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Chairman's Report

Welcome to *Progress Issue 3*, our first update for 2017. Our vision is to become a leading Australian-Asian aquaculture business. Our goal is to market high-quality Barramundi fish throughout the region, supported by our own integrated agri-business and aquafeed operations and research & development into new aquaculture products.

Our efforts are squarely focussed on raising the finance needed to advance our business model in the Philippines. We envisage our requirements will be best served by a combination of debt and equity. To that end, Plentex has engaged with three key institutions well positioned to assist our endeavours.

In a significant development, we have entered a mandate with a leading investment bank to raise pre-IPO capital. This capital will be leveraged by accessing project finance for construction of the rice and cassava plant and the coconut processing plant through the likes of the project and business development banks in the Philippines.

On the operational front, work continues to prepare the Suhi sites for construction and improve facilities at Villareal (see below).

You may be wondering about the economic landscape we are dealing with in the Philippines. With the election of Rodrigo Duterte in mid 2016, there has been an upheaval felt throughout the Philippines. While media attention has been on the President's colourful rhetoric and clampdown on crime and corruption, the country's economy is being revitalised which bodes well for the Philippines' outlook. According to Focus Economics, GDP growth in 2016 was 6.6%, the highest reading since 2013. The new administration is resolutely implementing infrastructure projects and has raised a record one trillion pesos in grants and loans from China and Japan alone reflecting a level of confidence in Duterte's leadership and the prospects for business growth.

A number of initiatives in President Duterte's 10-point socio-economic agenda may have implications for Plentex such as: relaxing Constitutional restrictions on foreign ownership (except land) in order to attract direct foreign investments; accelerating annual infrastructure spending; promoting rural and value-chain development; ensuring security of land tenure to encourage investment; investing in human capital development to meet the demands of business.

It is reported that there will be a concerted effort to ramp up economic activities in rural areas with special focus on calamity-stricken communities. This means that companies that choose to locate in identified areas will be given incentives such as income tax holiday, duty free importation of capital equipment and extra tax deductions for R&D activities. Manufacturing and processing of high value-added products such as coconut oil will be encouraged.

The country's potential as a top producer of aqua and marine products, given the fact that it is a country which has the fifth longest coastline in the world, has also been recognised. Accordingly, the Bureau of Fisheries and Aquatic Resources has released a comprehensive plan for increasing aquaculture production over the period 2016 - 2020. Needless to say, Government incentives and the opportunity for fresh investments in new rurally-based industries is good news for Plentex.

While our operations are predominantly centred in the Philippines, it is timely to remind you as well of our Australian-based activities through Plentex's subsidiary, Protemax Pty Ltd (see Spotlight in this issue).

Fig 1 Below Left: Conversion of existing weighbridge into an administration block is underway at Suhi Lot 1.



Fig 2 Below Right: Refurbishment of the laboratory at the aquaculture facility at Villareal.



Third Commercial Memorandum Of Understanding Signed



Fig.3 From left to right: Associate Professor Rex Ferdinand M. Traifalgar PhD, University of the Philippines Visayas Foundation Inc. & Mr. Michael McMahon, Plentex Philippines Inc.

Last month, Plentex Philippines Inc. signed a Memorandum of Understanding (MOU) with two Philippine academic research groups, University of the Philippines Visayas Foundation Inc (UPI) and Tarlac Agricultural University (Tarlac) for the worldwide commercialisation rights to ProEn-K, a low cost substitute protein for use in commercial feeds.

UPI is recognised as the centre of excellence for aquaculture and fisheries research in the Philippines and Tarlac has developed a sweet potato fermentation technology that is the basis of the ProEn-K invention.

UPI and Tarlac have been awarded a US AID STRIDE grant for 1 year funding of PhP 4 million (AUD110k) which is to be directed to the commercialisation of ProEn-K.



Plentex assisted with the application and PPI is nominated as the project's commercial partner.

This latest agreement follows similar MOUs signed by PPI in August 2016 for commercialisation rights relating to the economically important red seaweed *Hallymenia durvillei*.

What is ProEn-K?

ProEn-K is a high protein feed meal produced by the fermentation of sweet potato that can be used as an alternative protein to replace expensive fishmeal and legumes in aqua and stock feeds.

The dried product is stable for at least 2 years without the addition of preservatives or antioxidants.

ProEn-K produces comparable growth rates and in some cases better growth rates in some fish species than commercial fish feeds. To date, it has been tested as feed for milkfish, tilapia, prawns and crabs at a commercial aquafarm.

Fig.4: Sweet potato. The entire sweet potato plant is edible, from the leaves and flowers to the vines. The tubers range in colour from white to yellow, orange and deep red and have much higher sugar content than potato.

Spotlight—Protemax Pty Ltd

Protemax is developing a large scale, feed manufacturing plant featuring next generation extrusion technology to produce premium aquatic feed and pet foods for Australian and international markets.

The project features next generation manufacturing technology utilizing Wenger and Ottevanger equipment and process controls. The hero component is the Wenger TX-3000 (also known as the Aquaflex - 3000) twin screw extruder, the first of its type in Australia. It was selected for its ability to produce products with high levels of inclusion of meat slurries, fish solubles and other wet ingredients. The TX-3000 has impressive flexibility, producing super premium pet foods on the one hand to specialised aquafeeds on the other (such as 100% sinking shrimp feeds) at several times the production rate of extruders currently in use in Australia.

Access to abundant high quality raw ingredients coupled with high product traceability, batch integrity and plant hygiene that meets/exceeds Australian and internationally recognised standards are additional factors that are expected to give Protemax a strong competitive edge.

The project has already received significant interest from Australian aquaculture operators seeking alternative feed supplies and expressions of interest for toll manufacture of pet foods. The latter is not surprising since the Australian pet food market is growing rapidly (expected to reach \$1.8 Billion in 2019/2020) and we are geographically close to markets which are expected to have the largest growth in the next decade.

Protemax benefits from highly experienced project management supported by expert consultants who have developed strong relationships at all levels required to make this project a success. Watch this space for the next exciting developments.