



ASX Announcement | 28 February 2020
Seafarms Group Limited (ASX:SFG)
(ASX Announcement 642)

Seafarms Group achieves A\$21.9m revenue and progresses Project Sea Dragon in H1 FY20

Investment Highlights

- Achieved revenue of A\$21.9m (up 24.4% on H1 FY19) while supporting continued investment in Project Sea Dragon (PSD)
- Black Tiger Prawn production in H1 FY20 was 453 tonnes, up 74.4% on H1 FY19
- Key PSD infrastructure commissioned and operational including intake settlement ponds and major improvements to biosecurity
- Mandated GFI Australia Pty Ltd to assist in the financing of PSD
- Seafarms is now ready to progress to commencing the first steps of PSD once funding is secured
- Post H1 FY20, Seafarms entered a further offtake agreement with Primstar, a major European seafood distributor
- Subject to the securing of funding, Seafarms expects to commence construction of PSD's facility in late 2020, with a view to stocking ponds in late 2021 and having first product to market in 2022

Sustainable aquaculture company Seafarms Group Limited (ASX:SFG) ('Seafarms' or 'the Company') is pleased to release its 'Overview & Market Update' investor presentation for the six months ended 31 December 2019 (H1 FY20).

Transforming from Australia's largest prawn producer into a low-cost global producer

Seafarms produces the premium Crystal Bay® Prawns and is developing the Project Sea Dragon (PSD) prawn aquaculture project in northern Australia.

The Company is currently Australia's largest producer of farmed prawns and has significant operational aquaculture expertise and a demonstrated track record of growth and innovation.

Once completed, PSD will target high-quality year-round volumes for export markets and have a production capacity of up to 150,000 tonnes of prawns.

Revenue and prawn production rise in H1 FY20

Seafarms operating revenue for H1 FY20 was A\$21.9m, up 24.4% on H1 FY19. The increase represented improved sales of both fresh and frozen product.

Black Tiger Prawn production for H1 FY20 was 453 tonnes, up 74.4% on H1 FY19. The was achieved despite the 2019 Christmas crop being impacted by lower growing temperatures.

Seafarms completed its first delivery of Black Tiger Prawns to Japanese seafood giant Nissui in October 2019. The delivery was made under an offtake agreement announced in May 2018.

Seafarms will supply 15% of its Queensland production to Nissui, which is a strategic investor in Seafarms. Once PSD is operational it will supply 10-20% of its production to Nissui.

Nissui invested A\$24.99 million in Seafarms in 2018 and invested a further A\$2.998 million in 2019.

Progress at shovel ready PSD continues

PSD is a world-class industrial-scale Tier 1 project with an operating life of 90 years which will be developed and constructed in stages with production ponds located at Legune Station in the Northern Territory.

The Company has already commenced the development of PSD. Following eight years of development and A\$100m of investment, Seafarms has obtained all the material regulatory approvals and Project and Indigenous Land Use Agreements required for Stage 1 development of PSD.

During H1 FY20, Seafarms appointed GFI Australia Pty Ltd to assist the financing of PSD. GFI has offices in all major financial centres throughout the world and is a wholly-owned subsidiary of BGC Partners Inc.

Post H1 FY20, Seafarms secured further offtake agreements with Primstar, one of the largest European seafood companies. Together, the Primstar agreement coupled with the previously announced Nissui offtake agreement, provide market-based offtake arrangements for approximately 30% (up to 35%) of production from the initial stage development of PSD.

Subject to the securing of funding, Seafarms expects to commence construction of PSD's facility in 2020, with a view to stocking ponds in late 2021 and having first product to market in 2022.

For more detail regarding the Company's existing operations in Queensland and the progress of PSD, see the attached presentation.

Seafarms Executive Director in charge of the PSD development Dr Chris Mitchell said: "We are very pleased with our achievements this quarter. We continue to see strong revenue and production growth in our Queensland operations and make good progress with regards to PSD. Once we have secured funding, we will be able to commence construction of PSD's facility. Meanwhile, our long-term investment in PSD's world-class breeding programme and associated new infrastructure needed to support the programme is ongoing. We have also established key partnerships with seafood giants Nissui and Primstar which ensures that we have global distribution channels for our products."

Ends.

Authorised by the Board of Seafarms Group Limited.

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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



Seafarms Group Limited (ASX:SFG) – Overview & Market Update – Six months to 31 December 2019

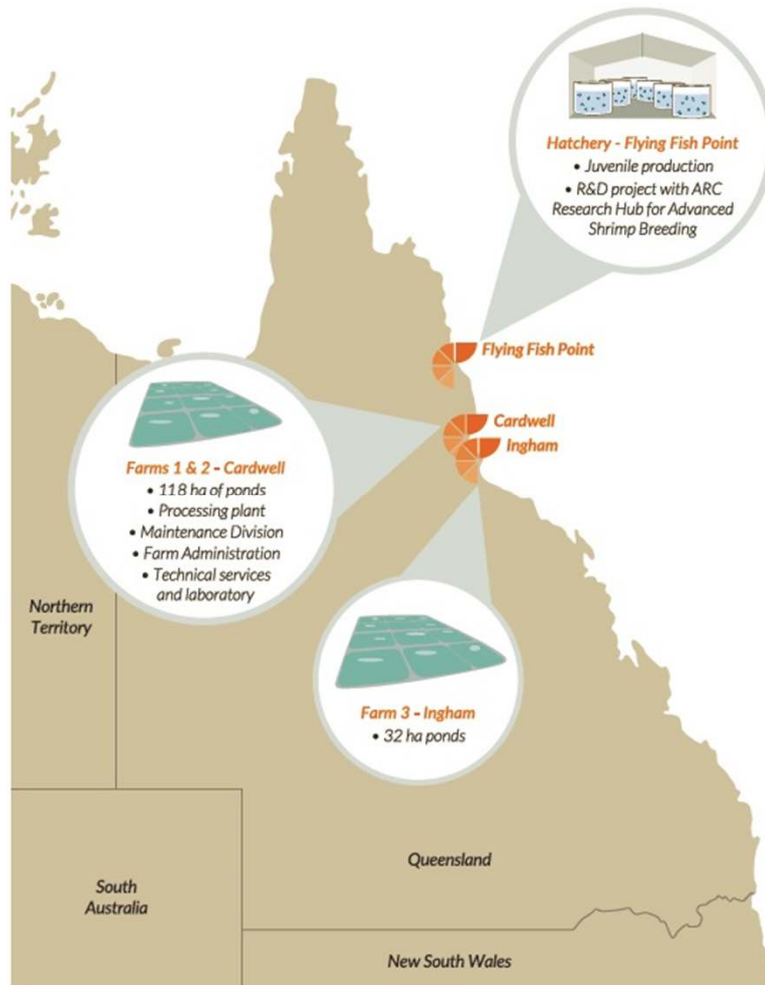
Australia's largest prawn producer: Transforming into a high quality, low-cost global producer

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Australia's largest prawn producer: Transforming into a high quality, low-cost global producer



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Seafarms 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 up to 150,000 tonnes of prawns and the high-quality, year-round volumes will target export markets. Development has already commenced.



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Part 1

Overview

- Corporate overview
- Queensland operations
- Project Sea Dragon
- FY20 1H financial highlights
- FY20 1H operational overview

Part 2

Project Sea Dragon

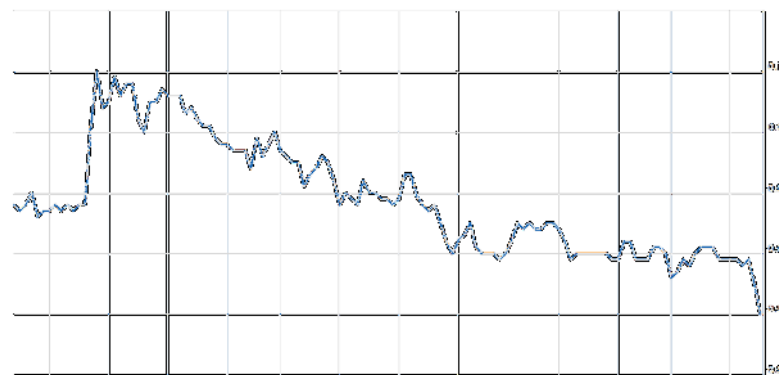
- Overview
- Project Status
- Government Support
- Advancing towards financial close



Seafarms' corporate overview

Seafarms has a market capitalisation in the order of A\$120 million and is currently Australia's largest producer of farmed prawns, with significant operational aquaculture expertise and a demonstrated track record of growth and innovation.

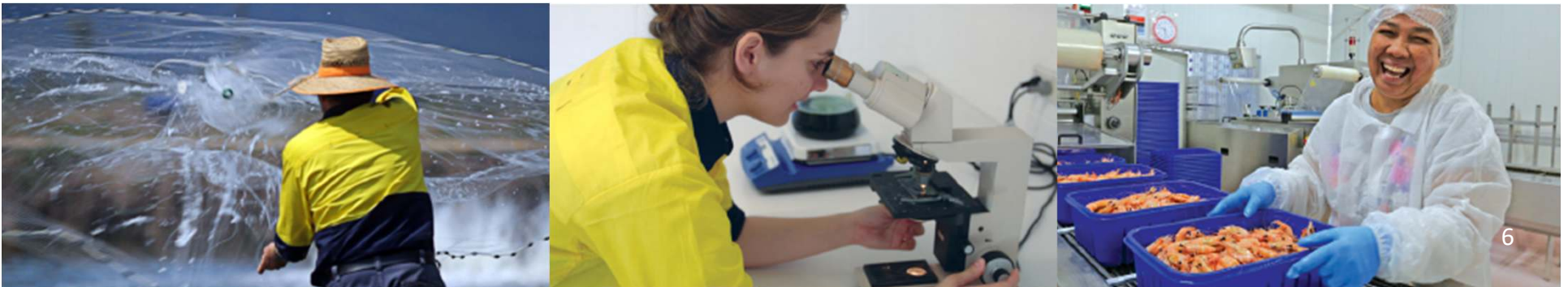
ASX Listing Code	SFG
Market capitalisation (January 2020)	~ \$120M
Fully Paid Shares on Issue	2.01B
Cash, Debtors & Inventories (as at 31 December 2019)	\$17.6M
Financial Year End	30 June
Directors Shareholdings	40.7% (including Nissui)
Directors	Ian Trahar (Executive Chairman) Harley Whitcombe Chris Mitchell Paul Favretto Hisami Sakai (Nissui representative)



Seafarms six month share price performance

Existing operations: Queensland

- Seafarms existing Queensland operations are Australia's largest producer of farmed prawns.
- The Queensland operations produce premium Black Tiger and Banana prawns marketed under the well-recognised Crystal Bay® Prawn brand.
- Importantly, the vertically integrated Queensland operations provide Seafarms with a commercially viable pilot to develop and test best practices for PSD and aquaculture facilities to undertake its world-class breeding program in partnership with industry-leading experts which commenced in 2015.
- R&D activities have been extensive and have included the incorporation of settlement and nursery ponds into the production system (an Australian first for black tiger prawns), testing automatic feeding systems etc.
- The out workings of these programs have returned significant results, some of which have been incorporated into PSD design and operational procedures.



Project Sea Dragon (PSD): Northern Territory

- PSD is a world-class industrial scale Tier 1 project with an operating life of 90 years which will be developed and constructed in stages with production ponds located at Legune Station in the Northern Territory. Development has already commenced.
- PSD will deliver a significant volume of a premium product at a low production cost and hence the ability to lower price to expand market demand. Strong interest in this premium product has already been generated in major seafood markets globally.
- Following 8 years of development and over A\$110M of investment, Seafarms has obtained all the material regulatory approvals, Project and Indigenous Land Use Agreements required for Stage 1 development of PSD.
- PSD is shovel ready. Seafarms PSD development has been focused on the expansion and development of infrastructure facilities required for its world-class breeding program – a critical biosecurity measure with long lead times for PSD, whereas government-sponsored PSD support infrastructure projects have involved major road upgrades and land packages.
- Recently secured further PSD offtake agreements with Primstar – one of the largest European seafood companies. Together, the Primstar agreement coupled with the previously announced Nissui offtake agreement, provide market based offtake arrangements for approximately 30% (up to 35%) of production from the initial stage development of PSD.
- Seafarms continues to de-risk the PSD development as highlighted in this presentation.



Seafarms has successfully de-risked PSD

- ✦ **Sovereign and regulatory**
 - Major Project Status with Australian, WA and NT Government
 - Project Development Agreement (State Agreement) with NT Government
 - Tenure secure for all sites
 - All approvals (environmental, construction) in place for Stage 1
 - Indigenous Land Use Agreement in force
- ✦ **Construction**
 - Successful construction of trial ponds
 - Local supply chains integrated into PSD design (more cost-effective and reliable)
 - +\$100M of work issued to market for tender; tender prices returned from contractors within budgets
 - Early works packages – Legune & Bynoe Harbour delivered on time & on budget
- ✦ **Market**
 - Negotiated a domestic marketing agreement with Sealord (50% owned by Nissui) – one of the largest seafood companies in the southern hemisphere
 - Secured strong international demand via MoU with five Chinese corporates and finalised offtake agreements with both Nissui and Primstar for PSD premium product that significantly outweighs PSD initial production profile. Covers all key export markets
 - Secured necessary accreditations for exports into major seafood markets of Japan, China and Europe
 - Successfully exported first shipment to Japan under agreement with Nissui
- ✦ **Industry sponsorship & partnership**
 - Secured industry partner investments totalling approximately A\$110M (Nissui and AAM - major agriculture fund manager)
 - Seafarms secured an early equity investment and offtake agreement (Queensland and PSD) with the world's second-largest global seafood company Nissui
 - Nissui global operations are much larger than the entire Australian fishing and aquaculture industries
 - Nissui manages over 1.6 million tonnes of seafood per annum
 - Aquaculture operations commencing in 1988 and represent approximately 45% of the size of the entire Australian aquaculture industry
 - Recently secured PSD offtake with one of Europe's largest seafood companies Primstar
 - Strong support from existing and new shareholders including Nissui, with a further \$27.4M capital raised to further develop PSD with strong focus to fast track programs that are targeted to deliver more product more quickly
 - AAM Investment Group settled Legune with PSD sub-lease
- ✦ **Technical - due diligence and sign-off**
 - Independent experts – vendor due diligence overseen by Lazard
 - Partners, investment banks and advisors undertook additional due diligence
- ✦ **Supporting public infrastructure**
 - All supporting public infrastructure subject to government cost-benefit analysis
 - Gunn Pt Road complete
 - Keep River Road construction well advanced with bridge nearing completion
- ✦ **Funding**
 - Discussions ongoing with potential investors and new investors

Recent significant milestones and major achievements

- Significant progress has been achieved over the last twelve months and more recently in a number of Project Sea Dragon areas including:
 - Registration of the Legune Indigenous Land Use Agreement (ILUA) by the National Native Title Tribunal
 - Securing further PSD offtake agreements with one of Europe's largest seafood companies Primstar;
 - Securing further financial support from our global industry partner Nissui with a further equity investment of approximately A\$3m, bringing Nissui's total investment in Seafarms to A\$28m;
 - Raising approximately A\$24m to further develop PSD's world leading breeding/genetics program and associated new aquaculture infrastructure needed to support this long term program;
 - Finalisation of PSD processing plant designed commenced. Development and work approvals granted.
 - Seafarms completed its first successful export of Black Tiger prawns to Nissui;
 - Federal Government renews Major Project Status for PSD
 - Commencement of both the PSD Ranger Program and assisting in the completion of the Marralum outstation on Legune Station;
 - Continued strong collaboration with governments, local communities and Traditional Owners;
 - Further prioritised infrastructure support for PSD from various government with the continued major upgrade of the Keep River Road;
 - Successful opening of PSD head office in Darwin; and
 - Further research and development trials at our Queensland operations to further enhance our biosecurity strategies for PSD.



FY20 Financial overview for six months ending 31 December 2019

Seafarms Group achieved revenue of \$21.5m million while supporting continued investment into Project Sea Dragon

Financial overview for the six months ending 31 December 2019

- For the six month reporting period ending 31 December 2019, Seafarms has reported revenue of approximately \$21.5 million (up 20.1%) and a loss in the order of \$12.2 million (down 8.1%). These results reflect the cash contributions of Queensland aquaculture operations whilst fully expensing all PSD development costs, as required by the Australian Accounting Standards.
- The loss was also affected by the lower than expected 2019 Christmas crop at Seafarms Queensland operations due to lower growing water temperatures.
- The financial outcome for Seafarms continues to be heavily influenced by the high level of expensed investment in developing PSD, ongoing training of staff for PSD and capital invested in the company's Queensland operations (collectively over \$110 million in total to date) which are primarily intended to demonstrate the fundamental operating concepts for PSD.

First Half FY20 Operational Overview

Overview

- Operating revenue for the 6 months ending 31 December 2019 was \$21.5 million (up 25% on 1H FY19) representing improved sales of both fresh and frozen product.
- Black Tiger Prawn production for the 6 month period ending 31 December was 453 tonnes (up 74.4% on 1H FY2019) despite the 2019 Christmas crop being impacted by lower growing water temperatures.
- Safety outcomes remain a key focus with a 90% reduction in Year on Year reportable incidents.
- Key infrastructure commissioned and operational
 - Intake settlement ponds completed
 - Major biosecurity improvement

Outlook

- Outlook for the full year is in the order of 1,500 tonnes of production due to the lower growing temperatures affecting the Christmas crop which takes into account the first half performance and changes to the stocking schedule
- Ongoing review of the cost structure at the Queensland operations
- Continued exporting of Queensland product to Japan as part of the Nissui offtake agreement



Australia's Most Recognised Prawn Brand

SFG has established a premium and well recognised branded product under which to supply retail customers

- The Crystal Bay Prawns brand has been sold in Australia since 1988
- Production mix has shifted towards BTPs, which now constitute the majority of sales volumes
 - BTPs receive a meaningful pricing premium compared with other species
- Retailer marketing driven by the following key themes:
 - Consistent medal winner at Sydney Royal Fine Food Show
 - Highest quality
 - Best tasting
 - Premium Australian product
- Social media strategy has significantly driven brand engagement



Nissui / Crystal Bay® Prawn export packaging

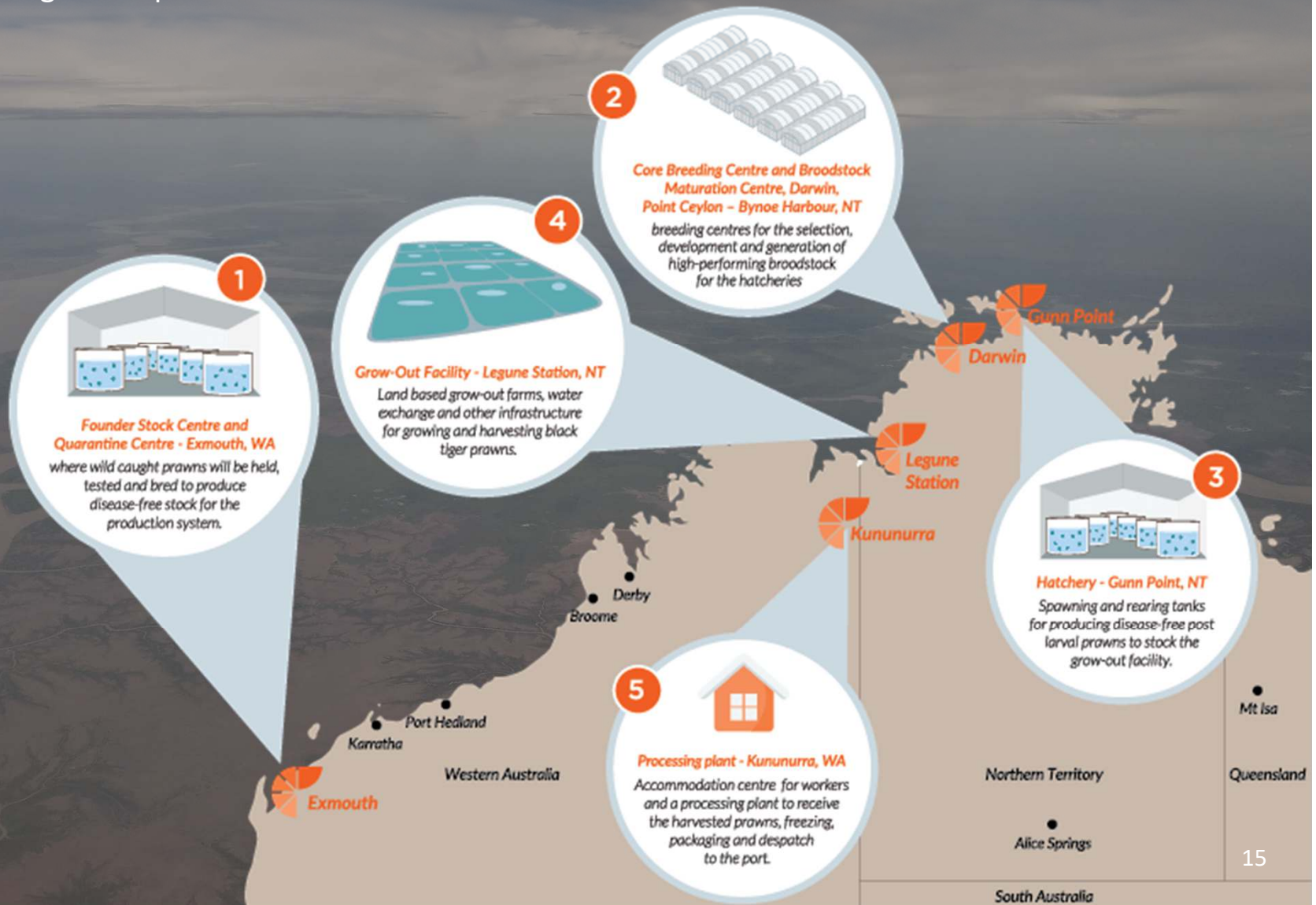
- Seafarms completed its first delivery of Black Tiger Prawns to Japanese seafood giant Nissui in October 2019.
- The delivery is under an offtake agreement announced in May 2018.
- Seafarms will supply 15% of its Queensland production to Nissui, which is a strategic investor in Seafarms. Once PSD is operational it will supply 10-20% of its production to Nissui. Nissui invested A\$24.99 million in Seafarms in 2018 and invested a further A\$2.998 million in 2019.



Nissui-branded Seafarms Black Tiger Prawn

Project Sea Dragon (PSD) Overview

Seafarms' proposed, large-scale, integrated, land-based prawn aquaculture project. Currently being developed in northern Australia.



Full Vertical Integration

Complete end to end control of operations will allow SFG to ensure a sustainable business with absolute biosecurity and process control

Key Process Steps in PSD Prawn Aquaculture



- Founder Stock Centre has been established at Exmouth
- PSD has its own proprietary selective breeding program
- Wild stocks domesticated for minimum two years to ensure specific pathogen free prawns
 - Program already commenced
- Continuous advanced genetic marker selection to enable productivity improvements and disease resistance
- Close cooperation with CSIRO and James Cook University
- SFG will own and control its own broodstock



- Hatchery to be set up near Darwin
- Discrete bio-secure location
- Will supply PSD with Post Larvae ("PL") ready for release into ponds
- Stage 1 of the hatchery will produce over 16 million PLs/week
- PLs will be trucked to the Grow-Out farms at Legune in special tanks



- To be built at Legune Station
- Separate "farms" of c. 360 to 400 Ha each, consisting of 36-40 ponds of 10 Ha each
- Stage 1 permitting for 1,120 Ha of ponds
- Full project to comprise 9 stages to complete 10,000 Ha of ponds
- Good quality seawater with recirculation
- Sufficient fresh water to manage salinity in ponds



- Processing plant to be constructed near Kununurra ~100km on all weather road to be built by state and territory governments from Legune station
- Expansion along with project stages
- Processing primarily frozen Head on Shell on shrimps
- Cooking for domestic markets
- Modern processing equipment



- PSD is targeting export markets
- Leverage off the recognised Crystal Bay Prawn brand in both existing and new markets
- Product will be packed into reefer containers and trucked to the best available port and shipping line
- Strong domestic and international demand for premium product. Already secured a global seafood equity partner – Nissui. Equity and offtake agreements in place

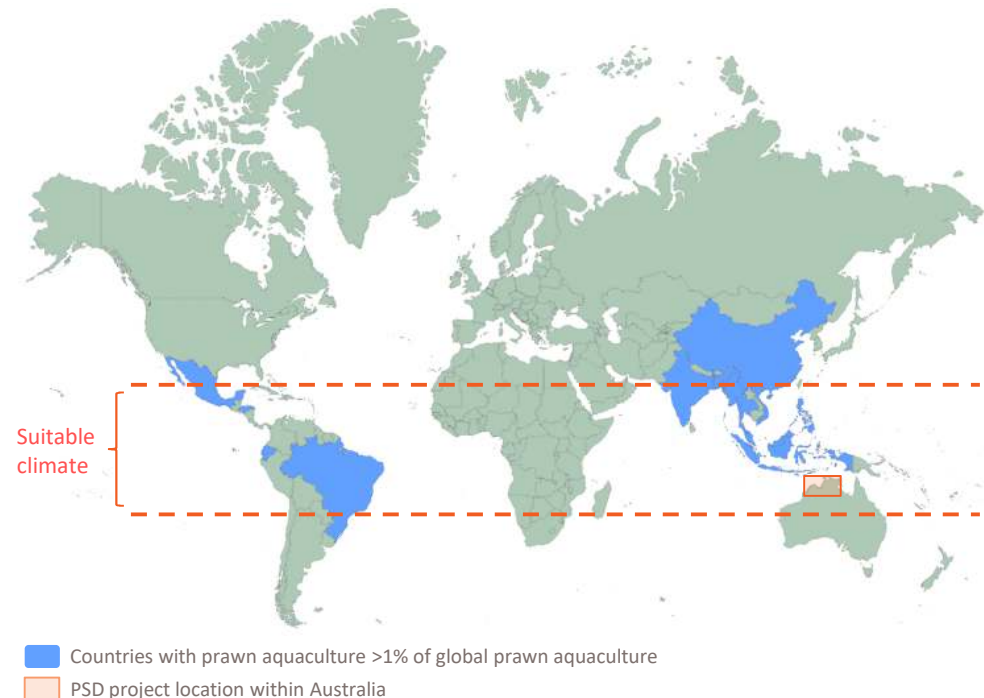
Limited Number of Suitable Sites Globally

The ideal site for industrial scale prawn aquaculture has a number of key required characteristics, which significantly constrain the number of suitable sites globally

Key Required Characteristics

- 1 Geographic remoteness to underpin biosecurity
- 2 Suitable climate and temperature
- 3 Disease free environment
- 4 Coast line with high tidal movements
- 5 Large land area with lack of competing uses
- 6 Large land area with flat topography
- 7 Access to labour
- 8 Access to export terminals
- 9 Proximity to end markets

Suitable Prawn Farming Regions Globally



📍 An extensive geospatial mapping exercise conducted by SFG (In conjunction with the CSIRO) of the Northern Australian coastline identified only a handful of sites that met the required site characteristics

PSD – Step 1 of Stage 1

The first step of PSD (S1S1) will involve the construction of 396 Ha of ponds producing 6,000 to 7,000 tonnes p.a. of high quality large Black Tiger Prawns while providing infrastructure for future stages

S1S1 of PSD will comprise:

- Founder stock centre
- Breeding facilities
- Grow out facility of first farms totaling 396 ha of ponds
- Processing Plant
- Supporting infrastructure for full scale project

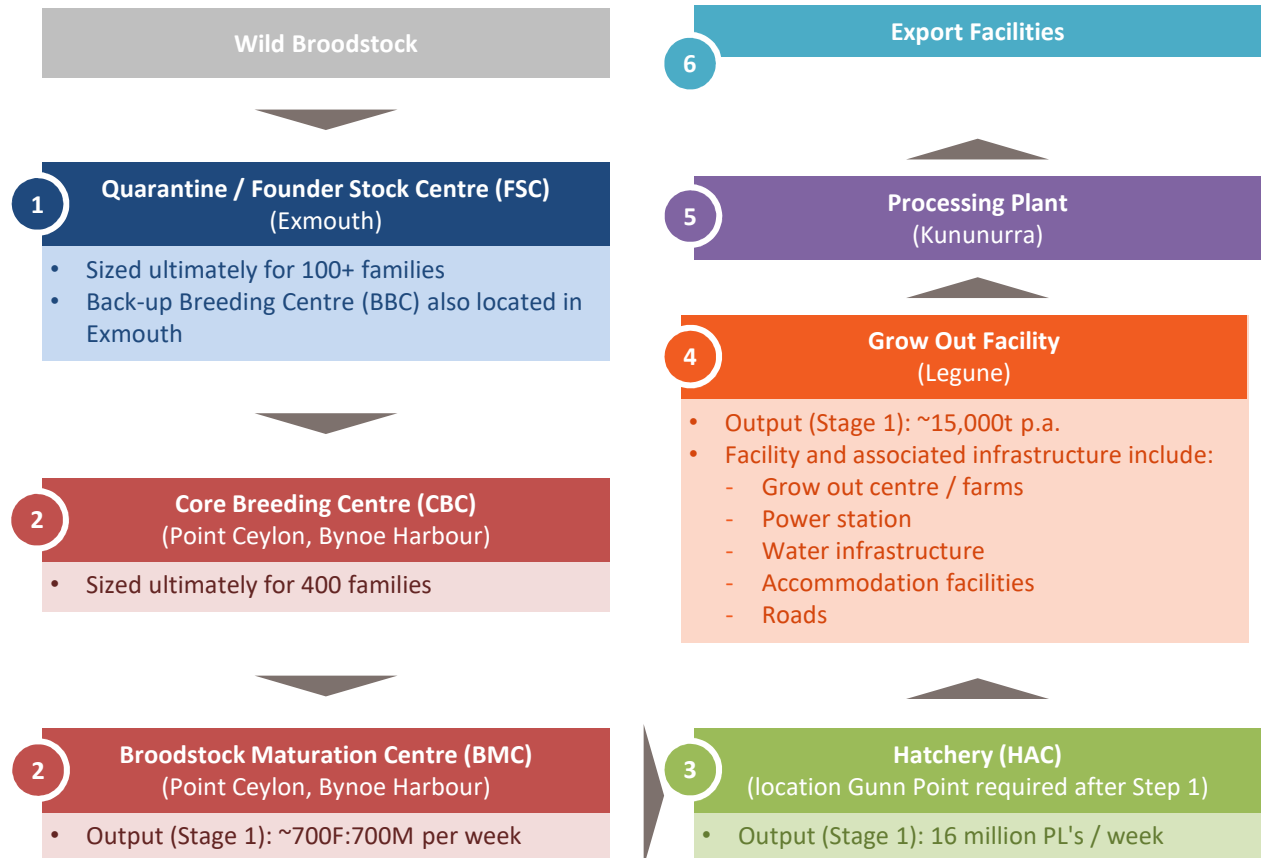
The S1S1 farm will consist of 36 ponds of approximately 10 Ha in size and 36 nursery ponds each of 1 ha

The S1S1 Processing Plant will be largely sufficient for full Stage 1 production

Feed for PSD will be sourced predominantly from South East Asia

- Significant supply competition likely to keep pricing pressure low
- SFG is considering building its own feed mill for later stages to reduce costs further

Stage 1 Production System (All Steps 1 -3)



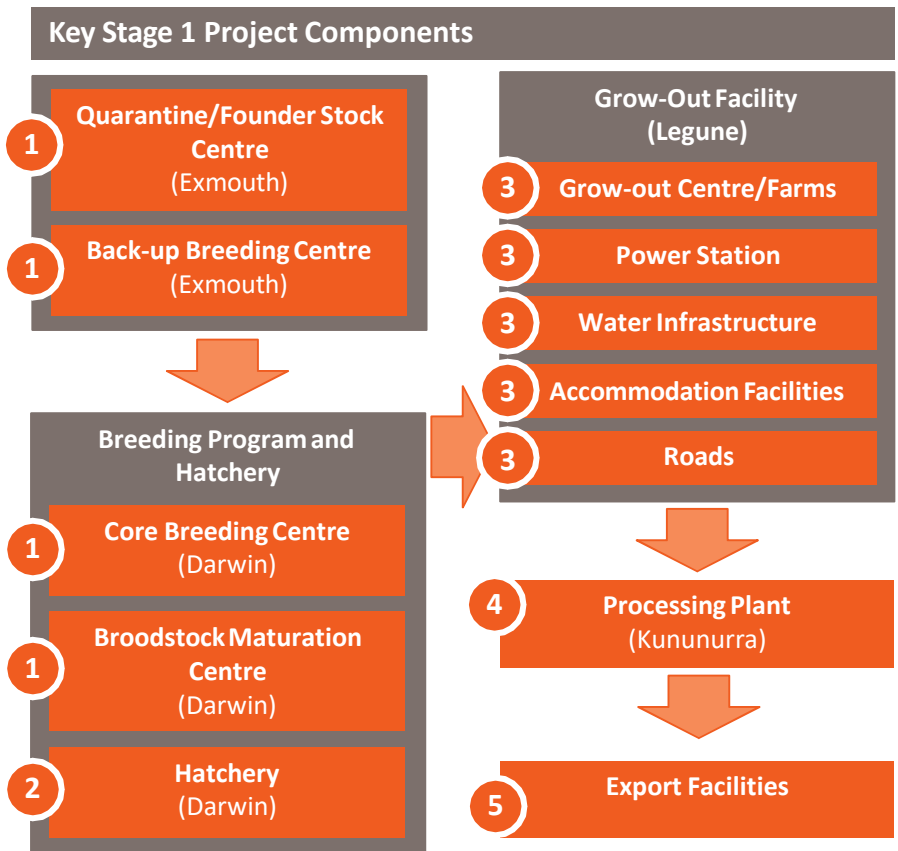
Denotes flow of prawns in value chain

PSD – Step 1 of Stage 1

Step 1 of Stage 1 of PSD will involve the construction of 36 Nursery Ponds and 36 Large Ponds totalling 396 Ha as well as significant amounts of supporting infrastructure for full Stage 1 and subsequent stages

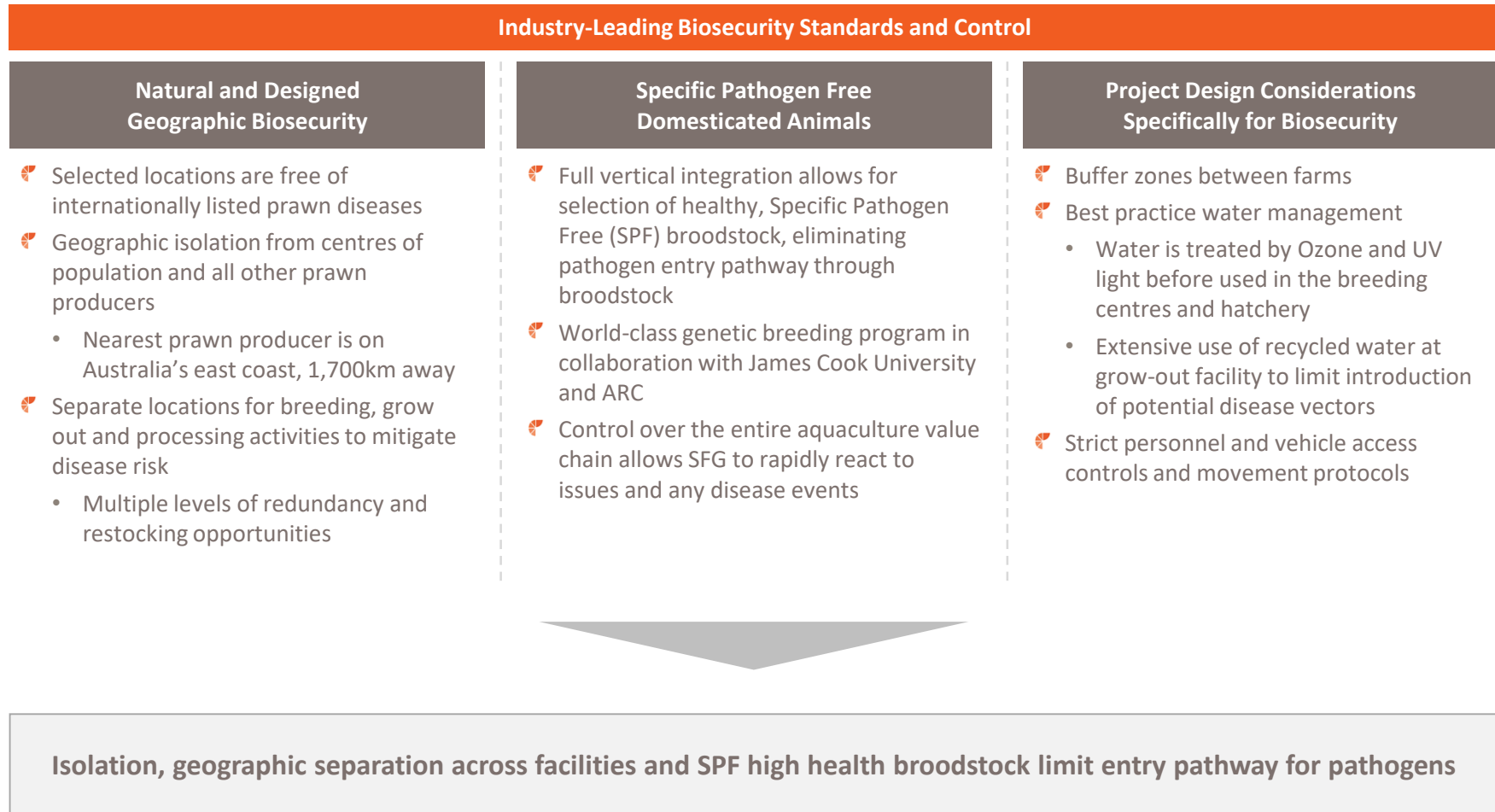
- Step 1 of Stage 1 is
 - Expansion of the existing facilities at Exmouth
 - New Breeding Facilities near Darwin
 - New Grow-out facility ‘farms’ at Legune Station
 - New Processing Plant and Cold Store at Kununurra
- Supporting infrastructure established for the full stage 1 of the project at Legune Grow Out and the Processing Plant in Kununurra
- The construction works have been broken down into defined work packages with a significant proportion of cost forecasts based upon market testing
- Components of project construction risk mitigated by use of specialist third-party contractors with specific risk knowledge
- SFG has completed a detailed test pond construction program at Legune proving compaction levels and suitability of the material

Project Delivery	
Project Component	Construction Party
Earthworks	Third party contractor - hybrid
Facilities, plants and roads	Third-party contractor, largely fixed price basis
Power station	Third party BOOM



Industry-Leading Biosecurity Control

PSD's strategic choice of locations is one aspect of a holistic approach to make PSD one of the most biosecure aquaculture projects in the world



PSD: Queensland operations comparison

Table below highlights a broad comparison between PSD and Queensland operations. It should be noted that PSD yield assumption is made considering Queensland operational results, particularly Farm 3 which more resembles PSD.

PSD	Queensland
Black tiger prawns	Banana and black tiger prawns
SPF Domesticated Broodstock	Wild Broodstock (BTP)
10 hectare ponds & dedicated nurseries	1 hectare ponds
Stocking at 30/m ²	Stocking at 40/m ²
12.5 kW/ha aeration	14 kW/ha aeration
9.3 tonnes per hectare yield/crop (8.3 tonnes initially)	Up to 10 tonnes per hectare yield
Large prawns (40 grams)	Medium Prawns (24 grams)
Production year round	Seasonal production (Farm three - 1 crop only)
New farm	Old farm
New optimised design and major biosecurity design measures	Decades older design with some retrofitting underway
Automated feeding	Truck based feeding
35 tonnes per FTE	16 tonnes per FTE

PSD: Seafarms Farm 3

A Significant Upgrade on Farms 1 and 2

As highlighted below, from a production perspective Farm 3 more closely simulates PSD farms.

	Farm 1/2	Farm 3	PSD
Age of Assets	+30 years	+19 years	First new development in Australia since circa 2000
Produce own Post Larvae (PLs)	✓	✓	✓
Settlement Ponds*	✓	✓	✓
Long Crops	✗	✓	✓
Unconstrained by Seasonality	✗	✗	✓
Broodstock Sourced in House	✗	✗	✓
SPF Broodstock and Post Larvae (PLs)	✗	✗	✓

- ✦ Farm 3 (F3) crops black tiger yield of over 9t/ha using wild black tiger broodstock.
- ✦ PSD assumes initial crop yields of +7t/ha using G5 domesticated specific pathogen free animals.
- ✦ According to CSIRO, novel genetic and viral health screening and mating allocation has achieved yields up to 24.2t/ha.

Extensive Design Work Has Been Completed

Through leveraging the knowledge of existing operations in QLD and the completion of bespoke design studies including a detailed feasibility study, SFG has de-risked PSD project development

Commentary

- All required preliminary and detailed design studies have been completed:
 - Concept study
 - Pre-feasibility study
 - Water Balance modeling to determine freshwater availability and reliability
 - Power and energy generation study
 - Workforce and accommodation study
 - Transport and logistics study
 - Detailed Feasibility study
- In addition, SFG has already commenced acquisition and commencement of operations at a number of sites:
 - Acquisition of prawn brood-stock and breeding facility in Exmouth
 - Transfer of best practice techniques and knowledge from QLD operations

Significant Research and Resources Invested So Far



PSD – Project Status

SFG has received all regulatory approvals for Stage 1 (1,120 ha’s) and has also entered into a Project Development Agreement with the Northern Territory Government and an Indigenous Land Use Agreement with the Traditional Owners for the whole project.

Key Project Work stream Status

	Workstream	Status	
1	Project Design	Earthwork studies	✓
		Feasibility study	✓
2	Site access and agreements	Legune Station	✓
		Crown Leases for Bynoe Harbour and Kununurra	✓
		Exmouth Quarantine and Founder Stock Centre operational	✓
3	Approvals and permits	Environmental Impact Statement (EIS) assessment complete	
		• Legune Station	✓
		• Bynoe Harbour Breeding Facilities	✓
	All approvals for Stage 1	✓	
4	NT Government	Project Development Agreement executed	✓
5	Traditional land owners	Registered ILUA agreed with traditional land owners	✓
6	Capital Raising Due Diligence	Engagement with independent due diligence experts	✓

- ✦ Received Federal Government’s approval for Stage 1 at Legune Station under the Environment Protection and Biodiversity Conservation Act in May 2017. Key conditions of the approval include:
 - Developing and implementing a water quality monitoring and management program
 - Establishing a scientific advisory group to advise on matters relating to threatened and migratory waterbirds, including a waterbird impact mitigation and monitoring program
 - Specific precautions during construction and operation to avoid potential impacts to marine life, including turtles, sawfish and river sharks
- ✦ Indigenous Land Use Agreement (ILUA) with Traditional Owners
 - ILUA applies to all stages of PSD, with no further agreement required
- ✦ Signed the Northern Territory Government Project Development Agreement (PDA) on 1 September 2017 which provides:
 - Pathway for development through to full scale
 - Certainty over land tenure outcomes
- ✦ Extensive 8-year project evaluation completed, including:
 - 2 years of validation, de-risking and refinement
 - Validation of core project assumptions through comprehensive independent Vendor Due Diligence, a 12-month process

Project Status – FSC at Exmouth

- The building works and fit-out for building 1 at Exmouth is complete, commissioning has commenced; Founder Stock Centre Buildings 2 & 3 buildings erected.
- Water treatment systems further developed and upgraded with installation of new water reservoirs and water cleaning systems to support future processes.
- All of the site building works has been undertaken by local Exmouth contractors. Electrical works undertaken by contractor from the adjacent regional area.
- Animals successfully transferred into facility



FSC 1 fitted out and commissioning in progress



Project Status – BMC at Bynoe Harbour

- Local contractors were engaged to perform earthworks and fencing for the site
 - Earthwork completed including:
 - Access roads;
 - Inlet and outlet ponds with liners;
 - Residential sites;
 - Erosion control.
 - Fencing completed by Larrakia Development Corp which is owned and managed by the Traditional Owners of the land.
- Main access road into the site completed
 - Earthworks;
 - Bitumen laying.



Project Status – Legune Grow Out Centre

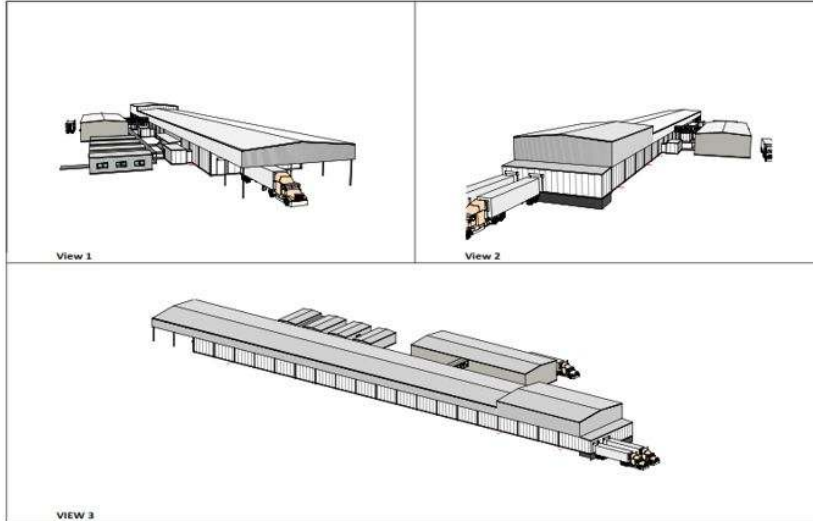
Early works on site and on-going design for critical path activities continues to de-risk construction

- ❖ Various sizes of rock have been quarried, graded and stockpiled to ensure material is available for first bulk earthworks contracts.
- ❖ Access road built to enable access to lower lying areas earlier in the dry season.
- ❖ Design works under-way to enable earliest purchase of long lead items.
- ❖ Major earthworks bids received to form a basis of quicker contract finalisation as funds become available.



Project Status – Processing Plant

- Design of the Processing Plant has commenced – site plan completed.
- Processing equipment specification for the process plant is being refined based on feed-back of east coast product to Japan and other export markets.
- Development and works approvals granted.
- Ground water licence granted.
- Deposited Plan survey lodged.
- Fish processors licence required upon completion of construction.



Concept design drawings for Kununurra Processing Plant



Development plan for Kununurra Processing Plant

Key Sources of Government Support for PSD

Strong Federal and State / Territory Government support for PSD will help facilitate project development and delivery of supporting infrastructure

Component	Benefit for PSD	Description				
1 Major Project Status	<ul style="list-style-type: none"> Priority and streamlined access to individual governments via relevant ministers to facilitate approvals process 	<ul style="list-style-type: none"> PSD was awarded Major Project Status 				
		<table border="0"> <tr> <td>Northern Territory Government</td> <td>July 2015</td> </tr> <tr> <td>Federal Government</td> <td>Renewed in March 2019</td> </tr> </table>	Northern Territory Government	July 2015	Federal Government	Renewed in March 2019
		Northern Territory Government	July 2015			
Federal Government	Renewed in March 2019					
Western Australia	Sep 2015					
2 China-Australia Free Trade Agreement (ChAFTA)	<ul style="list-style-type: none"> Elimination of Chinese tariffs on Australian prawns at 1st January 2019 will improve cost competitive position of PSD's product further Various other negotiated free trade agreements all have strong seafood focus China is expected to account for 38% of global seafood demand by 2030¹ 	<ul style="list-style-type: none"> ChAFTA enacted by both governments in June 2015 				
3 Project Development Agreement	<ul style="list-style-type: none"> Government support package <ul style="list-style-type: none"> Valued at ~AUD150m, primarily to upgrade access roads to all facilities Superior and secure land tenure at all sites: Legune, Bynoe Harbour, Gunn Point and Kununurra 	<ul style="list-style-type: none"> Signed Project Development Agreement <ul style="list-style-type: none"> Pathway for development through to full scale Certainty over land tenure outcomes 				
4 Other	<ul style="list-style-type: none"> More efficient licence and permit approval processes for PSD, including Legune Station use as aquaculture 	<ul style="list-style-type: none"> Joint Select Committee on Northern Australia recommendations regarding scaling up the aquaculture industry in Northern Australia 				

Government Support for PSD

- ✦ The Federal Government renewed PSD Major Project Status in March 2019, Minister Andrews stating that “the Morrison Government recognises the importance of this Project to northern Australia and to strengthen Australia’s economy”;
- ✦ The project also has Major Project Status with both the Northern Territory (July 2015) and Western Australia Governments (September 2015);
- ✦ Seafarms has entered into a Project Development Agreement with the Northern Territory Government which provides a pathway for the grant to secure tenure over the proposed project sites for PSD and upgrades to public roads;
- ✦ The Northern Territory Government has completed the road to Gunn Point at an estimated cost of A\$38 million and has commenced the upgrade of the Keep River Road with an estimated cost of A\$40 million in mid-2019. This upgrade will provide all-weather access across the Keep River.
- ✦ The Western Australian Government has agreed to provide land tenure to Seafarms over the Kununurra land for the processing plant, under Crown Lease convertible to Freehold and agreed to upgrade the WA portion of the road between Kununurra and Legune Station.



Keep River Bridge Construction

Project Delivery Strategy

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

Project Delivery Strategy

- Nine stages to complete 10,000 ha ponds with an annual output of 150,000 tonnes
- Stage 1 consists of three steps to complete three farms comprising 1,120 ha and producing 15,000 tonnes annually
- This opportunity, Step 1 of Stage 1 (S1S1) comprises one farm with 360 Ha of grow out ponds and 36 Ha of Nursery ponds with a substantial proportion of the necessary S1S1 infrastructure adequate for full Stage 1 and beyond
- Project delivery of S1S1 will comprise two main phases

Execution Phase

- Includes detailed design, engineering, procurement, construction and commissioning of all the required capital works

Operational Ramp Up Phase

- Includes handover, commencement and progressing increase in production

- The completion of Stage 1 will be positioned as a fast follow on from S1S1.

Contract and Procurement Plan

- The key strategies proposed for the Execution Phase include:
 - Contract strategy and work packages having been developed to enable and attract good Tier 2 Northern Australian contractors who have capacity
 - Open tendering consistent with PSD's approved Australian Industry Plan facilitates Australian and offshore sourcing to offer the best solution for cost, quality, schedule, reliability, commissioning, warranties and ongoing technical support
 - The contract packaging is designed to enable local businesses an opportunity in a competitive environment particularly where experience of local conditions is highly beneficial
 - Bids already received are being used to finalise critical path contracts to enable an early start after funding
 - Packaging to enable the use of local and indigenous contractors/suppliers where appropriate and as agreed in the ILUA
 - Risk spread by using smaller contract packages
 - Recognition that the capital expenditure will be over an extended period providing opportunities for term contracts for other parts of the scope
 - Assembling an Owners team with requisite experience and local knowledge sized and structured to optimize procurement, cost & delivery

Project Sea Dragon: Advancing to funding



- Further offtake agreement secured with Primstar, another important milestone to securing financing of PSD.
- All major premium markets now for PSD product secured, Japan, Europe and Australia.
- Seafarms continues to work closely with its Australian marketing partner Sealord to secure and expand its Australian market opportunities.
- Seafarms has successfully de-risked PSD over the 2019 financial year and secured all the necessary government and indigenous approvals.
- Seafarms continues to see major market opportunities for PSD product and will continue to refine processing design to capture these superior pricing opportunities.
- Seafarms is now ready to progress to commencing the first steps of PSD when funding is secured. Long term investment in PSD world class breeding program and associated new infrastructure needed to support this program is ongoing.
- Subject to the achievement of timely funding PSD expects to commence construction of its facility early in the dry season of 2020 with a view to stocking ponds in November 2021 with first product to market early in the second quarter of 2022.
- Having established the position as Australia's largest producer of prawns through Seafarms' Queensland operations the Company is now shovel ready to commence building PSD facilities in the Northern Territory, the first step toward becoming a significant producer of premium quality Black Tiger prawns.



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Seafarms Group Limited (ASX:SFG) – Overview and Market Update – Six months to 31 December 2019
Australia's largest prawn producer: Transforming into a high quality, low-cost global producer