

ASX Announcement | 14 June 2023

Seafarms Group Limited (ASX:SFG)

SFG ASX Announcement No: 756

CEO Project Sea Dragon Shareholder Update

Seafarms Group Limited (SFG or the **Company**) (ASX:SFG) provides the following up date by the Company's CEO, Mr Rod Dyer.

"I am pleased to inform you that today the Seafarms Group board restated its commitment to the development of Project Sea Dragon (**PSD** or the **Project**). The financial modelling is sufficiently complete with the remainder of the documents describing the revised business case and options for development, well progressed.

"In November of 2022 the Board advised the market that the risks identified by Messrs. McMahon and Brannan in their Project Review of March 2022 (ASX Statement 723, March 2022) had been addressed by a thorough assessment undertaken over the six month period after my appointment in May of 2022 (ASX 741 November 2022). This assessment found there were no technical reasons why Project Sea Dragon should not proceed and that we are now progressing financial and business case modelling for the Project as the next step in determining the future of the Project.

"Key risks of the March 2022 Project Review, particularly regarding the use of 10ha ponds and the absence of PSD finance have been addressed in the updated plans. We have taken these concerns seriously and have re-evaluated all aspects of the Project.

"Throughout the process, we have engaged both international and local professionals, ensuring a thorough examination of each step. We have also confirmed customer commitment and negotiated improved pricing.

"The updated business case incorporates updated production and marketing assumptions, the knowledge and insights gained from our research, consultations, and on-site visits.

"Although this approach has added extra time to our progress, we believe it was essential to arrive at the current position on the Project.

Viability of 10-hectare ponds

"It is important to note that the March 2022 Project Review undertaken by McMahon and Brannan was affected by travel restrictions and limitations due to the global COVID-19 pandemic. Consequently, there was no international travel to operations or engagement with international professionals for review purposes.

"In contrast, I travelled extensively through central America (Colombia, Ecuador, Honduras, and Mexico) with an international expert. The visits included inspections of very successful 10ha and larger pond operations; as well as discussions with producers, processors, and equipment suppliers to gather valuable information on operations and yields. The conclusion of this research clearly supported the feasibility of 10ha ponds in Australia as part of Project Sea Dragon.

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Project funding

“Throughout this period, we have remained in touch with lenders and funders from pre-March 2022. We have maintained an arms-length approach with funders, pending the completion of our updated business case and financial modeling. The documents describing the revised business case are well progressed, with the financial model sufficiently complete and tested to enable decisions and discussion with funders.

“We have all the necessary government, environmental, and indigenous approvals for PSD Stage 1 which enables the installation of 1,120 Ha of grow-out ponds, enabling the production of over 15,000 tonnes of product annually. However, Project Sea Dragon is modular and scalable from the fully approved Stage 1, or a smaller Stage 1a of 200 Ha, through to the full project of a much larger scale with modelling developed to evaluate each of those and other scenarios.

“While the outputs of the financial model are pleasing the Project's final business case must necessarily consider the funding arrangements that will differ according to the appetite of the different funders for the scale of the initial development and their returns. To that end, we are re-engaging with both previous and new funders, as well as debt providers.

“The Federal Court matter is an unwanted distraction for the Company and while no outcome is guaranteed in circumstances involving litigation and the Courts, Seafarms legal position gives it confidence. We do not see this as an impediment to progressing funding for Project Sea Dragon nor the progression towards a final investment decision.

Breeding program

“Additionally, we have sought advice from international consultants to simplify and enhance our breeding programs, breeding facilities, and hatchery operations. This collaborative effort has further refined our approach.

“We are pleased to announce that our SPF (Specific Pathogen-Free) animals have now reached G4 level, eliminating the need for additional wild-caught broodstock. This achievement aligns with our commitment to sustainable and responsible practices.

“Furthermore, our research and development program at Exmouth has progressed, with in-pond growth trials currently underway.

Next steps:

“The Board is now pleased to advise that we are re-engaging with both previous and new funders, as well as debt providers for the future funding requirements for Project Sea Dragon.

“The Board will assess the updated business case and funding arrangements before making a final investment decision for Project Sea Dragon. A further announcement will be made to the market once that decision has been made by the Board.

“Project Sea Dragon remains committed to delivering a world-class prawn farming operation, and we appreciate the continued support and interest from our shareholders. We will provide further updates as the Project progresses.

“I thank all shareholders for their continuing support.”

This ASX release is authorised by the Board of Directors.

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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.