

Proten
Chairman's
Review

2013/14

AGM, Feilding

ProTen Limited

Chairman's Review,

November 2014

Welcome to the 13th AGM of ProTen.

This year I am pleased to report ProTen has continued to increase its production performance, financial performance and dividends in line with projections.

Bird production has risen to 110 million Kgs and all 172 growing sheds are in full production. Particular attention needs to be drawn to the improvements on farms in the Tamworth region over the past twelve months. Previously these farms were underperforming ProTen's expectations. With the adoption of a 'Best in Practice' operational standard and improved performance focus by managers the Tamworth farms have achieved noteworthy outcomes. Secondly, performance of the new farms at Griffith, which compete in the regional grower pools, is also noteworthy. The most productive and best returning farms are the newest which is very encouraging and is evidential support of the business case to build new. Each new farm added inherently lifts the average performance of all the ProTen farms and confirms ProTen's performance is exceptionally good when compared on a pool performance basis with other growers.

Financial performance has been nicely in line with the business plan with the exception of the expenditure incurred over the Rural Farm Management (RFM) investment bid. The company expended \$490k on the RFM bid in December 2013 and was unsuccessful in obtaining sufficient votes from RFM unit holders to in act any ownership changes.

As per the audited accounts net profit after tax (NPAT) of the underlying business was \$4.3m a 13% improvement on the previous period.

In August Directors announced a final dividend which increased total dividends paid for the year to AU\$0.0325c / share. In total \$1,966,330 by way of dividend distributions were paid back to shareholders for the year.

Today the directors have resolved, and wish to announce to shareholders, the interim dividend will increase by 33% from AU\$0.03c to AU\$0.04c per share from 1st January 2015 in line with the financial forecast in the new business plan. Earnings and dividends are forecast to grow further into the future as more new farm investments are added and profit accelerates.

ProTen has not commenced any new farm developments in this financial year but have chosen to consolidate for a season and plan the next growth phase. ProTen now has multiple opportunities under consideration and has determined the scale and capital requirements for future growth will require new equity. The board and management are committed to raising circa \$50m of new equity through a new share offer to sophisticated and institutional investors. Coupled with a new tranche of bank debt this provides the capital to build multiple developments simultaneously. As shareholders you will have received a copy of the 'Teaser' document which further describes and profiles the investment.

The reasons the board has chosen to pursue this strategy is many fold; it allows some breath of investment, gives a recognisable scale to the activity, delivers increased earnings and will set up the business for a possible liquidity event in the future.

The issue of new equity is proposed to be at market value. The board is confident the earnings of each existing share held will increase beyond where it would have had the new investment strategy not been actioned. It is important to note any existing shareholder can acquire shares and participate in the company's growth by buying existing shares on offer on the Unlisted exchange.

The ProTen share price has been at circa NZ\$0.70c /share for some time with on and off market transfers occurring at or about these levels. The Unlisted trading platform is proposing a re-construction during this year as a result of the new Financial Market Authority (FMA) requirements coming into law. The platform has and continues to be a useful mechanism for investors to trade or acquire ProTen shares.

Our CEO and development manager visited Europe this year to better understand where ProTen sits in the poultry performance stakes internationally. We are confident our Australian farms are the best in the world in terms of design, construction and animal welfare performance. It is encouraging to note ProTen has a competitive advantage across all these aspects of poultry broiler production.

Water has become very short in the Tamworth region this season with widespread cuts to irrigation and high security water licences. ProTen has acquired, on the water market, sufficient water in conjunction with their existing rights to mitigate any production risks, however the situation remains serious for dry land and arable farming in the region until rain fills dams again.

The thematic depicting protein demand and protein production globally are strongly inverse so we expect strengthening demand for more farm production capacity driven from the appetite for a cost effective and versatile protein food source. Chicken in particular is at the forefront of this protein play and the emergence of new Chinese demand for all protein forms has fundamentally changed supply and demand. ProTen has confidence in the protein production investment space and will continue to invest in new projects that deliver earnings and shareholder growth in this sector rather than diversify.

Management continue to deliver new and exciting challenges for ProTen. Daniel and his team of administrators, development staff and farm staff are working toward best practice and on time outcomes. Growth brings ongoing personnel changes to strengthen up the team. ProTen has appointed Simon Ward as CFO and Bill Williams to the position of National Operations Manager. Acquiring proficient farm management staff is the key to achieving performance outcomes so identifying skilled personnel who can lead the farm performance improvements often requires searches outside Australasia.

The board continues to support growth initiatives that can demonstrate improved shareholders earnings. Peter, Geoff and Max all contribute from their specialist perspectives and offer a breath of business and governance expertise to the business. I wish to thank all, employees and directors for their efforts and commitment over the past year.

The scale of the next phase is significant and will require some critical control around process, funding and governance to ensure we achieve the targeted financial outcomes.

The board and management are very motivated to secure a major position in the Australasian poultry sector, producing protein, and look forward to the challenge which we will report on during the ensuing year.

John Signal,

Chairman,

ProTen Limited