

ProTen Chairman's Review – 2015

Welcome to both our new and existing shareholders.

From 2015 onwards our company entered a five year growth phase which we trust will be very rewarding. Business growth is supported by multiple new 15 year growing contracts and long term development funding both now locked in. Overall the board and management feel comfortable having executed the financing plan to fund the physical building and acquisitions required to substantially advance ProTen's profitability and value.

The equity raising undertaken this year was very successful and oversubscribed. The \$34m of new equity was sourced from new investors with several existing sophisticated shareholders increasing their shareholding. 52.3m new shares were issued at AU\$0.65. 12.3m warrants were also issued and have a strike price of AU\$0.73515.

ProTen has achieved its budget in the 2014/15 financial year and the financial statements show a record net profit after tax NPAT of \$6.80m. This is a 58% increase from the previous years \$4.30m. Dividends paid to shareholders for the year totalled \$2.3m.

For the coming year I am pleased to announce the directors have approved a lift the interim dividend for the ensuing year. The dividend is to increase by 12.5% to AU\$0.045 per share per annum commencing on the 1st of January 2016. Dividends will continue to be paid monthly.

Profit growth is forecast to continue for the next five years as the planned development projects and acquisitions are completed.

Shares continue to trade on the 'Unlisted' market albeit in decreasing volumes as there often are few or no sellers. The share price has risen over the past year to a current high of NZ\$0.77. Recently commerce Minister Paul Goldsmith has announced he is granting a ministerial exemption from the licensing requirements of the Financial Markets Conduct Act 2013 (the Act) to allow Efficient Market Services Limited to continue to operate in the 'Unlisted' financial product market. As a result we expect it should be business as usual for ProTen's share trading on this platform.

Each year in my report I reiterate to shareholders the inherent value of investing in a domestic (Australian) contracted, food supply chain enterprise and this year will be no

exception. At the end of August the Standard and Poor's volatility index (VIX) reached a high level not seen since 2008. The associated commentary on the graph I saw said *'be warned history suggests the volatility dragon has awoken and it may take a while to go back to sleep!* While this movement was related primarily to the Shanghai index retrenchment in August it continues to demonstrate the ongoing volatility that exists globally with equities and growth generally.

Safe and wholesome food remains a key objective for world leaders no more so than President Xi Jinping of China who is redefining the experience for food exporters into his nation. Short, tight, integrated food supply chains are fast becoming a prerequisite to doing business with both multinational and national companies. Product integrity and brand protection in all forms, whether animal welfare or contamination risks are obsessively monitored to avoid any undue attention or scandalous activity. The ever increasing ability of photo information to go viral and destroy consumer confidence is very real and drives tight controls in the supply chain, especially for branded business. ProTen remains an embedded part of a tight integrated food supply chain and the hurdle for entry or competition is becoming increasingly higher.

It is pleasing to report all site construction is now underway with the first new shedding expected to be placed with birds before end of 2015. Pro Ten plans to deploy a high portion of the new capital to developing 96 new sheds on two properties. Firstly Jeanella South- a sixteen shed farm, which is an extension to the existing Jeanella development commenced in August 2015 and secondly the Narrandera development which was delayed due to extended consultation and regulatory review. Both of these projects now have approved DA's in place and construction is underway. The development of 80 sheds on 5 separate farms units on the 2800 acre Narrandera property commenced on 9th November 2015.

Of the new capital raised some is to be deployed to acquiring existing assets as the time and build programme will fully utilise development resources in the Griffith region. A wide search and investigation has been undertaken by Daniel and Max with suitable assets generally hard to find. Work continues in this area and investment will only be applied to assets that will deliver prescribed value to the business.

The relationship with Rabobank and now the Commonwealth Bank of Australia or CBA as banking partners of ProTen is strong. Banks seem to have high confidence in the integrity of poultry having the ability to produce historically strong and reliable cash flow. The board annually meets with bank CEO's and senior lenders. Having the opportunity to engage at a very senior level is important for both bank and client which enables

confidence in future funding should new projects emerge. The cost of debt is at historical lows which is beneficial to ProTen whilst the company is in a development phase. The company's policy is to hedge a large portion of the interest rate risk as the business embarks on this growth phase.

Looking beyond 2018 when ProTen will be operating approximately 300 sheds and producing circa 70m birds per annum we are now considering further growth. The growth opportunities are encouraging and are evidence of the scalability of our capability and intellectual property. To embark on this increased activity the acquisition of suitable land needs to be addressed in the short to medium term as approvals are forever challenging.

Farm operations continue to improve slowly year on year albeit challenged periodically by infectious laryngotracheitis or ILT. As the business grows there is an ever increasing need for senior staff. Management skills are improving and recruitment primarily from the South African industry continues to identify good farm managers. Farm refurbishment continues giving good return on investment and an improved growing environment for birds.

The health and safety culture in the business and on farm is clearly evident with attitudes and operational activities incorporating risk analysis, reporting and awareness. ProTen's record as a safe employer with decreasing accident rates is pleasing to note especially the reported decrease in accident trends and lost hours. Congratulations to all involved in this process for embracing the opportunity to construct a safe work environment for all work colleagues.

As stated at last year's AGM the plan was to 'double the physical size of ProTen, and to triple profit'. This overarching objective is deliverable however has required a restructure of executive and farm management staff. Long term remuneration entitlements and equity in the form of shares are determined as an important part of the success equation, to secure and lock in the key management capability. In summary, the board is seeking to form and operate an Employee Share Scheme for employees so key personnel can own and earn ordinary ProTen shares in return for delivering outstanding performances and service in a business they feel they have some ownership in.

I wish to announce as part of the management and governance review Executive Director Max Bryant will retire before June 2016. Max and Trish return to New Zealand and Max will remain as a ProTen board director. His role in Australia will be disestablished and he will receive a share entitlement of 500,000 shares upon his retirement. Andrew Stevens was co-opted onto the board during the year. Andrew is ex CEO Tegel NZ, has 20 years' experience in the poultry sector across all aspects and led

the sale of Tegel to private equity – twice. Daniel Bryant has signed a new employment contract at June 2015 inclusive of new STI and LTI's which will bind him to the business for the ensuing development phase and beyond. Daniel has the potential to earn 200,000 shares per annum for the next 5 years under his LTI and providing the business achieves 3 times the 2013/14 profit. Bill Williams ex Tegel Livestock manager has been appointed to National Operations Manager for ProTen. Bill is an outstanding operational resource with veterinary background and has relocated to Griffith.

Thank you to my fellow Directors who have been busy to say the least this past year. The lead up to the capital raising was a serious focus ensuring compliance was adhered to throughout the process. Noting the issuance of shares, the issuance of warrants and redemption of the Redeemable Convertible Preference Shares were all transacted contemporaneously. The breadth of Director experience and wisdom combined with management contributed to a successful and faultless transaction.

Praise to management and their close advisors needs to be afforded too. They have all worked very diligently with effort and focus supporting Daniel and Simon over the year. A great team lead by Daniel has concluded a milestone year for ProTen laying a foundation for future prosperity.

The company is planning a farm visit for investor shareholders during April 2016 - details to follow.

In conclusion, thank you to the supportive shareholder base, it is an absolute pleasure for me as your Chairman to report year on year results that are consistently positive.

John Signal

Chairman ProTen Limited