



Our Ref: SFG ASX Announce - Half Year 2018 Presentation (597)

28 February 2019

ANNOUNCEMENT 597

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

By ASX Online
Number of pages: 36
(including this page)

Dear Sir

RE: Seafarms Group Limited Half Year 2018 Presentation

Enclosed is Seafarms Group's Half Year 2018 Presentation.

For any queries regarding this Presentation please contact Mr Harley Whitcombe (08) 9216 5200.

Yours faithfully

Seafarms Group Limited

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

Harley Whitcombe
Company Secretary

ENC

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About Seafarms Group

Seafarms Group Limited (ASX: SFG) is an ASX listed holding company with separate subsidiary aquaculture companies., Seafarm Operations Pty Ltd operates aquaculture operations in northern Queensland, producing high-quality seafood. Seafarms is currently the largest producer of farmed prawns – growing, processing and distributing the well-known Crystal Bay Prawns™ premium brand.

For further information refer the company's web site: www.seafarms.com.au

Project Sea Dragon

Project Sea Dragon Pty Ltd is developing Australia's largest integrated land-based prawn aquaculture project in northern Australia designed to produce high quality, year-round reliable volumes for export markets.

For further information refer the company's web site: www.seafarms.com.au/about-project-sea-dragon/



Operational Overview and Market Update (six months to 31 December 2018)

February 2019

The transformation of Seafarms from Australia's largest prawn producer into a global low cost producer is underway

Seafarms Group Limited

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Seafarms Group Operational Summary

Seafarms Group Operational Summary

Seafarms Group Limited (SFG) is currently Australia's largest producer of farmed prawns, **with significant operational aquaculture expertise and a demonstrated track record of growth and innovation.**

- ❖ SFG has a current market capitalisation of circa A\$183 million
- ❖ SFG's Queensland operation is Australia's largest producer of farmed prawns under the Crystal Bay brand
 - ❑ Banana and Black Tiger Prawns
 - ❑ Operational since 1988
 - ❑ Capacity to produce in excess of 1,800 tonnes pa
 - ❑ Vertically integrated, providing a platform to develop and test best practices for Project Sea Dragon
- ❖ SFG has invested over A\$100 million advancing its world class Project Sea Dragon development since 2011
 - ❑ Construction of infrastructure support for Project Sea Dragon commenced during the 2018 dry season
 - ❑ Strong international demand/interest for product demonstrated by project/equity partnerships with Nissui and Sealord
 - ❑ Further agreements expected to be finalised in the near term
- ❖ Strong growth potential in the Australian farm prawn market both domestically and internationally

Crystal Bay Tiger Prawns



Seafarms Group Operational Summary

Project Sea Dragon (PSD) is a shovel ready major project with trilateral government support and multinational partners.

- Major international seafood equity partner (Nissui) already secured with more partners to come
- Critical supporting infrastructure underway with Seafarms and government-sponsored projects already commenced (including major road upgrade – Gunn Point)
- The project represents:
 - An industrial scale, fully vertically integrated, sustainable, land-based prawn aquaculture project in northern Australia
 - One of the world's largest and most productive aquaculture projects (supports up to two crops per year)
 - One of the most biosecure aquaculture projects in the world – very isolated with no other aquaculture projects nearby and complete end to end control of operations
 - Global leadership in black tiger prawn genetics/breeding
 - The only producer from a developed country offering a significant volume of superior prawn product
 - A new job rich local industry plus a new significant export industry for northern Australia with annual revenues in excess of A\$3 billion at full capacity
 - Significant opportunities for partnerships with local Indigenous land owners



Australian Crystal Bay Tiger Prawns

Crystal Bay Tigers®

Sashimi Grade

Camarão Tigre
100% Australiano
Águas puras e cristalinas

Camarões Frescos,
Suculentos, Crocantes

Criados e capturados na
imensa faixa de água
pura e cristalina da
grande Barreira de Coral
na Austrália-Patrimônio
Mundial da Unesco

Produto proveniente de
Meio Ambiente
Sustentável

Grown in Australia

Australian grown sustainably
crystalbayprawns.com.au

australiasfavouriteprawns

Recently completed Government sponsored Gunn Point Road Upgrade





**Snapshot of major achievements
over the six month reporting period
ending 31 December 2018**

Recent significant milestones and major achievements

- Significant progress has been made over the six month reporting period in a number of Project Sea Dragon areas including:
 - Finalisation of (equity/project/offtake/board position) agreement with major global seafood industry corporation Nissui and extensive marketing agreement with major seafood corporation Sealord
 - Finalisation of Legune Station Co-operation Agreement with a major Australian agricultural investor, including a 90-year lease arrangement with an option to purchase
 - Finalisation of all major licences required to commence development at Legune Station with the granting of Aquaculture Licence from the NT Government
 - Continued strong collaboration with governments, local communities and traditional owners
 - Finalisation of platinum status supplier to a major Australian retailer, continued growth in sales achieved across majority of Australian retailers

Recent significant milestones and major achievements

- 🍊 Commencement of early works programs at Legune Station
- 🍊 Commencement of government sponsored infrastructure support for Project Sea Dragon with the commencement of several major road upgrades – Keep River (commenced) and Gunn Point (completed)
- 🍊 Completing the upgrading/expansion of the Exmouth Founder Stock Centre enabling second generation, specific pathogen free animals to be produced
- 🍊 Negotiations/discussions with major international off-take parties and/or project equity parties from Europe and Asia
- 🍊 Advancing Project Sea Dragon project funding options
- 🍊 Successful demerger - by way of an in-species pro-rata share entitlement to all Seafarms shareholders of the company's carbon/environmental services business unit C02 Australian Limited



**Seafarms Group
Financial overview for the six months
ending 31 December 2018**

Financial overview for the six months ending 31 December 2018

- For the six month reporting period ending 31 December 2018, Seafarms has reported a loss in the order of \$13.2 million, reflecting the positive cash contributions of Queensland aquaculture operations whilst fully expensing all PSD development costs, as required by the Australian Accounting Standards
- The loss was also affected by the lower than expected 2018 Christmas crop at Seafarms Queensland operations which was caused by the late delivery of broodstock and associated delays to stocking, resulting in lower yields and smaller animals.
 - This issue further highlights the importance of the PSD domestication/genetic breeding program which removes the need to catch wild broodstock – a major biosecurity risk
- The financial outcome for Seafarms continues to be heavily influenced by the high level of expensed investment in developing PSD, ongoing training of staff for PSD and capital invested in the company's Queensland operations (collectively approximately \$100 million in total to date) which are primarily intended to demonstrate the fundamental operating concepts for PSD.

Seafarms Group Limited Corporate Overview

ASX Listing Code	SFG
Market capitalisation (February 2019)	Approx. \$183 million
Fully Paid Shares on Issue	1.67 billion
Cash, Debtors and Inventories (at 31 December 2018)	\$20.4 million
Current Liabilities (at 31 December 2018)	\$11.3 million
Net Assets (as at 31 December 2018)	\$30.3 million
Financial Year End	30 June
Directors Shareholdings	46.2% <i>(including Nissui)</i>
Current Directors	Ian Trahar (Executive Chairman) Harley Whitcombe Chris Mitchell Paul Favretto Hisami Sakai (Nissui representative)
Company Secretary	Harley Whitcombe



North Queensland Overview

North Queensland Operations

Brief Overview

- ❏ Queensland farms at Cardwell have been operational since 1988. The Cardwell production ponds are part of a fully vertical integrated operation
- ❏ The Cardwell operations were acquired in 2014. Commencement of redesign work began where practical to reflect the operational design, procedures and methodologies to be adopted at PSD.
- ❏ Black Tiger prawn production only commenced at Cardwell in 2014

Cardwell Operations



North Queensland Operations

Operational outcomes since 2014

- ✦ Seafarms Queensland operations has grown its business from 600 tonnes pa to now circa 1,700 tonnes pa (banana and black tigers) – making it the largest producer of farm prawns in Australia in just three years of operations.
 - ▀ This has been achieved by a strategy of improving operating processes and driving efficiencies as well significantly investing back into the business to modernise and maintain its production facilities as well as development and installation of bio-security infrastructure/procedures
 - ▀ Modernisation programs have included complete replacement of water conveyance, major upgrade of electrical infrastructure, processing plant upgrades and redesign leading to processing improvements from 0.6 tonnes per hour to 2.2 tonnes per hour. Installation of a blast freezer to enable export of Queensland product into Asia to commence in 2019.
 - ▀ Biosecurity measures have included but are not limited to:
 - ▀ Continuing expansion of the company's hatchery which continues to see Seafarms not requiring to purchase of PL's from third parties – a major disease threat
 - ▀ Introduction of biosecure nursery ponds
 - ▀ Construction of intake settlement ponds, and
 - ▀ development of a new testing program for wild broodstock

North Queensland Operations

Operational outcomes since 2014

- ❖ Queensland operations are also used to undertake R&D programs for Project Sea Dragon. The latest R&D program involved the introduction of nursery ponds to stock grow out ponds at Cardwell. This R&D program has successfully demonstrated significant operating improvements (and increased biosecurity control) including:
 - ❖ 16% higher animal survival
 - ❖ 23% improvement in days of culture
 - ❖ 17% feed conversion rate
 - ❖ Greater control over predators
 - ❖ Given the demonstrated success of this latest R&D program, nursery ponds have now been incorporated into the design of Step 1 of PSD development program as have other design features to reflect successful demonstrated R&D outcomes
- ❖ Changes implemented in the Queensland operations reflect the husbandry and management processes to be implemented at Project Sea Dragon. These include but are not limited to:
 - ❖ Development of information system that routinely collects and analyses hundreds of data points for each crop
 - ❖ Improved feeding procedures to optimize food conversion ratios
 - ❖ New Occupational Health and Safety procedures adopted have led to a significant 73% improvement in reduced incidents
 - ❖ Training ground for the core team (as well as graduates) who will lead the implementation and ongoing operations at PSD

First Half FY2019 Operational Overview

- Operating revenue for the 6 months ending 31 December 2018 was \$17.9 million (up 9.1% on 1H FY18) despite the 2018 Christmas crop being adversely impacted by the timing of broodstock availability and associated delays to stocking, resulting in lower yields and smaller animals
- Production for the 6 month period ending 31 December was 872 tonnes, up 16.4% on the corresponding previous period FY2018
- Out look for the full year remains in the order of 1,800 tonnes of production



Project Sea Dragon

The Project

Overview of Project Sea Dragon

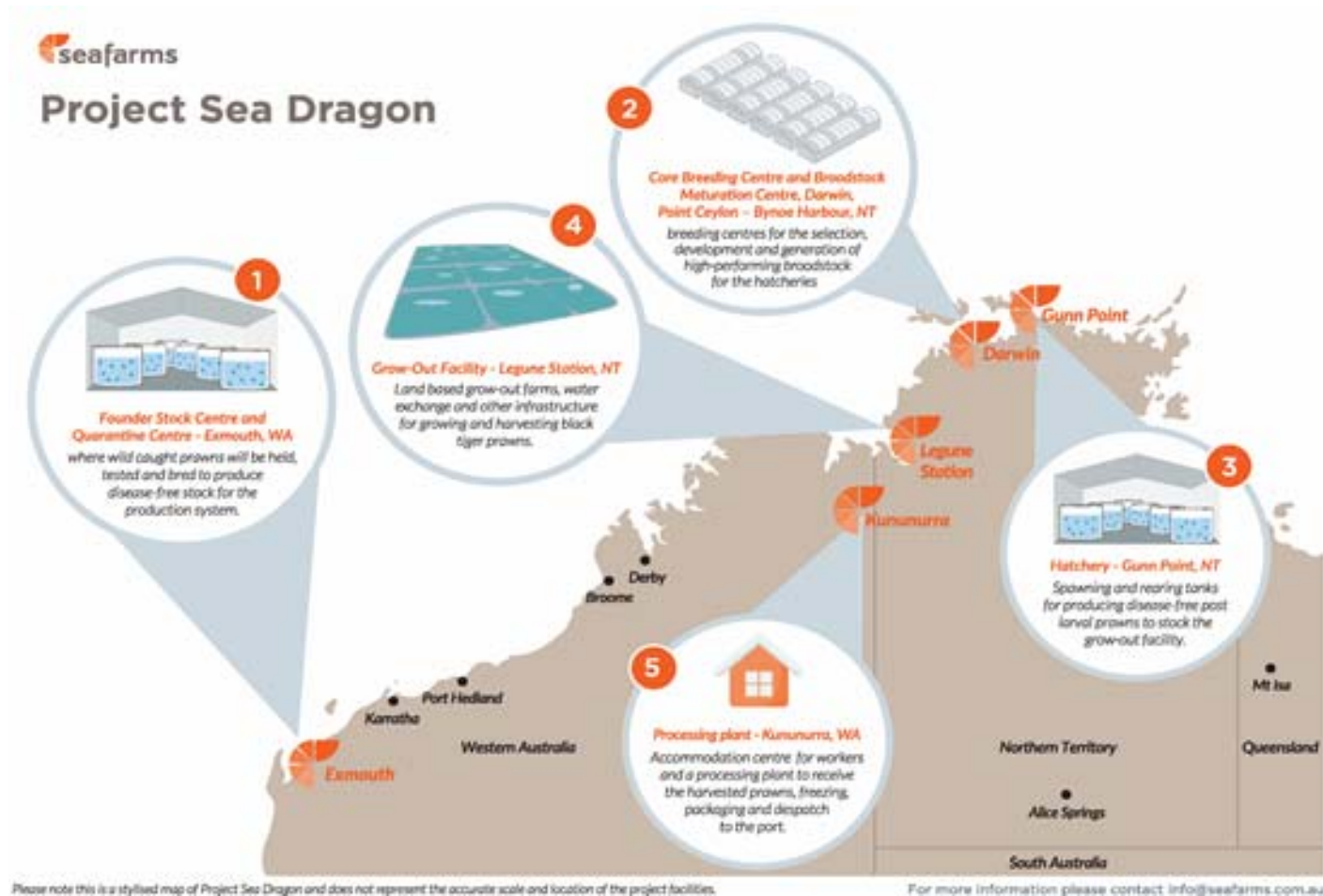
Project Sea Dragon (PSD) is a shovel ready major project.

- ✦ Strong working relationship with government sponsors of PSD (NT/WA/Federal)
 - ▣ Government support is strong, PSD has received Major Project Status from NT, WA and Federal Governments
 - ▣ Government infrastructure spend and other support for PSD has commenced and includes major road upgrades, freehold land packages, research commitments
 - ▣ Austrade promotion of project
 - ▣ Specialised vocational educational courses
- ✦ Strong government commitment to developing industry
 - ▣ A\$5 billion federal funding commitment for major northern Australian projects (Northern Australia Infrastructure Facility)
 - ▣ Free Trade Agreements with China, Korea and Japan
 - ▣ Zero tariffs into China as at 1 January 2019
 - ▣ Strong regulatory environment
- ✦ Traditional Owners/local communities
 - ▣ Strong support by Indigenous stakeholders and local communities
- ✦ All regulatory approvals are in place for Stage 1 (1,120 ha's) with Step 1 development (400 ha's) now in progress

Overview of Project Sea Dragon

- Major agreements already in place for the entire 10,000ha PSD project:
 - Project Agreement with the NT Government
 - Indigenous Land Use Agreement (ILUA) with Traditional Owners
 - 90 year Sublease and Co-operation Agreement at Legune Station
- Extensive 8 year project evaluation completed including:
 - 2 years of validation, de-risking and refinement
 - Validation of core project assumptions through comprehensive independent Vendor Due Diligence, a 12 month process
 - Further validation of project assumptions and business model with PSD project partners undertaken over a 3 year time period
- Breeding program with the only Specific Pathogen Free Black Tiger prawns in Australia
 - In its third year of operation.
 - Operating quarantine and founder stock centre, now being expanded (Exmouth)
- Strong research and development with a biosecurity commitment/focus
 - Australia is a world leader in research and development
 - Seafarms has strong engagement of leading industry professionals/research institutions
 - CSIRO land study
 - A\$18 million Australian Research Council Program
 - Best Black Tiger prawn breeding and genetics program globally
 - Introduces genomic techniques
 - Mapping transcriptome and genome of BTP.

Project Sea Dragon – Location of Key Facilities





Project Sea Dragon

The Project Level – Step 1 of Stage 1

PSD – A fully vertically integrated project

Complete end to end control of operations will allow SFG to ensure absolute biosecurity and process control

Key Process Steps in PSD Prawn Aquaculture



- Founder Stock Centre has been established at Exmouth
- PSD has its own proprietary selective breeding program
- Wild stocks domesticated for minimum two years to ensure specific pathogen free prawns
 - ▀ Program already commenced
- Continuous advanced genetic marker selection to enable productivity improvements and disease resistance
- Close cooperation with CSIRO and James Cook University
- SFG will own and control its own broodstock



- Hatchery to be set up near Darwin
- Discrete bio-secure location
- Will supply PSD with Post Larvae ("PL") ready for release into ponds
- Stage 1 of the hatchery will produce over 16 million PLs per /week
- PLs will be trucked to the Grow-Out farms at Legune in special tanks



- To be built at Legune Station
- Separate "farms" of c. 3 approximately 60 to 400 ha each, consisting of 36-40 ponds of 10 ha each
- Stage 1 permitting for 1,120 ha of ponds. Step 1 (400 has) of Stage 1 now underway.
- Full project will comprise 10,000 ha of ponds
- Good quality seawater with recirculation
- Sufficient fresh water to manage salinity in ponds



- Processing plant to be constructed near Kununurra ~100km on all weather road to be built by State Governments from Legune Station
- Expansion along with project stages
- Processing primarily frozen head on shell on prawns
- Modern processing equipment

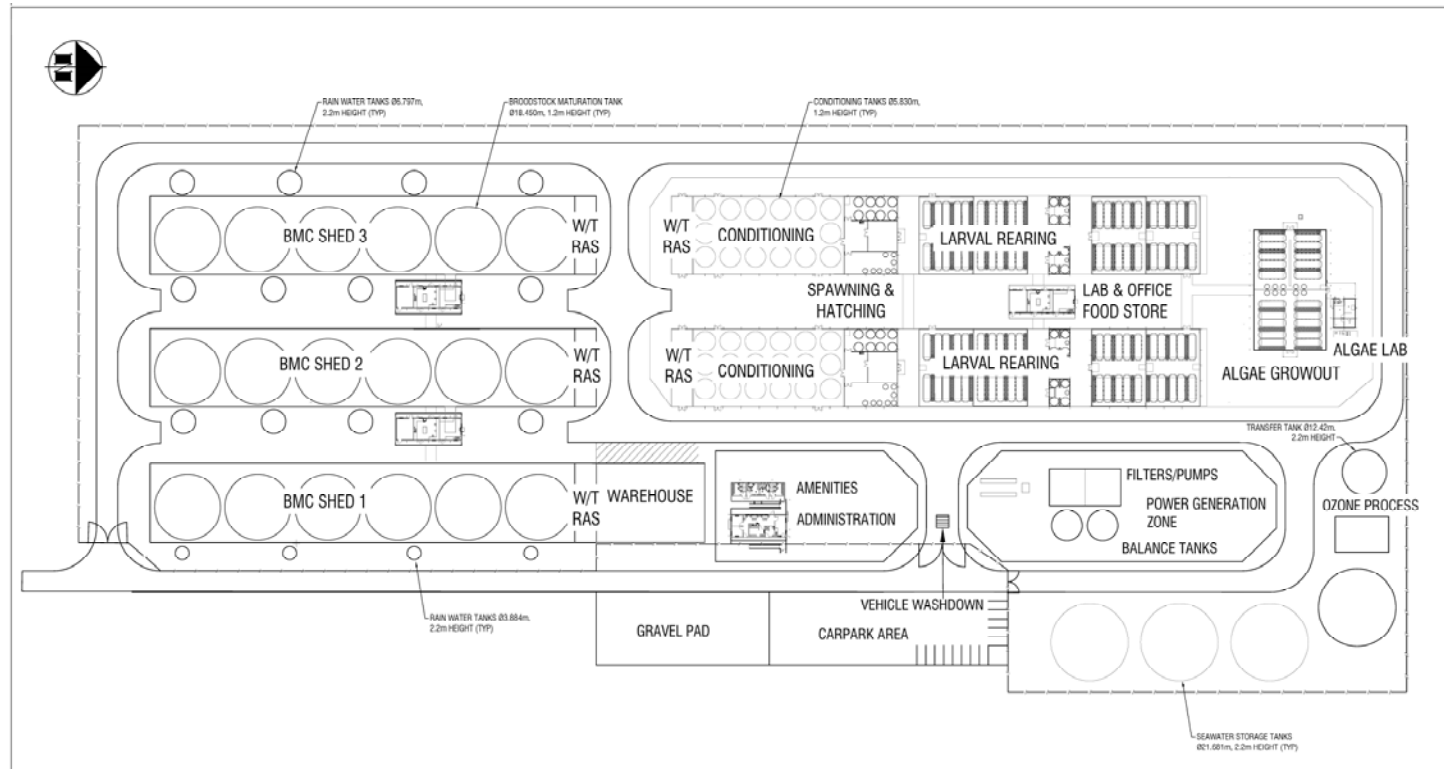


- PSD is targeting export markets
- Leverage off the recognised Crystal Bay Prawn brand in both existing and new markets
- Product will be packed into reefer containers and trucked to the best available port and shipping line (Darwin, Fremantle or Adelaide)

Project Sea Dragon – The Opportunity

- 🍊 Australia has earned a worldwide reputation as a supplier of safe, high quality seafood, produced using environmentally sustainable practices in wild catch fishing and aquaculture (Australian Trade Commission 2015)
- 🍊 Project Sea Dragon is the only project globally that has the capacity to deliver significant volume of a premium product at a low production cost
 - 🍊 Vertical integration – eliminating third party risk that compromises product
 - 🍊 Highly isolated location
 - 🍊 2 crops per annum, growing a large product
 - 🍊 Pristine pollution free (water, soil and air) production environment
 - 🍊 Low sovereign risk country
 - 🍊 Strong collaboration with governments, local communities, traditional owners, research agencies and our industry partners.
- 🍊 Common theme expressed by multiple interested domestic and international parties– more product more quickly with price indications above feasibility price assumptions

PSD Broodstock Facility Layout Design



SITE PLAN
Scale 1:100 @ 1/1

REV	DATE	DESCRIPTION	DRAFT	ENG	CHECK
A	10/2019	ISSUED FOR REVIEW			



PROJECT SEA DRAGON POINT CEYLON - BROOD STOCK MATURATION CENTRE BMC HANDSTAND STAGE 1 LAYOUT	
A1	DRAWING NUMBER
181044 SK-CIV-001	A



Seafarms – Leading industry partners already secured

Brief overview of existing PSD partners

- Our existing PSD project partners collectively have over 160 years experience in the seafood industry, employ over 10,000 people and have combined annual net sales of approximately US\$6.7billion
- Major equity and offtake agreements reached with Asian global seafood giant, Nippon Suisan Kaisha (Nissui). Briefly, the agreements included:
 - Nissui representative has joined the SFG board – Mr Sakai has 40 years commercial experience with Nissui
 - A \$24.99 million equity investment in SFG at a substantial premium to SFG’s share price. Equates to a 14.99% shareholding in SFG. Shares have a 3 year selling restriction – with limited carve outs mainly around takeovers and mergers. Nissui has the right to maintain its interest in SFG up to a maximum of 25% (subject to ASX waivers)
- Offtake agreements include
 - 15% of Queensland production
 - 10-20% of the total annual production of PSD. Percentage determined by Nissui’s direct and indirect shareholdings in PSD

Nissui brief overview

- Japanese's seafood giant formed in 1911. Market capitalisation of US\$1.7 billion, with annual sales over US\$6.4 billion. Nissui employs 9,000 people globally (on a consolidated basis)
- Nissui has a strong sales presence in all seafood major markets – Asia (mainly Japan), US and Europe.
- Has global access to marine resources, developed expertise in fisheries, fish and prawn farming, marine research and development, extensive processing and production abilities, logistics and international marketing networks.

Seafarms – Leading industry partners already secured.

Seafarms/Sealord Marketing and Service Agreement

- Seafarms has entered into a Marketing and Service Agreement with Sealord
- Sealord provides an exclusive and commission based sales and marketing service in both Australia and New Zealand. This provides Seafarms with significant synergy benefits by utilising Sealord's supply chain, wider sales force and diversified seafood portfolio offering

Sealord Brief Overview

- Seafarms finalised its Nissui agreement in early August 2018. As part of that agreement Seafarms has entered into a Service Agreement with Sealord. Sealord is 50% owned by Nissui
- The Agreement came into effect on 1 January 2019
- Since 1961, Sealord has established itself as one of the largest seafood companies in the southern hemisphere. Today Sealord employs more 1,100 people, with \$775 million of assets and revenues of \$450 million. It has a number of seafood operations (farming, processing and marketing) in both New Zealand and Australia that market a diverse range of seafood products to both retail and food service customers. From NZ, Sealord exports to over 40 countries in various fresh and frozen formats

Project Sea Dragon - the market opportunity

- 🍊 Trade gateway to Asia – this massive opportunity is already underway
 - 🍷 By 2030 two thirds of the world's middle class and 50% of the world's GDP ¹
 - 🍷 Consumption has become one of the core drivers of China's economy and will remain one of the world's fastest growing consumer markets for the foreseeable future ²
 - 🍷 China's consumer economy is projected to expand by about half, to \$6.5 trillion, by 2020 – even at lower annual real GDP of 5.5% ³
 - 🍷 Upward mobility and demographic change has transformed consumption in China. Growth has and will continue to accelerate in new product offering, particularly services and premium goods that enhance consumer lifestyles ⁴
 - 🍷 By 2050 50% of global growth demand for agricultural products will come from China GDP ⁵
 - 🍷 It has been estimated that the upper middle-class and affluent households will account for 55% of Chinese urban consumption and 81% of its incremental growth over the next 5 years ⁶
 - 🍷 It has been estimated that only 28 million Chinese could comfortably afford Australian food in 2017 (2% of population) and is forecast to grow to 102 million in 2022 ⁷

1) Northern Australia Infrastructure Facility December 2018

2) AliResearch December 2015

3) AliResearch December 2015

4) AliResearch December 2015

5) Northern Australia Infrastructure Facility December 2018

6) AliResearch December 2015

7) Austrade November 2018

Project Sea Dragon - the market opportunity

- Significant growing Australian presence and rapid growth being achieved particularly in Chinese market
 - ▲ Current food and beverages imports to China estimated at A\$153 billion up 10% from 2016 ¹
 - ▲ Australia is the 4th fourth largest major supplier of agri-food products in China – A\$7.7 billion in sales up 37% from 2016. Largest growth rate in 10 top suppliers ²
 - ▲ Over the last 12 months beef exports are up 35%, wine exports up 65% and dairy exports up 38%. This accounted for approximately A\$3.0 billion in exports ³
 - ▲ Significant growth in Australian/NZ/Canadian seafood exports to China
 - ▼ Australian lobster and prawn exports increased over 450% in 2017 ⁴
 - ▼ Removal of tariffs on Australian seafood (1 January 2019) will only make Australian seafood produce more affordable ⁵

1) Austrade November 2018

2) Austrade November 2018

3) Austrade November 2018

4) Austrade November 2018

5) Austrade November 2018

Project Sea Dragon - the market response

more product more quickly

- Ability to leverage off Australia's reputation as a safe, high quality and sustainable producer of premium food to the Asian markets
 - Growing concern over food safety - the use of antibiotics. Asian shrimp producers remain reliant on antibiotics due to highly fragmented small nature of their production systems
- Already generated strong domestic and international demand for PSD product
 - Seafarms has generated strong international demand for its premium product. Finalised offtakes, market access agreements with major Australian retailers and MOU's signed already exceed the entire Stage 1 (1,120 ha's) production profile. Further offtakes are expected.
 - Offtakes with global seafood industry partner Nissui have been finalised and further offtakes with another major industry player are well advanced
 - MOU's with a number of major Chinese corporations
 - Marketing Agreement with major seafood company Sealord has been finalised
 - In just three years, Seafarms has become Australia's largest supplier of Black Tiger Prawns to major Australian retailers
 - Significant ability to increase market further with only 10% of the domestic market currently being supplied by Australian farmed prawns. Limited access to Australian major retailer outlets and limited food service. By comparison the Australian salmon aquaculture producers supply approximately 90% of the Australian salmon market

PSD development commenced in the 2018 dry season

- Commencement of PSD phased construction and associated infrastructure is already underway. Government sponsored infrastructure to support PSD has also commenced
- Stage 1 development (1,120 ha's of production and nursery ponds) is to be built in three steps. Step 1 totals 400 ha's of ponds (producing 5,000 tonnes per annum). The benefits of phasing Stage 1 development include:
 - de-risking construction - less complex initial development strategy being adopted
 - reduced capital expenditure requirement to secure project finance with cashflows generated earlier which will assist in funding of the staged development of PSD
 - maintaining the maximum equity ownership of PSD by its shareholders

Project Sea Dragon – Funding for Step 1 of Stage 1

- ❖ Discussions have continued with commercial banks, government sponsored infrastructure funds and other major corporations regarding funding this initial phase development of Project Sea Dragon. Seafarms remains determined that its shareholders retain the maximum percentage ownership of this world class project at this critical stage of its development
- ❖ Advanced negotiations concerning another Project Sea Dragon offtake agreement(s) expected to be finalised shortly
- ❖ Discussions on-going with a number of significant Asian corporations with regard to a potential investment/offtake in Project Sea Dragon



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