

# Sea Forest Update

**21 September 2022**

General summary is

- Capital raising completed - \$11 million raised at \$2.50 per share
- Very positive news on production - especially the marine farm
- Slower than hoped ramp up in sales
- Good news on international expansion opportunities

## **Production**

Both the marine and tank-based farming are going really well with marine-farming in particular having turned a corner in the past month or so. The yields we are getting from the marine farm have improved ~3x in the past couple of months due to a couple of process improvements that have been implemented by the new general manager.

The scale up at Swansea continues on schedule with the aeration trials now complete and growth rates continuing to hit target. It appears as though the longer days and more light are having a positive impact on growth so it will be interesting to track that as we move into summer as this may further boost productivity

## **Sales**

The sales pipeline continues to be the biggest area of focus and while we are making progress, it remains slower than we hoped. The biggest inhibitor at the moment is the lack of a pressing commercial imperative for producers to adopt asparagopsis at scale. The producers' customers (i.e. the retailers) aren't demanding it, there aren't studies that demonstrate productivity gain at scale and carbon credits are not yet available. As a result, the spend on asparagopsis is still coming out of the marketing and or sustainability budgets which limits the expenditure they are prepared to make.

It's certainly not all bad news though - the pipeline is growing each week as we field in-bound enquiries and a couple of the producers are now feeding animals at sufficient scale that we should start getting meaningful productivity data by Q2 next year. According to all of the producers, this will be the big driver of adoption ("kilograms are king") so once we have this data we would expect a relatively strong uplift.

## **International Expansion**

It seems as though there is more demand for asparagopsis in international markets (especially UK / Europe) than there is in Australia and a number of very well credentialed international groups have approached us about partnership and / or distribution agreements. Some of these conversations are more advanced than others but they are a strong validation of demand for asparagopsis and also that there are no other providers who are able to supply customers at any meaningful scale.

## **Other**

Capital raising was completed with a little over \$11 million raised at \$2.50 per share. The company is now very well capitalised and will not require new capital for the foreseeable future.

Grill'd has everything in place for the launch of their Sea Forest burger on 22 November with a plan to have their whole menu on asparagopsis by mid next year. Our hope is that they'll get a lot of press which starts to put pressure on the larger chains and retailers to begin to follow suit