



# Seafarms Bell Potter Home Grown

September 2021

The transformation of Seafarms from Australia's largest prawn producer into a significant global low cost producer has commenced

Seafarms Group Limited (ASX:SFG)

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## Overview of Seafarms Group

- 🍊 One of Australia's largest prawn aquaculture companies
- 🍊 Has significant operational aquaculture expertise and a demonstrated track record of growth and innovation.
- 🍊 Development Project Sea Dragon (PSD) development has commenced following recent c\$100m equity raising
- 🍊 New management appointed to lead PSD to be one of the largest Black Tiger operations globally.

# Overview of Project Sea Dragon

## One of the world's largest aquaculture operations

- 🍊 Located across Northern Territory and Western Australia
  - 🍊 Exmouth, Bynoe Harbour, Gunn Point, Legune and Kununurra
- 🍊 Once fully developed it will be one of world's largest Black Tiger operations with the capacity to produce up to **130,000-180,000 tonnes per annum**
- 🍊 Fully integrated project that includes all steps from breeding, hatching and rearing, to growing, harvesting and processing prawns for the consumer
- 🍊 Multiple staged development plan

## Construction on Stage 1a has commenced

- 🍊 Funded by recent c\$100m equity raising
- 🍊 Supported by ~A\$168M expended by governments to develop supporting road and bridge infrastructure to ensure year round access
- 🍊 Comprising approximately 1,080ha of ponds and facilities

## First harvest anticipated Q4 2023

- 🍊 Annual Production projected to be 6,000 tonnes per annum Q2 2024 building towards production of 18,000 tonnes annually when Stage 1 is complete
- 🍊 Offtake agreements (Nissui, Primstar) covering ~25% of production at market based prices are in place
- 🍊 World leading Breeding/Domestication and Genetics Programs (Pathogen Free)

# SFG is already an operator

## Seafarms Operations

- The Queensland Operations are primarily intended to demonstrate and trial operating concepts for PSD.
  - core operational workforce
  - provide aquaculture facilities for part of our world class breeding/domestication/genetics program and R&D activities.
- Aquaculture revenues for the FY21 reporting period were ~A\$21M

## Operational PSD Trials

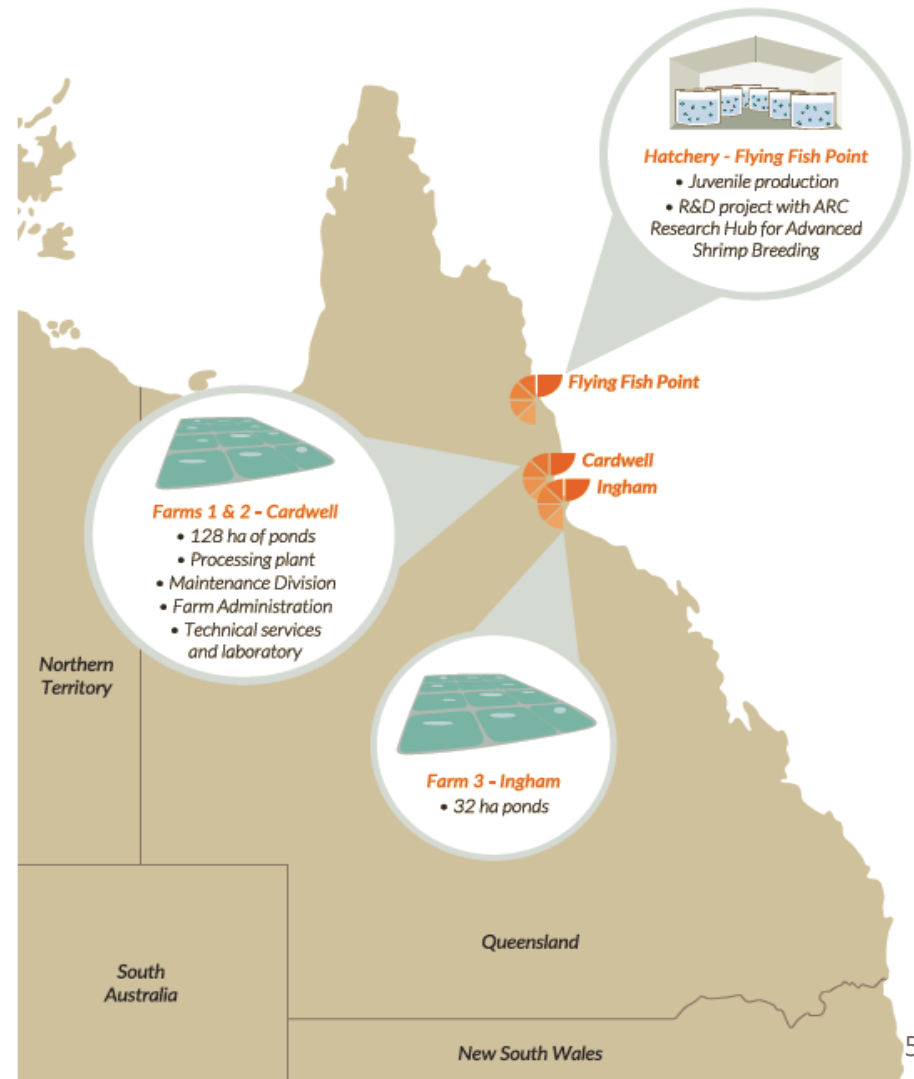
- Continued trialling and assessment of automated feed systems,
- Test and develop the integration of in-pond monitoring technologies

## Market Development

- Domestic and international markets (Japan and Europe)
- First shipment to our European offtake partner, Primstar (one of Europe's largest seafood companies).
- Manage our core new product development and portfolio mix to maximise margin.
- Expansion of product lines underway to deliver higher margins and offset cost base volatility
- Significant interest from other potential offtake partners received, with new enquiries originating from Asian countries and the USA.
- **Seafarms Crystal Bay branded prawns are sold in supermarkets throughout Australia**

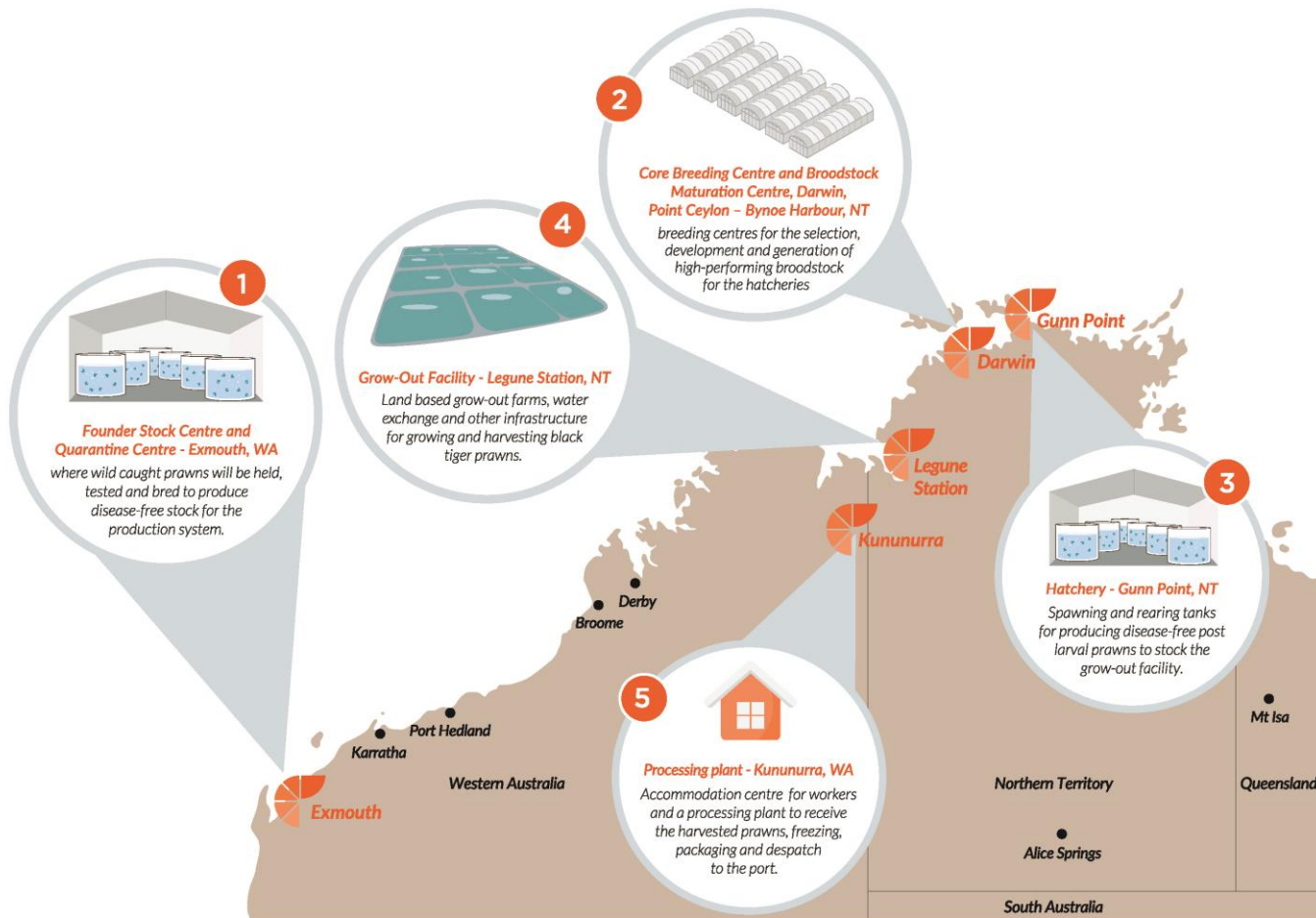


## Seafarms Operations



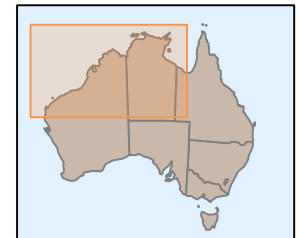
# Project Sea Dragon – Location Overview

Legune Station in the Northern Territory, has been carefully selected for the grow out facility. SFG holds sub-lease on Legune Station providing secure tenure for the full development



Please note this is a stylised map of Project Sea Dragon and does not represent the accurate scale and location of the project facilities.

For more information please contact [info@seafarms.com.au](mailto:info@seafarms.com.au)



PSD project location within Australia

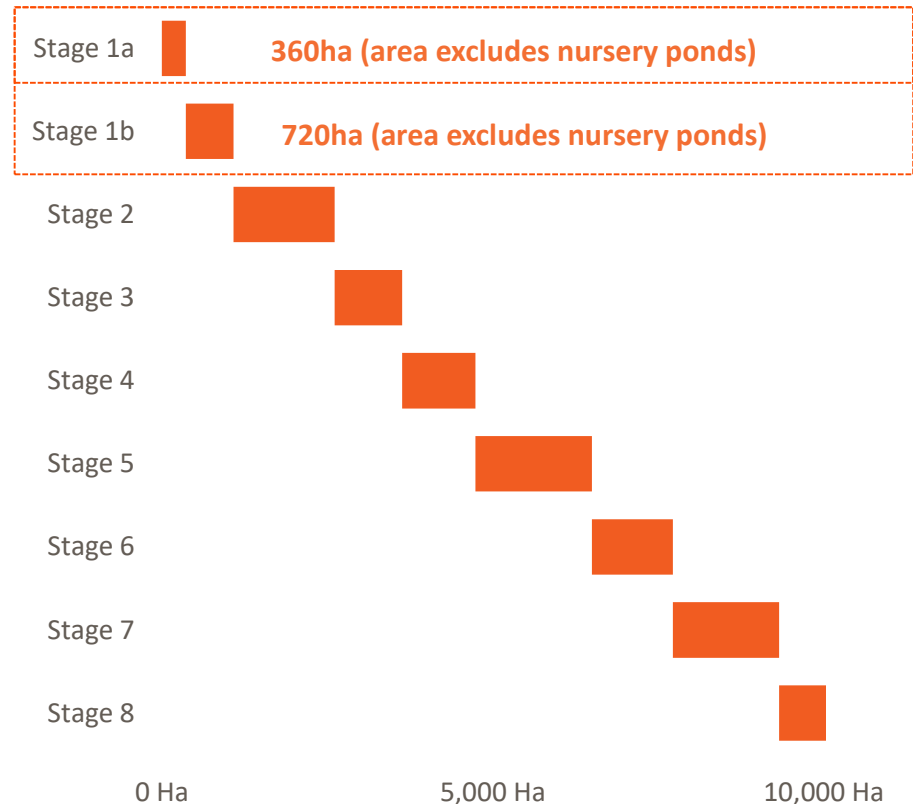
# PSD delivery strategy

The project delivery strategy of PSD as a modular project underpins its scalability for future stages

## Project sequencing

- Stage 1a comprises 36 x ~10ha of grow out ponds, 36 x ~1ha nursery ponds and access, water, hatchery, production and processing infrastructure which is designed to support production of up to approximately 6,000 tonnes per annum of BTP in the first 12 months of production.
- The next planned step is to develop Stage 1b, which will comprise approximately 72 x ~10ha of grow out ponds.
- Stage 1b will be able to utilise much of the infrastructure developed for Stage 1a, including roads, water intake and outlet and communications infrastructure, thereby reducing capital cost per hectare of ponds.
- Much of the infrastructure can be shared for further stages of PSD (with necessary expansion and upgrades).
- Ultimately, PSD has the potential to be expanded to approximately 10,000ha of grow out ponds generating 130,000 to 180,000 tonnes per annum of BTPs.
- Stage 1a production of 6000 tonnes (6 million kgs) pa will deliver robust financial outcomes**
  - Current BTP pricing \$17-\$24 per kg**
  - Base case PSD cash cost per kg of \$10.00**

## Indicative of completed stages if developed



# Construction at Legune

- ❖ SFG has obtained all the material regulatory approvals, including an Indigenous Land Use Agreement, required for Stage 1 development of PSD
- ❖ SFG have appointed Canstruct to manage a significant portion of the construction
- ❖ 2021 Dry Season construction has commenced
- ❖ 74 person construction camp has been transported to site
- ❖ Construction camp site cleared and camp fit-out underway using local contractors
- ❖ Road-works within the station boundary have commenced
- ❖ Quarrying contract has been awarded and mobilising to site
- ❖ Procurement of long-lead items such as Seawater Intake Pumps is underway
- ❖ Ground broken at Farm 1 site



*Farm 1 pond under construction Photo: MNG*





*Access Road*



*74 person camp at Bundoberg*

# Funding Status of PSD Stage 1a

- The recent equity capital raising of \$107.5m has allowed construction to commence
- Proposed construction debt of \$130m is required to fully fund the development of Project Sea Dragon Stage 1a
  - Discussions with multiple debt providers are well advanced
- Additional Stage 1a funding well progressed to meet first production in Q3 2023

# Prawns (shrimp) offer a massive market opportunity with macro tailwinds

- Strong demand especially from Asia and a significant product premium represent key opportunities



**Strong demand**

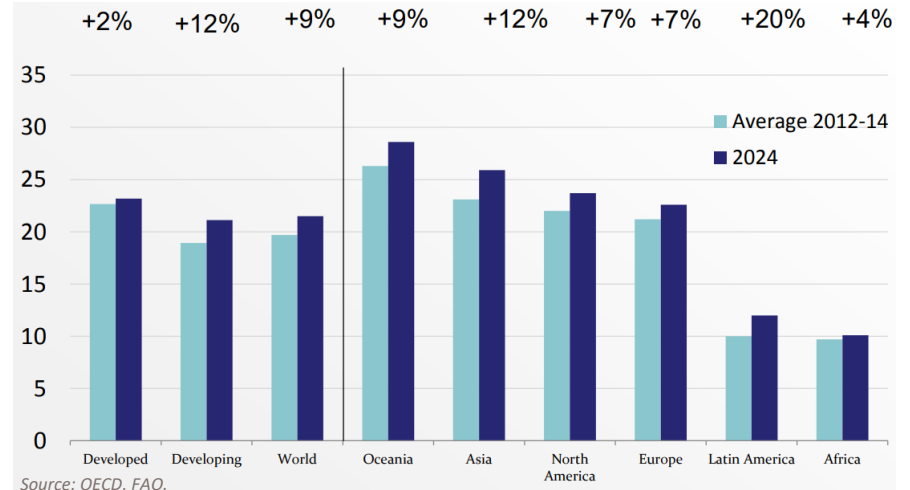
- Significant demand for BTP from Asia, with both Japan and China showing growing interest in high quality seafood products
- Seafood products are a focus in high-end supermarkets, restaurants and 5-star hotels, with seafood culturally preferred to red meat
- Nutritional benefits of Japanese cuisine such as sushi and sashimi drives seafood demand



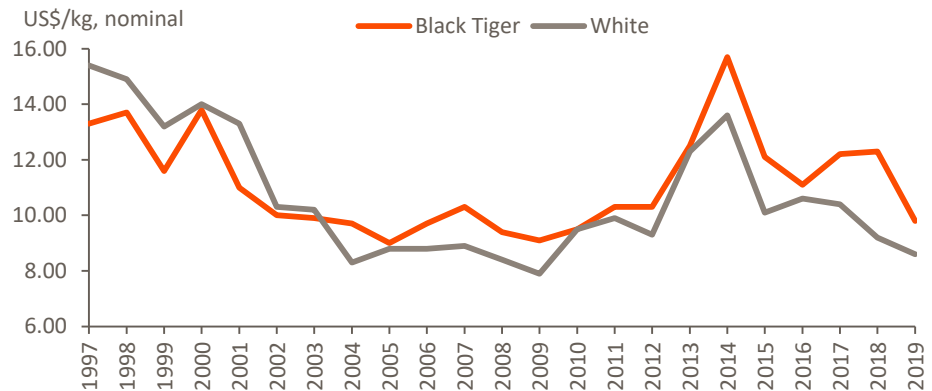
**Premium pricing**

- BTP has achieved a pricing premium to White Prawns ('WP') since 2004
- The majority of prawns are traded on a bilateral basis with premiums for the security of supply, quality and size
- SFG currently captures a significant premium on the price achieved for BTP at its QLD operations compared to the Urner Barry index<sup>1</sup>

**Growth in per capita seafood consumption (kg/capita live weight)**



**BTP price premium – Urner Barry index**



1. The Urner Barry shrimp indices are based on the previous week's prices achieved across a select group of US based commodity traders. As such, it represents only a guide to global prices for open market traded products on a spot basis

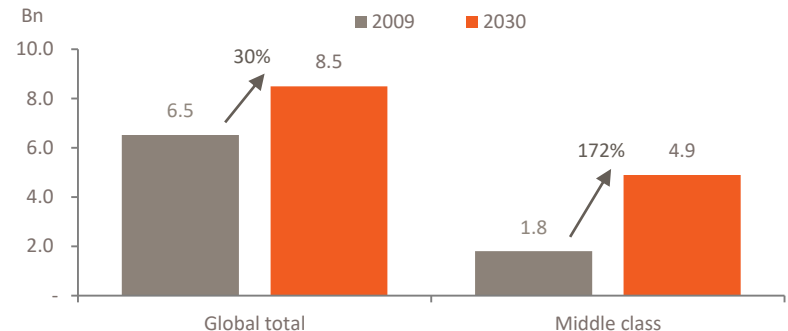
# Scale production to address the market opportunity

- SFG seeks to tap into the increasing demand for protein from a growing middle class.
- A significant proportion of this new demand can only be met by seafood aquaculture

## Key macro-economic trends

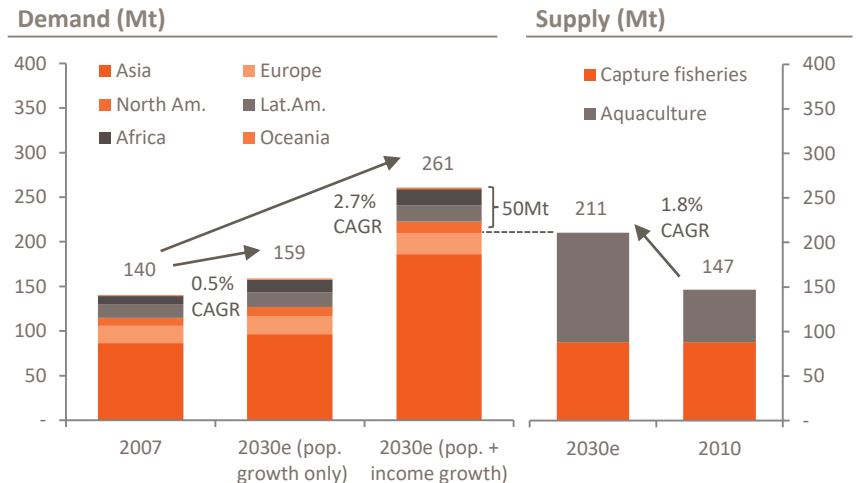
- 1 Global population expected to grow to 8.5bn by 2030
- 2 Levels of urbanisation forecast to increase from 54% in 2015 to 60% by 2030
- 3 Global 'middle class' forecast to increase from 3.7bn in 2019 to 4.9bn by 2030
- 4 Key source of growth is Asia, where seafood is culturally preferred over red meat

## Growing global population and middle class



Source: UN, OECD Observer.

## The role of seafood in meeting protein demand



Source: 2030 FAO projections.

## Impact

- Based upon expected population and income growth, seafood demand expected to reach 261Mt in 2030, up from 140Mt in 2007
- In addition to income growth, increased health awareness amongst the middle class is an important factor for growing seafood demand
  - Major part of daily Asian diet
- Forecast aquaculture supply growth is not sufficient to meet forecast demand growth
  - Current baseline supply growth projections to 2030 leave a shortfall of 50Mt

Source: UN, FAO, OECD Observer. Global Economy and Development at Brookings 2017



Crystal Bay® Prawns



## SFG – PSD

# Building one of Australia's largest prawn aquaculture companies

- PSD construction commenced with first harvest targeted Q4 2023
- Mick McMahon and Ian Brannan (CEO, CFO, ex Inghams) appointed to industrialise PSD
- World leading Breeding/Domestication and Genetics Programs (Pathogen Free)
- Stage 1a production of 6000 tonnes (6 million kgs) pa will deliver robust financial outcomes
  - Current BTP pricing \$17-\$24 per kg
  - Base case PSD cash cost per kg of \$10.0
- Offtake agreements (Nissui, Primstar) covering ~25% of production



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