

Seafarms Group Limited (ASX:SFG)

SFG Announcement No. 678

Seafarms Group Operations Market Update

Investment Highlights

-  Farm 3 2020-21 outperforms budget expectations and continues to demonstrate key production metrics for Project Sea Dragon (PSD)
-  Strong progress in market development - fresh prawns into supermarkets, preparing for year-round supply from PSD
-  Development of Specific Pathogen Free families and commercial stocking of domesticated prawns on the east coast

Sustainable aquaculture company Seafarms Group Limited (ASX:SFG) ("Seafarms" or "the Company") is pleased to provide this market update on its operations in North Queensland and Project Sea Dragon.

Farm 3 (PSD Commercial Trial) Harvest Performance

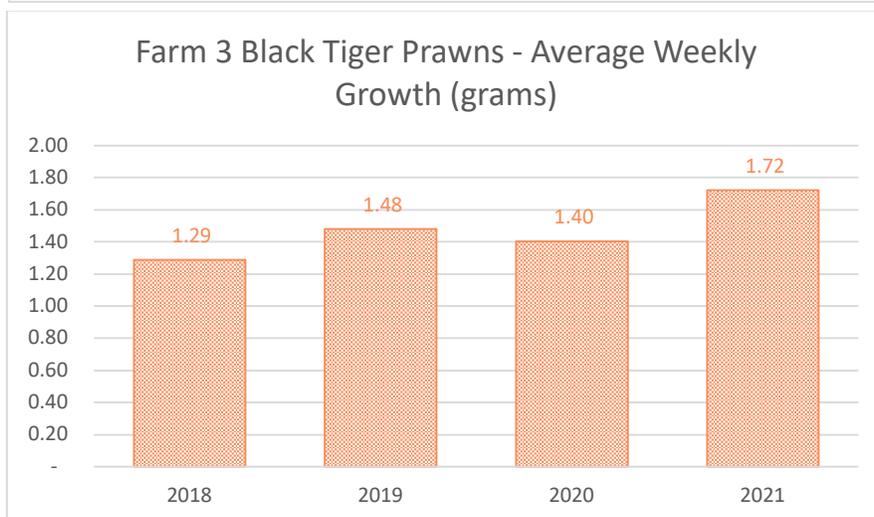
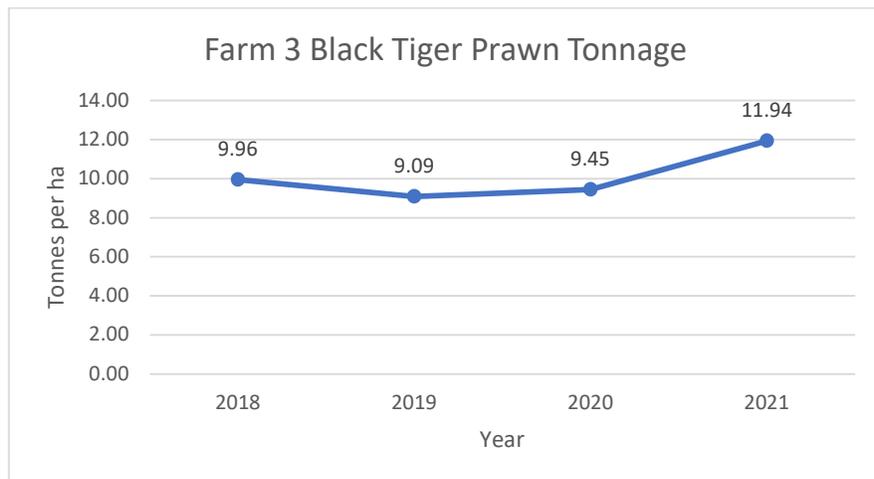
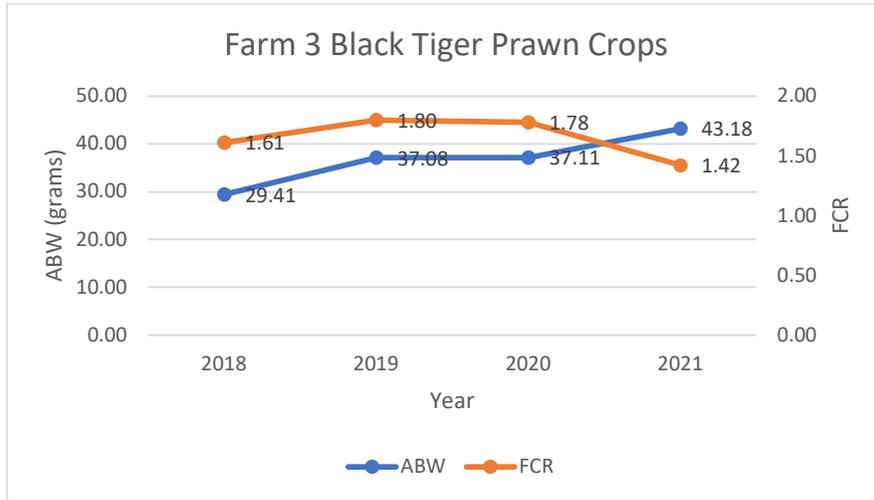
Seafarms operates a hatchery at Flying Fish Point, grow out facilities across three farms in Cardwell and Ingham and processing in Cardwell.

The total harvest from Farm 3 was greater than budget by 33 per cent. This strong crop performance at Farm 3 occurred despite difficult seasonal conditions with regular and planned water exchanges being disrupted due to high rainfall events.

Performance	Actual Farm 3 (Nov 2020- May 2021)	Base Case PSD
Number of hectares stocked	33	360
Crop yield tonnes/hectare	12.0	16.6 (Annual yield)
Food Conversion Ratio	1.42	1.5
Cash Cost per kg	\$13.79 (including processing, logistics & marketing)	\$10.0
Days of Culture	176	175
Average body weight – final harvest	43g	40g
Number of crops per annum	1	2

GRAPHS OF FARM 3 HISTORICAL PERFORMANCE

Note: Food Conversion Ratio (FCR) and Average Body Weight (ABW)



Farms 1 & 2

The Company continues to extend its fresh prawn offering as far as practicable given Queensland growing conditions. Farm 2 is stocked with Black Tiger prawns for customer fresh food programs and to develop export markets. Farm 2 harvesting has commenced in line with expected budget timing. Export production with a stringent demand on grading has commenced from the farm. Crop tonnage appears to be at or ahead of budget.

Farm 1 has been partially stocked with Banana prawns to extend the availability of fresh Crystal Bay Prawns for our supermarket customers. This stocking follows the very successful program trialled last year with a key retail partner and enables fresh product to be delivered to selected retail outlets early in the season, when no other fresh prawns are available on supermarket shelves.

Domestication and Breeding

For the first time, Farm 3 2021 crop was stocked with 80 per cent domesticated animals (fifth generation, so called G5) noting that unlike PSD, these animals are not Specific Pathogen Free (SPF) but resulted from the domestication workstream of the company's Australian Research Council Program (ARC), which was announced in June 2014. It is well documented that such Black Tiger prawn domestication programs have resulted in significant productivity gains over time, with CSIRO reporting its 10-year program of selective breeding resulted in average G8 yields for Black Tigers prawns of 17.5 tonnes per hectare.

The domesticated prawns result in less exposure to timing and population uncertainties arising from total dependence on wild caught broodstock. This provides greater production control and reduces pressure on the natural resource.

With the performance of the Queensland G5 animals at Farm 3, the Company will evaluate the pathogen status of these animals. When the opportunity presents, the Company will transfer some of those Broodstock to Exmouth to be introduced into the Exmouth SPF program to increase genetic diversity of the SPF population.

Refinements in broodstock husbandry that lead to better fecundity and fertility potentially enable the farms to be 100 per cent stocked with domesticated animals, despite limited accommodation at the Flying Fish Point hatchery.

As previously announced, the ARC Program had a range of partners including The University of Sydney, CSIRO, the Australian Genome Research Facility and Seafarms as the only aquaculture industry participant. The aim of the research program was to deliver the "worlds most advanced multi-trait genomic selection breeding program for shrimp" and will deliver on the widespread global trend towards farming using fully domesticated and genetically improved animals into production systems.

Exmouth

The Company expects to produce fourth generation (G4) of Specific Pathogen Free (SPF) animals in the near future. Additional minor works were undertaken to create stronger separation between different biosecurity levels at this site.

An additional 12 families have passed initial pathogen screening to serve as a base for further SPF development in addition to the genetic pedigree for the PSD breeding program.

The Exmouth site is designed to accommodate limited biomass and hence number of animals. For this reason, and as a fail-safe, Seafarms is at an advanced stage of technical assessments of other existing aquaculture sites to accommodate these valuable SPF animals. This strategy will protect the Company's intellectual property and safeguard the substantial investment in SPF stock.

Feed Automation trials

Seafarms continues to progress on-farm trials of auto and smart feeders at Cardwell as part of the rigorous technological selection process. Aquaculture automation continues to develop with rapid advances in hardware, software and systems integration.

On-farm trials enable Seafarms to undertake its own due diligence of developers' claims, facilitate technology selection and provide aquaculture technicians with meaningful hands-on experience.

Existing Queensland facilities have limited broadband connectivity. Robust telecommunications infrastructure has been incorporated into the PSD design at Legune and between Legune and Kununurra. Sacred Sites (AAPA) clearance has been obtained to establish the required communications infrastructure.

Customer Update

Domestically, Seafarms expects to continue supplying fresh Black Tiger prawns through to June and recommence in August with the supply of fresh Crystal Bay Banana prawns to select retail and wholesale customers. This will lead into the Black Tiger prawn production for Christmas and near continuous supply of fresh prawns year-round.

Seafarms continues to work closely with its domestic customers on new product development and it is envisaged that a number of new products will be released this year to complement existing ranges and continue to expand the market for Black Tiger prawns.

Globally, food service continues to be challenged due to COVID-19, however prices are continually increasing on the expectation of food service rebounding in Q3 and Q4 of the 2021 calendar year. Higher retail food consumption through COVID-19 has increased the visibility of prawns as a protein regular consumed at home and this trend is unlikely to be reversed when food service re-opens.

Project Sea Dragon Construction Debt Funding

SFG and its advisors continue to advance construction debt funding for the development of Stage 1a development of Project Sea Dragon.

The Stage 1a farm involves constructing 36 nursery ponds and 36 grow out ponds totalling 396 hectares, designed to support approximately 6,000 tonnes per annum of premium large Black Tiger prawns in the first 12 months of production. Stage 1a includes expanding the Founder Stock Centre at Exmouth, a Breeding Centre at Bynoe Harbour and a processing plant at Kununurra. Stage 1a construction costs for all facilities is estimated to be in the order of A\$281 million (before escalation and contingencies). At Legune, this includes some A\$150 million in infrastructure spend that will service up to a full Stage 1 (Stage 1a and Stage 1b totalling 1,080 hectares) and subsequent stages. A full Stage 1 PSD development is designed to produce approximately +18,000 tonnes per annum of premium large Black Tiger prawns.

As previously announced, the COVID-19 environment caused delays in finalising construction debt facilities, due to travel restrictions. This included the inability of independent experts to undertake on-site inspections throughout 2020 and tightening of debt markets. After some months of due diligence and negotiations, a number of debt providers are well advanced with their indicative commitments. At this time, these indicative commitments are subject to final investment and credit commitment approvals, completion of due diligence processes, agreement of outstanding commercial terms, finalisation of finance documents and certain other conditions. All of these outstanding matters are well advanced.

A number of additional debt investors are required to facilitate the full construction debt commitments required for the development of Stage 1a. A number of additional debt investors have been provided with due diligence information and access to management to facilitate their processes needed to complete their required internal processes.

Authorised by the Board of Seafarms Group Limited.

Ends.

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About Seafarms Group

Seafarms Group Limited (ASX:SFG) is a sustainable aquaculture company, producing the premium Crystal Bay® Prawns and developing the Project Sea Dragon prawn aquaculture project in northern Australia.

Seafarms Group uses environmentally sustainable processes and is currently Australia's largest producer of farmed prawns, its Crystal Bay® Prawns and Crystal Bay® Tigers are available year-round in fresh and frozen formats. To learn more please visit: www.crystalbayprawns.com.au

Seafarms Group is investing in sustainable aquaculture for export through Project Sea Dragon, a large-scale, vertically integrated, land-based, prawn aquaculture project being developed in northern Australia. The standalone marine prawn production system will be capable of annually producing over 150,000 tonnes of prawns and the high-quality, year-round volumes will target export markets. To learn more please visit: www.seafarms.com.au