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30 November 2015

ANNOUNCEMENT 452

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20 Bridge Street  
SYDNEY NSW 2000

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**Dear Sir**

**Seafarms Group Limited 2015 Annual Report Presentation**

Enclosed is Seafarms Group's 2015 Annual Report 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

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# **Annual Report Presentation November 2015**

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

Seafarms Group Limited

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# Seafarms Group Limited

## Commentary

- ❏ Shareholders should be under no illusion that their Company is fully committed to the development of Project Sea Dragon (**PSD**). The next 12 months will be a defining period focused upon substantially increasing shareholder value
- ❏ The Cardwell operations have been fundamental in building the key operating skills necessary for the staged development of PSD
- ❏ Crystal Bay brands have continued to achieve strong retail and food services acceptance in Australia with the expansion of our stock keeping units offer and ranging of our products from the delicatessen to refrigerator to the freezer
- ❏ These learnings are important steps in developing international markets
- ❏ The Board of Seafarms Group has continued to develop PSD through the Concept Study and Pre-feasibility Study stages and now commenced a bankable feasibility study. The Project has continued to show robust economics and the ability to occupy a position in the lowest quartile of lowest cost producers internationally

Ian N Trahar  
Executive Chairman

# Seafarms Group Limited

## Corporate Overview

ASX Listing Code	SFG
Market Capitalisation (at 27 November 2015)	\$58M
Shares on Issue	886M
Convertible Preference Shares	30M
Cash, Debtors & Inventories (at 30 September 2015)	\$26.6M
Current Debt (at 30 September 2015)	\$3.4M
Long Term Debt	\$9.8M
Financial Year End	30 September
Directors Shareholdings	51.25%
Directors	Ian Trahar (Executive Chairman) Harley Whitcombe Chris Mitchell Paul Favretto
Company Secretary	Harley Whitcombe

# Group Financial Update

	30 September 2015	30 September 2014
	\$	\$
Revenue	27.2M	23.7M
Full Year Result	<b>(16.3M)</b>	<b>(8.0M)</b>
Current Assets	29.0M	16.7M
Non-Current Assets	29.6M	35.2M
Current Liabilities	9.8M	7.2M
Non-Current Liabilities	9.8M	5.0M
Net Assets	<b>38.9M</b>	<b>39.6M</b>
Cash	12.0M	3.5M
Debtors	2.5M	2.8M
Inventory	12.1M	9.3M
Totals	<b>26.6M</b>	<b>15.6M</b>

# Comments regarding FY15 Result

- Key factors in the loss of \$16.3 million were:
  - the decision taken by the Board in order to comply with the relevant accounting standards to:
    - Write off all expenses related to Project Sea Dragon (**PSD**) for the current year and prior year costs capitalised on the balance sheet
    - Write off other non recurring items that had previously been capitalised
    - No capitalisation of the current years accounting tax losses as a deferred tax asset
  - Higher costs in aquaculture as the Company ramps up the development of PSD
  - Production was 1450 tonnes for the full financial year as compared to 684 tonnes for the 9 months ended 30 September 2014, but still short of target due to:
    - Lower growth rates due to an un-seasonally cold winter in Queensland
    - Supply and quality of post larvae (PL's) and lower than planned yields in some ponds at Cardwell due to biological / survival issues referred to in the half year operational report. The company is making good progress in addressing these issues
    - Black tiger PL's are from wild broodstock – domestication has, internationally, shown substantial production improvements through domestication programs (now commenced)
  - Trading opportunities expected in the carbon services segment did not materialise during the year
- All costs associated with PSD will continue to be expensed until final investment decision (**FID**)

# Comments regarding FY15 Result

## (continued)

### Cardwell

- International staff recruited for PSD and are now settled into their roles;
- Range expansion of our Crystal Bay retail offer is being well received by consumers;
- Consumer demand for Crystal Bay Banana prawns has driven a strategic change of production mix back to a larger proportion of Bananas;
- The important 2015 Christmas sales period is progressing well with strong demand and improving prices for both retail and food service distribution channels;
- Export licensing for the Cardwell facility has been achieved and product samples have been well received by Asian customers. The company is awaiting the imminent European Union import license approval enabling samples to be sent to major French and UK retailers.
- Export market development is an important step to facilitate future planned production from Project Sea Dragon
- Product pricing for exports remains strong with kilogram pricing for our targeted production trading at a premium to domestic pricing per kilogram
- The company has continued to reduce vendor debt during the course of the year with the final payment for the Seafarms Cardwell farms scheduled for January 2016, thereby reducing our balance date fixed debt of \$9.8M by a further \$2.1M.



# Comments regarding FY15 Result

## (continued)

### Project Sea Dragon

- ✦ The company is targeting to be investment ready by the end of calendar 2016 with the completion of its Bankable Feasibility Study (BFS) and securing the necessary approvals and licenses to operate;
- ✦ As a result of the downturn in the hard commodities cycle, PSD has benefitted from substantially reduced engineering and design costs and expects its BFS costing's will be well below the pre-feasibility study estimates;
- ✦ Export prices are well above pre-feasibility study estimates with Asian demand for large black tiger prawns demonstrating strong growth;
- ✦ Investor interest in PSD and Cardwell as an integrated aquaculture business has accelerated with the securing of major project status with the Commonwealth, Northern Territory, and Western Australian governments and the commencement of the BFS and regulatory approval process;
- ✦ The recent Northern Australian Investment Forum sponsored by the Commonwealth Department of Trade & Investment showcased PSD, a copy of the Company's presentation and descriptive video are available on the Company's web site [www.seafarms.com.au](http://www.seafarms.com.au).

# Seafarms Group Limited

## Corporate Overview

- ✦ Successfully raised \$16 million via private placement and entitlement offer to existing shareholders
- ✦ Mandated leading investment bank Pareto Securities – who will assist in securing development funding/partnering for Stage 1 of Project Sea Dragon circa US\$150M
- ✦ The Company will be seeking shareholder approval at the Annual General Meeting to change reporting date from September to June as this better reflects the operational aquaculture parameters

# Project Sea Dragon Unique Attributes

- 10,000 hectare aggregation – staged development
- Integrated production
  - Genetics, brood stock
  - Hatchery
  - Grow-out
  - Process for export
- Project expands to meet market
- Expansion from established operations
- Export focussed
- Completed Concept (April 2013) and Pre-Feasibility Studies (June 2013)
- First World platform
  - Biosecurity
  - Provenance
  - Food safety
- Product differentiation
  - Black tiger shrimp (Monodon) not white-legged shrimp (vannamei)
  - Larger sizes
  - Higher quality – price premium
- Bankable Feasibility Study commenced April 2015

# Project Sea Dragon Milestones

## November 2015

-  Invited to present at the federal governments Northern Australia Investment Forum
-  Forum held in conjunction with the governments of Queensland, the Northern Territory and Western Australia
-  Strong investor and industry interest shown in the project

## October 2015

-  Terms of reference for the preparation of an Environmental Impact Statement released

## September 2015

-  Granted major project status by the Western Australian Government
-  Sign funding mandate with Pareto Securities – The world's leading investment bank specialising in aquaculture
-  Federal Government released notification on the Assessment Approval for Stage 1 for Project Sea Dragon (EPBC Act)

## July 2015

-  Granted major project status by both the Commonwealth and Northern Territory Governments
-  Project Facilitation Agreement with Northern Territory Government

## April 2015

-  Bankable feasibility study commenced

## February 2015

-  Secure an Access and Purchase Option Agreement over Legune Station

# Project Sea Dragon – FY15 Progress





- Major progress in 7 months February to September
- Design and feasibility
  - Bankable feasibility study commenced April 2015
  - Identified preferred Darwin sites for:
    - Core Breeding Centre and Brood stock Maturation Centre
    - Commercial Hatchery
  - Engineering design for Exmouth Quarantine Centre completed
  - Major engineering design contracts let
- Land tenure and sites
  - Exmouth site (quarantine centre) is secured
  - Tenure pathways for breeding facilities progressed
- Australian Research Council Industry Transformative Hub research and development grant of \$5M for black tiger genetics project has now been implemented

# Project Sea Dragon – FY15 Progress




## (Continued)

### Environmental Approvals



#### Legune

-  Notice of intent for Stage 1 of 1,080 hectares lodged with Northern Territory Government
-  Terms of reference received
-  Environmental studies commenced
-  Scoping of requirements for breeding centre sites completed

### Indigenous and Cultural

-  Obtained Aboriginal Areas Protection Authority Clearance for Feasibility Study on-site investigations
-  Briefed Traditional Owners on Project
-  Engaging with Northern Land Council as official Indigenous representative body

### Project Funding

-  Continued engagement with a number of interested parties. Both on a direct equity or direct equity plus off take basis
-  Strong interest by a number of new parties

# Project Sea Dragon - Outlook

Still targeting major approvals complete end of Calendar 2016

- Government

- Expect to complete a Project Development Agreement with the Northern Territory Government
- Agreement to map pathways to 10,000 ha project
- Use adaptive management approach

- Indigenous and Cultural Approvals

- Environmental Approvals
  - Legune
    - Lodge Environmental Impact Statement Q3 C2016

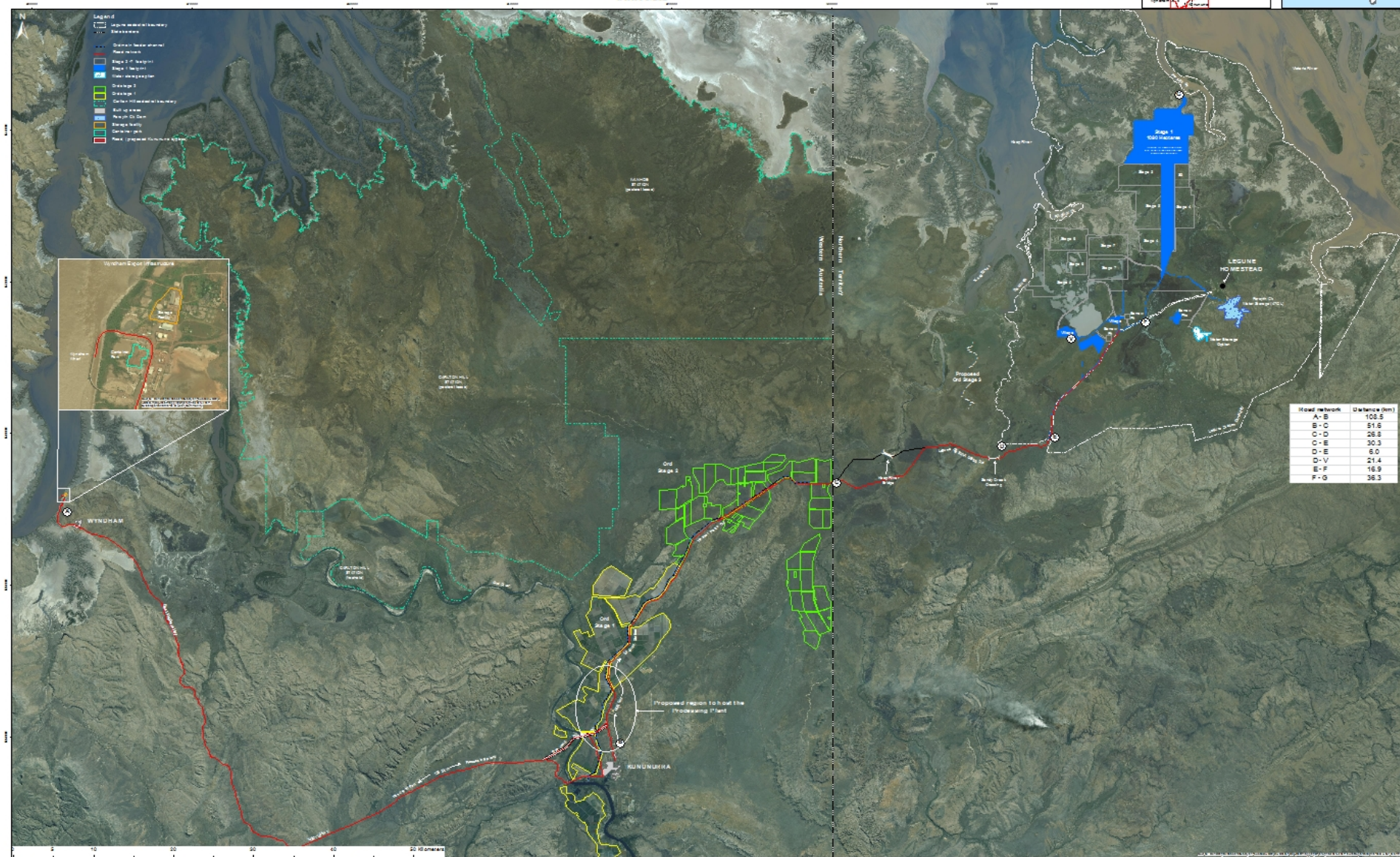
- Core Breeding Centre and Broodstock Maturation Centre

- Lodge notice of intent for these facilities

- Indigenous

- Continue discussions to complete Indigenous Land Use Agreement







# Current Operations Overview

- ❧ North Queensland
  - ❧ Cardwell and Ingham
    - ❧ 3 growout farms – 160 hectares
    - ❧ Operational since 1988
- ❧ Western Australia
  - ❧ Exmouth
    - ❧ Quarantine Founder Centre



# Current Operations Overview

## Hatcheries

### Flying Fish Point





-  Capacity of 27 million Post – Larvae (PL) per run (up 68%)
-  Domestication program running
-  R & D Project with Australian Research Council for Advanced Prawn Breeding continuing

### Exmouth

-  Biosecure breeding facility

## Farms





### Cardwell (Farms 1 & 2)

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

### Ingham (Farm 3)

-  32 ha of ponds

### Processing (Cardwell)

-  20t/day capacity (up 66%)
-  Fresh/frozen
-  Cooked
-  MAP line



# Current Operations Overview

## (Continued)

- Consolidation of the company's investment in its Queensland operations.
- Operational performance affected by a number of unbudgeted operational issues and the use of the existing facilities for both training and trialling a number of research and development regimes to optimise the operational design performance and management team for the company's planned expansion project, Project Sea Dragon including:
  - Feed trials over 15% of the operations
  - New product trials for customers over 8% of the operations
- Unbudgeted operational issues included increased maintenance and processing costs. These issues have now been rectified
- Production outcomes have seen improved food conversion ratios, yields from Banana prawns domesticated over 10 years and progress on domestication of black tiger prawns (currently generation 1)

# Current Operations Overview

## (Continued)

Training, research and development trails have added significant costs to the company's Queensland operations. Activities included:

- 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) some of which have resulted in higher than expected Food Conversion Rates
- 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 and Development

- 🍌 Australian Research Council Industry Transformative Hub for Advanced Prawn Breeding launched mid-year
  - 🍌 Major consortium with James Cook University, CSIRO, University of Sydney, Australian Genomic Research Facility
  - 🍌 Directly geared accelerating breeding outcomes for Project Sea Dragon
  - 🍌 On-farm infrastructure to support the project has been completed
  - 🍌 James Cook University and CSIRO on-farm to develop methods
- 🍌 Scientists have developed new work packages
- 🍌 Breeding lines have commenced
- 🍌 R & D linked to other innovation work
- 🍌 Extensive environmental R & D conducted for Project Sea Dragon at Legune. Includes
  - 🍌 Fauna and Flora investigations
  - 🍌 Water balance models
  - 🍌 Hydrodynamic models
  - 🍌 Water quality, and
  - 🍌 Geotechnical investigations

# CO2 Australia Overview & Outlook

- ✦ Restructuring of business completed in the first quarter.
- ✦ Successfully diversified its service capabilities within the environmental service sector
- ✦ Successful bidder in the Federal Government's Emission Reduction Fund Auction. Secures a series of contracts to 2025, all forward ACCU's sold
- ✦ Appointed as a large scale service provider under the Federal Government's 20 million tree program. Contracted through to June 2018
- ✦ Solid pipeline of prospects and well placed for continued expansion during the coming year
- ✦ Awaiting outcomes to numerous tenders
- ✦ United Nation's Climate Change Conference (Conference of the Parties) mid December. This meeting may provide further clarification regarding global outlook for carbon. Countries are scheduled to make new commitments on carbon at this meeting
- ✦ The Company sees substantial option value in continuing to be engaged in the climate change/abatement industry

# Corporate

- 🍊 Raised \$16 million from institutional and existing shareholders
- 🍊 Funded through to completion of Bankable Feasibility Study
- 🍊 Mandated Pareto Securities to procure funding for Stage 1 of PSD
- 🍊 Seeking shareholder approval to change full year reporting period back to 30 June as this better reflects the aquaculture operating parameters.



## Contact Us

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