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ANNOUNCEMENT 499

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Dear Sir

**RE: ANNUAL GENERAL MEETING OF SHAREHOLDERS  
ADDRESSES TO SHAREHOLDERS**

We enclose herewith a copy of the Addresses to Shareholders which will be presented at the Company's Annual General Meeting to be held at 10.00 am today, 25 November 2016.

Yours faithfully

**Seafarms Group Limited**

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

Harley Whitcombe  
Company Secretary

ENC

**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)



# **Annual General Meeting**

## **November 2016**

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

**Seafarms Group Limited**



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# Seafarms Group Limited Overview

1. Chairman's Overview
2. Overview of Seafarms Group
3. Operations
4. Project Sea Dragon

# Chairman's Overview

Welcome Ladies and Gentlemen to the Seafarms Group Limited Annual General Meeting.

The 2016 financial year has been a big year for the Company with numerous significant milestones being achieved both operationally and advancing our world class Project Sea Dragon.

Operational improvements at our Queensland operations continued over the key production metrics being yield, survival, growth rates and feed conversion ratios. Our operational mantra is that “you can’t manage what you can’t measure”.

Pleasingly this trend of improvement is continuing with our current black tiger crop.

Improved product merchandising has evidenced increasing average monthly sales of fresh product under our Crystal Bay brand and concurrently by reducing seasonal impact having a positive cash flow effect on our working capital cycle.

Export licensing has now been approved for product export to Europe, USA and Asia.

Initial export sales to the UK, Europe and Japan with China scheduled for January 2017 have evidenced strong US\$ pricing and superior terms of trade compared to our domestic market.

Project Sea Dragon (PSD) has progressed rapidly during this calendar year with the Bankable Feasibility Study due for completion by December 2016.

PSD has completed a comprehensive list of tasks during the course of the year culminating in the lodgement of two Environmental Impact Statements during October and November 2016.

As shareholders are aware the key license/agreements needed to operate PSD are the Environmental licences for Legune Station and associated infrastructure facilities and the Indigenous Land Use Agreement; both matters are progressing well.

Government support at State, Federal and Territory levels remains strong for PSD. Numerous agreements and commitments include infrastructure upgrades, provision of land for production facilities and construction workforce accommodation.

# Chairman's Overview Cont.

Now to 2017 and our companies future.

Market settings for Project Sea Dragon remain highly favourable; there is little doubt of strong demand for our planned production tonnage and size of animal.

Engagement with potential investing partners, product offtakers, processors and retail channels is being ramped up as PSD approaches "Investment Ready Status".

Seafarms has been surprised by the number of unsolicited investor approaches as the reality of PSD is becoming more commonly understood.

Financing of the initial production stages of PSD is clearly our most important task; Seafarms is now finalising its financing objective which are:

- Maintaining the maximum equity ownership of PSD by its shareholders specifically and by Australians in general;
- Access Infrastructure loan funding from the Northern Australian Infrastructure Facility (NAIF). Seafarms will be lodging its credit submission to NIAF shortly;
- Engaging with United States capital markets with respect to Term Loan B and high yield bond financing; and
- Engaging with co-investment partners with respect to project funding over direct project equity and preproduction payments linked to product offtake contracts.

With regard to our CO2 Australia business it continues to be profitable and increasingly an important source of cash flow to Seafarms Group.

Finally I'd like to thank my fellow Directors, management, staff, advisors, research partners and our supporters in regional Northern Australia.

2016 is yesterdays news; 2017 is when we fire up Project Sea Dragon.



# OVERVIEW OF SEAFARMS GROUP

# Overview of Seafarms Group

Australia's largest producer of farmed shrimp/prawn.

- Seafarms Group Limited (**Seafarms**) is an ASX listed Australian agri-food company, and the largest producer of farmed shrimp in Australia. The farms have been operating since 1988.
- Seafarms existing aquaculture operations are in north Queensland, Australia.
- Growing, processing and distributing around 1,400t per annum of the well-known Crystal Bay™ shrimp brand.
- Seafarms is currently developing Project Sea Dragon (“PSD”):
  - a large-scale, integrated, land-based shrimp/prawn aquaculture project in northern Australia.
  - at full production, PSD will become the 7th largest producer of shrimp globally, importantly it will be the only producer from a developed country offering a significant volume of superior product (product provenance and larger animal produced under strict biosecurity conditions) in the market place. Annual revenues in excess of US\$2.3billion.





# OPERATIONAL OVERVIEW

# Current Operations

## 🍷 Hatchery (A)

### 🍷 Innisfail

- 🍷 Domestication program
- 🍷 R&D Project with ARC Research Hub for Advanced shrimp Breeding



## 🍷 Farms

### 🍷 Cardwell (B)

- 🍷 128 ha of ponds
- 🍷 Processing plant
- 🍷 Maintenance division
- 🍷 Farm administration

### 🍷 Ingham (C)

- 🍷 32 ha of ponds



## 🍷 Founder Stock Centre

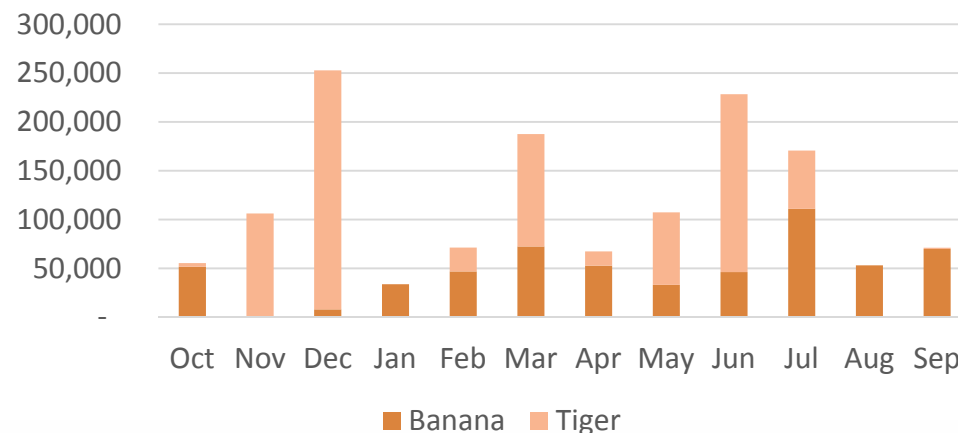
### 🍷 Exmouth (D)

- 🍷 Biosecure broodstock breeding facility

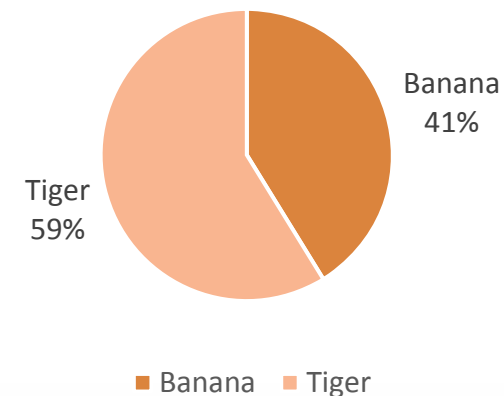
# Production Overview

- Production for 12 months to September stable at 1,405 tonnes.
- Black tiger production 59% of total production mix, adversely effected by externally sourced PL's in January 2016. This situation has been rectified with all PL's now being only sourced from Seafarms breeding and domestication programs.
- Production offset with banana prawns.

Oct 2015 to Sept 2016 Production



2016 Production Mix



# Operational Outcomes

- ❏ Black Tiger yields continue to improve:
  - ❏ 19% improvement in AWG (average weekly growth) in last 6 months;
  - ❏ 37% improvement in 2nd half (FY2016) yield.
- ❏ Production growth rates, FCR and yield in-line with expectations and improving.
- ❏ Feed trial outcomes have resulted in improved operating margins.
- ❏ Operational processes in place to improve management of East Coast endemic diseases.
- ❏ Commercial production of domesticated animals from Seafarms' breeding program successfully underway.
- ❏ Awarded 2016 Prawn Sustainability Program Award – as recognition of Seafarms' efforts in prawn domestication research, operational improvements and marketing endeavours.

# Hatchery Outcomes

- Recent stockings completed with in-house PL's, no third party hatcheries used – important biosecurity milestone.
- Domestication commenced :
  - Domesticated broodstock ponds in production at Innisfail;
  - 2nd generation domesticated animals harvested in November 2016:
    - Further G2 families stocked in broodstock ponds at Innisfail; and
    - Target for G3 families to be stocked at Innisfail in April.

	PL Supply Source			
	2014A	2015A	2016A	2017 F
External Hatcheries	36%	19%	11%	0%
Flying Fish Point	64%	81%	89%	100%

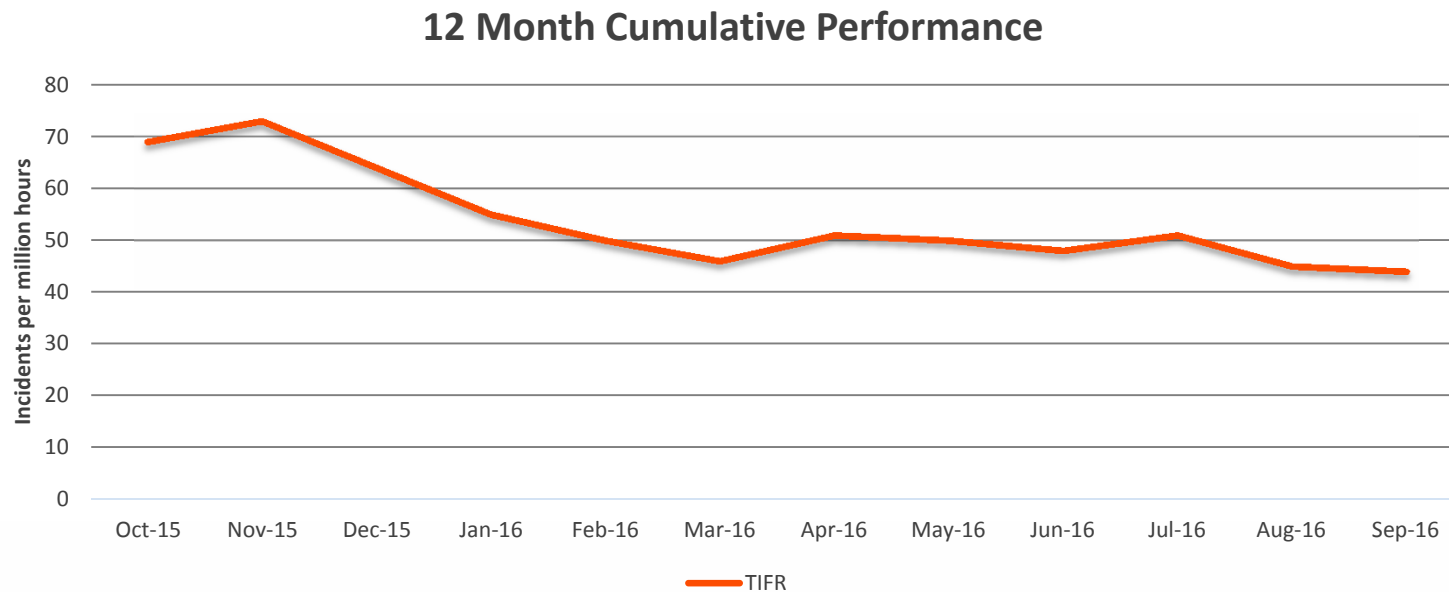


# Domestication

- Domestication advancing to 2nd Generation.
- Domesticated Broodstock ponds activated in Innisfail with 4 Broodstock ponds stocked with 150,000 animals.
- 5 commercial ponds at Cardwell stocked with 2nd generation animals.
- Yields comparative to wild, as expected for G2.
- Spawning rates for domesticated animals improved 17%.
- G3 animals planned to be stocked in March/April 2017.

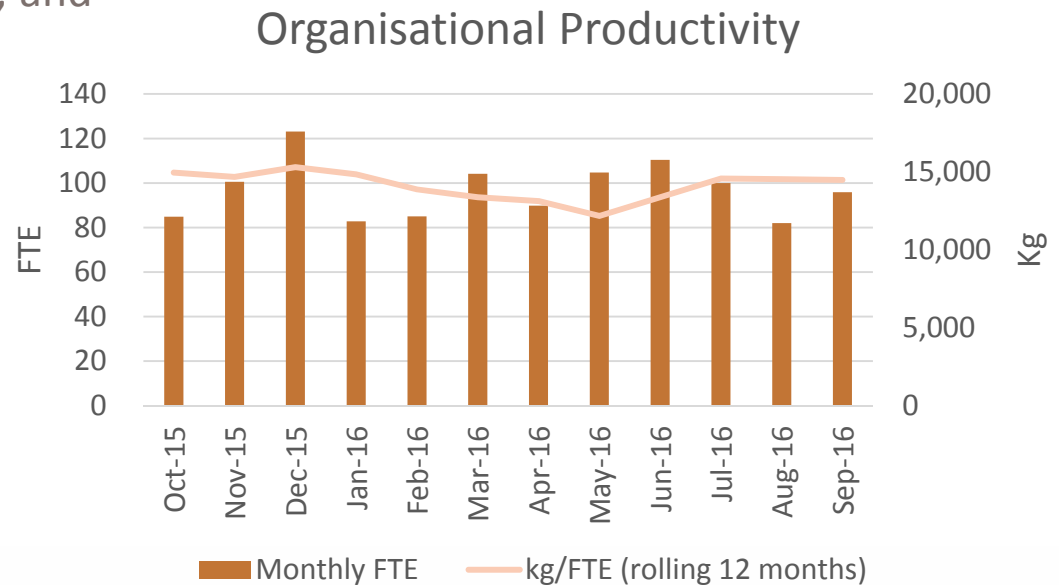
# Safety

- 🍊 Dedicated Health Safety & Environment Manager appointed.
- 🍊 36% improvement in TIFR over the last 12 months:
  - 🍊 Continuing monthly improvements.
- 🍊 Work commenced on corporate system and integration of HSE systems.



# Employment & Productivity

- 96 FTE's across aquaculture operations in Queensland .
- Qld operations being utilised as a training platform for PSD:
  - Graduate program continues;
  - 7 staff now either successfully completed or within the program.
- Continued focus on productivity improvements:
  - Increase yield and outputs; and
  - Investing in efficiencies.





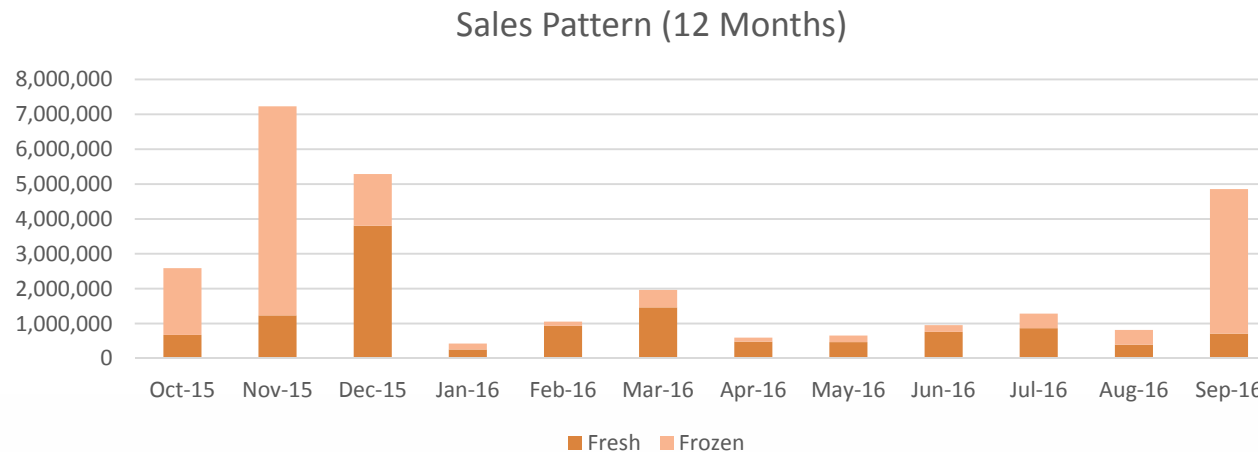
# Marketing activities driving growth

- ❑ New brand tag line “Taste the Deliciousness” captures the brand essence - best tasting and highest quality.
- ❑ Video content centred on “Simple & Delicious Prawn Recipe” videos have promoted ease of use and consumption.
- ❑ Consistent social media strategy has led to growth of social media followers and driven brand engagement.
- ❑ Export orders and international brand advertising developed.



# Sales & Distribution

- 🍊 Sales to \$27.4 million (12 months to September):
  - 🍊 Up 17% for the same period YoY;
  - 🍊 September Quarter Sales up 127% YoY;
  - 🍊 On the back of increased retailer demand.
- 🍊 Maintaining year round fresh supply.
- 🍊 Healthy distribution mix:
  - 🍊 Positive uptake by major retailers;
  - 🍊 Maintenance of volume to the wholesale market.



# Export Markets

- Export shipments to Europe complete and first to Asia in progress.
- Chinese import authorisation achieved. First shipment in 2017.
- Whilst domestic pricing and demand remains strong, export markets are offering comparable pricing and significantly better terms of trade.
- Significant interest for offtake agreements associated with Project Sea Dragon.
- Discussions continue for growth opportunities:
  - Wholesaler / distributor in Europe;
  - Global supermarket chain;
  - Japanese sashimi wholesaler;
  - E commerce food platforms;
  - Distributors in Hong Kong.
- Focus:
  - High quality, niche supply;
  - Provenance story to be strong demand driver;
  - Australian labelling.



# Cardwell & Project Sea Dragon

## Brief Overview

- Early recruitment of technical expertise and the initiation of a Graduate Employment Program.
- Trials of different stocking densities and feeding regimes to optimise growth outcomes.
- Trials of different feeds (local and international).
- Application of Breeding Program technologies and development of commercial protocols.
- The roll out of a new Occupational, Health and Safety systems across the organisation.
- Development and implementation of maintenance processes for aquaculture specific infrastructure.

# Research & Development

The aim of our research and development programs is to establish an internal domestication and breeding program based upon genomics and traditional selective breeding. This links to our biosecurity and sustainable strategy of only placing domesticated (not wild animals with unknown disease status) specific pathogen disease free animals into our production system. This will reduce disease risk and deliver higher financial outcomes by producing higher more robust animals in a shorter culture period.

## ARC Project

- ✦ To date 456 families produced: 7 inbred families, 436 commercial families and 13 individual families.
- ✦ RNA libraries produced from 9 tissue types and 9 different larval stages to form the basis of comparative transcriptomics. Data from the first draft assembly transcriptome still being analysed.
- ✦ Genome sequencing is underway.
- ✦ Genomic Relationship Matrix was modelled.
- ✦ Research parties include James Cook University, CSIRO, University of Sydney and Australian Genome Research Facility.

## Other

- ✦ Recently received Federal Government Grant to increase disease knowledge and improve understanding of commercial impacts of endemic diseases (East Coast) through Innovation Connections.



# Founder Stock Facility - Exmouth



- Significant milestone for Project Sea Dragon.
- \$1.2 million upgrade complete and site operational.
- Management & staff recruited.
- Initial stocking of wild animals completed.
- 63% animals passed initial disease screening.
- Spawning planned for December 2016.





## PROJECT SEA DRAGON

# Overview

- Continued progress since last update with project rapidly approaching investment ready status. Over A\$70m spent and 5.5 years of work to date.
- Licences to operate:
  - Key approvals steps in play as previously announced;
  - Legune and Bynoe Harbour EIS's lodged;
  - Key secondary approvals applications lodged : Non- Pastoral Use Permit and land clearing for Legune;
  - Indigenous interests still engaged, Sacred Site Clearance well underway and Indigenous Land Use Agreement still being advanced.
- BFS:
  - All technical work on BFS now complete;
  - Processing plant site selected.
- Exmouth – Quarantine and Founder Stock Centre:
  - First stage refurbishment completed;
  - First shipment of animals received and pathogen testing commenced;
  - Defines critical path and timing for PSD – since generation times define timing of acceptance of SPF animals into production system.
- Government and Investment:
  - Government support remains strong, evidenced through infrastructure commitments confirmed since the election;
  - Investor/Joint Venture partner interest in PSD is strong and gaining momentum. Over 60 non-disclosure agreements signed with major domestic and international corporations;
  - Early financial commitment to R & D programs ongoing and already providing significant operational outcomes.



# Bankable Feasibility Study (BFS)

- The BFS commenced in April 2015 and remains on track to be completed by the end of 2016 calendar year.
- Federal Government has announced funding for the main access road to PSD. Seafarms has secured a lease of a WA Government owned major accommodation camp in Kununurra which will be used during the construction of PSD.
- Seafarms remains encouraged by the Government's engagement surrounding potential accessibility to concessional loan and guarantee facilities for infrastructure development through the A\$5 billion Northern Australia Infrastructure Fund (NAIF) – established in July 2016 and other government development programs.
- Funding from these sources would support sizing headworks to support Stages 1 and 2 (2,160 ha's of production ponds in total), as well as headworks for the full 10,000 hectare project involving internal roads, power transmission, port and canals. This headworks infrastructure would support development required to increase annual production from 13,000 metric tonnes to 26,000 metric tonnes – which has an export value of US\$300-330m.
- This revised development program was announced in April 2016 and was not contemplated in the Pre-Feasibility Study which was completed in June 2013. This accelerated program results in an earlier but more efficient capital spend due to isolation of key production, processing and breeding facilities needed for biosecurity reasons as well as restrictions of capital works programs during the wet seasons.
- Seafarms remains committed to this accelerated development strategy as the direct result of the potential to access government funding opportunities as well as the favourable offtake enquired by numerous international companies - which remain strong and significant in nature – with a common theme of wanting more product earlier. Seafarms has already committed significant funds to fast track its domestication breeding program and associated infrastructure in order to meet this increased demand profile.
- The overall CAPEX cost for the full 10,000 ha projects remains at circa US\$1.5billion with construction expected to commence in the 2017 dry season.

# Competitive Advantages

## Biosecurity:

- Most important aspect to our risk management strategy and sustainability of this project;
- Industry leading approach and plan for biosecurity:
  - Specific pathogen free Broodstock;
  - Tight management protocols – quarantine processes and site surveillance.
- No major shrimp diseases reported in Australia;
- Isolation of key facilities removed from local sources of pollution and individually quarantined – geographic separation.

## Integrated Production:

- Genetics, Broodstock;
- Hatchery, grow-out, processing;
- Staged development.

## Infrastructure:

- Towns, ports, road and airports;
- Economies of scale – reduce major cost inputs: feed, people, power;
- Key objective: industry lowest quartile cost structure.

## Improved production techniques:

- Further cost reduction – especially labour unit cost structure;
- Queensland operations 13 tonnes per FTE versus PSD target of 100 tonnes per FTE at full production.

## Political economy:

- Stable and supportive government;
- Foreign investment support;
- Free Trade Agreements.

## Superior product:

- Larger size (28-50grams rather than 15-28grams);
- Only competition from wild catch where supply unpredictable;
- Higher value species (Black Tiger rather than Pacific White);
- Strong export demand;
- Export market offering higher prices and more favourable terms of trade.

## Science and technology:

- Latest technology and processes;
- Strong research institutions.

## Labour:

- Highly-skilled aquaculture expertise internationally sought.

## Competitive exchange rate.

## Commitment to R&D:

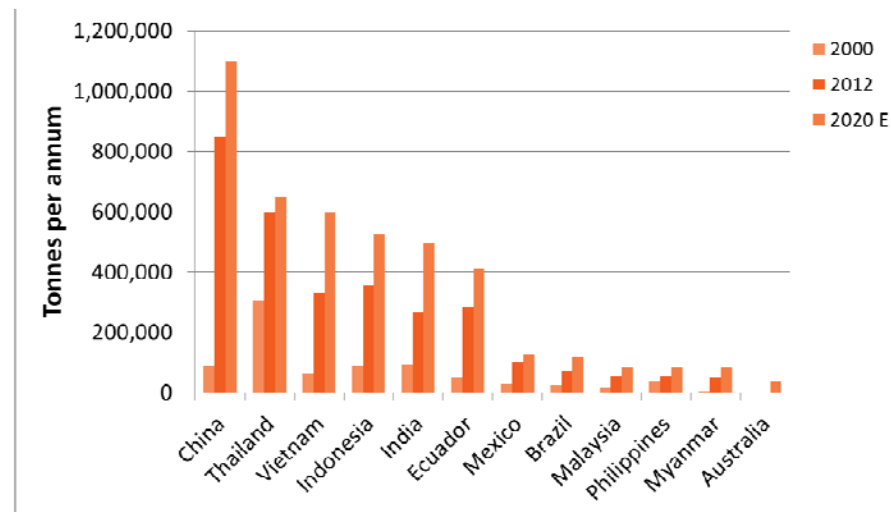
- Leads to improved animal husbandry through selective breeding and genomic programs;
- Produces larger animals that attract strong international demand in all key markets.

## Developed country versus developing country platform:

- Biosecurity and food safety;
- Provenance;
- Stable political and strong regulated operating framework environments.

# Global Opportunity

- Growing population and wealth underpinning global demand for protein particularly in Asia.
- Large global growth in shrimp aquaculture.
- Strong demand for larger animals (28-50 grams). Currently being supplied by wild catch only with fisheries delivering variable outputs and in decline.



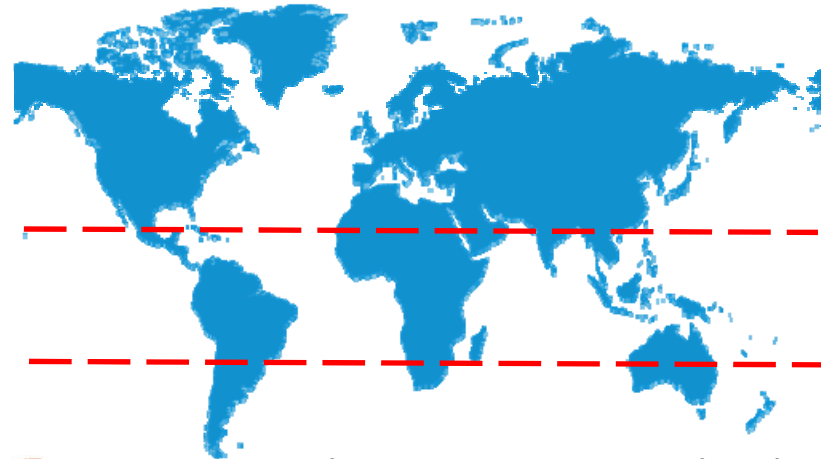
- International market dominated by small producers predominantly based in Asia:
  - Unsophisticated operational and husbandry practices;
  - Disease outbreaks a continuing issue;
  - Social licence to operate;
  - Capital constrained.
- Limited capacity to establish new farming regions globally driven by:
  - Biosecurity;
  - Increasing market focus on quality of product and environment.

# Need for New Shrimp Farming

## Strong underlying demand for shrimp

- Shrimp is one of the world's most traded seafood products.
- Major part of the daily Asian diet.
- A high value seafood product which is benefiting from the growing middle class in developing countries.
- Future demand growth is expected to occur within the producing regions, however existing production regions (largely South East Asia) are still experiencing production problems associated with disease.
- Total global shrimp production over 7.0 million metric tonnes with an annualised growth rate of circa 3-5%. Project Sea Dragon at full production will produce circa 150,000 metric tonnes per annum.

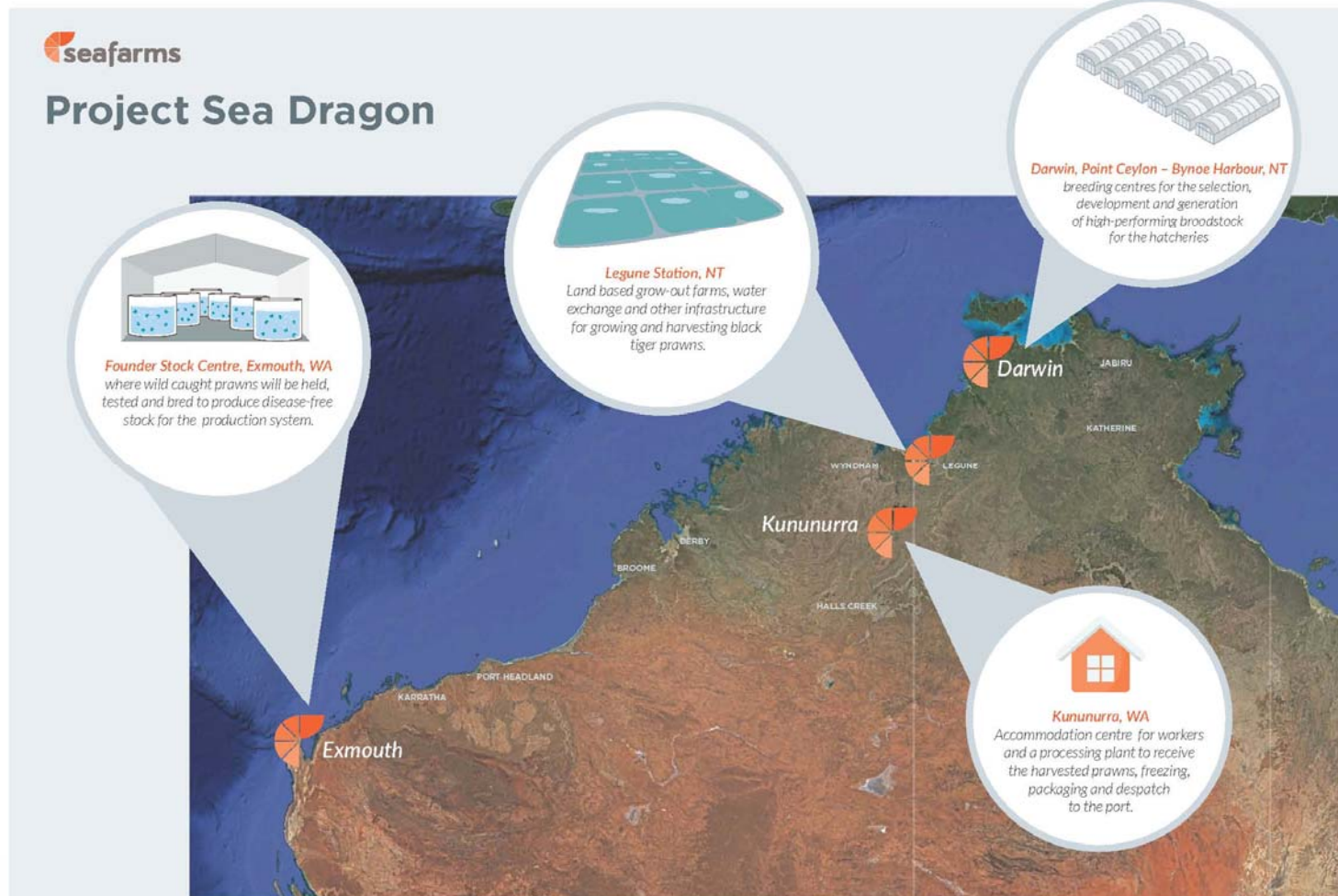
## Limited new shrimp farming regions



- Warm water shrimp require tropical and sub-tropical temperatures.

# Project Sea Dragon

## A north Australia Project



Please note this is a stylised map of Project Sea Dragon and does not represent the accurate scale and location of the project facilities.

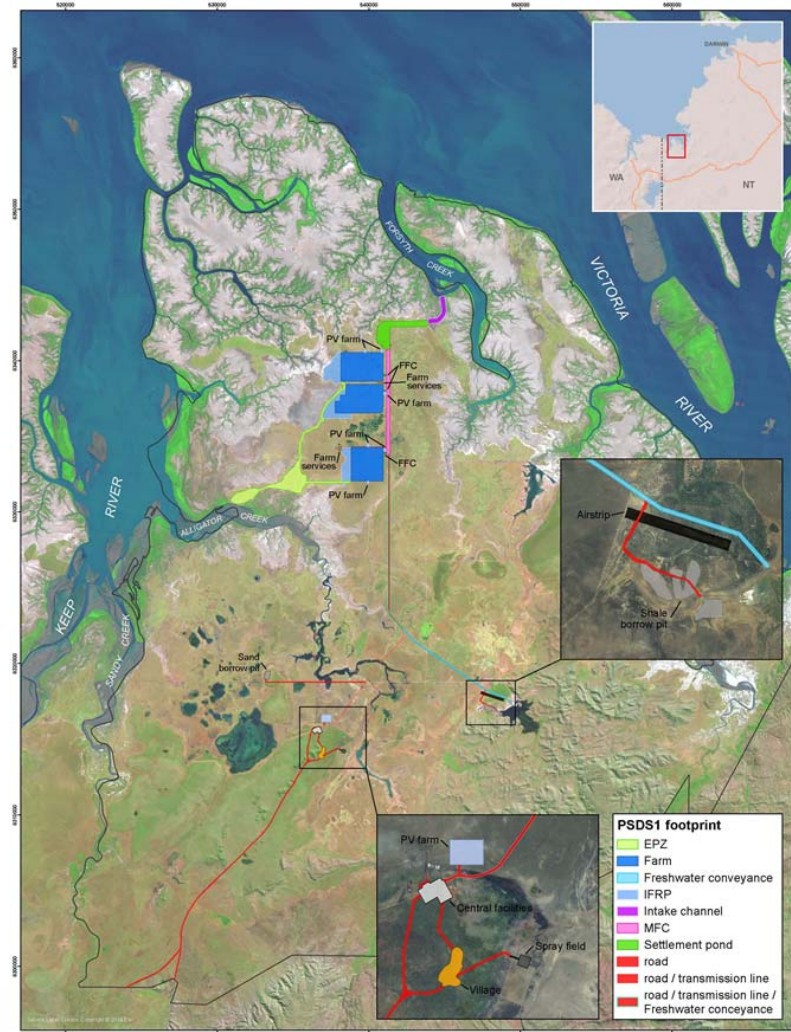
# Project Sea Dragon - Recap

- 🍊 A\$70 million+ invested on PSD to date and 5.5 years.
- 🍊 Completed Concept Study (April 2013) and Pre-Feasibility Study (June 2013).
- 🍊 Secured key PSD operating site:
  - 🍊 Legune Access and Option Agreement (Feb 2015);
  - 🍊 Selected from multi-criteria analysis of northern Australia: Port Hedland to Cape York;
  - 🍊 Successful earthworks trial completed as part of the BFS (August 2016).
- 🍊 Acquired Queensland aquaculture assets (January 2014).
- 🍊 Strong Government Support:
  - 🍊 Granted Major Project Status by NT, WA and Federal Governments (July to September 2015);
  - 🍊 Terms of reference for preparation of an Environmental Impact Statement for Legune released (October 2015);
  - 🍊 Federal Government funding commitment to upgrade the Keep River Road (June 2016) – “infrastructure to support the development and ongoing operations of PSD...”;
  - 🍊 Long term lease agreement over 230 room accommodation facility (Garrjang Village, Kununurra) with the Western Australian Department of Regional Development (July 2016). This facility will accommodate the PSD construction workforce (Dry Season 2017);
  - 🍊 Northern Australia Infrastructure Facility - \$5billion of concessional loans announced (July 2016);
  - 🍊 Federal Government announces major Northern Australia development policy (June 2015).
- 🍊 Bankable Feasibility Study:
  - 🍊 Commenced April 2015 ;
  - 🍊 Achieved Sacred Site Clearance for on-ground testing;
  - 🍊 Remains on track to be completed end of calendar 2016 .
- 🍊 Lodged Environmental Impact Statement October 2016.
- 🍊 Secures first international export order with leading European food retailer (August 2016) and Japanese export order progressing.
- 🍊 Awarded the shrimp Farming Sustainability Award (August 2016).
- 🍊 Appointment of former Australian Trade and Investment Minister Hon Andrew Robb AO as Strategic Advisor (November 2016).



# Grow-out Centre Legune

- ❖ Stage 1 footprint shown only:
  - ❑ 3 farms;
  - ❑ 1,120 ha production ponds;
  - ❑ 411 ha of internal recycling ponds;
  - ❑ Environmental Protection Zones.
- ❖ Headworks infrastructure:
  - ❑ Power station & electricity distribution;
  - ❑ 59km roads;
  - ❑ Main water canals for subsequent stages;
  - ❑ Headworks for 10,000 ha.
- ❖ Village/Accommodation.



# Why is Cardwell Important for PSD

- When the Cardwell operation was acquired in 2014, the operation was only producing banana shrimps. Post acquisition Cardwell operations were redesigned (where practical) as a commercial pilot project for the Company's PSD. As such the product shrimp mix went to bananas and black tigers – using wild catch broodstock (disease status unknown).
- Operating achievements at Cardwell since acquisition to end of FY2016 are highlighted below:
  - Total production up 121%;
  - Black tiger yield up 37%;
  - Processing rates up +100%.
- Further improvements particularly in respect to yield and food conversion rates are expected as a result of initial harvesting results, with harvesting continuing up to the end of December 2016. Processing productivity gains also expected.



# Cardwell and PSD

- 🍊 Development of a number of operational management protocols including:
  - Management programs to identify biological risk factors;
  - Staff training programs implemented across all parts of the aquaculture business;
  - Processing management systems;
  - Scalable aquaculture production enterprise management system now implemented;
  - Occupational, health and safety systems;
  - Detailed financial management system based upon TM1.
- 🍊 Commencement of Company's tactical research and development programs:
  - Stocking density trials;
  - Different food (local and international) and formulation trials.

# Cardwell and PSD (continued)

- ❏ Developing and implementing Company's marketing and merchandising range for both domestic and international markets. Activities include:
  - ❏ Increasing domestic product SKU's by 450% across a full range of retail products – deli, frozen and refrigerated;
  - ❏ Securing export licenses in all key export markets in US, Asia and Europe;
  - ❏ Finalisation of first export contract with a leading European food retailer (August 2016) and first Japanese in progress.
- ❏ Early recruitment of international and domestic technical expertise and initiation of a Graduate Employment Program:
  - ❏ Highly experienced team lead by Dallas Donovan ex Managing Director of the 4,000ha NPC shrimp operations in Saudi Arabia.
- ❏ Early recruitment of highly experienced project management expertise:
  - ❏ Overseen by Owen Stacy, Director Project Delivery (previous experience BHP and SKM);
  - ❏ Largest single cost is earthworks;
  - ❏ Significant components are existing technology and “plug and play”, hatchery, processing and power station.

# Breeding Program

- 🍊 The breeding program delivers high quality, domesticated, selectively bred, specific pathogen free juveniles for PSD production system.
- 🍊 Significant investment in infrastructure and associated R&D programs. Total investment will exceed A\$125m and will take Seafarms into a global leader in genomics, breeding domestication and feed science.
- 🍊 Components of Breeding programs include:
  - Quarantine Facility/Founder Stock Centre:
    - 🍊 Disease-screening;
    - 🍊 First stage of upgrading completed.
  - Core Breeding Centre (CBC):
    - 🍊 Development, production and selection of high performing stock.
  - Broodstock Maturation Centre (BMC):
    - 🍊 Production of commercial numbers of broodstock for use in hatchery. Upgrade and expansion of facility completed (October 2016).
  - Commercial Hatchery:
    - 🍊 The hatchery will produce approximately 100 million post larvae (PL's) per week to service stocking requirements of the grow-out facility currently servicing all internal requirements for PL's ahead of schedule for QLD operations and PSD ready.
- 🍊 Draft EIS (lodged) for CBC and land acquisition underway.

# Investment/Financing Overview

- ❖ Strong and growing interest.
- ❖ Appointment of former Australian Trade and Investment Minister Hon Andrew Robb AO as Strategic Advisor (November 2016).
- ❖ Seafarms being assisted by Pareto Securities (appointed September 2015) – the leading global investment bank that specialises in the seafood/aquaculture sector.
- ❖ Positive financing engagement:
  - ❑ In excess of 60 non disclosure agreements signed to date;
  - ❑ Parties include strategic and industry - major domestic and international companies (US, Europe – UK and France, Asia – China, Japan, Taiwan and Korea) including major offtake buyers, processors and retailers;
  - ❑ Banks and capital markets;
  - ❑ Government – Commonwealth, Northern Territory and Western Australia.
- ❖ Potential participation:
  - ❑ Direct project equity investment;
  - ❑ Direct project equity and offtake investments;
  - ❑ Capital market products and project finance;
  - ❑ Potential infrastructure support and project funding via government initiatives.
- ❖ Financing initiatives expected to accelerate once SFG achieves FID.

# Community, Social and Indigenous Engagement

## Consultations & Briefings Completed:

- 🍊 Kununurra community:
  - 🍊 Business after Hours;
  - 🍊 General community;
  - 🍊 Shire, State Department offices;
  - 🍊 Indigenous organisations:
    - 🍊 Primary social impact on Kununurra community;
    - 🍊 Strong community support.
- 🍊 Timber Creek.
- 🍊 Wide range of briefings:
  - 🍊 AFANT;
  - 🍊 Cattleman's Association;
  - 🍊 ENGOs: WWF, EDO NT.
- 🍊 Dundee Beach community.



To date all community soundings have been positive.

Significant interest in job-opportunities.

**Next round of briefings are in process.**

# Seafarms Group: CO2 Australia Limited

- ☀ CO2 provides carbon and environmental services.
- ☀ 100% owned subsidiary.
- ☀ Profitable business providing cash flow for SFG.
- ☀ Continues to secure new business:
  - ☐ March 2016: additional contracts under Commonwealth 20 Million Trees Programme;
  - ☐ Appointed Agent for the NSW Office of Environment and Heritage.
- ☀ Owns a substantial portfolio of emission credits.
- ☀ Well positioned for a resurgence in the carbon economy.

# Directors and Officers



Ian Trahar  
Executive Chairman



Dr Chris Mitchell  
Executive Director



Dallas Donovan  
Chief Operating Officer



Harley Whitcombe  
Executive Director and CFO





## 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)