

## ASX Announcement | 29 November 2024

Seafarms Group Limited (ASX: SFG)



SFG ASX Announcement No: 783

### AGM Update

*(This statement summarises key parts of the CEO AGM Presentation which follows this document)*

Seafarms Group Limited (“Seafarms” or the “Company”) will today present an update at its Annual General Meeting, highlighting key developments and operational outcomes for 2024.

#### Key Updates:

-  **Leadership Transition:** Peter Fraser, previously Commercial Director for Project Sea Dragon (PSD), was appointed CEO in March 2024, following Rod Dyer’s retirement. Rod continues as a Non-Executive Director.
-  **Operational Performance:** Total production for FY24 was 1,118 tonnes, with a focus on Black Tiger prawns (+15% production) to drive export market growth. International sales rose significantly, supported by demand from France, Spain, and the UK.
-  **Financial Overview:**
  - Loss of \$19.3M attributed to continued investments in PSD.
  - Proceeds from the sale of Farms 1 and 2 (\$13.5M) will reflect in FY25.
  - The Company secured a \$7.0M loan to support ongoing operations.
-  **Project Sea Dragon (PSD):**
  - Despite legal challenges, all licenses and approvals for PSD remain current.
  - Infrastructure in place at Legume Station (21 nursery ponds, seawater intake walls 1/3 complete).
  - Seafarms is actively engaging with liquidators to secure the best outcomes for shareholders.
-  **Strategic Asset Sale:** A binding agreement was executed with Mainstream Aquaculture Pty Ltd for a sale and leaseback of certain Queensland assets, releasing capital to support PSD development.
-  **Outlook:** Seafarms remains committed to its scalable prawn aquaculture model, prioritizing stakeholder engagement, market development, and securing funding for PSD.

The Company thanks shareholders for their continued support and will provide further updates as developments progress.

Authorised for release by the Seafarms Board

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#### About Seafarms Group

Seafarms Group Limited (ASX: SFG) is a sustainable aquaculture company, producing the premium Crystal Bay<sup>®</sup> Prawns and developing the Project Sea Dragon prawn aquaculture project in northern Australia.

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**CEO Update**

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# Agenda

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- 🍷 Introduction
- 🍷 Overview
- 🍷 Our Year
- 🍷 Financial Results Overview
- 🍷 Operating Performance
- 🍷 Project Sea Dragon Update
- 🍷 Final Observations –  
Challenges & Opportunities





# Introduction

- ☛ Good morning. I am Peter Fraser, CEO of Seafarms Group.
- ☛ I would like to acknowledge the significant contribution of Rod Dyer who retired as CEO Seafarms Group in March 2024.
- ☛ In his time as CEO, he stabilised the business, grew the Queensland operations and positioned Project Sea Dragon for development, investment and growth.
- ☛ Rod continues with the company as a Non-Executive Director.
- ☛ Following my appointment as Commercial Director, Project Sea Dragon in January 2024, I was appointed CEO Seafarms Group in March 2024.
- ☛ Prior to joining Seafarms on a full-time basis, I had been an international business advisor to the company since 2015.
- ☛ I am an international Seafood industry specialist for nearly 30 years, spending the past 10+ years as the proprietor and MD of Ocean and Earth Seafoods.
- ☛ I was also Managing Director of both Lobster Australia and the publicly listed company Marine Produce Australia as well as several other very senior roles including Commercial Director for the National Prawn Company of Saudi Arabia.



# Overview

- ✦ The past year has witnessed relatively good performance of the Queensland operations and continued assessment and development of Project Sea Dragon.
- ✦ In parallel, the construction dispute with Canstruct has occupied the time and resources of the company, hindering our progress.
- ✦ Despite the challenging nature of the year, the Seafarms Group remains committed to the development of a scalable integrated prawn aquaculture business, Project Sea Dragon
- ✦ The financial performance over 2024 reflects the continued investment in pursuing the development and expansion of our aquaculture operations.
- ✦ After the end of the financial year, the Federal Court found in favour of Canstruct, set aside the DOCA and ordered Project Sea Dragon into liquidation.
- ✦ We are currently engaging with the liquidators to work through the implications of the Court's judgment and negotiate the best outcome for our shareholders.
- ✦ We expect to announce the outcome of the work with the liquidators over the coming months.



# Financial Results

Our financial results reflect costs from investments in the future of the company, primarily Project Sea Dragon.

	2024	2023
Revenues from continuing operations	\$25.5m	\$25.9
Net Profit (loss) after Tax	\$19.3m	\$15.4m
Net reduction in contract liabilities (gain)	(\$0.4m)	(\$7.0m)
Total production	1,118 tonnes	1,260 tonnes

- 🔥 The loss of \$19.3m is largely attributable to the continuing investment being made to pursue Project Sea Dragon
- 🔥 The FY2024 result benefitted from the reduction in contract liabilities by \$7.0m
- 🔥 The decrease in total production reflects a changing product mix in response to market conditions with Crystal Bay banana production reduced by 23% and black tiger prawn production increased by 15%

# Financial Position

	2024	2023
Net Assets	\$14.8m	\$34.1m
Cash on hand	\$1.2m	\$8.5m
Net current assets	\$4.3m	\$17.3m
Non current assets	\$12.0m	\$18.4m
Provision for contractual liabilities*	\$0.6m	\$1.0m

\*Included in net current assets

- Non current assets comprises mainly the aquaculture assets on the North Queensland operations.
- Following the agreement to sell Farms 1 and 2 to Mainstream, the book value of those assets (\$5.1m) are included in current assets as at 30 June 2024.
- The proceeds from the sale of those assets of \$13.5m and the gain on sale less sale costs will be reflected in the 2025 financial year
- Subsequent to the financial year ending, Avatar agreed to provide loan funds to the group of \$7.0m.





## Existing Operations Update



*Taking stock and building forward momentum*

# Operating Performance

- ✦ In FY24 the Group operated from three sites: **Flying Fish Point** (commercial hatchery), **Cardwell** (Farms 1 & 2) and **Ingham** (Farm 3)
- ✦ **Total production** was 1,118 tonnes, compared to 1,260 in the previous year:
  - ✦ Banana prawn production increased to 696 tonnes. Stocking was reduced in second half of 2024 due to subdued retail conditions
  - ✦ Black tiger prawn production 422 tonnes. Stocking of black tiger prawns was increased in 2024 targeting the development of international markets for PSD
- ✦ **Export sales** from the FY24 black tiger crop increased significantly to 134 tonnes compared to the previous year (77 tonnes), driven by growing demand in European markets, with France a major buyer. Spain and the UK as well as extensive market opportunity in Asia bode well for continued growth in export sales.
- ✦ Investment in the international markets is fundamental to the success of **Project Sea Dragon**.



# Operating Performance (*continued*)

- 🔥 **Domestic market conditions** were consistent in the first half of the year however, sales were impacted significantly later in the year by both subdued retail demand for premium cooked prawns and the increased overall wild and aquaculture, Australian Shrimp production available.
- 🔥 **Market development** continues to be a focus to build high quality premium branded offerings for domestic and international markets. Domestic sales in the first half year were up 15% on previous year, and international volumes increased to circa 134t
- 🔥 **Investment in the breeding program** continued with all black tiger prawns stocked coming from domesticated broodstock. The 8th and 9th generation Broodstock were spawned with the resulting PLs supplied to several 3rd parties, laying the foundation for a new business stream supplying PLs to various Australian farms.
- 🔥 **Sale of Farms 1 and Farm 2:** During the year the Group negotiated the sale of Farms 1 and 2 with settlement scheduled for April 2025. The sale releases capital enabling the Group to continue to develop and invest in Project Sea Dragon.





## Project Sea Dragon



*Taking stock and building forward momentum*



# Our Year

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- 📅 **January 2024:** Seafarms appoints Peter Fraser Commercial Director of Project Sea Dragon.
- 📅 **February 2024:** Federal Court finds in favour of Canstruct to set aside the DOCA and place Project Sea Dragon into liquidation.
- 📅 **March 2024:** Project Sea Dragon Pty Ltd lodges appeal against the Federal Court's decision to overturn the DOCA. Project Sea Dragon and Seafarms Group apply for an extension of the stay of proceedings until 18 April.
- 📅 **March 2024:** Peter Fraser appointed as CEO. Rod Dyer appointed Non-Executive Director.
- 📅 **May 2024:** Stay in proceedings with Canstruct granted by the Federal Court until August.
- 📅 **June 2024:** Seafarms Group enters into binding transaction agreement to sell and leaseback assets owned by Seafarms Queensland Pty Ltd to Mainstream Aquaculture Pty Ltd.

## Matters subsequent to the financial year:

- 📅 **August 2024:** Seafarms Group Limited announces that all conditions to its transaction with Mainstream have been satisfied and the deal is signed.
- 📅 **November 2024:** Federal Court decision puts Project Sea Dragon into liquidation. Court finds that PSD was solvent until it was put into voluntary administration. It also finds that Seafarms Group is solvent throughout the court process.
- 📅 **November 2024:** Seafarms Group is working with the liquidators to continue the development of 'Project Sea Dragon'.



# Project Sea Dragon

## Project status

- Construction completed:
  - Sea water intake walls 1/3rd completed.
  - 21 nursery partially ponds completed.
  - Area for 8Ha ponds partially cleared.
  - 100,000 tonnes of crushed material for roads
  - 50km of roads improved.
  - Pre-cast concrete structure for pond supply – partially completed and in Darwin.
- Licenses and approvals:** all requisite licensing and approvals to construct the integrated prawn operation remains current and up to date.
- Stakeholder engagement:** all stakeholders including government, indigenous and various regulators have been kept up to date and continue to support the development of PSD
- Funding partners:** engagement with potential funding partners has continued over the past year and the supportive sentiment for the Project continues.



# Observations – Challenges & Opportunities

## Progress has been made on

- Existing operations in particular the continuing development export markets
- Rationalisation of farm ownership to free up capital
- The contractual dispute with Canstruct is nearing conclusion
- Positive discussions with PSD stakeholders and funding partners

## Current challenges

- Liquidation of Project Sea Dragon Limited
- Working capital/cashflow

## Our opportunities

- We have a unique opportunity to develop a globally important, fully integrated industrial scale prawn business in the Northern Territory.**

Thank you to our shareholders. We look forward to keeping you updated on the year ahead.





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