds, 36 x ~1ha nursery ponds and access, water, hatchery, production and processing infrastructure which is designed to support production of up to approximately 6,000 tonnes per annum of BTP in the first 12 months of production.
- The next planned step is to develop Stage 1b, which will comprise approximately 72 x ~10ha of grow out ponds.
- Stage 1b will be able to utilise much of the infrastructure developed for Stage 1a, including roads, water intake and outlet and communications infrastructure, thereby reducing capital cost per hectare of ponds.
- Much of the infrastructure can be shared for further stages of PSD (with necessary expansion and upgrades).
- Ultimately, PSD has the potential to be expanded to approximately 10,000ha of grow out ponds generating 130,000 to 180,000 tonnes per annum of BTPs.

Indicative of completed stages if developed



PSD Stage 1a capital works partly funded by Capital Raising

Capital for Stage 1a is estimated to be A$275m – A$290m with a best estimate of A$281m (excl. contingencies). The Capital Raising will fund a portion of the Stage 1a capital works.

Location	A$m	Total Stage 1a capital works	A$m	Capital works funded by the Capital Raising
Exmouth	4	Expand Founder Stock Centre	3	Expand Founder Stock Centre
Bynoe Harbour	26	Broodstock Centre and Hatchery	10	Broodstock Maturation Centre Shed 1, seawater intake, water conditioning and discharge systems
Legune Station	165	Microwave Communications Ponds, Pump Station, Seawater Intake and discharge channels Roads	65	Jetty hardstand, 24 nursery ponds, 20 grow out ponds, jetty design, 50% of Seawater Intake earthworks, access roads to allow wet weather access, Seawater Intake Pumps, and other miscellaneous construction components
Kununurra	46	Roads and other infrastructure Processing plant	-	Detailed engineering and the preparation of tender documentation (cost included in Indirects below)
Indirects	40	Project management, design, procurement, meeting environmental obligations, certifications, social, and legal compliance costs, insurance	12	Insurance, social and legal compliance costs, environmental obligations
	281	**Total capital works** (excluding contingencies and working capital)	**90**	**Capital works funded by Capital Raising**

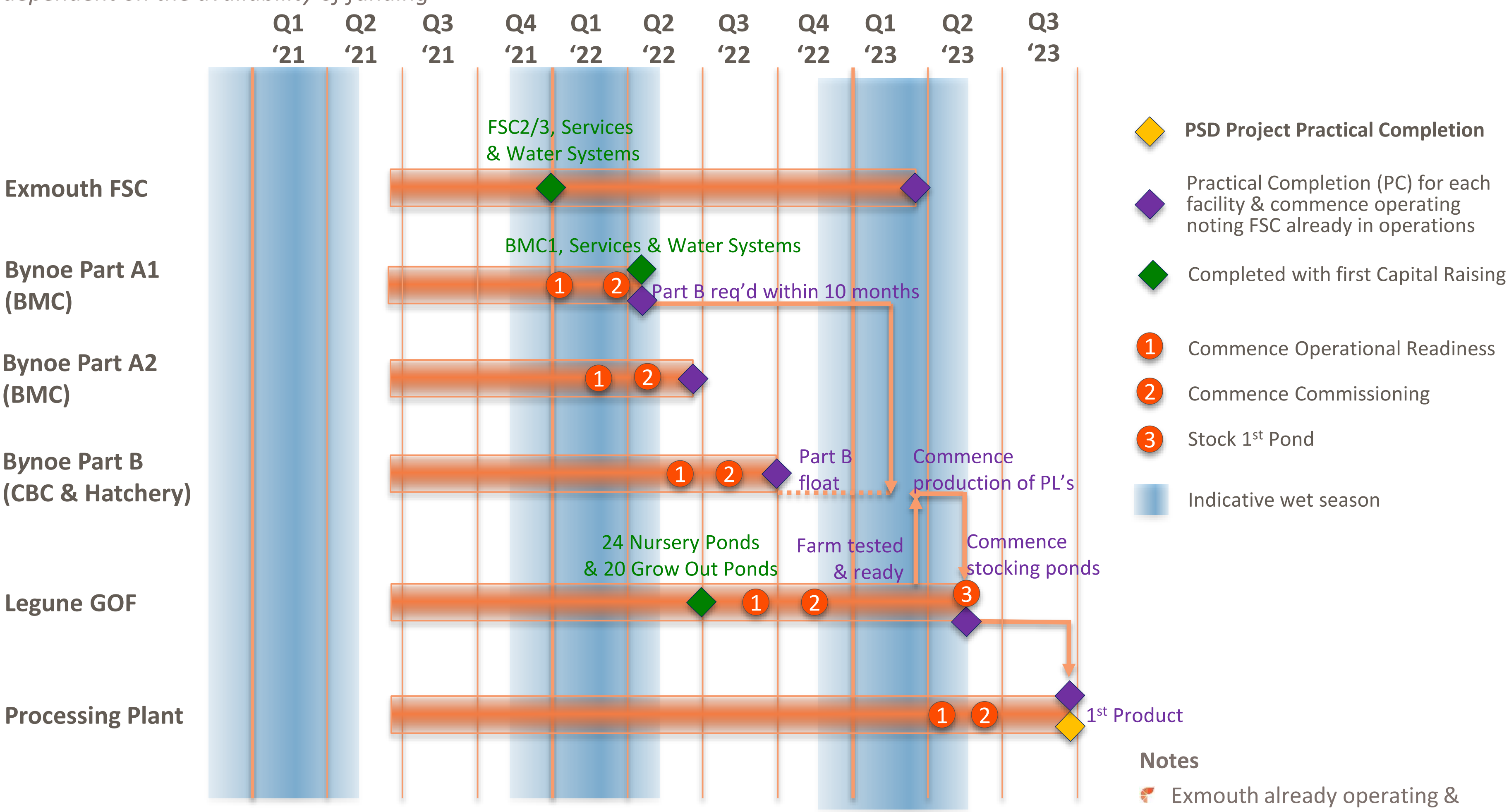
Stage 1a Project Delivery

- The construction works have been broken down into multiple defined work packages for each site to be let progressively with construction risk mitigated by use of specialist third-party contractors with local knowledge.
- Earthworks, facilities and plant to be constructed by third party contractors, Power Station by BOOM contract.
- SFG has completed a detailed test pond construction at Legune confirming suitability of material and compaction levels.
- The Project Framework Agreement with Canstruct formalises key commercial matters, governance of the management process and the initial contract of works package reduces price risk and contingency requirements at Legune.
- Canstruct is ready to establish the accommodation in June 2021 to enable mobilisation for major earthworks, and the balance of the initial package in July 2021.

PSD – Stage 1a Project Elements

Road-map to Practical Completion

These dates are indicative only and can be affected by a range of factors which are outside of the control of SFG. Dates are also dependent on the availability of funding

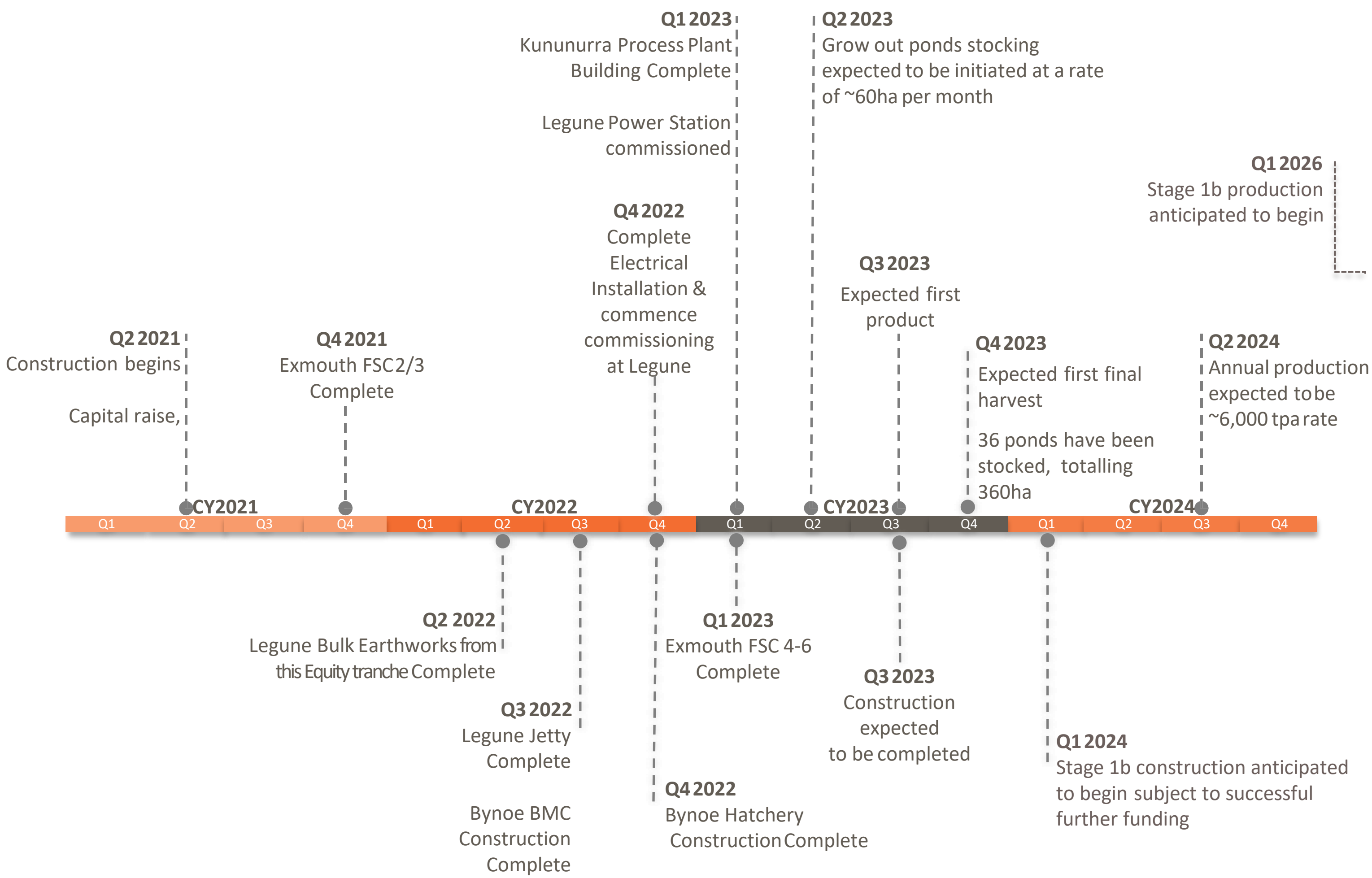


Notes

- Exmouth already operating & funded by SFG

PSD – Stage 1a Indicative Project Milestones

These dates are indicative only and can be affected by a range of factors which are outside of the control of SFG. Dates are also dependent on the availability of funding



Project Framework Agreement with Canstruct

SFG and Canstruct have executed a Project Framework Agreement, following the Memorandum of Understanding to appoint Canstruct as Managing Contractor.

About Canstruct	Canstruct is an Australian owned leading design, construction and facilities management company with over 50 years' experience delivering projects in remote locations in Australia and internationally. Canstruct is well placed to deliver the remote and multi-site PSD project given their experience which includes delivering projects for: • Commonwealth Government Departments including Department of Home Affairs, DFAT, Department of Education and Training; • State Government Departments including Queensland Department of Transport and Main Roads, Queensland Rail, NT State Government; and • Corporate Clients including Rio Tinto, Thiess, ExxonMobil PNG, Aurizon, Cement Australia and Vale NC.
Key terms of the Project Framework Agreement	Canstruct and an SFG subsidiary have executed a framework agreement that: • locks in price and terms for an initial package of works for approximately A$78m on a fixed price basis; • provides a mechanism for adding further work to Canstruct's portfolio as the project and detailed design progresses; and • formalises key commercial matters including bonding. The value of this initial package is within budget (inclusive of contingency) and, subject to funding, will allow construction activities to commence at its Grow Out Facility in Legune during this dry season (2021). The contract structure and pricing reduces price risk within the key construction packages and reduces the contingency required for the initial works at Legune. Canstruct has established a small team in Darwin to assist local engagement and ramp up construction.

Comparison of PSD with Queensland operations

Queensland Operations have demonstrated that base case assumptions for PSD can be exceeded.

Queensland pilot project

- The QLD operations provide SFG with a commercially viable pilot to develop and test best practices for PSD and provide aquaculture facilities to undertake its domestication and breeding program which commenced in 2015. At Exmouth SFG has cultured the third generation of prawns (G3) as part of its specific pathogen free (SPF) domestication program.
- R&D activities have been extensive and have included the incorporation of settlement and nursery ponds into the production system (an Australian first for BTP) and testing an automatic feeding system.
- SFG has the operational expertise to execute the development of PSD into a globally significant land-based prawn farming operation.

Farm 3 (PSD commercial trial)

- The latest FY21 crop demonstrates the growth rates and crop length to achieve premium PSD size animals (see picture). The strong crop, using fifth generation broodstock, was a result of PSD's ongoing domestication partnership with the Australian Research Council program.
- Total harvest was 33% above budget despite difficult growing season due to high rainfall events.

Performance Indicator	Actual Farm 3 (Nov 2020 - May 2021)	Base Case PSD
Number of hectares stocked	33	360
Crop yield tonnes/hectare	12.0 per crop 12.0 annual	8.3 per crop 16.6 annual
Food Conversion Ratio	1.5	1.5
Cash Cost per kg(1)	$13.79	$10.0
Days of Culture	176	175
Average body weight – final harvest	43g	40g
Number of crops per annum	1	2(2)

(1) Cash costs of production excluding freight out and marketing

(2) Legune has warmer seawater temperatures all year round enabling two crops per year

Picture: Farm 3's 43 gram average body weight animals, with some animals exceeding 90 grams. Farm 3 animals exceed standard size product of 22-27 gram average body weight.

Funding overview

Funding overview	SFG is seeking to raise approximately A$105m to initiate on-the-ground development activities for PSD in the current dry season in northern Australia while finalising the remaining funding for the development of PSD Stage 1a. Initial funding is intended to enable SFG to achieve its construction schedule for PSD Stage 1a for project completion by the end of Q3 CY2023, subject to obtaining the remaining funding in Q4 CY2021. It is expected that initially, construction of PSD Stage 1a will be largely funded from the equity proceeds, before the construction debt facility is drawn. Total project development costs are estimated to be approximately A$320m (predominantly capex and opex) plus debt finance costs (including interest, transaction costs and fees), equity raising costs, transaction costs and allowances for cost overruns and contingencies and any reserves required by financiers. See page 18 for an overview of sources and uses of funds for development of PSD Stage 1a.
Capital Raising	SFG is seeking to raise approximately A$105m under: • a two tranche share placement of A$90m with the right to accept oversubscriptions, with Tranche 2 being conditional on SFG shareholder approval; and • a share purchase plan of up to approximately A$15m to existing eligible SFG shareholders with the right to accept oversubscriptions. The SPP is conditional on SFG shareholder approval. Placement and SPP participants will be offered 3 free unlisted options for every 5 new shares subscribed for, conditional on shareholder approval. The unlisted options will have an exercise price of A$0.0975 and a three year maturity period. The offer of the unlisted options will be set out in a prospectus.
Debt funding	As part of the remaining funding requirement, SFG is targeting senior secured construction facilities of A$100m - A$150m and a working capital facility of A$15m - A$35m by Q4 CY2021. Negotiations are well advanced with a number of debt providers. Indicative commitments received to date remain subject to final investment and credit commitment approvals, completion of due diligence processes, agreement of outstanding commercial terms, finalisation of finance documents and certain other conditions. SFG continues to engage with further debt investors, a number of whom are conducting due diligence to facilitate their processes needed to complete their required internal approval processes to enable participation as a debt funder. Alternative funding mechanisms are being considered that may include equity or convertible securities.
Further equity funding	In addition to any debt funding that may be secured, further equity funding will be required to fully fund the development of PSD Stage 1a. The amount of equity required will depend on, among other things, the amount of debt funding obtained and funding costs, allowances for cost overruns and contingencies and any reserves required by financiers. Further funding is expected to be required as a precondition to access to agreed construction and working capital debt facilities.
Conversion of existing debt	Avatar Finance, a company controlled by Mr Trahar, the Chairman of SFG, has agreed to convert the amount outstanding under the Avatar Loan (approximately $15.2m) to shares at the issue price under the placement with free attaching unlisted options on the same terms as offered to investors under the Capital Raising. The conversion improves the financial position of SFG. The conversion of the Avatar Loan is conditional on SFG shareholder approval being obtained. The Elsie Cameron Foundation Pty Ltd has agreed to convert the amount outstanding under the loan (approximately $7.5m) to shares at the issue price under the placement with free attaching unlisted options on the same terms as offered to investors under the Capital Raising.

Key terms of the Capital Raising

Placement

Issue price	A$0.055 per Share		
Gross Amount	A$90m with the right to accept oversubscriptions		
Investors	Institutional and sophisticated investors including SFG Chairman, Mr Ian Trahar		
Structure	Two tranche placement comprising:		
	Amount	**Shares issued**	**Shareholder approval required?**
Tranche 1(1)	~A$20m	~363m Shares	No. (2)
Tranche 2	~A$70m	~1,273m Shares	Yes.
Options	Investors who participate in the Placement will receive a free attaching unlisted option (on a 3 for 5 basis, exercisable at A$0.0975 and with a three year maturity period) conditional on shareholder approval. The offer of the unlisted options will be set out in a prospectus.		

(1) Figures shown assume the Company does not utilise its additional 10% placement capacity under ASX Listing Rule 7.1A.
(2) SFG Shareholders will be asked to ratify the issue of Tranche 1 shares at the EGM so that the Company has as much flexibility as possible to issue additional equity securities into the future.

Share Purchase Plan

Gross Amount	To raise A$15m with the right to accept oversubscriptions
No. of shares	~273m Shares
Issue price	A$0.055 per Share
Investors	Eligible SFG Shareholders as at Record Date (A$30,000 maximum subscription per eligible SFG Shareholder)
Shareholder approval	Yes.
Options	Investors who participate in the SPP will receive a free attaching unlisted option (on a 3 for 5 basis, exercisable at A$0.0975 and with a three year maturity period) conditional on shareholder approval. The offer of the unlisted options will be set out in a prospectus which will be despatched to eligible SFG Shareholders.

Sources and uses of funds

Sources	Note	To Project Completion of PSD Stage 1a A$ million	To completion of Capital Raising work program A$ million
Cash on hand (25 May 2021)		1	1
Proceeds of Capital Raising		105	105
Exercise of options	1	0 - 15	-
Construction debt facility	2	100 - 150	-
Working capital facility	2&3	15 - 35	-
Proposed final capital raising	4	TBD*	-
			106
Uses			
Capital works (excluding contingencies)	5	281	90
Operating costs	6	37	10.5
Repayment of existing debt	7	5	-
Capital raising costs	8	TBD*	4.5
Debt financing costs	9	TBD*	-
Other transaction costs	10	TBD*	1
			106

*These amounts depend on events and circumstances which are yet to occur and so cannot be forecast at this time.

SFG may, at its absolute discretion, decide to raise more or less than this amount or, raise some or all of this amount through the issue of SFG shares or through other means. If Tranche 2 of the placement and/or the SPP is not approved by SFG shareholders, or less than $15m is raised under the SPP, funds raised will be applied to general working capital, progressing PSD early works and PSD financing and, depending upon the amount raised, part of the proposed Capital Raising work program but not all of that program may be delivered from the funds raised.

Notes

This table shows:

- the estimated sources and uses of funds for the period to scheduled Project Completion of PSD Stage 1a (end Q3 CY2023), following which PSD is forecast to fund its operations from project revenues.
- the estimated sources and uses of funds until scheduled completion of the work program to be funded from the Capital Raising (Q4 2021).

1. Seafarms unlisted options on issue (see page 20).
2. Construction and working capital debt facilities are being negotiated – see pages 16 and 28. Indicative ranges for the size of proposed debt facilities are shown.
3. It is expected that only partial drawdown of any working capital facility will be required prior to completion of construction of PSD Stage 1a.
4. Further funding is required to complete construction of PSD Stage 1a. Funding not provided under debt finance facilities and exercise of existing options is planned to be equity funded. The amount required will be determined following finalisation of debt funding arrangements.
5. See page 11 for further details on capital works.
6. PSD and head office operating costs for the specified period including operating the SPF domestication program.
7. Existing loan facilities from Avatar Finance and The Elsie Cameron Foundation will be converted into Seafarms' shares at the issue price together with attaching unlisted options (subject to Seafarms' shareholder approval). The existing loan described in the table is a loan provided to SFG by a fund managed by AAM Investment Group Pty Ltd is to be repaid in 2022.
8. Capital raising costs include lead manager and management fees.
9. Debt finance costs for PSD Stage 1a are anticipated to include interest, transaction costs and fees, allowance for cost overruns and contingencies and agent and independent certifier fees. A contingency amount is likely to be required to meet unexpected construction costs, overruns and operating costs, meet short term working capital demands and provide reserves required by financiers.
10. Other transaction costs include other advisory fees and expenses.

Seafarms – Shareholding structure and financial impact

Top 10 shareholders of Seafarms (pre Capital Raising)

	Shareholder	Number of Shares	Shareholding %
1.	Nippon Suisan Kaisha Limited	283,230,208	11.69%
2.	Avatar Industries Pty Ltd(1)	245,791,047	10.15%
3.	The Elsie Cameron Foundation Pty Ltd	208,333,333	8.60%
4.	Gabor Holdings Pty Ltd <The Tricorp A/C>(1)	196,685,268	8.12%
5.	Avatar Industries Pty Ltd(1)	158,984,969	6.56%
6.	JBWere (NZ) Nominees Limited <56871 A/C>	65,793,651	2.72%
7.	UBS Nominees Pty Ltd	54,674,781	2.26%
8.	Thirty-Fifth Celebration Pty Ltd <JC Mcbain Super Fund A/C>	49,947,460	2.06%
9.	Avatar Industries Pty Ltd(1)	48,916,666	2.02%
10.	Fifty Second Celebration Pty Ltd <Mcbain Family A/C>	46,048,296	1.90%

Substantial Shareholders (pre Capital Raising)

Substantial Shareholders	
Gabor Holdings Pty Ltd (1)	27.90%
Nippon Suisan Kaisha Ltd	11.69%
Jan Cameron	11.36%

Directors' interests (pre Capital Raising)

	Director	Shares	Options(2)	Shareholding %
1.	Ian Trahar – Executive Chairman	675,871,221	21,708,333	27.9%
2.	Paul Favretto – Independent Director	37,916,666	250,000	1.57%
3.	Harley Whitcombe – Executive Director	18,298,258	250,000	0.76%
4.	Christopher Mitchell – Executive Director	11,327,268	125,000	0.47%
5.	Hisami Sakai – Independent Director (Nissui representative)	-	-	-

Impact of the Capital Raising and debt conversions on Seafarms balance sheet

Item	Pre-Capital Raising Amount (A$m)	Post Capital Raising and debt conversion Pro forma Amount (A$m)(3)
Cash (as at 31 December 2020)	5.5	105.5
Net assets (as at 31 December 2020)	17.2	133.8
Debt (as at 31 December 2020)	21.8	5.5
Details of debt (as at 25 May 2021)		
- Avatar Finance Pty Ltd	15.2	Nil
- The Elsie Cameron Foundation Pty Ltd	7.6	Nil
- HSBC (4)	-	-
- A fund managed by AAM Investment Group	5	5

Notes
(1) Entities associated with Ian Trahar
(2) Various exercise prices and expiry dates
(3) Assumes A$105m raised under Placement and SPP less indicative fees of A$5m and Avatar and Cameron debt converted to equity.
(4) Working capital facility of up to A$5.5m secured against Queensland operations debtors

Seafarms – Capital structure

Capital structure of Seafarms (post Capital Raising)

Issued Share Capital	Pre – Capital Raising		Transactions		Post Capital raising	
	No. of securities	%	Capital Raising[1]	Debt Conversion	No. of securities	%
Issued Fully paid ordinary shares	2,172,612,393	79.7	1,909,090,910	0	4,081,703,303	63.3
Fully paid ordinary shares relating to Avatar Finance debt conversion [2]	-	-	0	276,363,637	276,363,637	4.3
Fully paid ordinary shares relating to The Elsie Cameron Foundation debt conversion[3]	-	-	0	137,454,546	137,454,546	2.1
Fully paid ordinary shares under voluntary escrow	249,919,097	9.2	0	0	249,919,097	3.9
Total Fully Paid Ordinary Shares	**2,422,531,490**	**88.8**	**1,909,090,910**	**413,818,183**	**4,745,440,583**	**73.6**
Other Securities						
Total listed options (Expire 17 July 2021. Exercise price 9.7c)	153,666,894	5.6	0	0	153,666,894	2.4
Convertible preference shares (SFGAA)	30,150,189	1.1	0	0	30,150,189	0.5
Unlisted options (SFGAC) - (Granted 22 August 2017 with an exercise price of $0.097 and expiring 22 August 2021)	30,000,000	1.1	0	0	30,000,000	0.5
Unlisted options (SFGAD) - (Granted 18 January 2018 with an exercise price of $0.097 and expiring 31 October 2021)	5,000,000	0.2	0	0	5,000,000	0.1
Unlisted options (SFGAD) - (Granted 7 August 2018 with an exercise price of $0.062 and expiring on 1 June 2023 under a voluntary escrow period of 3 years from the date of issue)	5,320,622	0.2	0	0	5,320,622	0.1
Unlisted options (SFGAD) - (Granted on 12 December 2018 with an exercise price of $0.10)	30,000,000	1.1	0	0	30,000,000	0.5
Unlisted options (SFGAD) - (Granted on 12 December 2018 with an exercise price of $0.10)	50,000,000	1.8	0	0	50,000,000	0.8
Unlisted options (TBC) – (Unlisted options yet to granted with an exercise price of $0.095 and three year maturity from the date of issue) [4]	-		1,145,454,546	248,290,910	1,393,745,456	21.6
Total Other Securities	**304,137,705**	**11.2**	**1,145,454,546**	**248,290,910**	**1,697,883,161**	**26.4**
Total Securities on Issue[5]	**2,726,669,195**	**100**	**3,054,545,456**	**662,109,093**	**6,443,323,744**	**100**

Notes:
1) Total equity capital raise of $105m at an issue price of $0.055 per share
2) Conversion of $15.2m at $0.055 per share – subject to shareholder approval
3) Conversion of $7.56m at $0.055 per share – subject to shareholder approval
4) Free attaching options proposed to be issued under the Capital Raising and debt conversions – subject to shareholder approval
5) Further securities may be issued as part of the debt funding arrangements

Risks

Overview

There are a number of factors which may affect the development, future operation and financial performance and/or financial position of the Company, its prospects, and/or the value of the new fully paid ordinary shares in the Company (**New Shares**). Many of the circumstances giving rise to these risks are beyond the control of the Company, the Directors or its management. Set out below are the areas the Directors regard as the major risks associated with an investment in the Company. The description of risks below is not exhaustive. Additional risks and uncertainties that the Company is unaware of, or that it currently considers to be immaterial, may also become important factors. If the relevant risks arise, and are not or cannot be appropriately mitigated, there may be adverse effects on the development of PSD and on the operating and financial performance of the Company.

There may be additional risks (including financial and taxation risks) that investors should consider in light of their own personal circumstances. Potential investors should consider that an investment in New Shares as speculative and should consult their professional adviser before deciding whether to invest.

General risks

Business risk

The Company is exposed to a range of operational risks applicable to many businesses of this type including: loss or damage to operating assets and equipment, equipment failures, human error, accidents, information system failures, external services failure, industrial action or disputes, loss of key personnel or inability to recruit staff or contractors with appropriate expertise; complaints, proceedings or litigation by customers, suppliers, employees, competitors, activists, environmental and animal welfare groups, parliamentary or regulatory bodies or other third parties; material breach of any laws or regulations or any material adverse finding or determination of any inquiries or investigations by any parliamentary body or regulatory authority and food contamination and product recalls/withdrawals. These matters may have an adverse effect on the Company's reputation, divert its financial and management resources from more beneficial uses and have a material adverse effect on operations and financial performance. While appropriate actions will be taken and insurance obtained where appropriate and available, it cannot completely remove all possible risks that may have a material adverse impact on the operations and financial performance.

Primary production risk

Aquaculture is a form of primary production and has the normal and usual risks associated with primary production. In addition to those specific PSD risks mentioned below, these risks include but are not limited to, risks from pests, changes that impact growth performance or cause unusually high mortalities (e.g. changes in environmental conditions, failures in systems, plant and equipment).

General economic and government risk

A number of other factors affecting the performance of industries, not just aquaculture operations, will affect the Company including: general economic conditions, including the demand for, and supply of, capital; changes in government policies, taxation and environmental and other laws; the strength of the equity and share markets in Australia and throughout the world and investor sentiment toward particular market sectors or generally; movement in, or outlook on, interest rates, inflation rates and currency exchange rates; trade conflicts between certain major countries; and natural disasters, pandemic, social upheaval or war, terrorism or other hostilities in jurisdictions in which the Company operates.

Share market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and primary production stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Risks & mitigants

		Description of risk	Mitigating factors
Company Specific Risks			
Primary production risk	**Disease risk**	Disease is a major risk in any animal husbandry or aquaculture project and applies during the applicable harvest cycle (approx. 6 – 9 months for BTP). Disease may enter the production system through the broodstock and hatchery system, from the environment via water or through wildlife or human vectors.	• PSD policy is to operate on the basis of exclusion of pathogens • Transmission of disease from broodstock is eliminated through use of domesticated SPF animals, controlled by PSD. Breeding facilities are biosecure (water is sterilised). • Water is treated through settlement and filtration • Grow out ponds are adequately separated and if disease is identified in one pond, it can be isolated • The aquaculture operations are remotely located and geographically separated.
	Weather risk	Adverse climatic conditions can negatively impact stock survival and inhibit growth. For example, extreme temperatures, floods, storms and cyclones could cause interruptions to operations.	• High water exchange is used to manage elevated temperature and control salinity • There is constant in-pond monitoring through automated and manual systems (temperature, salinity and dissolved oxygen) • PSD is designed to withstand 1:100 year weather events including impacts of climate change and, in addition, storm risk to built infrastructure is to be insured
	Power failure	PSD grow out ponds are in an isolated location and are reliant on islanded on-site power generation to conduct operations.	• Specifications for the PSD power station provide for a redundancy of N+2 (meaning that there can be a failure of 2 of the largest machines and the system would still be capable of supplying the required power) • The power station contract will contain i) performance requirements (construction timeframes and power generation performance); ii) operations requirements (generation and cost performance); and iii) step in rights being sought for the event of serious non-performance

seafarms

Risks & mitigants

		Description of risk	Mitigating factors
Company Specific Risks			

PSD construction risk	Contracting structure risks	The construction of PSD will be subject to typical construction risks including usual risks of delays, design and/or quality issues, pricing and cost overruns and variations.
		
		The contracting structure adopted may result in the applicable risks differing from other typical project development contracting structures such as an ECM construction contractor as head contractor providing a fixed price for the whole project.
		
		Construction for PSD will be delivered with Canstruct as a managing contractor under a framework agreement that has a $78m initial contract comprising five key packages, and that enables the addition of future packages as the project progresses. Contracts will be added to the Canstruct portfolio progressively either as self perform or sub-contract. PSD is entitled to contract directly with non Canstruct contractors and intends to do so.
		
		Nonetheless there are different and specific risks identified with this strategy. Some of the key risks associated with the contracting structure include:
		- Canstruct's pricing for future packages may be non-competitive, requiring PSD to directly engage smaller local contractors
		  - Increasing the number of contractors and contracts that are required to be managed to undertake the works by the PSD
		  - Increasing the size of the PSD project team to manage the increased number of contracts
		  - Creating interface risks
		- Use of and the financial position of smaller contractors may reduce recourse in the event of contractor failure
			- The contracting structure provides mechanisms to leverage from a larger managing contractor (Canstruct) while being able to maintain flexibility & competitive tension through the option to directly contract smaller contractors as the project progresses. The Company is of the view that this is a less risky delivery approach than a full EPC for construction in Northern Australia.
			- Local tier 2 contractors undertaking smaller work packages are targeted given the scale, location and low technical sophistication of PSD. Experienced local contractors are expected to better understand the local environment and ground conditions, have capacity and be more flexible, co-operative and easier to replace if they should fail to perform.
			- The contracts generally will be fixed price design and construct, or fixed price construct, fixed price supply with performance criteria, or where risk requires it, a rates based contract where the contractor is responsible for its productivity. Where appropriate, contractual protections for material contracts will include step in rights in the event of default.
			- A detailed project execution plan has been developed.
			- Canstruct will be responsible for the logistics and procurement within its packages. Contract procurement and management will be managed by an integrated owner's team structured to coordinate multiple contracts and led by an experienced Project Director, with professional project management support, with the ability to augment the owner's team with externally sourced project management services. Tenders for providing project management services have been received.
			- The use of smaller contract packages reduces financial exposure associated with any single contract.

Risks & mitigants

		Description of risk	Mitigating factors
Company Specific Risks			
PSD construction risk	**Contractor availability and failure**	There is a risk that contractors may not be available to perform services for the Company, when required, or may only be willing to do so on terms that are not acceptable to the Company. Once in contract, contractor performance may be constrained or hampered by labour disputes, plant, equipment and staff shortages, and default. Contractors may not comply with provisions in respect of quality, safety, environmental compliance and timeliness, which may be difficult to control. In the event that a contractor underperforms or is terminated, the Company may not be able to find a suitable replacement on satisfactory terms when required or at all. These circumstances could have a material adverse effect on the Company's development of PSD and ongoing operations and give rise to claims by or against the Company.	• Assessment of contractor capability will be undertaken prior to award. • Contractual protections will be sought, including requirements to comply with safety, quality and time obligations and provide step-in rights. • The Company has entered into a Project Framework Agreement with Canstruct to appoint Canstruct as managing contractor. Canstruct has access to JV partners and the wider contract labour pool. The contract with Canstruct is not exclusive. The Company may elect to award contract packages directly to other contractors. • Performance bonds or cash retention will be put in place for significant contracts. • Some early works have been undertaken to enable faster ramp up (eg quarry materials are on hand for critical path activities and design work has been undertaken to enable procurement of critical material).
	Power station completion	Delivery of the power station is to be through a Build Own Operate and Maintain contract with a specialized third party power station constructor and operator. There is a risk that the third party constructor and operator may not deliver the power station on time, thereby delaying project commencement.	• Assessment of contractor capability will be undertaken prior to award to ensure capability. • An Expression of Interest process has been undertaken for the power station Build Own Operate and Maintain. • Contractual protections will include performance warranties and step-in rights. • The site can be commissioned and powered by portable generators. • PSD plans include early design and procurement for items involving key commodities such as copper to mitigate supply risk arising from increased demand driven by increasing construction activity. • There is significant float in the time to provide a power station.

Risks & mitigants

		Description of risk	Mitigating factors
Company Specific Risks			
PSD construction risk	**Project team capacity**	The Company currently has a small in-house engineering and design owner's team. The Company intends to engage appropriately skilled additional team members to ensure the owner's team is adequately resourced to manage a large number of external contractors and engineers. The Company's capacity to engage additional resources is subject to funding. Delays in securing and ramping up an owner's team that is sized and structured to procure and manage multiple contracts may impact procurement and delay the project.	• Canstruct have been engaged as a managing contractor and the pricing for key packages are in hand. Canstruct has engaged its JV partner and is ready to mobilise to site. • The engagement of a managing contractor with Canstruct's capacity and the term of the Company's agreement with Canstruct, facilitates the aggregation and optimization of multiple smaller packages reducing co-ordination, interface risk and the number of contracts to be managed by the Company's owner's team • Canstruct has engaged an experienced project director who has delivered larger and more complex projects. • The Company has engaged an experienced project director and project manager who have delivered larger and more complex projects in-scope and on-time. • A professional project management organization has been engaged to provide key positions within an integrated owners team reporting to the project manager. • The team is currently sourcing and has identified suitably skilled and qualified additional resources that, subject to funding, are intended to be engaged by the Company.
	Build quality risk	There is a risk that contractors do not construct to the build quality required.	• Canstruct has an accredited quality assurance system. • The designer will specify minimum quality requirements including adherence to all applicable national and regional quality standards and specifications. • Inspection and test plans will be included in contracts for critical items. • Independent laboratories and surveyors will be used to verify volumes and quality as appropriate.

Risks & mitigants

		Description of risk	Mitigating factors
Company Specific Risks			
PSD construction risk	**Safety or environment incident**	A serious workplace safety or environmental accident may cause a regulator to halt work creating a delay in project construction.	- A comprehensive PSD Construction Safety Plan is in place. - All contractors safety plans are to incorporate PSD requirements. - Responsibility to comply with environmental obligations will be required contractually in significant package. - The Company's Crisis Management Plan has been reviewed by Marsh (the Company's insurance adviser) and training is to be implemented to ensure readiness.
BTP market & other financial risk	**Demand**	If there were a substantial reduction in demand for BTP products, or if PSD loses a major customer, the Company's operational and financial performance may be adversely affected.	- Stage 1a PSD is designed to produce approximately 6,000 tpa of BTP in the first 12 months of production. This represents less than 1% of BTP product sold globally. - Existing offtake arrangements provide for ~25% of Stage 1a PSD production to be sold into Japan (through Nissui) and into EU (through Primstar). - Existing domestic distribution relationships with Australian mass merchants established through Seafarms existing Queensland operations is expected to cover a reasonably large proportion of Stage 1a PSD production – replacing Queensland operation production. - Australian market consumes 60,000 tpa of prawns with potential for increasing demand through replacement of import product - Ethical and quality branding, industry accreditations such as ASC accreditation and the ability to supply fresh product throughout the year are expected to strengthen demand and support premium pricing.

Risks & mitigants

		Description of risk	Mitigating factors
Company Specific Risks			
BTP market & other financial risk	**Pricing uncertainty**	There is risk of volatility in the price of BTPs which means that PSD does not meet earnings expectations.	• Independent assessment of price volatility suggests larger BTP prices have been less volatile than for smaller sizes and for white shrimp. • Price arrangements under agreements with Nissui and Primstar reduce exposure to short term price volatility. • BTPs attract a premium price to the wider prawn market price index, with the larger targeted sizes providing further price premiums. • Variability in BTP pricing is driven by fluctuations in supply (e.g. disease in major production centres and changes in species) and not demand, hence pricing risk is generally to the upside. • Historically there has been limited volatility of cooked BTP prices in the Australian market.
	Competition	PSD will face competition from other seafood producers. There is a risk that an existing or new entrant to the market might aggressively attempt to grow its market share through acquisitions, increased advertising and marketing, and/or price cutting. Such activities may cause PSD's competitive position to deteriorate.	• PSD's industrial scale, adoption of new technologies, R&D and design is intended to lower the cost of BTP production within Australia in order to enhance and maintain its competitive position. • Further reduction in the cost production may be achieved through the breeding program that is designed to improve growth rates and therefore reduce crop length.
	Stock feed and energy prices	Material increases in stock feed prices and/or energy (especially) fuel costs may result in a material adverse impact on PSD's financial performance.	• Stock feed is an internationally traded commodity that is highly liquid. Alternative suppliers may be available for local price variations and it is expected that competitors would also experience feed price changes should they occur. • The power purchase agreement is expected to reduce the risk of the volatility of power costs.

Risks & mitigants

		Description of risk	Mitigating factors
Company Specific Risks			
Financing Risks	**Shareholder approval**	As detailed on page 17, the issues of shares under tranche 2 of the placement, the SPP and the issue of the attaching free options are subject to shareholder approval. There is no guarantee that the shareholder approvals will be obtained. Commitments received by the Company to subscribe for shares under the placement will be allocated to either tranche 1 or tranche 2 at the Company and the lead manager's discretion. There is a risk that an investor is issued shares under tranche 1 of the placement or under the SPP and a component of the Capital Raising (tranche 2, the SPP and/or the issue of the attaching free options) is not approved by shareholders. In those circumstances, the Company will not be able to perform all the works detailed on page 11 and/or an investor may not receive any attaching free options.	• The Company convene a shareholders meeting as soon as practicable after the date of the placement. • The Directors believe that existing shareholders (including Nissui) will support the resolutions required to approve the Capital Raising. • In the event tranche 2 and/or the SPP is not approved, the Company will apply the proceeds of tranche 1 to general working capital to progress early works and progress PSD financing.
	Capital Raising	There is no guarantee that SFG will raise $90m under the placement or $15m under the SPP (including the placement of any SPP shortfall). In those circumstances, funds raised will be applied to general working capital, progressing PSD early works and PSD financing and, depending upon the amount raised, part of the proposed Capital Raising work program but not all of that program may be delivered from the funds raised.	• The Directors believe that existing stakeholders will support the Capital Raising, including SFG Chairman Ian Trahar.
	Future funding	The Company requires debt financing and further equity finance to fully fund the development of PSD Stage 1a. There is no guarantee the required debt funding and/or further equity funding will be obtained or obtained on favorable terms or within the anticipated timelines. If the Company fails to obtain access to the required funding, development of PSD Stage 1a will be delayed. Similarly, the Company's continued ability to fund any cost overruns or contingencies, operate its business, effectively implement its business plan over time, grow operations (including through the development of further stages of PSD) and deal with unexpected events and circumstances, will depend in part on its ability to raise additional funds and to repay or refinance debts as they fall due. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms acceptable to the Company or its Shareholders.	• At this time, negotiation of debt commitments are continuing and further debt investors have been provided with due diligence information. See page 11.
	Access to debt funding for PSD Stage 1a	As noted above, debt finance is currently being negotiated. It is anticipated that the terms will include conditions precedent to availability and certain restrictions on PSD and SFG's financing and operating activities. PSD must satisfy any conditions precedent and comply will any restrictions otherwise funds for completion of development of PSD may not be available.	• The Company proposes to put in place a compliance program to manage and monitor compliance with its contractual obligations, including compliance with debt covenants.
	Debt funding obligations	If PSD operational and financial performance does not substantially meet expectations, it could lead to a breach of its financial covenants. A breach of covenants, may entitle its financiers to enforce their rights under the debt facilities and this may result in them requiring immediate repayment and therefore, have a materially adverse effect on the Company.	• The Company proposes to put in place a compliance program to manage and monitor compliance with its contractual obligations, including compliance with debt covenants.

Risks & mitigants

		Description of risk	Mitigating factors
Company Specific Risks			
Other Company risks	**Regulatory risks**	• Certain regulatory approvals, consents, licences and permits can only be granted once PSD is operational. Once operational, Federal, State and local laws and regulations (including the granting of marine leases, licences, environmental permits and water licences) will affect PSD's operations. There is a risk that a failure to comply with such laws and regulations or an adverse decision or change in policy by a governmental or regulatory authority could occur, which may result in the loss or reduction of leases, approvals, consents, licences and permits required to operate its hatcheries, marine farms or processing facilities or damages, penalties or fines.	• All available material governmental and other regulatory approvals, consents, licences and permits required for the development of PSD have been obtained. • The Company has strategies to minimise the impact and risks to the environment and experience with the required systems and procedures from its Queensland operations. • As with all aquaculture operations, the Company's activities are expected to have an impact on the environment. The Company's intends to conduct its activities in accordance with the highest environmental standards, including in compliance in all material respects with relevant environmental laws.
	Human Resources	• The Company is dependent on the experience of its key management personnel. Whilst the Board has sought to and will continue to ensure key management personnel are appropriately incentivised, their services cannot be guaranteed. The loss of any one of the key management personnel may have an adverse effect on the performance of the Company pending replacements being identified and retained. • Given the remote location of PSD's proposed operations, the Company may be unable to attract and retain suitable staff when the project becomes operational (after project completion). • Staffing will be a substantial cost and any material adverse change to the modern award, the Fair Work Act or adverse effect due to labour market forces may increase materially costs, reduce overall profitability and have an adverse effect on financial performance. • Aquaculture operations carry with it safety related risks and may on occasions be considered risky activities. Despite the relevant safeguards there is no guarantee a serious accident will not occur. A serious accident could have a material adverse impact on operations and financial performance.	• The Company has a well-developed human resources strategy that has been independently reviewed and has identified key roles that will increase the depth of management. The Company remains confident that there are suitable qualified candidates available both nationally internationally to fill the key roles. • The PSD financial model has factored in estimated wage growth • PSD has in place suitable occupational, health and safety management systems.

Risks & mitigants

		Description of risk	Mitigating factors
Company Specific Risks			
	Food Safety	• Like other food producers, there is a risk of food contamination and product recalls/withdrawals. Food poisoning can be caused by bacteria, viruses or toxins in food, which may result in serious illnesses and even deaths. Food poisoning can occur if, for example, there is a failure to comply with food safety procedures or unlawful product tampering.	• PSD has stringent food safety and health procedures which, in respect of its existing operations, are regularly audited by external parties and equivalent procedures will be adopted at PSD. • PSD will comply with all government testing, food safety and health regulations
	Foreign Exchange Rates	• The Company may receive revenue and incur expenditure foreign currencies including in U.S. dollars, Euro, Yen or other local currencies. There may be circumstances where it is unable to sufficiently minimise its exposure to foreign exchange rate movements where the cost of financial products is not commercially viable.	• Foreign sales of BTP are generally priced in US$. Non Australian based costs (such as a portion of feed costs and certain marketing costs) are typically incurred in US$ and so provide some natural hedge to fluctuations in US$ currency. • If the Company is materially exposed to fluctuations in foreign exchange rates, it will attempt to offset this exposure through the use of appropriate financial products, such as hedging or forward rate contracts.
Other Company risks	**COVID 19 Risks**	• The global economic outlook is continues to be uncertain due to the current COVID-19 pandemic, which has, and is likely to continue to have, a material impact on global markets, the price and demand for BTP, foreign exchange rates and general economic activity. • Any COVID-19 infections on or near the sites operated by the Company could result in construction and/or operations being suspended or otherwise disrupted for an unknown period of time, which may have an adverse impact on construction timing and cost, operations, cash flows, profitability, and financial condition. For example, a COVID-19 outbreak may impact the capacity of the contract workforce (proposed to be engaged on a fly in and fly out basis) to attend site as and when required. • Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the availability to materials and equipment required for construction of PSD and the Company's operations, financial position and prospects.	• The Company has implemented a COVID-19 management plan across its business at all locations in order to minimise the risk of infection and impact on operations (including regularly monitoring key equipment, consumables and materials to confirm continuity of supply). • While the COVID-19 pandemic has adversely impacted certain segments of the markets for BTP (such as supply to restaurants), the company and market has to date continued to adapt to find replacement markets and demand (such as increased distribution through mass merchant distribution channels). • Canstruct and all participating contractors will be required to implement an appropriate COVID-19 management plan as required by and approved by governments including requiring that the contract workforce is vaccinated to the extent permitted by law and subject to vaccine availability.

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b) acknowledge that no registration under the FIEL has been made with respect to the New Shares pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors as provided in Article 2, paragraph 3, item 2(a) of the FIEL; and

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- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

If you (or any person for whom you are acquiring or procuring the New Shares) are in New Zealand, you (and any such person):

a) are a person who (i) is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act, (ii) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act, (iii) is large within the meaning of clause 39 of Schedule 1 of the FMC Act, (iv) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act or (v) is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act (and, if an eligible investor, have provided the necessary certification);

b) acknowledge that: (i) Part 3 of the FMC Act shall not apply in respect of the offer of New Shares to you, (ii) no product disclosure statement or other disclosure document under the FMC Act may be prepared in respect of the offer of New Shares and (iii) any information provided to you in respect of the offer is not required to, and may not, contain all of the information that a product disclosure statement or other disclosure document under New Zealand law is required to contain;

c) warrant that if in the future you elect to directly or indirectly offer or sell any of the New Shares allotted to you, you undertake not to do so in a manner that could result in (i) such offer or sale being viewed as requiring a product disclosure statement or other similar disclosure document or any registration or filing in New Zealand, (ii) any contravention of the FMC Act or (iii) the Company or its directors incurring any liability; and

d) warrant that (i) any person for whom you are acquiring New Shares meets one or more of the criteria specified in subclause (a) above and (ii) you have received, where required, a safe harbour certificate in accordance with clause 44 of Schedule 1 of the FMC Act.

International Offer Restrictions

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a) are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA);

b) will acquire the New Shares in accordance with applicable provisions of the SFA; and

c) acknowledge that the offer of the New Shares is subject to the restrictions (including resale restrictions) set out in the SFA.

United Kingdom

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