

2019 ANNUAL GENERAL MEETING

Tassal Group

ALLAN McCALLUM

CHAIRMAN OF THE BOARD

MARK RYAN

MANAGING DIRECTOR & CEO

29 OCTOBER 2019





Chairman's address

Overview

Our vision is for a better tomorrow ... for our people, our product and the communities in which we operate

- We are proudly **Australia's largest seafood producer**, delivering on an ever increasing demand for sustainably sourced seafood
- Our **world class farms, processing facilities and support teams** cover Tasmania, New South Wales and Queensland
- Our products are on dinner plates and in lunch boxes right across Australia
- With over **30 years experience**, we are industry leaders, innovators, safe and diligent producers and first and foremost, we are **responsible farmers** who prioritise our people, their safety and the communities in which we operate
- Sustainability continues to be at the core of our operations, underpinning every facet of our organisation
- Passion and innovation remain at our core, and as a result, in FY19 we proudly announced our entry into prawns as part of our growth and species diversification strategy
- We now have one of Australia's largest footprints in tiger prawn operations – three geographically diverse prawn farms with hatchery and processing facilities in Queensland (Mission Beach and Proserpine) and New South Wales (Yamba) and wild harvest capability
- As a **globally recognised leader in sustainability**, and with **world leading technology, product quality, research and development programs** intrinsically linked to our salmon business, we are successfully transferring these skills to deliver sustainable growth for tiger prawns

Our growth strategy

As an industry leader in Australia, Tassal is harnessing its strengths across the business to sustainably and strategically improve how we farm, process and bring our seafood offer to market

“Tassal farms the ocean and land to produce a high quality/healthy source of food, leveraging its industry leading scientific know how, that is both sustainable and efficient in its production, respecting the resources of the earth and the wider society in which it operates”

Our growth strategy is underpinned by 5 pillars:

- Market leader on all operational, financial, environmental and societal value metrics
- Geographic and species diversification
- Driving domestic per capita consumption growth
- Eastern seaboard supply chain: freshest to market on a national basis with short shelf life products
- Best practice aquaculture: regarded as global leaders in fish farming and environmental stewardship

Our growing returns will come from innovating, value adding and capitalising on increased consumption of farmed seafood in the restaurants and homes of Australians



Our commitment on salmon

Innovation and best practice to drive change in our operations: further improving production, fish health and welfare while keeping our people safe

Centralised Feeding

Better fish growth, reduced feed conversion rates and reduced cost of growing through the implementation of our world-first remote feed centre. This also provides improvements for the environment, the safety of our people, fish welfare and increased integration of our operations

Blue Economy CRC

Spearheading the industry in the responsible transition to offshore farming through supporting the establishment of the Blue Economy Cooperative Research Centre (CRC) to undertake world-leading research and development for farming in high-energy waters

Aqua Spa

Our new well boat Aqua Spa, features world-leading technology and innovation to strengthen biosecurity and improve efficiencies to bathing operations, which makes for healthier fish. Adopting an in-built reverse osmosis system, Aqua Spa will also reduce our reliance on using fresh water, a key target for improving our operations. The Aqua Spa arrived in Tasmania on 19 October 2019. After final commissioning works, it should commence operating on Wednesday 30 October



the Tassal way



Our commitment on salmon (cont'd)

Eco Aquaculture

Cementing our nation-leading eco aquaculture vision through the development of a new partnership between salmon, shellfish and seaweed producers, supported by a \$2.3m commitment from the Federal Government for seaweed culture research.

Ocean Sanctuaries

Accelerating the roll out of our ocean sanctuary enclosure.

Multi Purpose Recirculating aquaculture system (RAS)

Facilitating best practice stocking and fallowing strategies to produce Tasmania's largest smolt in our land-based nurseries, reducing the time our fish spend in the marine environment.

Recycling

Aspire to move towards 100% recycling of our marine soft and hard plastics.

Sustainability Certifications

Maintaining third-party certifications across harvest leases.

Biosecurity

Continuing to work on our joint venture leases in Macquarie Harbour with Petuna to implement improved biosecurity and fallowing strategies that support better environmental and fish health outcomes.

Strategic rationale for prawns

Compelling strategic and financial rationale for investment in prawn operations

- ✓ Leverage salmon “know-how” – Tassal is well-equipped to build its prawn business, leveraging the experience, capability and technology gained during 30 years of salmon farming, to modernise its prawn operations and increase yield and returns
- ✓ Geographic and species diversification – Prawns provides significant risk mitigation from an earnings, species, political and social perspective, as well as providing Tassal with a footprint in high demand aquaculture beyond Tasmania
- ✓ Favourable economics – Shorter capital and working capital cycles, with the growth cycle for prawns at 1 year (vs. 3 years for salmon). Prawn EBITDA \$/kg is also expected to exceed salmon EBITDA \$/kg
- ✓ Capital intensity – Once the infrastructure is fully established, lower relative maintenance capex requirements are expected when compared to salmon
- ✓ Optimising domestic per capita consumption – Increasing supply of Australian ‘aquaculture’ grown prawns, through accelerated development of prawn farms and the ability to leverage off our salmon sales with customers, in-line with forecast increasing seafood consumption per capita
- ✓ Australian Eastern seaboard distribution – Time to market reduced via improved technology
- ✓ Strong track record in environmental management – Leveraging our knowledge in water treatment and water management from salmon industry

Our commitment on prawns

Boost Australia's prawn farming industry, create jobs, drive regional growth and stronger local economies

Acquisition

The demand for tiger prawns is increasing as more Australians enjoy them than ever before. The acquisition of an Australian aquaculture business comprising three prawn farms (i.e. Proserpine, Mission Beach and Yamba) allowed us to use our 30 plus years of aquaculture experience to **transfer salmon knowledge and technology into our prawn business**. Further, we have also acquired a property known as Exmoor Station – a greenfield site – which we believe is very important to our prawn strategy. Exmoor Station, together with Proserpine, Mission Beach and Yamba, is expected to support the **long term prawn production target of 20,000 tonnes per annum**. Coupled with the skills and experience of our people who are passionate about the prawn industry, we are confident of growing this sustainable, high-demand product through improved land-based farming

Proserpine

- **190ha of ponds** (Stage 1 and 2 of the Development Application DA)
- **On track to be completed, stocked and operational during FY20**
- Major regulatory approvals now received for **an additional 80ha of ponds** (Stage 3)
- **Potential for c400ha** of ponds (once authorised by the relevant authorities and fully developed)
- **Biosecure location** – at present there are no other farms in close proximity

Mission Beach & Yamba

- Mission Beach: **32ha of ponds**, large hatchery, primary processing
- Yamba: **45ha of ponds**, primary processing, inputs provided from Proserpine or Mission Beach hatchery
- Farms provide seasonal advantages for supply
- **On track for 100% stocking during FY20**

Exmoor Station

- ~7,000 ha greenfield site, **2,093ha identified as an Aquaculture Development Area**
- **Potential for 1,000ha+ of ponds** (once authorized by the relevant authorities and fully developed)
- Identified as **1 of 6 premier Aquaculture Development Areas**, recognised in the Queensland State Planning Policy as being highly suitable for pond-based marine aquaculture
- **Biosecure location** – at present there are no other farms in close proximity (located 72km south of Proserpine)

the Tassal way



Successful raising to fund accelerated prawn growth strategy

Successfully raised \$108m through a Placement (21 August) and \$17m through a Share Purchase Plan (16 September)

\$108m Institutional Placement

- Fully underwritten institutional placement (“Placement”) of 24,640,000 shares (representing c.13.8% of shares on issue prior to the Placement) raised circa \$108 million
- The Offer Price per share under the Placement was fixed at \$4.40 (“Placement Price”)
- The Offer Price represented a 6.8% discount to the closing price on Monday, 19 August 2019

\$17m Share Purchase Plan

- A non-underwritten Share Purchase Plan (“SPP”) to raise up to \$25 million was available to eligible shareholders in Australia and New Zealand
- Participation was limited to \$15,000 of new Tassal shares per shareholder
- The offer price per share under the SPP was offered as the lesser of
 - \$4.31, being the Placement Price adjusted for the final dividend (see explanation below); 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
- The offer price per share under the SPP was \$4.16

the Tassal way



Committed to safety

No job is so important that it cannot be done safely

| KPI's | FY19 | FY18 |
|--------------------------------------|-------|-------|
| LTIFR | 0 | 0.41 |
| MTIFR | 12.05 | 11.77 |
| TRIFR | 12.05 | 12.18 |
| Scorecard | 97.4% | 96.9% |
| Driving the Safety culture scorecard | 95.5% | 94.1% |

- Safety commitment is consistent with maximising shareholder value
- Our focus is to achieve the core value of “Zero Harm”. Our goal from a TRIFR perspective is < 10
- Our training and focus is to instil a philosophy and culture of zero tolerance to medical treatment incidents
- We are reducing the number of tasks performed by people through greater automation (e.g. Centralised Feed Centre and Well Boat)

Definitions:

- LTIFR – Lost Time Injury Frequency Rate: (Number of Lost Time Injuries/Total Number of Hours Worked) X 1,000,000 hours
- MTIFR – Medical Treated Injury Frequency Rate: (Number of Medically Treated Injuries/Total Number of Hours Worked) X 1,000,000 hours
- TRIFR – Total Injury Frequency Rate: LTIFR + MTIFR

Responsibly produced and sourced seafood

Sustainable development: today's generations meet their needs without prejudicing future generations' ability to meet theirs

- Tassal is committed to providing Australians with **responsibly produced and sourced seafood**
- In 2014, Tassal proudly became the first salmon farming company in the world to be 100% certified by the Aquaculture Stewardship Council (ASC), the highest standard available for farmed seafood. Our sites currently have 100% third party certification across ASC and Best Aquaculture Practice (BAP)
- As a growing company in an expanding industry, we are building on our past successes and addressing present challenges, including:
 - Reducing marine debris from our operations
 - Fostering environmental stewardship among our employees, suppliers and contractors
 - Advocating for best practice Marine Spatial Planning and efficient regulations, which will help the salmon and prawn industry grow in a responsible manner with broad community acceptance
 - Ensuring our salmon and prawn operations meet the highest sustainability standards
 - Extending our commitment to third party certification to identify and address improvements as required across our operations

Managing climate risk

A comprehensive risk management system is used to manage the long-term risks, issues and opportunities presented by climate change and respond accordingly

Climate plays an important role in Tassal's operations – particularly summer water temperatures for salmon farming

- Summer 2018/19 water temperatures were inline with Summer 2017/18
- We were better prepared entering summer with proactive bathing, an increase in harvest for frozen hog (to use in 2H19) and isolating larger fish to cooler sites
- We will increase the freezing of harvested fish before summer 2019/20 to ensure frozen salmon can be utilised in 2H20 without the requirement to further bring forward the harvest of the next year class of salmon

Tassal has developed considerable options for adapting to climate change:

- Selective breeding program for salmon, with prawns now a key focus too
- Modified farming technologies and practices
- Species diversification with our prawn operations
- Geographic diversification

Tassal has also engaged scientists to identify emerging climate trends and system responses, and to undertake comprehensive broad scale environmental monitoring

Well placed to deliver on growth opportunities

Record full year results in FY19 demonstrate delivery of core salmon growth strategy

- Strong increases across operational, financial, environmental and social parameters
- Significant increases in salmon biomass and sales have driven strong growth in earnings, including **operating EBITDA up 12.6% to \$112.3m**
- Achieved at least 3,000 hog tonnes of growth for each of FY18 and FY19, with strong pricing returns and with the salmon size harvested optimising the sales mix. Achieved average 4.4kg hog in FY19

Investment in prawns, together with positive salmon fundamentals underpins Tassal's expected long-term growth

- **Species, geographic and earnings diversification expected to underpin continued delivery of strong returns**
 - Salmon - through optimising sales mix and pricing, lease optimisation, cost reductions, and improvements in and adaption of new technologies
 - Prawns - through investing in a new growth platform that leverages our experience and builds on our success with salmon. Prawn business is expected to provide a shorter working capital cycle and the potential for better earnings / returns characteristics with lower capital intensity once established.
- To my fellow Directors and Management, thank you for your support and input over the past 12 months – and I warmly welcome our new Directors Jackie McArthur and Georgina Lynch ... and say a farewell and thank you to Chris Leon
- To our shareholders and other stakeholders, your continuing support is appreciated and valued

the Tassal way





**Managing Director &
CEO address**

Another record year

Responsible investment in biomass and infrastructure has driven strong operational growth

| Financial Performance (A\$m) | FY19 | FY18 | Change |
|------------------------------------|--------|--------|-----------|
| Revenue | 560.79 | 484.54 | 15.7% ▲ |
| Operating results | | | |
| Operating EBITDA | 112.31 | 99.78 | 12.6% ▲ |
| Operating EBIT | 88.55 | 76.76 | 15.4% ▲ |
| Operating NPAT | 56.62 | 50.31 | 12.5% ▲ |
| Statutory results | | | |
| AASB 141 SGARA Impact ¹ | 4.61 | 10.81 | (57.3%) ▼ |
| Statutory EBITDA ¹ | 114.91 | 110.00 | 4.5% ▲ |
| Statutory EBIT ¹ | 91.16 | 86.98 | 4.8% ▲ |
| Statutory NPAT ¹ | 58.44 | 57.29 | 2.0% ▲ |
| Operating cashflow | | | |
| Operating cashflow | 89.90 | 43.88 | 104.9% ▲ |
| Final dividend - cps | 9.00 | 8.00 | 12.5% ▲ |
| Total dividend - cps ² | 18.00 | 16.00 | 12.5% ▲ |
| Gearing Ratio ³ | 28.2% | 18.7% | |
| Funding Ratio ⁴ | 38.8% | 28.5% | |
| Funding Leverage ⁵ | 2.19 | 1.67 | |

Notes:

1. Pre-tax SGARA adjustment benefit of \$4.6m (FY18: increase \$10.8m). Post-tax benefit \$3.3m (FY18: \$7.6m)
2. Total dividend is 25% franked (FY18: 100% franking)
3. Gearing ratio as represented by net debt / equity
4. Funding ratio as represented by net debt + receivables purchase facility / equity)
5. Funding Leverage as (Net debt + RPF)/Operating EBITDA

Strong growth in revenue

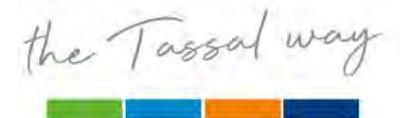
- Operational strategy of responsibly growing salmon harvest biomass and size to ensure we are able to meet domestic demand
- Strong growth in salmon domestic market per capita consumption with strong pricing
- Export market strategically targeted with bigger salmon

Operating earnings growth continues to please

- Favourable domestic salmon market growth, sales mix and pricing continues
- Efficiency benefits flowing from more optimal salmon harvest biomass and size

Exceptional growth in operating cashflow

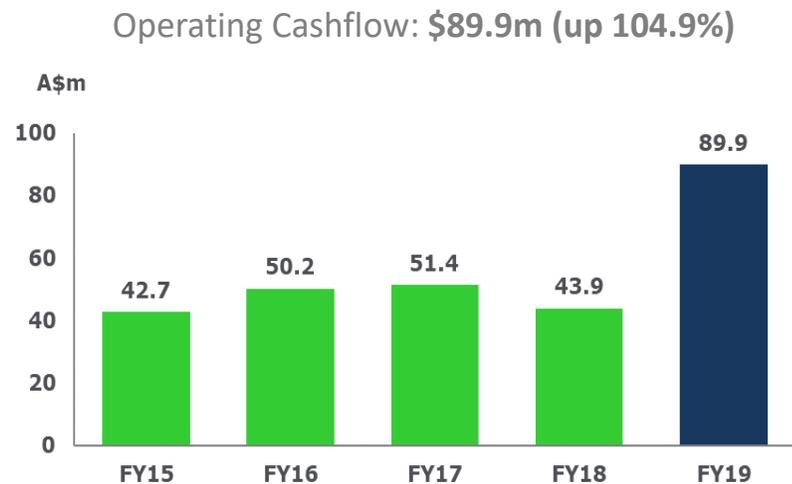
- Cash receipts from revenue growth allowed appropriate cash spend in salmon biomass and capital infrastructure



Step change in operating cashflow

Supporting salmon biomass generation and investment in long-term growth

| Operating Cashflow (A\$m) | FY19 | FY18 |
|--------------------------------------|----------|---------|
| Operating cashflow | 89.90 | 43.88 |
| Investing cashflow | (138.72) | (69.14) |
| Financing cashflow | 49.56 | 18.53 |
| Net increase/(decrease) in cash held | 0.75 | (6.74) |



Strong operating cashflow

- Operating cashflow up 104.9% to \$89.9m reflects the strength of Tassal's underlying business and operational strategy
- Operating cashflow enabled continued strategic investment in salmon biomass and capital infrastructure
- Focus on responsible capital spend to underpin sustainable growth in long-term returns

Investing cashflow of \$138.7m underpins long-term growth and entry into prawns with acquisition and redevelopment of Fortune Group (\$33.9m made up of settlement of \$31.9m + costs of \$2.0m incidental to the acquisition)

Balance of investing cashflows of \$104.8m (FY18: \$69.1m) comprised:

- Salmon maintenance capex – \$33.6m
- Salmon growth capex – \$46.0m
- Prawn growth capex – \$25.2m

Balance sheet

Gearing Ratio



Funding Ratio



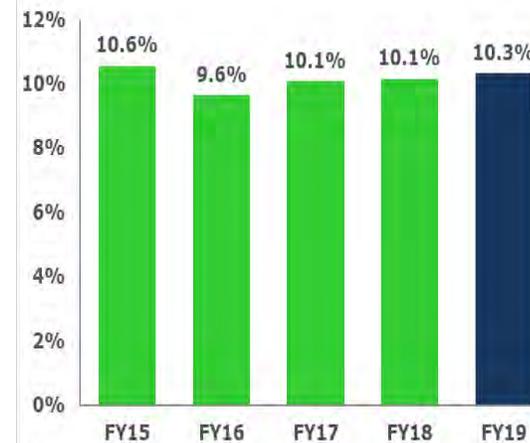
Gearing and Funding Ratios

- Gearing at 28.2% post Fortune Group acquisition
- Funding ratio, i.e. including RPF (net debt + RPF / equity) at 38.8% (FY18: 28.5%)
- Announced capital raising to support further growth in prawn operations

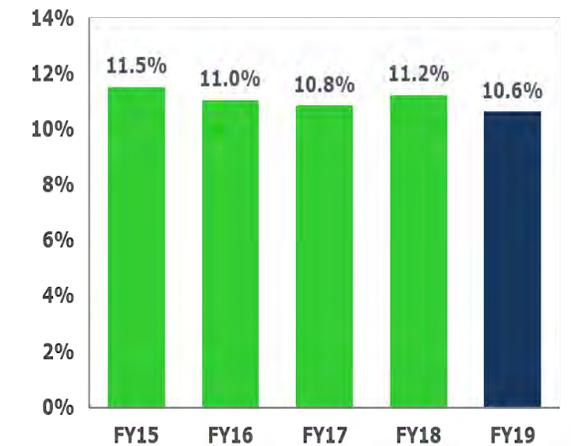
Operating Return on Assets (ROA) and Return on Invested Capital (ROIC)

- ROA increased slightly to 10.3%
- ROIC decreased slightly due to substantial capital investment – with earnings to flow in FY20
- Strategic investment is expected to deliver strong earnings over the short to medium-term, with returns to be enhanced over the long-term

ROA



ROIC



the Tassal way

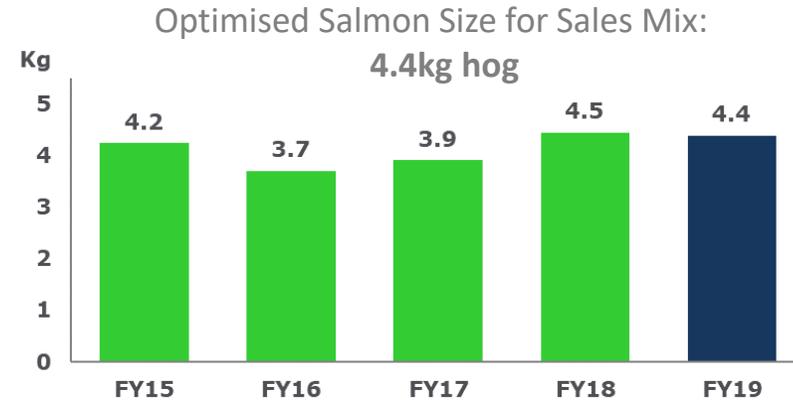
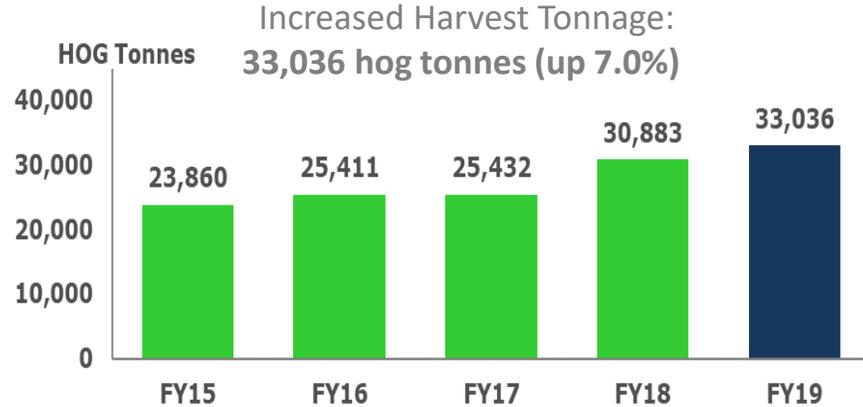




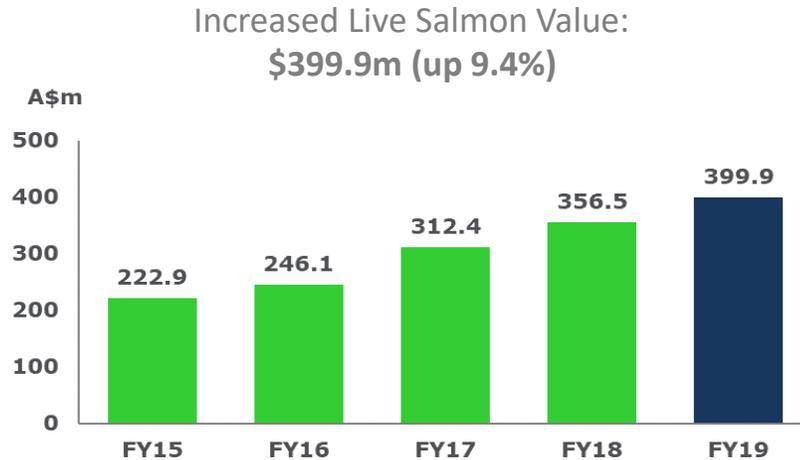
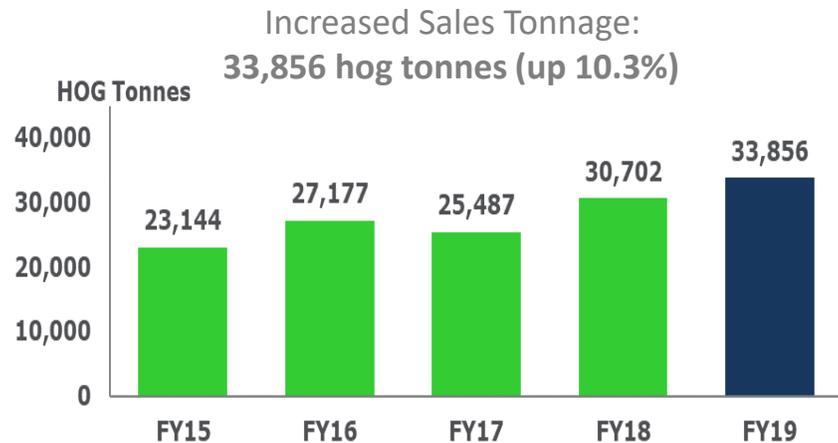
Salmon

Strong growth in salmon biomass and sales

Strong growth in salmon biomass and sales driven by investments in capacity and supporting infrastructure



For the current sales mix, an average fish size of 4.5kg to 5.0kg hog allows us to optimise returns



Strong salmon performance

| Total Salmon Sales | FY19 | FY18 | Change |
|---|--------|--------|---------|
| Salmon Volume (Hog equiv tonnes) | 33,856 | 30,702 | 10.3% ▲ |
| Salmon Average Price (\$/Hog kg equivalent) | 14.00 | 12.88 | 8.7% ▲ |
| Salmon Revenue (\$m) | 474.03 | 395.47 | 19.9% ▲ |
| EBITDA (\$m) | 106.84 | 93.30 | 14.5% ▲ |
| EBITDA (\$/kg) | 3.16 | 3.04 | 3.8% ▲ |

| Domestic Salmon Market | FY19 | FY18 | Change |
|---|--------|--------|---------|
| Salmon Volume (Hog equiv tonnes) | 26,860 | 24,198 | 11.0% ▲ |
| Salmon Average Price (\$/Hog kg equivalent) | 14.48 | 13.34 | 8.5% ▲ |
| Salmon Revenue (\$m) | 388.95 | 322.91 | 20.5% ▲ |

| Export Salmon Market | FY19 | FY18 | Change |
|---|-------|-------|---------|
| Salmon Volume (Hog equiv tonnes) | 6,996 | 6,504 | 7.6% ▲ |
| Salmon Average Price (\$/Hog kg equivalent) | 12.16 | 11.16 | 9.0% ▲ |
| Salmon Revenue (\$m) | 85.09 | 72.56 | 17.3% ▲ |

Strong growth in salmon

- Responsibly growing harvest biomass and size
- Focus on lease optimisation and cost reduction initiatives
- Focus on optimising EBITDA \$/kg returns

Continued growth in salmon domestic market

- Domestic salmon consumption per capita (not including cans) has continued to grow over the past 10 years from 1.3kg per person to 2.6kg
- Further optimising sales mix between retail and wholesale to maximise margin

Export salmon market is a strategic lever to optimise sales

- Attractive market for our larger fish





Prawns

Successful entry into prawn aquaculture

Strategically and financially compelling opportunity with a superior EBITDA \$/kg margin to salmon, while also providing geographic and species diversification

Compelling strategic opportunity

- Leverages Tassal's experience and capabilities gained from its core salmon business and more recently the De Costi Seafoods business to successfully acquire the Fortune Group's prawn operations
- Prawns benefit from strong pricing and favourable competitive positioning in the domestic market relative to other seafoods. Domestic prawn market is circa 60,000t p.a.
- Following the same growth strategy for salmon, Tassal's focus will be on increasing prawn consumption per capita in the domestic market through the retail channel
 - Major retailers are currently under-trading in prawns due to a lack of product innovation and consistent supply
 - Make prawns an everyday food choice through product innovation and consistent supply

Compelling financial opportunity

- Favourable capital fundamentals for prawns, due to both shorter capital & working capital cycles, with the growth cycle for prawns at 1 year (vs. 3 years for salmon)
- Prawns presently provide a superior EBITDA \$/kg margin to salmon
- Strong potential to optimise EBITDA \$/kg both from biomass growth and more efficient production utilising our capabilities and learnings from salmon
 - e.g. best practice feeding, breeding program (domestication), fish health and 'in-pond' environment together with 'smart farm' concepts and technologies

the Tassal way



Prawn earnings commenced in 2H19

In line with expectations, FY19 prawn earnings reflect initial pond stocking levels and infrastructure at acquisition

- Sold \$28.4m of prawns (from all suppliers) through De Costi Seafoods in FY19 (FY18: \$28.1m), of which \$9.1m (453t) related to Tassal's own prawn interests
- EBITDA \$/kg from prawn production of \$6.12kg
- Harvesting skewed to 2H, due to the production cycle of broodstock catching, breeding for Post Larvae and then temperature profile of current sites
- Tassal's FY19 prawn production reflected the pond infrastructure and stocking levels at the time of acquisition. Only the Mission Beach and Yamba ponds were stocked in FY19 – with only circa 45ha appropriately stocked (out of 270ha total)
- Redevelopment works commenced on the balance of the ponds

Risk minimisation approach to the development of our prawn business

- Acquired a prawn vessel and catch licence to allow catching of wild Northern Territory prawns for both fresh sale and supply of broodstock requirements for its hatcheries
- Entered into several agreements for supply of broodstock requirements for our hatcheries
- Recommissioned existing hatchery infrastructure at Mission Beach and Proserpine to provide cross-hatchery 'insurance' capacity
- Relocated some of our salmon staff, employed the 'best in the business' from prawn operations in Australia, and now supplementing with some global talent to ensure a 'best practice team' is in place
- Partially redeveloped circa 270ha of licenced ponds that is expected to support a targeted production of circa 2,400t for FY20, delivering a strong uplift in prawn earnings for FY20

the Tassal way





Prawn Growth Strategy

The prawn growth strategy

Growth initiatives and Exmoor Station acquisition, once authorised by the relevant authorities and fully developed, are expected to support a long-term prawn production target of circa 20,000t p.a.

Prawn Capital Expenditure
FY20-21

| | | |
|------------------------------------|---|---|
| <p>#1</p> <p>Farming Expansion</p> | <ul style="list-style-type: none"> • Staged pond expansion targeting circa 420ha of ponds for production by FY22 <ul style="list-style-type: none"> — Mission Beach and Yamba circa 80ha of ponds — Approval process has commenced for Proserpine to be developed to 340ha of ponds • New hatchery capacity and domestication program • New processing facility • Tassal is expecting 6,000t p.a. by FY22, in combination with Smart Farm upgrades | <p>~\$85m¹</p> <p>Funded via the Placement</p> |
| <p>#2</p> <p>Smart Farm</p> | <ul style="list-style-type: none"> • Smart Farming (including Feed Automation) infrastructure upgrades across all prawn operations • Additional prawn biomass delivered via improved survival, increased size, improved Feed Conversion Ratio (FCR) • Expected cost efficiencies and lower power costs | |
| <p>#3</p> <p>Exmoor Station</p> | <ul style="list-style-type: none"> • 7,000ha greenfield site, with 2,093ha identified by Queensland Government as an Aquaculture Development Area • Exmoor Station, together with Proserpine, Mission Beach and Yamba, are expected to support the long-term production target of circa 20,000t p.a. | <p>~\$25m²</p> <p>Funded via a bank facility</p> |

- Notes:**
1. Includes circa \$5m for Mission beach / Yamba and replacement / upgrade capex. The balance of Placement proceeds (and any proceeds raised from the SPP) are expected to be used for general working capital purposes
 2. Comprising \$28m purchase price, net of \$2.7m from cattle sales. Acquisition was completed on 1 July 2019 with funding from a bank facility.



#1

Proserpine expansion

Proserpine development is expected to enable Tassal's existing prawn production to grow to circa 6,000t p.a. by FY22

Tassal will accelerate the next stage of development at Proserpine, reflecting our confidence in the ramp-up of operations to date, and prospects for future growth

The \$85m¹ expansion is targeted to deliver a potential 150ha of additional ponds at Proserpine (once authorised by the relevant authorities and developed) by FY22:

- Tassal has received 'Prescribed Project' status with the Queensland Government for Proserpine, helping to facilitate a coordinated, comprehensive and timely consideration of the project with direct support of the Queensland Government
- Stage 3 – 80ha of ponds is now approved. Tassal will now commence construction in FY20 with production in FY21
- Stage 4 – proposed 130ha of ponds in total. Tassal has now commenced the approval process:
 - Tassal is targeting 70ha of ponds for the commencement of construction in FY21 with production in FY22 to be funded as part of the \$85m expansion plan
 - Tassal is targeting 60ha of ponds for the commencement of construction in FY22 with production in FY23 and this is expected to be funded by future operating cashflows

A new hatchery and broodstock facility will allow the commencement of the domestication program of prawns and has the potential to deliver both growth and risk reduction via improvements in biosecurity and reduced reliance on wild caught broodstock

This is a significant step in the modernisation of prawn operations in Australia, and through proprietary systems, aquaculture techniques and automation, Tassal is seeking to deliver industry leading yield and returns



Development at Proserpine

the Tassal way



Note:

1. Includes circa \$5m for Mission beach / Yamba and replacement / upgrade capex.

Infrastructure upgrades across all prawn operations are expected to increase yields per hectare and total biomass

Tassal's prawn business is expected to be characterised by scale, modern aquaculture practices and technology leadership

- The traditional prawn farming business is relatively labour intensive with feeding and monitoring all manually performed, consistent with an industry that has historically been dominated by smaller family operations
- This parallels the salmon industry some 10 years ago, and the advantages that Tassal has been able to achieve in salmon operations by modernising systems, driving innovation and adopting technology provides a blueprint for our prawn business
- Smart Farms can be far more efficiently established in early stages of growth, when farms are being remediated or built

Smart Farm comprises three key stages:

- Automation enablement, live data capture and machine monitoring
- Centralised and automated feeding
- Systemisation of prawn farming operations

Smart Farm can drive real financial advantages via an increase in body weight, improved survival and increased production capacity utilisation



photo © ANZ Business Chief 2019

**Centralised Feed Centre for
Salmon Operations**

the Tassal way



Exmoor Station

Strategically located property that supports Tassal's long-term production target

Tassal acquired Exmoor Station in North Queensland on 1 July 2019 for a net amount of circa \$25m¹

- Currently a 7,000ha cattle station
- Following a spatial planning exercise performed by the Queensland Government, 2,093ha of the property has been identified in the State Planning Policy as an Aquaculture Development Area suitable for land-based pond aquaculture
- Located 72km 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

Subject to gaining the required approvals, licences and permits, the Acquisition secures the capacity to support the long-term growth of the business

- Required approvals, licences, permits and development timelines to be agreed in consultation with the Queensland Government. If granted, this process is expected to take approximately 24 months (once commenced)
- Staged development with construction expected to commence in FY23 and production is proposed to commence in FY24, following the expected ramp-up of pond infrastructure and production at Proserpine

The Exmoor land has been leased for cattle farming for the approval and development period, contributing to group earnings

Note:

1. Comprising \$28m purchase price, net of \$2.7m from cattle sales. Acquisition was completed on 1 July 2019 with funding from a bank facility.





Outlook

Strategic investments: salmon

Tassal will continue to invest in state-of-the-art technology that supports a more efficient business

Infrastructure investment will allow Tassal to optimise existing leases, reduce costs and improve margins

- Well Boat (October 2019): Will allow fish to be bathed efficiently and effectively, leading to improved fish health and enhanced survival rates, while reducing the use of manual labour
- Centralised Feed Centre (February 2018): Will maximise feeding opportunities while minimising waste and improving Feed Conversion Ratio (FCR)
- Seal proof sanctuary pens: Protecting salmon stock from increasing seal numbers and improving survival rates
- Multi-purpose Recirculating Aquaculture System Facility (Multi-purpose RAS): Providing larger smolt (potentially up to 1kg) or more smolt as Tassal's existing or new lease requirements dictate. Expected to cost circa \$46m with completion in FY21/22. Land has been acquired and the approval process has commenced

Continued investment in world leading research and development programs will help identify potential for additional expansion areas including both onshore and offshore operations, while maintaining a sustainable approach to seafood production

- Tassal's West of Wedge Island site at Storm Bay will be the testing site for the Blue Economy CRC, a project to assist the salmon industry responsibly transition to offshore farming
- West of Wedge is among the highest energy conditions in the world – salmon pen technology and design must be robust enough to handle the challenging conditions that Storm Bay has demonstrated to date
- Focused on being able to responsibly transition some salmon production to offshore farming at leases like West of Wedge
- Tassal will continue its integrated multi-trophic approach at its salmon farming sites, and is researching ways to reduce our environmental footprint through the production of kelp species adjacent to salmon farms

the Tassal way



Strategic investments: prawns

Tassal's investment in prawns is accelerating, directly building on salmon success

- An annualised EBITDA of \$25m p.a. was targeted within 3 years of acquisition (i.e. by FY21)

Tassal announced the acquisition of a strategically located property, Exmoor Station, and the acceleration of several growth initiatives that are expected to support the long-term prawn production target of 20,000t p.a.

- Over the next 2 years, Tassal plans to invest circa \$85m¹ to accelerate growth in prawn production, directed towards staged expansion at Proserpine, hatchery capacity and domestication program, processing facility and the deployment of Smart Farm technology at the 3 existing prawn farms
 - The Mission Beach, Yamba and Proserpine ponds and related infrastructure of c420ha is expected to support potential prawn production of 6,000t p.a. by FY22
- Tassal acquired Exmoor Station for ~\$25m² (“**Acquisition**”), a strategically located property which, subject to gaining the required approvals, licences and permits, provides the land required for the long-term growth of the prawn business
- Tassal's prawn operations (once authorised by the relevant authorities and fully developed), are expected to support a long-term prawn production target of circa 20,000t p.a.

Tassal expects to generate a return on assets (“ROA”) and return on invested capital (“ROIC”) from its prawn farming assets (once authorised by the relevant authorities and developed) above historic Group levels

Tassal is well equipped to build and successfully operate its prawn farming business, leveraging the experience, capabilities and learnings gained over 30 years of salmon farming

Notes:

1. Includes circa \$5m for Mission beach / Yamba and replacement / upgrade capex.
2. Comprising \$28m purchase price, net of \$2.7m from cattle sales. Acquisition was completed on 1 July 2019 with funding from a bank facility.

the Tassal way



FY20 outlook

Positive market dynamics and prawn ramp-up expected to drive continued earnings growth

Positive market dynamics for both salmon and prawns expected to continue

- Domestic salmon market growing at circa 10% p.a. over the last 10 years
- Agreements with retailers underpinning current strong domestic pricing levels, are expected to persist in the short to medium-term
- Strong pricing and favourable competitive positioning for prawns in the short to medium-term due to the fragmented market and lack of supply growth for past 10 years

A more gradual growth in salmon supply over the short-term should allow us to optimise pricing to provide increasing returns

- Transition supply to more sales into the domestic market (i.e. better sales mix) with a focus also on more profitable product lines in domestic market (i.e. optimise pricing) – therefore expected to increase salmon returns
- Focus on optimisation of existing leases as well as cost reduction initiatives over short to medium-term
- Use of freezing capacity to balance sales mix between 1H and 2H

Ramp-up in prawn production volumes following redevelopment of existing pond infrastructure and appropriate stocking of Mission Beach, Yamba and Proserpine

- Targeting FY20 prawn production of circa 2,400t
- Seasonality of prawn harvesting and sales skewed to 2H, due to broodstock catching and temperature profile of current sites

Further investment in both salmon and prawn operations will continue to underpin long-term growth

- Total capital expenditure, including the acquisition of Exmoor Station, is expected to be \$156m in FY20

the Tassal way



FY20 trading update: salmon

Leaving fish in the water to grow and optimising sales mix to increase returns

- Our strategy for 1H20 is to optimise the growth and biomass of salmon by leaving them in the water to grow in the key growing time of July to October. We are confident of achieving this optimal growth and biomass
- As a result, export sales YTD have been significantly lower than for 1H19, reducing Tassal's exposure to export prices (particularly in 1Q20). Further, export pricing during 1Q20 has been lower than 1Q19 in any event
- Successfully transitioning export reduction into the domestic market – entered into a supply agreement for over 1,500 tonnes with a new retail client for supply in 2Q20 (retail returns are better than export returns)
- Freezing more salmon in 2Q20 for use in 2H20 (at better returns than export)
- Salmon input in 2019 and for harvest in FY21 are progressing well with no Pilchard Orthomyxovirus (POMV) impact to date. Significant focus on POMV from vaccination and fish husbandry practices
- Overall, an increase in standing salmon biomass allows sales to be maximised from 2Q20 onwards, and supports further incremental harvest growth in FY21

the Tassal way



FY20 trading update: prawns

On track to deliver 2,400 tonne harvest biomass for FY20

- Civil and pond works for Proserpine, Mission Beach and Yamba are now substantially complete
- Smart farm installation progressing to plan, and capital spend and operating costs are in line with budget
- Processing infrastructure upgrades and builds are on track for the FY20 harvest season
- Major regulatory approvals now received for Stage 3 expansion at Proserpine (additional 80 hectares of ponds and a new hatchery); building preparation and works have now commenced
- Approval processes for Stage 4 expansion at Proserpine has now commenced, and a site Master Plan for Exmoor is being progressed with a view to commencing approvals processes
- Stocking program for ponds is on track to meet our target 2,400 tonnes harvest biomass for FY20

the Tassal way





Questions?



2019 Annual General Meeting Resolutions

Summary of proxy votes received

| | FOR | AGAINST | OPEN | ABSTAIN |
|---------------------------------|-------------|-----------|-----------|---------|
| Resolution 2: | | | | |
| Adoption of Remuneration Report | 118,231,431 | 2,239,143 | 1,367,437 | 613,595 |



Resolutions

Summary of proxy votes received

| | FOR | AGAINST | OPEN | ABSTAIN |
|---|-------------|-----------|-----------|---------|
| Resolution 3: | | | | |
| Re-election of Director Mr Trevor Gerber | 119,467,181 | 1,452,316 | 4,011,646 | 559,646 |



Resolutions

Summary of proxy votes received

| | FOR | AGAINST | OPEN | ABSTAIN |
|---|-------------|---------|-----------|---------|
| Resolution 4: | | | | |
| Election of Director Ms Jackie McArthur | 120,304,127 | 606,705 | 4,020,933 | 559,024 |



Resolutions

Summary of proxy votes received

| | FOR | AGAINST | OPEN | ABSTAIN |
|--|-------------|---------|-----------|---------|
| Resolution 5: | | | | |
| Election of Director Ms Georgina Lynch | 120,286,293 | 594,364 | 4,020,546 | 589,586 |



Resolutions



Summary of proxy votes received

| | FOR | AGAINST | OPEN | ABSTAIN |
|--|-------------|-----------|-----------|-----------|
| Resolution 6: | | | | |
| Long Term Incentive Plan – Grant of Performance Rights to Mr Mark Ryan | 118,480,936 | 1,742,211 | 1,346,799 | 1,380,209 |

Disclaimer

This presentation has been prepared by Tassal Group Limited for professional investors. The information contained in this presentation is for information purposes only and does not constitute an offer to issue, or arrange to issue, securities or other financial products. The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. The presentation has been prepared without taking into account the investment objectives, financial situation or particular need of any particular person.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in the presentation. To the maximum extent permitted by law, none of Tassal Group Limited, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising out of fault. In particular, no representation or warranty, express or implied is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this presentation nor is any obligation assumed to update such information. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies.

Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. Past performance is no guarantee of future performance.

The distribution of this document in jurisdictions outside Australia may be restricted by law. Any recipient of this document outside Australia must seek advice on and observe such restrictions.