

PROTEN LIMITED

Annual General Meeting

Feilding

John Signal, Chairman

FYE 2012

Proten Limited

Chairman's Review 2012

As Chairman of Proten it is my pleasure to report highlights of the past year and comment on issues pertinent to the Proten business.

The financial performance of Proten continues to grow year on year with a marginally improved result for the past period and a full year profit in line with the 2012 budget. The audited Net Profit before tax (NPBT) of \$4.348m (FYE 2011- \$4.345m) is a pleasing achievement considering the first year of the staged farm development and the continued global economic difficulties. Earnings are now forecast to further increase strongly as the 48 new sheds come into production over the next two years.

Revaluation of farm assets of \$1.75m (FYE2011 \$4.2m) adds new equity to the Proten balance sheet. Shareholder equity has continued to increase through retained earnings and farm valuation increases. Net tangible assets / per share has increased from AU\$0.544 to AU\$0.585 per share over the period.

For the year past Proten has paid to shareholders monthly dividends totalling A\$1.815m (FYE 2011 A\$ 1.58m) Dividends paid at this level provide a very competitive market related yield on the New Zealand dollar share price of Proten shares. The directors declare there is no final dividend for 2012 and the interim dividend of AU\$0.3c share will be maintained for 2013. Monthly dividends are rare in listed entities and can be a drain on cash; however since inception Proten has fostered this unique position which is a real shareholder benefit.

Proten raised \$9m of capital during the period in the form of Redeemable Convertible Preference Shares (RCPS) from six sophisticated and institutional shareholders. This money was raised to assist funding for the Rothdene and Jeanella farm developments. The RCPS will either be redeemed or converted under the terms of the issuing agreement between years three and five. Welcome to the new CPS holders; we value your support and confidence in our business.

Questions have been raised by shareholders in relation to participating in the CPS. As detailed at the December 2011 AGM the offer was not a retail offer. Whilst this may have eliminated individuals from the offer it reduced significantly the compliance costs in acquiring development capital for the company. The Board is always open to discussions with investors on capital contributions from shareholders.

Over the past year there have been 8 trades on the Unlisted exchange of Proten shares totalling 485,500 shares changing hands for \$199,375. Whilst the market is considered thin it is important to note firstly a market exists, the accounts are audited, and the yields to Proten shareholders are both very regular and favourable. With the forecast earnings now improving from new farm revenues the market for Proten shares should in theory improve with liquidity enhanced.

Chicken industry investment in Australia is predominantly owned by less than eight private families and has been this way for generations. This may change shortly with public notice the entire Inghams business in Australia and New Zealand is proposed to be sold early 2013. Inghams are the largest integrated poultry business in Australasia and have no natural succession. For Proten this event will provide both implications and opportunities depending on the new owners and the financial structure around the transaction. I am not about to speculate on outcomes other than to say it should be mildly positive for Proten. Given the strength of the Australian competition regulator the ACCC it is unlikely that Baiada will participate in the sale process. It is probable there will be some keen international interest in this protein business as it comes to market for the first time in history.

The core driver of our business is the constantly increasing annualised demand (3-4%) for chicken meat. Internationally the European commission suspended import of fresh chicken meat and chicken meat products from Thailand following outbreaks of avian influenza in 2003. With the avian flu threat now reduced and all but eradicated from Thailand the export restriction ended on 1st July 2012. This will inevitably see the rise of Thailand and other Asian countries as major players in the world chicken meat market. Following on it is expected a new wave of investment in the Thai industry and growth in

international trading opportunities. Proten has an open eye for international opportunities and will continue to investigate appropriately.

The Directors visited the Henderson farm south of Perth in February. This visit coincided with the achievement of a WA state production record for our farm. In June a visit was made by the Board to the new farm development at Rothdene in Griffith and the recently acquired farm Jeanella which will be the site for stage two. The scope and scale of the developments are impressive and the capital expenditure budget is on target. There is some recent encouragement from Baiada to increase the delivery of new farms ahead of the agreed schedule. Management will investigate and endeavour to deliver.

During the latter part of 2012 a deal was concluded where Proten moved its banking relationship from National Australia Bank to Rabo bank. Never an easy decision or process however the upside benefits inclusive of the break cost fees are substantial and over time the new covenants better align with the Proten's business and development operations. The board and especially management worked diligently to achieve this very good outcome for the company.

The Proten Directors are privileged each year to meet with representatives of the Baiada family and hear explicitly how the national integrated poultry industry is managing trends, opportunities and threats. This is an important forum for both Baiada and Proten and is the foundation for the business relationship.

An offer to host a trip is made to shareholders in October 2013 to visit the two new assets close to Griffith, NSW. In the past these trips have been well supported. Proten will provide buses and meals from Griffith for those wishing to attend the open day providing the interest is sufficiently strong. The next newsletter will provide further detail and seek confirmation of numbers.

Shareholder communications can always be improved and the board is open to any ideas that support a higher level of interaction. Growing chickens has never been sexy and in fact is very routine for staff and management whereas the highlights tend to be new farm builds. Currently there are two newsletters sent annually, website postings and the AGM as the forums for interaction. In

addition your Chairman resides in Feilding, New Zealand and is available at all times for should shareholders need to make contact.

Our team in Australia led by Daniel Bryant, Max Bryant, Gael Hargraves, Richard West and Bill Hight are delivering a very robust performance and showing true industry leadership. Into the future, and under this leadership, Proten will continue to forge recognition as a prominent chicken grower and developer of major growing assets across Australia. Always seeking to be 'best in class' our congratulations on the achievements over the past year go to all staff for their continued efforts.

My fellow directors have guided Proten through the past year using their wisdom, experiences and networks. We have a great board that functions well and integrates with management on key issues yet allows Daniel and his team to the freedom manage. Thank you to my fellow directors for your support, effort and strategic input over the past year.

I would like to announce to shareholders Daniel has passed 10 years' service for Proten and has matured in his role to become an outstanding CEO who is passionate about his chosen industry. – Congratulations Daniel.

J R Signal

Chairman

ProTen Limited

