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Tassal to undertake circa \$108 million raising to fund accelerated prawn growth strategy

Highlights:

- Tassal is investing in a range of initiatives to accelerate its prawn growth strategy
- Acceleration of the planned expansion at Proserpine, new hatchery capacity and domestication program, processing facility and implementation of Smart Farm initiatives for all farms ("**Growth Initiatives**"). Once authorised by the relevant authorities and developed, the existing farms' pond and related infrastructure is expected to support potential prawn production of circa 6,000 tonnes per annum by FY22
- Acquisition of Exmoor Station in North Queensland ("**Acquisition**"), a strategically located property which, subject to obtaining the required authorisations from the relevant authorities, provides the land for pond development, that together with the existing prawn farms (once fully developed), are expected to support Tassal's long-term prawn production target of circa 20,000 tonnes per annum
- Growth Initiatives to be funded by a fully underwritten circa \$108 million Placement. The Acquisition was funded from Tassal's existing bank facilities
- Non-underwritten Share Purchase Plan of up to \$25 million for eligible shareholders

Tassal Group Limited (ASX: TGR) is pleased to announce that it is undertaking a placement of 24,640,000 new Tassal fully paid ordinary shares to eligible sophisticated, professional and other institutional investors to raise circa \$108 million ("**Placement**"). The Placement will fund an acceleration of Tassal's prawn growth strategy to support the long-term prawn production target of circa 20,000 tonnes per annum via various growth initiatives and general working capital purposes.

The Placement is fully underwritten at a fixed price of \$4.40, representing a 6.8% discount to the closing price on 19 August 2019.

Tassal's Chairman Allan McCallum said: "Tassal is in a strong position to drive the next wave of its growth. Today's announcement of a fully underwritten circa \$108 million Placement provides us with the capital to accelerate the development of our prawn strategy and to support attractive sustainable long-term growth."

Tassal's Managing Director & CEO Mark Ryan added: "Since our acquisition of the Fortune Group assets in September 2018, our investment thesis in prawns has been validated. We have increased confidence in our ability to leverage our salmon 'know how' to increase prawn consumption per capita, introduce product innovations and increase yield from improved aquaculture practices. The acceleration of our prawn growth strategy reflects our confidence in the ramp-up of operations to date and our prospects for future growth."

The Placement proceeds will fund:

- **Acceleration of the pond expansion program at Proserpine** targeting delivery of a potential additional 150 hectares of ponds by FY21 for production by FY22, subject to obtaining the required authorisations and pond development. This would bring Proserpine to 340 hectares of production ponds.

In addition, a **new hatchery and domestication program at Proserpine** will allow both growth and risk reduction via improvements in biosecurity and reduced reliance on wild caught broodstock. A **processing facility** will also be constructed at Proserpine.

Beyond FY22, there is potential to develop a further 60 hectares of ponds at Proserpine that would allow circa 400 hectares of ponds in total. This would require authorisation by the relevant authorities. Funding for this is anticipated from future operating cashflow and debt facilities.

- **Implementing Smart Farm initiatives at Mission Beach, Yamba and Proserpine farms** to drive real advantages via improved prawn survival, increased body weight, improved feed conversion ratio, increased yields per hectare and environmental / cost efficiencies including reduced power needs. This will involve the implementation of infrastructure upgrades across all prawn operations – automation enablement with live data capture and machine monitoring, centralised and automated feeding, and systemisation of prawn farming operations.

Over the next two years, Tassal plans to invest approx. \$85 million¹ on the Proserpine expansion and Smart Farm initiatives to accelerate growth in prawn production. These Growth Initiatives are significant steps in the modernisation of Tassal's prawn operations, and through proprietary systems, aquaculture techniques and automation, Tassal is seeking to deliver industry leading yield and returns.

Tassal is also pleased to announce the **acquisition of Exmoor Station** for circa \$25 million², a strategically located property that, subject to obtaining the required authorisations, provides the land for pond development (together with Mission Beach, Yamba and Proserpine once fully developed) required to support Tassal's long-term prawn production target of circa 20,000 tonnes per annum. The Acquisition was funded from a bank facility.

Exmoor Station is a ~7,000 hectare cattle station and contains 2,093 hectares identified by the Queensland Government as an Aquaculture Development Area, suitable for land-based pond aquaculture. Located 72 kilometres south of Proserpine, it is of a material distance to be bio-secure, yet close enough to provide combined management oversight and resourcing with existing operations.

The required local, State and Federal Government approvals, licences and permits, if granted, are expected to take approximately 24 months once this process is commenced, followed by staged development with construction expected to commence in FY23 and production proposed to commence in FY24. The Exmoor Station land has been leased for cattle farming for the duration of this approval and development period, contributing to Group earnings. Once development plans are progressed, surplus land is likely to be sold.

Immediately following the completion of the Placement, pro forma net debt / FY19 EBITDA will be circa 1.5x (including the Receivables Purchase Facility).

Tassal is advised by Market Eye (financial adviser) and William Ross (legal adviser).

Placement

The new Tassal shares to be issued under the Placement ("**New Shares**") will rank equally with existing Tassal shares, and be entitled to the dividend for the six months ended 30 June 2019.

The Placement is within Tassal's existing capacity under ASX Listing Rule 7.1 and accordingly no shareholder approval is required to issue the New Shares.

Settlement of the Placement is scheduled to take place on Friday, 23 August 2019, with allotment and quotation of the New Shares on ASX expected to occur on Monday, 26 August 2019.

Share Purchase Plan

In addition to the Placement, Tassal will also be undertaking an offer to eligible Tassal shareholders with registered addresses in Australia or New Zealand to participate in a non-underwritten Share Purchase Plan ("**SPP**") to raise up to an additional \$25 million.

¹ Includes circa \$5 million for Mission Beach and Yamba replacement / upgrade capex

² Comprising \$28 million purchase price, net of \$2.7 million from cattle sales. The Acquisition was completed on 1 July 2019.

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The SPP will provide each eligible Tassal shareholder in Australia and New Zealand at 7:00pm AEST on 19 August 2019 with the opportunity to subscribe for up to \$15,000 worth of new Tassal fully paid ordinary shares at the lesser of:

- \$4.31, being the Placement Price less an amount equal to the FY19 final dividend of 9 cents per share (given SPP shares will not be entitled to the FY19 final dividend); and
- the volume-weighted average price of Tassal shares traded on the ASX during the 5 trading days up to, and including, the day on which the SPP is scheduled to close (currently Monday, 16 September 2019) less a 2.0% discount, rounded down to the nearest cent

without incurring brokerage or other transaction costs.

As with the New Shares issued under the Placement, the New Shares issued under the SPP will rank equally with existing Tassal shares. However, the new shares issued under the SPP will not be entitled to receive the dividend relating to the six months ended 30 June 2019 (FY19 final dividend).

Tassal reserves the right (at its absolute discretion) to scale back applications under the SPP if total demand exceeds \$25 million. The funds raised from the SPP will provide Tassal with additional working capital.

An SPP Booklet containing the terms and further details of the SPP offer will be lodged with ASX and sent to all eligible Tassal shareholders shortly. The SPP offer period is intended to open on Friday, 30 August 2019 and close on Monday, 16 September 2019. The SPP is not underwritten.

Indicative timetable

Event	Date
Record Date for SPP	7:00pm AEST, Monday, 19 August
Trading halt and Placement conducted	Tuesday, 20 August
Resume trading, announce results of Placement	Wednesday, 21 August
Placement settlement	Friday, 23 August
Issue and quotation of New Shares under the Placement	Monday, 26 August
Expected SPP offer opening date	Friday, 30 August
Expected SPP offer closing date	Monday 16, September
SPP Allotment Date	Monday, 23 September
Holding Statements dispatch date	Wednesday, 25 September
SPP shares expected to commence trading on ASX	Thursday, 26 September

Investor briefing

An investor call will be hosted by Mark Ryan (Managing Director & CEO) and Andrew Creswell (CFO) at 10.30am AEST today, Tuesday 20 August 2019. For those wishing to participate, please dial one of the numbers below and provide the conference ID to the operator:

Australia Toll Free: 1 800 870 643
Australia Local: +61 (0)2 9007 3187
Conference ID: 10001598

Media / analyst queries:

Mark A. Ryan
Managing Director & CEO
Phone: 0414 729 101 / Email: mark.ryan@tassal.com.au

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About Tassal

Tassal Group Limited (ASX: TGR) is a vertically integrated salmon and prawn grower and salmon, prawn and seafood processor, seller and marketer. The Company produces and sells premium salmon, prawn and seafood products for both the Australian domestic and export markets. Tassal grows delicious, fresh and healthy Atlantic Salmon and Tiger Prawns through its De Costi Seafood business sources and processes a wide range of seafood. Tassal is committed to taking a leadership role in sustainability in aquaculture and seafood sourcing. The company employs over 1,400 people. Visit www.tassal.com.au for more information.

Important Notices and Disclaimer

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any Tassal securities in the United States or in any jurisdiction in which such an offer would be illegal. Any securities offered or sold under the Placement or the SPP have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "US Securities Act"), or the securities laws of any state or jurisdiction of the United States. Accordingly, the securities being offered and sold in the Placement may not be offered or sold, directly or indirectly, in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any applicable US state securities laws. The securities being offered and sold in the SPP may not be offered or sold, directly or indirectly, to any person in the United States.

This announcement contains certain forward-looking statements about Tassal. The "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements in this announcement include statements regarding: statements regarding plans, strategies, growth initiatives and objectives of management, anticipated production capacity, timing, expected costs or production outputs for Tassal, based on its estimates of production for FY 2020 and beyond and the future operation and financial performance of Tassal, and the outcome of the Placement and the SPP and the use of proceeds therefrom. Forward-looking statements, including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Tassal). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and Tassal assumes no obligation to update such information.

All dollar values are in Australian dollars ("\$" or "A\$") unless stated otherwise.

This announcement contains certain financial measures that are "non-IFRS financial information" under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC and also "non-GAAP financial measures" within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS"). The non-IFRS/non-GAAP financial information does not have a standardised meaning prescribed by AAS and IFRS and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned not to place undue reliance on any non-IFRS/non-GAAP financial information included in this announcement.

In addition, the pro forma historical financial information included in this announcement does not purport to be in compliance with Article 11 of Regulation S-X under the US Securities Act and was not prepared with a view towards compliance with the rules and regulations or guidelines of the U.S. Securities and Exchange Commission or the American Institute of Certified Public Accountants for the preparation and presentation of pro_forma financial information.

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