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ASX Announcement | 12 October 2021

Seafarms Group Limited (ASX:SFG)

(SFG Announcement No. 707)

PSD Construction and Estimated Capital Cost Update

Investment Highlights

- A$95 million of construction works at Legune awarded to head contractor, Canstruct, and Construction is progressing.
- The Company's re-forecast capital cost estimate is A$370 million to A$410 million (including escalation and contingency). The Company's best estimate at the date of this announcement is toward the lower end of this range.
- Construction debt facility progressing with agreements targeted for Q4 2021.
- Work at Legune is making progress in line with schedule.

Sustainable aquaculture company Seafarms Group Limited (ASX:SFG) ("Seafarms" or "the Company") provides this market update.

Legune construction works update

Following completion of the capital raising announced in June 2021, the Company has progressed with construction at the Legune grow out centre in the Northern Territory.

An overview of work conducted to date within the three months from the availability of funds is as follows:

- The Company has previously announced A$78m of work to Canstruct Pty Ltd (26 July) following earlier announcements in relation to the appointment of Canstruct Pty Ltd as Head Contractor.
- Since that time, Canstruct Pty Ltd have been authorised to progress with an additional A$17m of work for the jetty hardstands, roads and quarry services.
- Of the A$95 million of construction works at Legune awarded to Canstruct Pty Ltd, the price, in the aggregate, is within 8% of Company budget estimates that exclude contingency. This work represents approximately 54% of the capex required at the Legune site. While Canstruct have been awarded A$95m of work, they have only been authorised to proceed with A$57m of work so as to remain within the funding limits of the prior capital raise.

On-ground progress is as follows:

- The 76-man camp (Bundaberg camp) at Legune is complete and available for occupancy.
- 20 accommodation buildings have been installed at the northern camp. Generators and Water Treatment Plant are on site.
- The bulk earthworks for Farm 1 at Legune have commenced with over 2,000,000m^2 cleared and /or scraped. Initial works indicate levels can be managed with minimal impacts on cut/fill volumes and the load carrying capacity of the ground is consistent with budget assumptions, minimising the risk of cost overruns.
- The stone quarry is operational and providing material for access road construction, road upgrades, road repair, hardstands and, where required, material to shore up soft ground.

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- Good progress has been made with access road construction and upgrades required to permit development of key water inlet and discharge infrastructure. Access to the inlet hardstand has been established up to the edge of the mangroves, as has access to the waste water discharge point. The construction of access roads from the quarry to the seawater intake has commenced. In addition, new sheeting has commenced to upgrade a 12.5 km section of internal roads and maintenance of the road from the station boundary to the cattle yards continues.
- An international specialist based in France has been engaged to increase the definition of the Processing Plant.

At Exmouth and Bynoe Harbour, key items of equipment for recirculating aquaculture systems and other water treatments components have been placed on order. This progresses the previously announced packages awarded for detailed engineering of buildings and utilities and procurement of water treatment components.

Capital costs re-forecast and contingency

A number of capital cost increases have been identified following the progress in awarding contracts, reengaging in the market, receiving expressions of interest in a number of work packages and the commencement of construction at Legune, and the evolution of COVID 19 border restrictions.

Budgeted costs are being impacted by scope and design adjustments, final engineering design and cost escalation pressures in the market.

As part of the total capital budget, Seafarms is now in a position to provide an estimate of contingency and escalation for construction of Stage 1a of Project Sea Dragon.

In June 2021, Seafarms estimated that the capital works for Stage 1a of PSD was estimated to fall within the range of A$275m – A$290m with the Company's best estimate being A$281m. It was made clear when these estimates were provided that they were exclusive of an allowance for contingencies.

The Company's re-forecast capital cost estimate is A$370 million to A$410 million and this includes allowances for contingency and escalation. The Company's best estimate at the date of this announcement is toward the lower end of this range.

The key contributors to the increases in estimated capital costs include:

- Process plant scope changes – engineering design work is continuing on the processing plant to accommodate evolving international market requirements and optimise operating cost benefits. A decision has been made to accommodate provision for requirements that increase the size, performance and capability of the Processing Plant, even though final decision nor final designs are available. The estimated costs of the plant have also been affected by increased cost of steel, and the cost of building construction labour. As a result, an increase in capital cost and associated contingency and escalation has been provided for. As a result, a contingency of 22%- 55% (A$10 million- A$25 million) has been applied.
- Legune access road scope changes – Unforeseen hydrological issues affecting the access road upgrade are being assessed and some specification changes and higher construction and upgrade costs are expected. Capital costs are also being impacted by proposed design upgrades to provide more extensive periods of all-weather access to operations, meet the higher design requirements of the station owner and to minimise the impact of the owner's cattle operations on PSD operations.
- Inclusion of an allowance for contingency and escalation, including for contract variations – the Company has now quantified an allowance for contingency and cost escalation. This is based on its experience to date, having awarded certain contracts, commenced construction and allowed for known contract uncertainties and COVID 19 related impacts. To date, COVID 19 and its associated border and transport restrictions have caused additional site mobilisation logistics, quarantining

and impacted labour costs and availability. The global impact of COVID 19 has also been a major driver of price escalation. The Company has seen increases in price of steel for project infrastructure and copper for electrical works leading to cost increase in some components. COVID 19 has the potential to further impact construction costs and schedule (which has flow on cost impacts) and on global and Australian markets including fuel volatility and freight costs

Following a preliminary briefing to the Board provided on 7 October 2021, the Board of Seafarms considered and approved on 11 October 2021, the key design decisions regarding changes to the processing plant and access roads, together with the Company's assessment of an appropriate allowance for contingency and escalation.

The Company's recently appointed CEO, Mick McMahon and CFO, Ian Brannan, are continuing their review of the Company and PSD assumptions, and the Company will continue to monitor market and pricing information in relation to the Company's construction costs estimates for PSD.

Funding Status

Negotiations for the proposed senior secured construction facilities of A$100m- A$150m and a working capital facility of A$15m- A$35m are continuing and remain targeted for Q4 CY2021.

As previously disclosed, further equity funding as well as the proposed debt funding is required to fully fund the development of PSD Stage 1a. The amount of equity required will depend on, among other things, the amount of debt funding obtained, funding costs, capital cost estimates (including the increased capital costs disclosed in this announcement), allowances for cost overruns and contingencies, initial working capital and any reserves required by financiers.

Construction schedule

- The work at Legune is making progress in line with plan, notwithstanding challenges mobilising to the Legune site due to COVID 19 border restrictions.
- The planned construction at Exmouth and at Bynoe is not on the critical path, however delays are emerging at these sites. While these delays do not impact the construction critical path, they may affect the timing of pond stocking during commissioning, with this risk still being assessed.
- Previously disclosed risks outside the control of the Company remain. The most significant are the onset and duration of the Wet Season and COVID 19 related transport delays, both international and domestic continue to unfold, as do State/Territory border crossing restrictions.

Approved and authorised for release by the Board of Seafarms.

Ends.

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For further information, please contact:

Seafarms Group

Mr Harley Whitcombe
Company Secretary
P: (08) 9216 5200

Media / Investor Enquiries

True North Strategic Communication
Penny Baxter
P: +61 8 8981 6445
M: +61 447 298 752
E: penny@truenorthcomm.com.au

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