PILOT PROJECT

In 2018, Sunken Seaweed partnered with the Port of San Diego to demonstrate the feasibility of seaweed aquaculture in San Diego Bay. Sunken Seaweed is an aquaculture start-up company led by two marine ecologists committed to pioneering sustainable seaweed aquaculture in and around San Diego Bay.

Sunken Seaweed established their seaweed hatchery at San Diego State University Marine Lab and installed their submerged pilot farm using assets managed by the Port in San Diego Bay. Since the start of the one-year pilot project, the company has been cultivating, outplanting, growing, monitoring, and harvesting several species of seaweed native to Southern California. Beyond commercialization, results from the pilot project are helping assess seaweed aquaculture’s multiple co-benefits, from carbon sequestration and bioremediation to improving water quality and ecosystem productivity.

CURRENT STATUS

In support of the pilot, the Port provided funding, permitting, and environmental review as well as access to Port-controlled land in San Diego Bay to establish the pilot farm. Sunken Seaweed has leveraged the assets and results from the pilot to obtain additional grant funding and permits to continue operations and measuring the ecosystem benefits and services that both seaweed and shellfish provide.

HIGHLIGHTS

In 2020, Sunken Seaweed obtained grant funding from the US. Department of Energy ARPA-e program and Pacific States Marine Fisheries Commission to measure the ecosystem benefits and services provided by seaweed aquaculture and continue their pilot farm operation.
PILOT OVERVIEW

Tracking benefits from pilot project to commercial success

ENVIRONMENTAL & SOCIAL BENEFITS

Pilot Key Performance Indicators

<table>
<thead>
<tr>
<th>OVERALL KPI (Port Fiscal Year)</th>
<th>Macroalgae growth rates</th>
<th>Innovation and Proof of Concept</th>
<th>Customer acquisition</th>
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<tbody>
<tr>
<td>Q4 FY 20 - Q3 FY 21</td>
<td>Ulva: 50 lbs/week (land-based)</td>
<td>Initiated a process with Humboldt Bay Harbor District to develop a land-based commercial farm in Humboldt County, CA Exploring using seaweed as a tool for bioremediation in urban waterways through Arpa-E Grant and San Diego State University</td>
<td>No new customers</td>
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<tr>
<td>Q3 FY 20 - Q4 FY 20</td>
<td>Gracilaria (Ogo): 100 lbs/week (land-based)</td>
<td>Built a macroalgae tumble culture facility at Hubbs SeaWorld Research Institute through a Pacific States Marine Fisheries Commission Grant Acquired permits to add shellfish to pilot farm at Grape Street pier to test 3D Ocean Farming model</td>
<td>ANIMAE, Wrench &amp; Rodent, The Plot, and The Berry Good Food Foundation, Monterey Bay Seaweed, Superior Seafoods, Catalina Offshore Products</td>
</tr>
</tbody>
</table>

As per pilot project statement of work

FINANCIAL FORECAST

Cumulative Cash flow to Port - Forecast vs. Actual

-160000 -140000 -120000 -100000 -80000 -60000 -40000 -20000 0

Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2


Pilot (1 year)

5% Royalty - Ends 2039

Agreement: 5% royalty of worldwide gross revenue for 20 years

Revenue forecast based on sales projections submitted to Port