



ASX Announcement | 28 February 2022

Seafarms Group Limited (ASX:SFG)

SFG ASX Announcement No: 721

Half Year Results Presentation

Enclosed is the Half Year Results Presentation for the period ending 31 December 2021.

Approved and authorised for release by the Board of Seafarms Group.

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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

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2022 Half Year Results Presentation

28 February 2022

First Half FY22 Operational Overview

Overview – Financial Performance

- Operating revenue for the 6 months ending 31 December 2021 was \$15.4m (up 3% on 1H FY21) representing improved sales of both fresh and frozen product
- Total production for the 6 month period ending 31 December was 288 tonnes (up 13% on 1H FY21)
- Construction progressively mobilised for Project Sea Dragon through the first half of FY22
 - A detailed review of project costs has been undertaken in line with Seafarms capitalisation policy such that only directly attributable costs with future economic benefit are reflected on the Balance sheet
 - Accordingly, a total of \$23.3m has been included as PSD Pre-Development expenses in the P&L which relate to Ponds, Access roads, accommodation, consulting and project management costs
- As part of the half year review, a further \$1.4m of impairment loss was recognised relating to costs incurred in 2019 and 2020



First Half FY22 Operational Overview

Overview – Financial Position

- Cash and cash equivalents increased to \$70m (30 June 2021: \$0.5m), due to raising of equity. A total of \$132.8m was raised during the year, which included two related party loans of \$22.76m that were converted to equity resulting in decreased borrowings
- Accounts receivables were significantly higher than the six months to June 2021, mainly due to the seasonal sales around Christmas. The seasonality is also reflected in the significantly lower inventory balance as at December 2021.
- The increase in accounts payable for the period primarily relates to Project Sea Dragon development costs
- Property, Plant & Equipment has increased in line with capitalised PSD development costs as per the company's capitalisation policy.





Business Update

Agenda

- Corporate changes
- PSD update
- Project review – *COVID delays in access via WA and international travel mean the review is now expected to complete in late March*
- Emerging strategy
- Appendix – PSD Pre-Development Expenses

SFG Corporate Changes - *as previously advised*

Business / management

- Mick McMahon (CEO) and Ian Brannan (CFO) commenced in September 2021
- Updated market on PSD costs and Financing process
- Perth office closed and registered office moved to Darwin
- SFG and Project Sea Dragon overhead costs reviewed and reduced as appropriate
- Cash flow tightly managed to support key priorities

Board update

- Mick McMahon appointed Executive Chairman and Ian Brannan as Executive Director and Company Secretary on 1 November 2021. Mr Ian Trahar remains a Non-Executive Director
- Dr Chris Mitchell resigned from Board on 30 November 2021
- Mr Harley Whitcombe has stepped down as an Executive Director and Company Secretary
- Mr Paul Favretto has announced his retirement and will not be standing for re-election
- The Board of Seafarms would like to acknowledge the contribution Dr Mitchell, Mr Favretto and Mr Whitcombe have made over many years and wish them well for the future
- Board renewal process is expected to continue

Project Sea Dragon update – *as previously advised*



- Capital raise for PSD construction completed in June 2021
- Construction progressively mobilised through latter half of 2021
- PSD Cost update provided to the market in October 2021
- Updated on project financing on 1 Nov 2021
- Announced PSD Project Review 1 Nov 2021
- Project Review expected to complete around end February with outcomes reviewed in March 2022
- Legume Grow Out Construction continued through until Christmas before being suspended for the Wet Season until the end of March 2022 (in line with contractual arrangements)
- Impact of COVID restrictions and logistics challenges continue to impact

Project Sea Dragon – Legume status of work

— *as previously advised*



- Main construction activity has been at Legume in the NT
- 21x 1ha Nursery Ponds are under construction, with 8 of those ponds having embankments at full height prior to Wet Season suspension
- Work on pre-cast pond inlet and outlet structures in Darwin progressing
- Earthworks for Farm 1, Seawater Intake, and Settlement Pond has commenced with over 300 ha cleared to date
- Work is ongoing on roads and the Forsyth Creek Quarry
- Accommodation camps in use with around 80 people working prior to the Wet Season suspension

Project Sea Dragon Project review – *to complete by the end of March*

PSD Review

- With funding not being closed prior to end 2021 we have taken the opportunity to review all aspects of PSD
- Clear pressures from COVID and related restrictions and impacts (as reflected in the Construction Cost Update)

Workstreams

- The workstreams cover all elements of the value chain, construction costs and operational capability
- It also includes a review of existing Queensland Operations and how they complement PSD
- Underlying principles, assumptions and economics are being challenged where appropriate
- Focus is on how best to meet Domestic and International demand

Status & Timing

- The Project Review is progressing well with some COVID impacts (mainly restricting site visits and travel)
- The Review is expected to complete around end February
- Outcomes of the Review will be assessed in March and reported by the end of March

Workstreams

Prawn value chain	Economic Modelling
Marketing, sales and logistics	Prepare the Runway
Biological / stocking	Funding
Process plant specification	People & Capability
Farming & operations	Finance & Legal
Construction schedule	Queensland Strategy
Project plan	

Seafarms – Emerging Strategy – *as previously advised*

Increase domestic volumes

- Clear opportunity to increase domestic production to meet existing customer requirements
- Rebalance QLD production to best meet demand for high quality, fresh product
- Meet domestic customer demand for Banana prawns as well as Tiger prawns
- Reverse volume and market share declines over the last 5+ years
- Queensland production focused on the East Coast domestic market is likely to compliment PSD production for some time

Improve QLD operations and Profitability

- Opportunity to improve our existing operations and modernise where appropriate
- Refocus on simplifying operations to meet existing customer demand
- Grow volumes to support improved profitability and justify investment

Implement outcomes of PSD Project Review

- Clear domestic and international demand for high quality product
- Initial PSD focus likely to be on high specification export markets
- A focus of the Project Review is our ability to meet export cost and price points
- The Project Review is also examining lower cost, lower capital options to deliver product to market in the early phases of PSD

Appendix - PSD Pre-Development Expenses

Category	Total Expenditure ¹ \$m	Operating Expenditure \$m	Capital Expenditure \$m	Comments
Ponds & Inlet structures	8.9	4.7	4.2	Primarily relates to expensing of mobilisation costs
Access Roads (incl Quarry works)	4.8	1.8	3.0	Expensing of mobilisation costs and the application of capitalisation rate based on expected future benefits
Seawater intake channel	5.7	3.7	2.0	Primarily relates to expensing of mobilisation costs
Accommodation	5.3	5.3		Pre-Development phase expenditure
Insurance	2.4	2.4		Pre-Development phase expenditure
Consulting & Engineering	1.0	1.0		Pre-Development phase expenditure
Project Managements Costs	3.4	3.4		Pre-Development phase expenditure
Other	2.6	1.1	1.6	Includes various pre-development phase expenditure
Total	34.1	23.3	10.8	

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