



Our Ref: SFG ASX Announce Market Update and Outlook (463)

15 April 2016

ANNOUNCEMENT 463

Market Announcements Office  
Australian Securities Exchange  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

**By ASX Online**  
**Number of pages: 23**  
(including this page)

Dear Sir

**Market Update and Outlook**

Seafarms Group Limited (ASX: SFG) (**Seafarms** or **Company**) is attending and presenting at the Global Food Forum in Melbourne and the Red Carpet Investor Forum in Darwin next week.

Seafarms provides the following market update and outlook in advance of these two Forums.

Please telephone Dr Chris Mitchell on (03) 9928 5111 with any queries.

Yours faithfully

**Seafarms Group Limited**

A handwritten signature in black ink, appearing to read "Harley Whitcombe".

Harley Whitcombe  
Director and Company Secretary

**Media contact:**

Elena Madden  
Michels Warren Munday  
0447 710 108

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**Seafarms Group Limited**  
ABN 50 009 317 846

Level 11, 225 St Georges Terrace  
Perth WA 6000 Australia  
PO Box 7312 Cloisters Square  
Perth WA 6850 Australia

**P** +61 8 9321 4111  
**F** +61 8 9321 4411  
**E** [info@seafarms.com.au](mailto:info@seafarms.com.au)  
**W** [seafarms.com.au](http://seafarms.com.au)



# **Market Update and Outlook**

## **April 2016**

Transformation of Australia's largest aquaculture  
prawn producer into a global player

Seafarms Group Limited



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# Project Sea Dragon

# Project Sea Dragon

## Executive Summary

- The Company is seeking ways to accelerate the development with early feasibility study for Stage 2 that would bring total pond development to 2,160 ha producing circa 26,000 metric tonnes with a current indicative export value of US\$300 – 330 million;
- Project Sea Dragon is still targeting to be investment ready by the end of calendar 2016;
- Strong government awareness and support for PSD;
- Investors both domestically and internationally continue to show strong interest in PSD. The Company will participate in a number of additional presentations at international forums over the coming months;
- Positive engagement continues with Indigenous interests;
- Seafarms investment in research and development regarding domestication/breeding and genetics is meeting R&D milestones;
- Seafarms investment in brand recognition and marketing both domestically and internationally continues to lead to positive outcomes;
- Seafarms expects that its Bankable Feasibility Study costing outcomes will be well below the Pre-Feasibility assumptions;
- Strong demand for black tiger prawns is reflected in pricing outcomes that exceed Pre-Feasibility assumptions.

# Project Sea Dragon

## Revised Bankable Feasibility Study (BFS)

- ❁ The Company is encouraged by the Commonwealth Government's engagement regarding potential accessibility to concessional loan and guarantee facilities for infrastructure development through the \$5 billion Northern Australian Infrastructure Fund (NAIF) and other government development programs;
- ❁ Funds from this source would support sizing early headworks to support Stages 1 and 2. This headworks infrastructure investment would support development required to increase production from 13,000 metric tonnes to 26,000 metric tonnes per annum;
- ❁ The accelerated development program would result in earlier but more efficient CAPEX spend related to Stage 2 encompassing roads, water, power and accommodation infrastructure;
- ❁ Operations at our Exmouth broodstock quarantine facility will also need to be brought forward as will early head works investment at the breeding centre, hatchery and processing facilities;
- ❁ The expanded upfront infrastructure spend establishes clear pathways for the continued staged development of Project Sea Dragon to 10,000 ha with circa 150,000 metric tonnes of production per annum.

# Project Sea Dragon

## Unique Attributes

- 10,000 hectare aggregation – staged development;
- Integrated production:
  - Genetics, brood stock
  - Hatchery
  - Grow-out
  - Process for export
- Project expands to meet market;
- Expansion from established operations;
- Export focused;
- Granted Major Project Status by WA, NT and Federal Governments.
- Completed Concept (April 2013) and Pre-Feasibility Studies (June 2013);
- Developed country platform:
  - Biosecurity
  - Provenance
  - Food safety
- Product differentiation:
  - Black tiger shrimp verse white-legged shrimp (vannamei)
  - Larger sizes
- Bankable Feasibility Study commenced April 2015 with expected completion in fourth quarter 2016.







# Project Sea Dragon

## Bankable Feasibility Study

- 🍊 Target is still for completion in fourth quarter of 2016;
- 🍊 To date prices received back from the work tender packs have been lower than Pre-Feasibility Study estimates. Seafarms expects that this overall trend will continue given the current depressed work environment for engineering, earthworks and fabrication service providers;
- 🍊 Prices being received for product exceed Pre-Feasibility assumptions;
- 🍊 Yield outcomes from existing commercial operations at Cardwell demonstrate the ability to exceed Pre-Feasibility assumptions.

# Project Sea Dragon

## Indigenous Land Owners

- 🍊 Visit to existing Queensland operations well received;
- 🍊 Negotiations surrounding Indigenous Land Use Agreement (ILUA) are progressing with completion targeted for fourth quarter of 2016;
- 🍊 Engagement with Aboriginal Areas Protection Authority and Northern Land Council regarding site clearance and sacred site protection protocols.

# Project Sea Dragon Government

## Policy Settings:

- ✦ Australia addressing the global protein deficit;
- ✦ Facilitate northern Australia becoming a major food production source for global market particularly Asia;
- ✦ Northern Australia White Paper;
- ✦ Northern Australia Infrastructure Fund;
- ✦ Support for public infrastructure: roads and water in the north;
- ✦ Finalisation of numerous Free Trade Agreements.

## Overview:

- ✦ Project Sea Dragon has already been granted Major Project Status by the WA, NT and Federal Governments;
- ✦ Strong awareness of the project at senior government levels;
- ✦ Finalising access to existing government road and power funding packages.

## WA Government:

- ✦ Negotiations to secure long term lease agreement at the existing Kununurra Construction Camp well underway. This facility can house around 250 people and if agreement is reached will provide accommodation needed during the Project Sea Dragon construction stage;
- ✦ Negotiations regarding potential processing plant sites in Kununurra are well advanced;
- ✦ Strong engagement with Kimberley Ports Corporation (KPC) with regard to KPC expansion of existing port facilities to accommodate product export from Project Sea Dragon ongoing.

# Project Sea Dragon

## Government cont.

### Northern Territory Government

- Non-pastoral Use amendments to the NT Pastoral Lease Act (permitting PSD to obtain land tenure position which previously did not exist);
- Environmental Impact Statement (EIS) progressing well with completion targeted for fourth quarter of 2016;
- Positive negotiations with NT Government surrounding sites for the Project Sea Dragon breeding centre, multiplication and hatchery facilities are expected to be finalised in coming months.

### Federal Government

- Recent visit by Seafarms Group management to Canberra for meetings with relevant Ministers, their advisors and senior public servants continues to highlight strong high level awareness/support for Project Sea Dragon;
- Company preparing submissions to government in relation to infrastructure funding/grants assistance under existing programs covering such infrastructure as bridges, roads, power supply and transmission headworks and water capture.

# Project Sea Dragon

## Government cont.

### General

- Submission to Government surrounding training program and access to training facilities such as Technical and Further Education (TAFE) underway;
- There are significant funding assistance programs available which the Company is able to apply for under existing schemes such as training focusing on indigenous employment.



# Project Sea Dragon

## Investment Overview

- Early stage discussions continuing with both major domestic and international companies (US/Europe/Asia), government and banks;
- Companies expressing interest in both direct project equity investment and/or direct project equity/offtake investments;
- Companies include a combination of industry participants, financial investors and major offtake buyers;
- Level of new interest is expected to accelerate once Seafarms delivers Bankable Feasibility Study, Indigenous Land Use Agreement and regulatory approvals;
- Company's representation in March 2016 at the Bergen Seafood Conference well received as was the US Trade Mission also in March 2016;
- Further international presentations in New York and China are scheduled for April/May;
- Strong working relations with Seafarms financial advisor Pareto Securities, a European investment bank with substantial global aquaculture experience and capability.




# Project Sea Dragon Community Briefings

- Community & Local business:
  - Public consultations held Kununurra, Timber Creek, Dundee Beach;
  - Solid community support;
  - Strong interest from business has led to early opening of Industry Capability Network NT and WA gateway.



# Current Operations Overview

## North Queensland

-  Cardwell and Ingham
  -  3 growout farms – 160 hectares
  -  Operational since 1988

## Western Australia

-  Exmouth
  -  Quarantine Founder Centre



# Current Operations

## Summary of Assets



### Farms

- Cardwell
  - 128 ha of ponds
  - Processing plant
  - Maintenance division
  - Farm administration
- Ingham
  - 32 ha of ponds



### Hatcheries

- Innisfail
  - Capacity of 27 million PL's per run
  - Domestication program
  - R&D Project with ARC Research Hub for Advanced Prawn Breeding
- Exmouth
  - Biosecure breeding facility



### Production

- 1,500 tonne production forecast remains on schedule

# Current Operations Overview

- Continuation in the use of existing Cardwell production assets as a commercial pilot operation to undertake Project Sea Dragon research programs on a number of areas regarding stocking rates and feeding regimes;
- Cardwell also continues to provide operational training for staff development and enables the development and refinement of OH&S and management reporting systems;
- Benefits of the Seafarms domestication and breeding program now showing positive benefits;
- Second generation animals now in production ponds (the use of third generation will commence in the 2<sup>nd</sup> half of 2016) which has highlighted the need to bring forward the commissioning of the Exmouth quarantine facility;
- As previously announced at the Seafarms AGM, the Company experienced limited disease outbreak which impacted on animal survival rates. A number of measures have been implemented. To date these measures have successfully addressed this issue;
- It is important to note that Project Sea Dragon is designed to be a low water rotational production system versus a high water rotational production system which has been adopted globally and in our Queensland production system. This new “closed system” enables a very high bio-secure operational environment management system to be implemented which in turn reduces disease risk.



# Current Operations

## Brand Marketing Overview

- Growing domestic and international recognition of the Crystal Bay™ brand in major retail and food service channels;
- Seafarms has significantly increased its retail Crystal Bay™ product lines (stock keeping units) over the last 12 months;
- Company has now secured export licenses for Asia, Europe and the American markets;
- Trial product shipments have been despatched to major retail channel participants and food services channel buyers over the past 6 months;
- The Company is planning on establishing an Asian based sales and marketing presence for Project Sea Dragon.

# Project Sea Dragon

## Research and Development

- ❖ The \$5m (5 year program) Australian Research Council Industry Transformative Hub for Advanced Prawn Breeding was launched early-2015 and has already led to some positive outcomes:
  - ❖ Major consortium with James Cook University, CSIRO, University of Sydney, Australian Genomic Research Facility;
  - ❖ Directly geared to accelerating breeding outcomes for Project Sea Dragon in terms of its current domestic breeding program, with the aim of producing larger more robust animals.
- ❖ Genetic technology has already been used very successfully in other animal farming systems (e.g. chicken and pork). This technology is now being applied to prawn farming.

# CO2 Australia

- Recently secured further contracts under the Federal Government's 20 million tree program. Contract now extended to June 2021;
- This business unit provides positive cash flows which will be invested into the Company's Project Sea Dragon;
- Continue to provide management/maintenance services contracts for a number of major Australian and international companies in relation to their carbon obligations. Contracted up to 2035 with major Australian companies;
- New contract secured with New South Wales Parks & Wildlife Services for the Emissions Reduction Fund.

# Seafarms Group Limited

## Financial Snapshot

- ❖ The Company's half year reporting period this year is 31 March 2016, noting that our full year balance date was changed to 30 June at the Company's AGM in February 2016 from 30 September as detailed in the AGM notice of meeting;
- ❖ The Directors estimate a loss for the half year 31 March 2016 in the order of \$11 million, reflecting the contributions of domestic prawn and carbon operations with the full expensing of all Project Sea Dragon development costs. The loss to be reported is consistent with the Company's expectations particularly in light of the substantive change in the scale of Stage 1 and 2 as commented on earlier in this presentation;
- ❖ The Company anticipates releasing its detailed half year financial results in mid to late May 2016.



## Contact Us

### **Seafarms Group Limited**

Level 11, 225 St Georges Terrace  
Perth WA 6000

PO Box 7312  
Cloisters Square WA 6850

T. +61 8 9321 4111

F. +61 8 9321 4411

E. [info@seafarms.com.au](mailto:info@seafarms.com.au)