



Our Ref: SFG ASX Announce 2016 Half Year Report Presentation (505)

27 February 2017

ANNOUNCEMENT 505

Company Announcements Office
Australian Securities Exchange
Level 6
20 Bridge Street
SYDNEY NSW 2000

By ASX Online
Number of pages: 35
(including this page)

Dear Sir

Seafarms Group Limited Half Year 2016 Presentation

Enclosed is Seafarms Group's Half Year 2016 Presentation.

Please telephone Harley Whitcombe on (08) 9321 4111 with any queries on the Presentation.

Yours faithfully

Seafarms Group Limited

A handwritten signature in black ink, appearing to read "Harley Whitcombe", written over a horizontal line.

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
W seafarms.com.au



Operational Overview for the 6 months ending 31 December 2016 and Market Update – Project Sea Dragon February 2017

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

Seafarms Group Limited

Disclaimer

This market update has been prepared by Seafarms 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 market update 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 Seafarms Group Limited, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability for any loss, claim, damages, costs or expenses of whatever nature (whether or not foreseeable), including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this market update or its contents or otherwise arising in connection with it or any errors or omission in it. 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 market release 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.

Seafarms Group Limited Overview

1. Overview of Seafarms Group
2. Operations
3. Project Sea Dragon

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 +1,700t (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.

Seafarms Group Limited Financial Outcome for the 6 months ending 31 December 2016

- For the 6 months reporting period to 31 December 2016, Seafarms has reported a loss in the order of \$10.86 m, reflecting the contributions of domestic shrimp and carbon operations with the full expensing of all Project Sea Dragon development costs and a previously capitalised deferred tax asset of \$6.27m.
- The pre tax loss before the deferred tax write down was \$4.6 m down 141% from the loss of \$11.1 m for the prior comparable period. The key drivers of this outcome was:
 - Improved operational performance and profitability of Seafarms Queensland driven by a 27% increase in revenue; and
 - The rundown of ongoing expenditure on PSD arising from substantial completion of the work required to complete the BFS and EIS submissions for Legune Station and Bynoe Harbour.

Seafarms Group Limited

Corporate Overview

ASX Listing Code	SFG
Market Capitalisation (at 13 February 2017)	\$108m
Shares on Issue	1,151m
Convertible Preference Shares	30m
Cash, Debtors & Inventories (at 31 December 2016)	\$24.82m
Current Debt (at 31 December 2016)	\$0.96m
Long Term Debt	\$8.50m
Financial Year End	30 June
Directors Shareholdings	39.70%
Directors	Ian Trahar (Executive Chairman) Harley Whitcombe Chris Mitchell Paul Favretto
Company Secretary	Harley Whitcombe



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

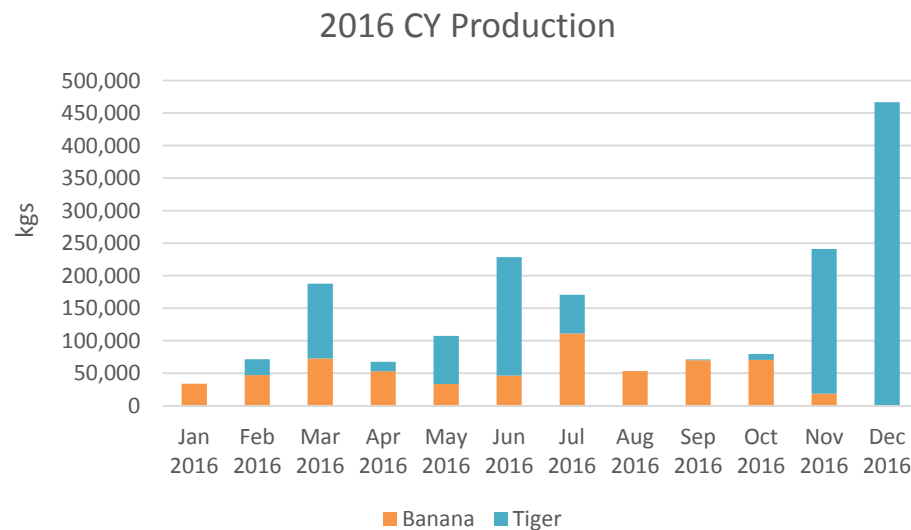


Exmouth (D)

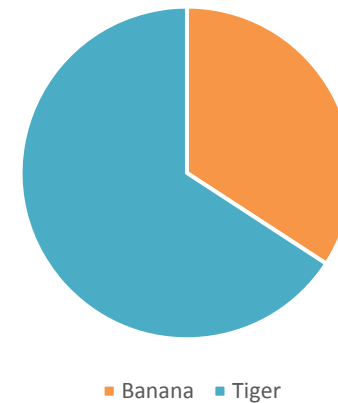
- Biosecure broodstock breeding facility

CY 2016 Production Overview

- Production for the calendar year was 1,728 tonnes, up 304 tonnes on the prior year.
- Black tiger production 65% of total production.



CY 2016 Production Mix



Operational Outcomes

- 🍊 Black Tiger yields continue to improve:
 - 🍊 37% yield improvement for CY 2016;
 - 🍊 11% improvement on FCR.
- 🍊 Production growth rates, FCR and yield in-line with expectations and improving on both species.
- 🍊 Feed trial outcomes have resulted in improved operating margins.
- 🍊 Commercial production of domesticated animals from Seafarms' breeding program continues.

White Spot Syndrome Virus (WSSV)

- ❖ Farms on the Logan River (South East Queensland) have been affected by WSSV and are subject to biosecurity orders and controls by Biosecurity Queensland.
- ❖ The affected area is some 1,200km south of Seafarms operational sites.
- ❖ Seafarms is **NOT** affected by WSSV.
- ❖ **NO** animals, at any Seafarms site have tested positive for WSSV.
- ❖ Seafarms is actively working with industry and Government, including providing access to our staff who have extensive international experience.
- ❖ Seafarms maintains high level of operational biosecurity including surveillance, monitoring and control.
- ❖ The outbreak reinforces the design and choice of site for Project Sea Dragon, where geographic isolation, high level of inbuilt biosecurity, use of domesticated (and SPF) stock and recirculation are core criteria to maintain a biosecure and disease free operating environment.

Hatchery Outcomes

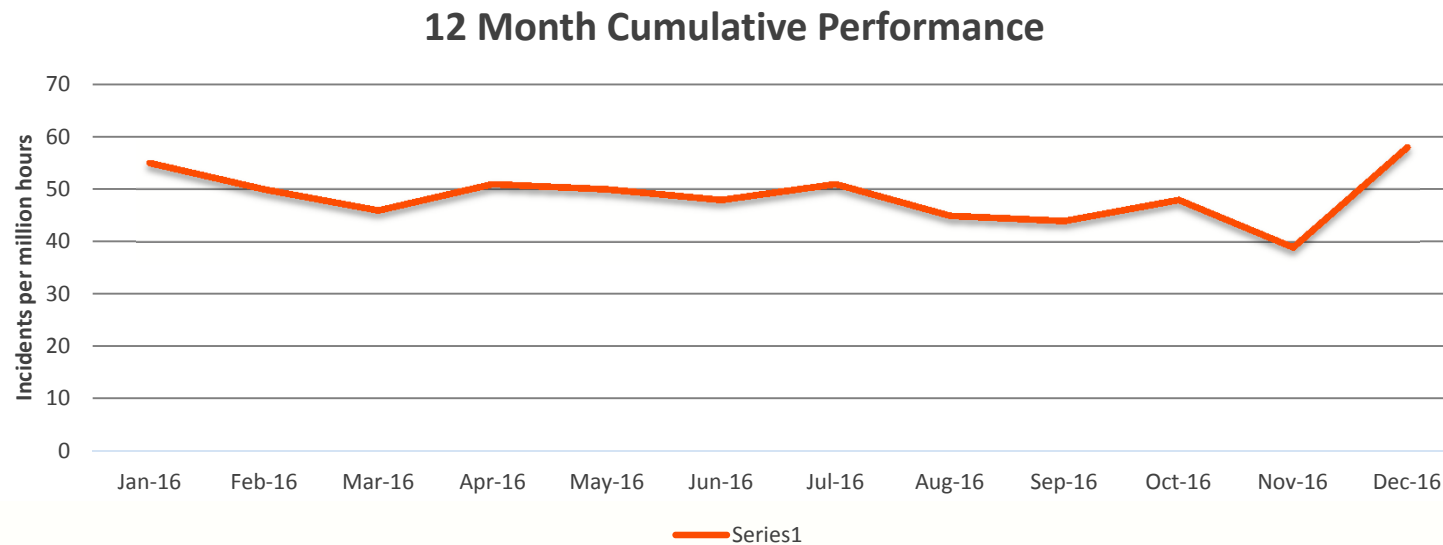
- ☛ All stockings completed with in-house PL's, no third party hatcheries used – important biosecurity milestone.
- ☛ Domestication commenced :
 - ☛ Domesticated broodstock ponds in production at Innisfail;
 - ☛ 2nd generation domesticated animals being used as broodstock in hatchery.

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



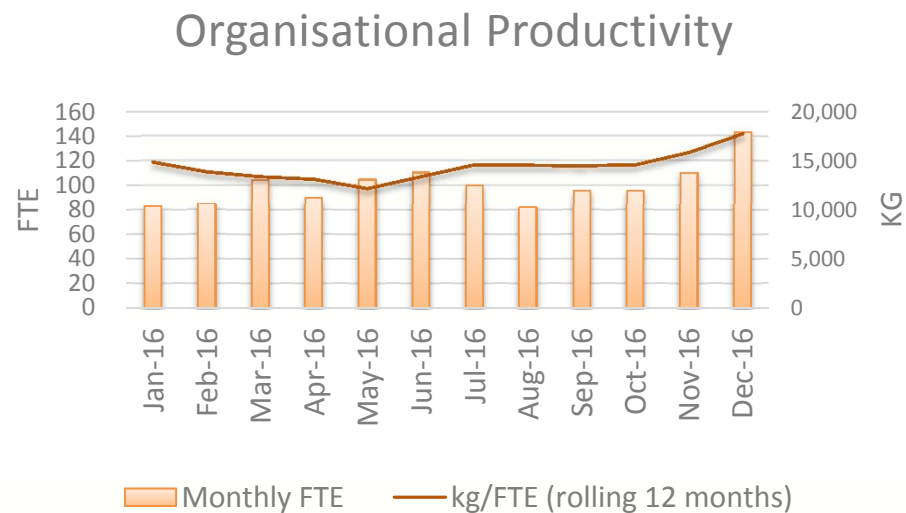
Safety

- Disappointing outcome in December with 5 reported incidents.
- Agricultural mindset still continues in some divisions.
- Further systems and audits implemented to reduce risk in target areas.



Employment & Productivity

- 100 FTE's across aquaculture operations in Queensland .
- Productivity up 15% across the Queensland Operations.
- 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;
 - Investing in efficiencies.



Marketing activities deliver brand presence

- Branded point of sale material rolled out Eastern-Seaboard to Wholesalers and Fishmongers.
- Continued strong brand support in major supermarkets, including branding behind the glass, retailer point of sale and recipe cards.
- Establishment of first champion brand store, showcasing Crystal Bay Prawn branding across all platforms, including permanent branding.
- Social media expansion into Instagram and increased Facebook presence continues to drive consumer brand reach (over 140,000 people Nov-Dec) and engagement.
- Packaging refresh to comply with new mandatory COOL guidelines.



Branded POS



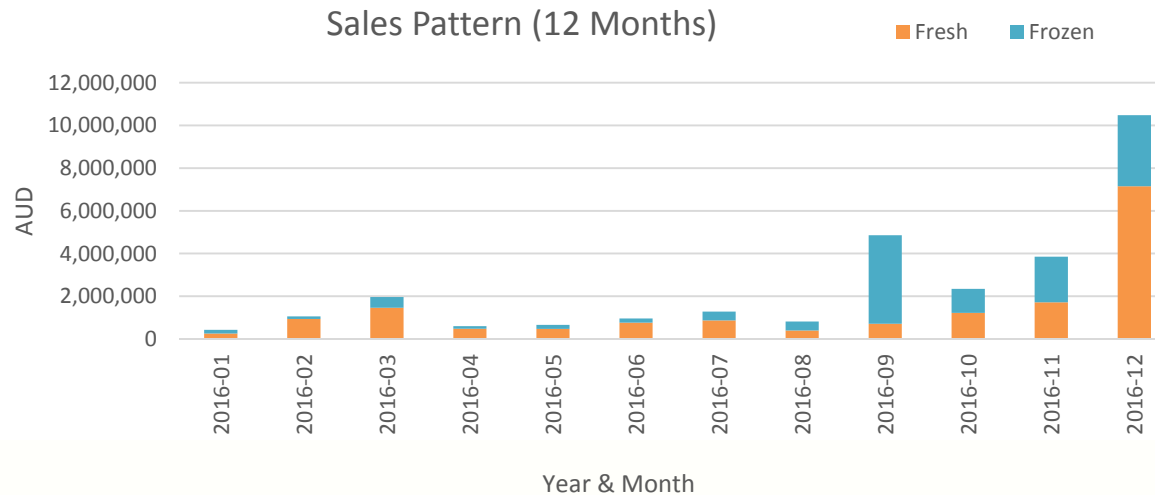
Modernised packaging



Supermarket brand presence examples

Sales & Distribution

- 🍊 Sales to \$29.3m (12 months to December):
 - 🍊 December half sales up 50% YoY;
 - 🍊 On the back of increased production.
- 🍊 Maintaining year round fresh supply.
- 🍊 Healthy distribution mix:
 - 🍊 Positive uptake by major retailers;
 - 🍊 Maintenance of volume to the wholesale market.



Founder Stock Facility - Exmouth



- Significant milestone for Project Sea Dragon.
- \$1.2 million upgrade complete and site operational.
- Management & staff recruited.
- First round of spawnings completed.
- 1 “clean” family produced.





PROJECT SEA DRAGON

Project Timetable

- A number of factors, mainly outside the company's influence and control, that affected the final investment decision timetable included the following:
 - A change in Northern Territory Government;
 - An unexpected requirement for a Bynoe Harbour Environmental Impact Statement;
 - Un-finalised Indigenous Land Use Agreement and Project Development Agreement, with the NT Government; and
 - A top decile wet season at Legune Station that is hampering on-ground access.
- At this time, the company expects a delay to the final investment decision of up to 3 months, with project development to commence in the dry of 2018.
- The company continues to remain robust about PSD.

Brief Overview

Significant achievements:

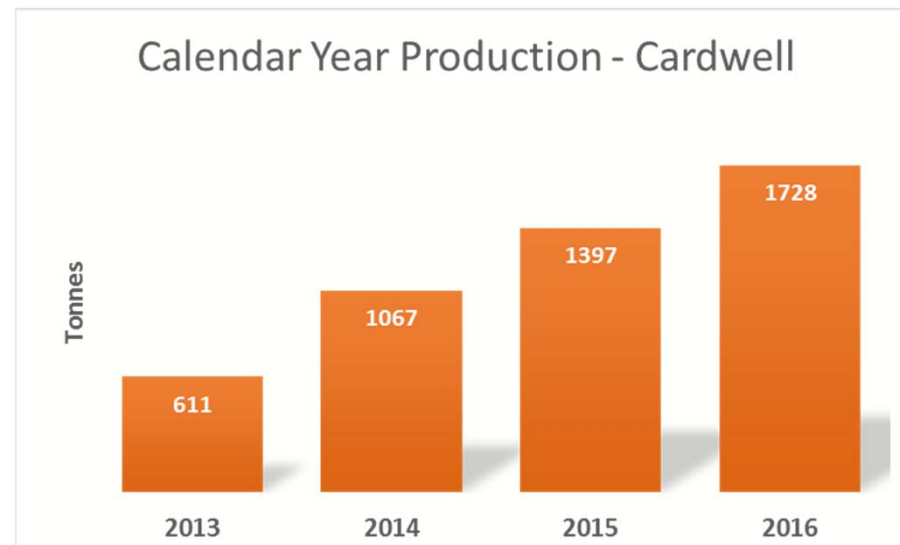
- All technical work on Bankable Feasibility Study completed;
- Legune and Bynoe Harbour Supplementary Environmental Impact Statements lodged;
- Research and development programs continue to deliver enhanced operational performance outcomes.

Momentum continues:

- Indigenous Land Use Agreement being advanced – such discussions and outcomes will be commercial in confidence between Seafarms and the Traditional Land Owners;
- Finalisation of a Project Development Agreement with Northern Territory Government well advanced;
- Finalisation of the Company's financial advisor team completed with the appointment of Lazard – a major based US based financial advisory specialist. Preliminary funding discussions in US received well, investor interest remains strong;
- Pre-application submission lodged and in formal discussions commenced with the A\$5billion Federal Government sponsored Northern Australia Infrastructure Fund;
- Continued strong support by Federal, WA and NT Governments. Further financial support for PSD with WA Government having agreed to upgrade the last section of road to the WA/NT border at an estimated cost of A\$16.7m.

Brief Overview cont.

- Cardwell commercial pilot project for PSD:
 - Continued significant production and operational improvements achieved;
 - Key economic metrics at Cardwell continue to significantly out perform underlying assumptions included in PSD Bankable Feasibility Study.



- PSD trial ponds at Legune Station meet expectations (*see page 22*).

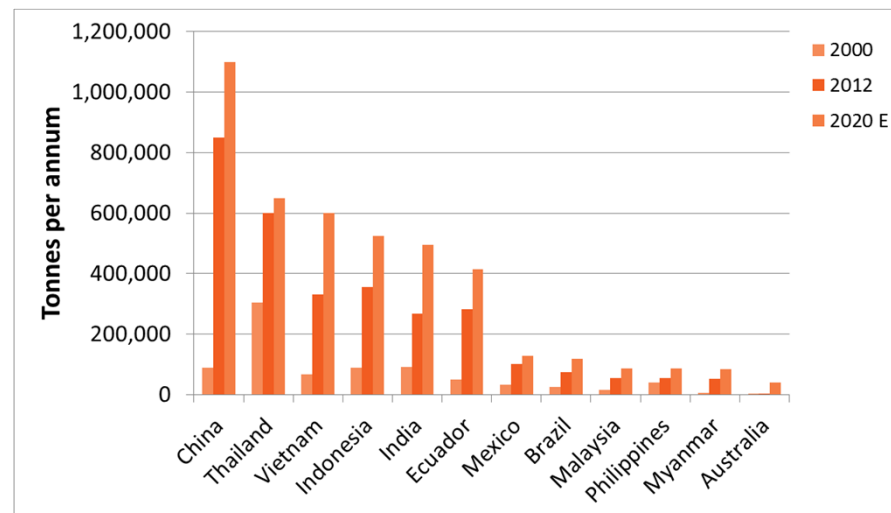
Test Ponds Wet and Dry Seasons



- Photo A & B - trial pond site late January 2017 (Wet Season)
- Photo C – the site upon completion in August 2016

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 (40-45grams). Currently being supplied by wild catch only with fisheries delivering variable outputs and in decline.

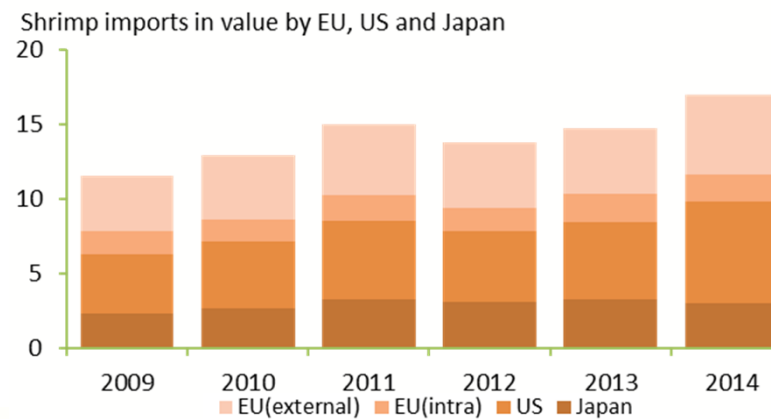


- Current international market dominated by small producers predominantly based in Asia:
 - Unsophisticated operational and husbandry practices;
 - Disease outbreaks a continuing issue;
 - Capital constrained.
- Limited capacity to establish new farming regions globally driven by:
 - Biosecurity;
 -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

Need for New Shrimp Farming

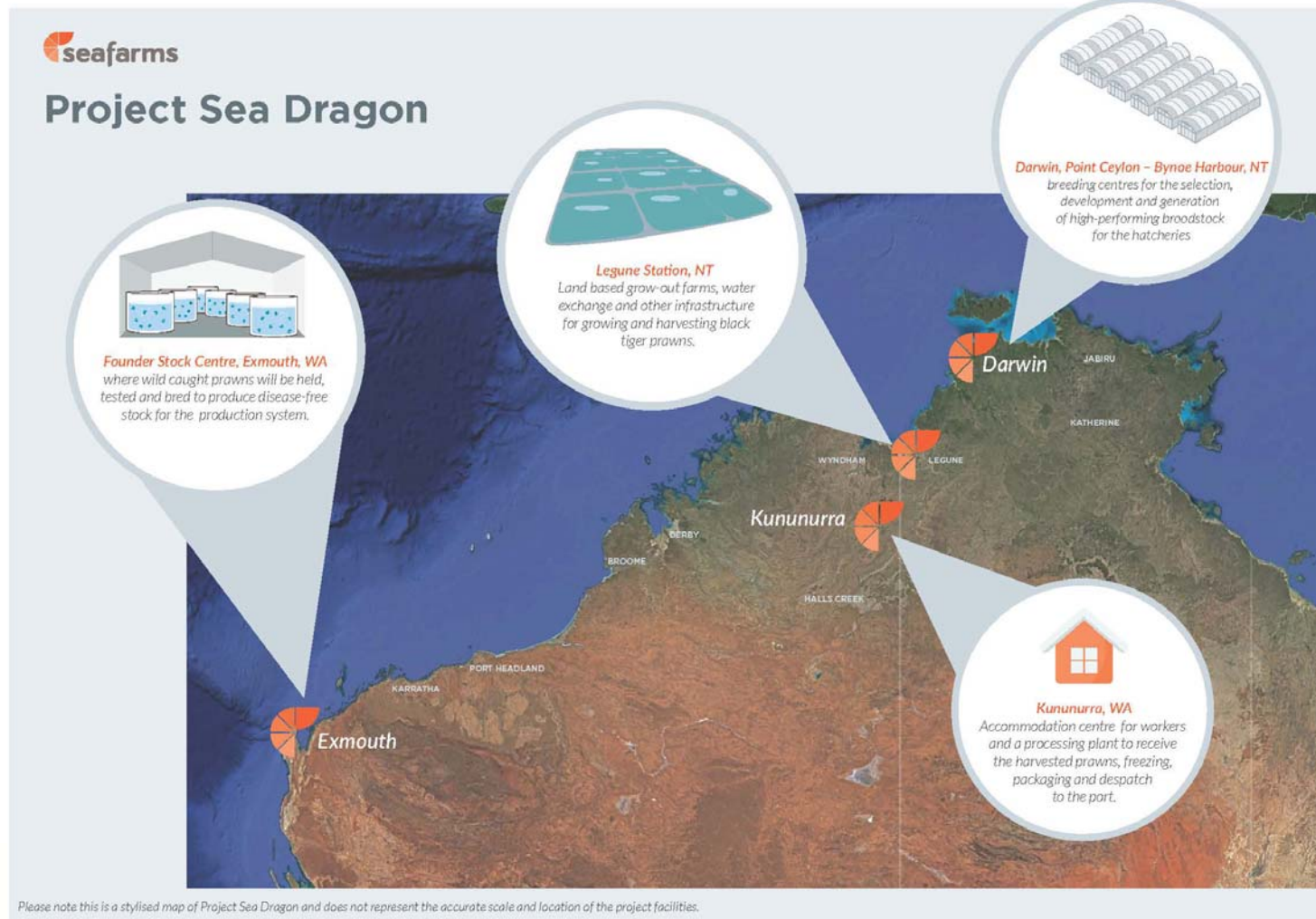
Strong underlying demand for shrimp

- 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.



Project Sea Dragon

A north Australia Project



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.
- Recent detection of White Spot (South East Queensland) reinforces project biosecurity strategy and location;
- 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 and increasing domestic 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:

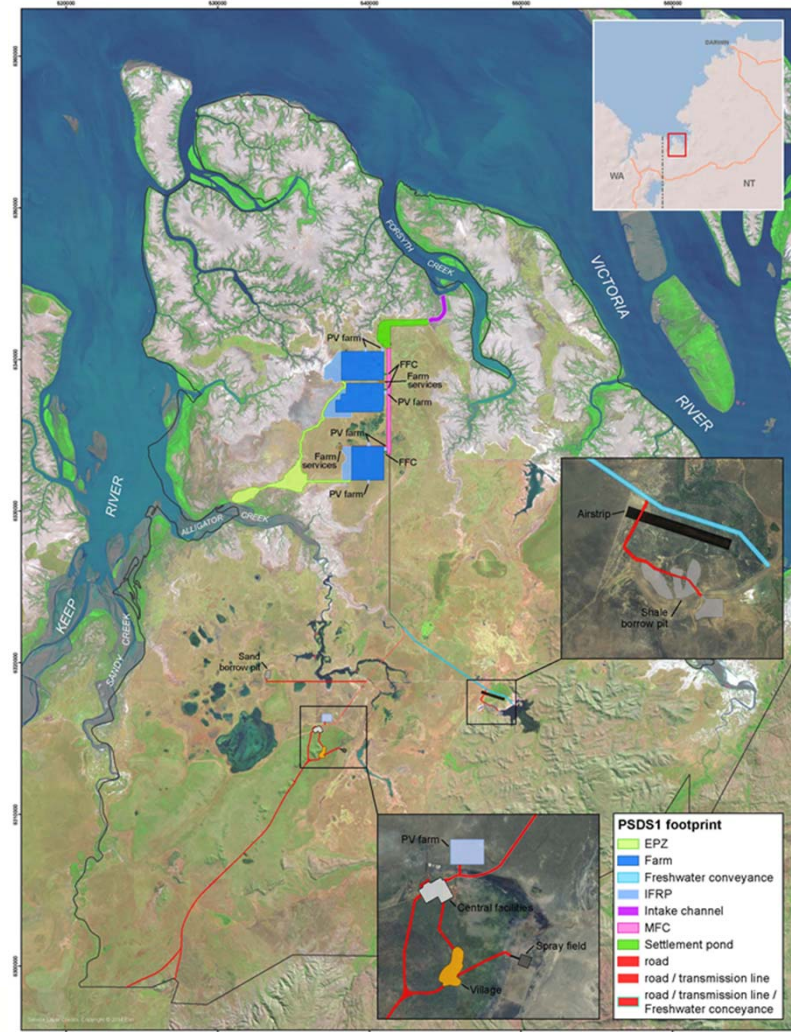
- Biosecurity and food safety;
- Provenance;
- Stable political and strong regulated operating framework environments.

Bankable Feasibility Study (BFS)

- ✦ All technical work on BFS completed, planning for detailed design phase commenced.
- ✦ As previously announced Stage 1 scope of work has been increased to include headworks for Stage 1, Stage 2 and subsequent headworks for the full 10,000ha project.
- ✦ 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 a direct result of the potential to access government funding opportunities as well as the favourable offtake enquires 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 prolife.
- ✦ 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.

Grow-out Centre Legune

- Stage 1 footprint shown only:
 - 3 farms;
 - 1,080 ha production ponds;
 - 324 ha of internal recycling ponds;
 - Environmental Protection Zones.
- Headworks infrastructure:
 - Power station & electricity distribution;
 - 59km roads;
 - Main water canals;
 - Headworks for 10,000 ha.
- Village/Accommodation.



Breeding Program

- ❏ The breeding program delivers high quality, domesticated, selectively bred, specific pathogen free juveniles for the PSD production system.
- ❏ Significant investment in infrastructure and associated R&D programs including programs with CSIRO and other leading institutions. Total investment will exceed A\$125m and will make Seafarms 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.
- ❏ Supplementary EIS submitted for CBC and land acquisition underway.

Investment/Financing Overview

- Strong and growing interest.
- Finalisation of financing/strategic advisor team consisting of Pareto Securities, Lazard and the Hon. Andrew Robb.
- Preliminary financing discussions in USA received well.
- 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 over the coming months as ILUA and EIS are completed.

Community, Social and Indigenous Engagement

Major Program of Consultations & Briefings during Public Display of EISs

- ☛ Kununurra community
- ☛ Timber Creek
- ☛ Daly (Katherine)
- ☛ Dundee Beach
- ☛ One-on-one briefings with key NGOs

Legume EIS submissions

- ☛ 2 private citizens
- ☛ 2 Environmental NGOs
- ☛ 1 University (NSW)
- ☛ 10 NT Government Departments & Agencies
- ☛ 1 Commonwealth statutory agency (NLC)
- ☛ Minimal public concern expressed

Bynoe Harbour submissions

- ☛ 2 private citizens
- ☛ 1 Environmental NGOs
- ☛ 1 University (NSW)
- ☛ 13 NT Government Departments and Agencies
- ☛ High repetition of submitters



Source: <http://www.mgcorp.com.au>

Seafarms Group: CO2 Australia Limited

- 🍊 CO2 provides carbon and environmental services.
- 🍊 100% owned subsidiary.
- 🍊 Profitable business providing cash flow for SFG.
- 🍊 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