



Our Ref: SFG ASX Announce Nissui Transaction (557)

23 May 2018

ANNOUNCEMENT 557

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

By ASX Online
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(including this page)

Dear Sir

Japanese seafood giant, Nissui, invests in Project Sea Dragon

Seafarms Group Limited (**Seafarms** or **SFG**) is pleased to announce that it has finalised an extensive agreement with Nippon Suisan Kaisha (Nissui) that includes a A\$24.99 million equity investment in Seafarms at a substantial premium to SFG's current share price. This will assist in the development of the Company's world class Project Sea Dragon (PSD).

Nissui was formed in 1911 and has established itself as one of the world's largest producers of seafood. Its Marine Products Business has global access to marine resources, developed expertise in fisheries, fish and prawn farming, marine research and development, extensive processing and production abilities, logistics and international marketing networks.

Nissui is listed on the Tokyo Stock Exchange, constitutes a member of the Nikkei 225 Index and has a market capitalisation of approximately ¥180B (US\$1.7B). Nissui employs over 9,000 employees globally (on a consolidated basis). Its total net sales in 2017 (1 April 2017 to 31 March 2018) are at ¥683B (US\$6.39B). Nissui's seafood sales are predominately in Japan (and Asia), but enjoys a significant presence in the US and Europe.

Mr Ian Trahar, Chairman of Seafarms stated:

"This is a company-making Agreement with Nissui – one of the world's largest seafood companies. Nissui will become one of SFG's largest shareholders and will assist in the development of company's Project Sea Dragon (PSD). It will align its commercial interests and global seafood expertise with SFG shareholders, with the ability to invest further.

Through this Agreement SFG will obtain fresh funds for the development of PSD and secure a business partner (that will join the SFG board) which has extensive international marketing, distribution and logistics expertise.

Seafarms' offtake arrangements with Nissui will provide SFG with access to Nissui's well established high quality seafood distribution business in Japan (and by agreement, Asia and other international markets). Nissui will market our Australian premium product which will be jointly branded with Nissui in Japan and may look at establishing value added product offerings as well".

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Equity in Seafarms Group Limited:

- Nissui will subscribe for approximately 249.87 million fully paid ordinary shares in Seafarms. The total issue price for the SFG ordinary shares will be \$24.98 million at A\$0.10 per share – a substantial premium to the closing price of SFG share on 21 May 2018.
- Nissui will receive approximately 28.4 million new listed options on the same terms as the existing listed options (issued under prospectus dated 5 July 2017: exercise price of A\$0.10 and an expiry date of 17 July 2021) and approximately 5.3 million new unlisted options at an exercise price of \$0.065 and an expiry date of 1 June 2023.
- Nissui's shareholding will represent a 14.99% shareholding interest in Seafarms Group.
- A total \$24.99 million will be raised via this capital placement.
- Nissui has been given a right of first refusal to subscribe for shares in SFG or subscribe or acquire shares in PSD Co in priority to any other Japanese seafood company.
- Nissui expects to be a long term shareholder in the SFG group of companies and has agreed not to sell SFG securities for 3 years, subject to certain limited carve outs, including in the event of a recommended off market takeover or a shareholder approved merger.
- SFG intends to issue 28,396,974 listed options, 5,320,622 unlisted options and 178,845,108 shares under its Listing Rule 7.1 capacity and 71,032,549 shares under its Listing Rule 7.1A capacity.

New issues:

Nissui has a right to participate in new issues of securities to maintain its interest in SFG (up to a maximum of 25%) (which is subject to ASX granting a waiver to permit the grant of this right).

Market based export pricing offtake & marketing:

- Nissui will market black tiger prawns from SFG's Queensland prawn farming operations and PSD (when operational) in the Japanese markets (and such other markets as agreed) with the objective to build a high value, high quality and premium jointly branded product into these markets. Value added product offerings will also be developed for these markets.
- Nissui has the right and obligation to take:
 - between 10%-20% of the total annual production of PSD. The percentage is determined by Nissui's direct and indirect shareholdings in PSD.
 - 15% of production from Seafarms Queensland prawn farming operations
- The supply and marketing arrangements are at market based prices and continue for the duration of Project Sea Dragon.

Sales services in Australia and New Zealand

Nissui or its affiliate has been appointed on an exclusive basis to provide sales services in Australia and New Zealand for prawn products sourced from SFG's existing Queensland prawn farming operations and from Project Sea Dragon when operational over the long term.

Board Representation:

- A Nissui executive will be appointed to the Board of SFG.
- Nissui has an ongoing right to appoint a director to the Board's of SFG, the PSD operating company and SFG's Queensland prawn operating subsidiaries except in limited

circumstances, such as where its direct and indirect shareholding falls below 5% in the relevant entity.

Conditions

The subscription by Nissui for shares and options is conditional on:

- Obtaining applicable regulatory approvals and consents including approval required under Foreign Exchange and Foreign Trade Act in Japan, FIRB and the grant of a waiver by ASX to permit the rights for Nissui to participate in new issues of securities to maintain its percentage shareholding in SFG.
- Divestment of SFG's existing carbon sequestration, trading and environmental services business. SFG shareholders will be informed at a later date as to details of this divestment.
- Finalisation of the agreement relating to the provision of sales services In Australia and New Zealand.
- No material adverse change to the development and implementation milestones for PSD beyond 31 December 2023.

The transaction documents first take effect from the date of completion of the subscription of shares and options. At this juncture, a likely timetable for completion of this Nissui Agreement is July /August 2018.

Agreed restrictions and security

- SFG has agreed to continue to hold the Queensland prawn farming business while the arrangements with Nissui continue.
- SFG has granted Nissui a call option to acquire SFG's existing Queensland prawn farming operations (through the acquisition of shares in certain subsidiaries) at fair market value which can be exercised by Nissui as a last resort following material default by SFG or its subsidiaries, if there is a failure to meet agreed latest dates for the development of PSD (which contain a considerable allowance from SFG proposed development timing expectations) and subject to applicable regulatory consents and approvals .
- Nissui has been granted security over the shares in the subsidiaries that hold SFG's existing Queensland prawn farming operations.

Seafarms continues to refine and optimise the Project Sea Dragon development, funding and construction plans as it moves to implement the project at the earliest opportunity. .

Seafarms Executive Director in charge of the PSD development, Dr Chris Mitchell stated:

"This has been an extensive and exhaustive process due diligence with Nissui. This Agreement with Nissui provides significant credibility to the Company's PSD development.

Nissui will add considerable value to the proposed PSD development. Nissui is a partner with extensive long term expertise in all aspects of a vertically integrated aquaculture systems including well-established international marketing, logistics and sales capabilities. Seafarms looks forward to working with Nissui to develop the Company's world class project".

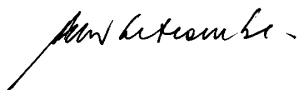
More information and questions

For more information concerning Nissui including its media release in relation to the transaction please refer to their website – www.nissui.co.jp/english/

Dr Mitchell will be available to take queries/questions on (03) 9928 5111 in relation to this ASX announcement. For more detailed information concerning Seafarms and Project Sea Dragon please refer below and the company's website – www.seafarms.com.au .

Yours faithfully

Seafarms Group Limited



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Company Secretary

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About Seafarms Group

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

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

About Seafarms Operations Pty Ltd.

Seafarm – a 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.

About Project Sea Dragon

Seafarms Group is 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.

For further information refer the <https://seafarms.com.au/about-project-sea-dragon/>