

Our Ref: CGL ASX Announce 2014 AGM Presentations (430)

26 February 2015

ANNOUNCEMENT 430

Market Announcements Office  
Australian Securities Exchange  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

**By ASX Online**  
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Dear Sir

**RE: ANNUAL GENERAL MEETING OF SHAREHOLDERS  
ADDRESSES TO SHAREHOLDERS**

We enclose herewith a copy of the Addresses to Shareholders which will be presented at the Company's Annual General Meeting to be held at 10.30 am today, 26 February 2015.

Yours faithfully  
**Commodities Group Limited**



Harley Whitcombe  
Company Secretary

ENC

# CO2 Group Limited 2014 Annual General Meeting Presentations

Chairman's Overview.

Key messages:

- Project Sea Dragon is a transformational project that industrialises known production systems, scientific pathways and clear market opportunities
- The project has demonstrated through our pre-feasibility study and the learning's from our current Cardwell based operations that it can occupy a cost of production per metric tonne in lowest quartile of lowest cost producers globally
- With your Company's announcement of 16 February, which detailed our project land tenure, the level of engagement with product off-takers, co-investment partners and potential financiers has escalated
- The response by Government has been very positive with agreed approvals pathways being formulated. Shareholders should be aware that the lead approval is the Environmental Impact Study process and whilst not complex it is time consuming
- As with all major new project developments the greatest risk is execution and operational delivery. Your Company has completed the first phase of building its operations team with seven foreign executives joining; these new staff members have substantial large scale aquaculture experience in project delivery and operations. They have not joined this Company to operate 160ha of prawn production in North Queensland.



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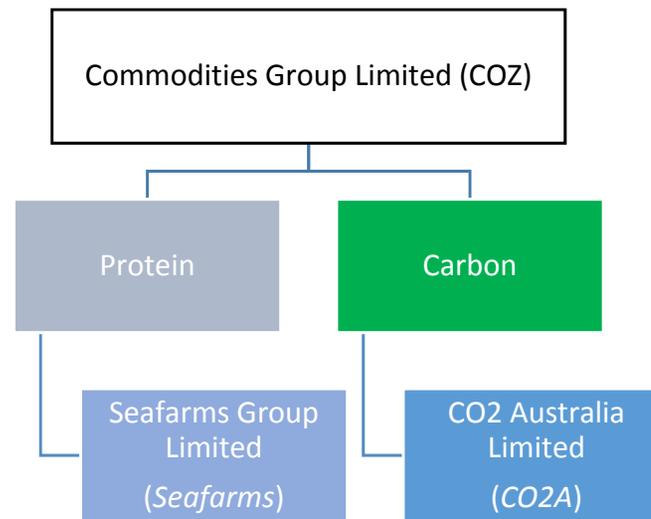
# Commodities Group Limited – Corporate Overview

<b>Corporate Overview</b>	
ASX Listing Code	COZ
Market Capitalisation (at 23 February 2015)	\$52M
Shares on Issue	654 million
Convertible Preference Shares	30 million
Cash, debtors and inventories (at 30 September 2014)	\$12.2M
Debt (at 30 September 2014)	\$2.9M
Financial Year End	30 September
Directors Shareholdings	57.1%
Directors	Ian Trahar (Executive Chairman) Harley Whitcombe Chris Mitchell Paul Favretto
Company Secretary	Harley Whitcombe

# COZ Operating Businesses

## Commodities Group Limited (CGL)

- Holds interests in two emerging internationally traded commodity areas:
  - Protein (Seafarms)
  - Carbon (CO2A)
- Seafarms & CO2A
  - have separate operating boards which contain members of the CGL Board
  - each maintains separate financial accounts
  - consolidated in CGL for ASX reporting



# CO2 Australia

## **Carbon Business**

- Met objective of being cash-positive for the Group.
- All projects now successfully transitioned into Carbon Farming Initiative and producing ACCU's, where required.
- All projects have completed establishment phase and now in management phase
- Biodiversity Fund projects delivered on time/on budget

## **Advisory**

- Advisory (formerly Ecofund) continues to service key clients, continuous pipeline of work.

# Carbon Market – State of Play

- Carbon remains in a state of transition.
- Australia's carbon price has been replaced with the Federal Government's "Direct Action" policy.
- Direct Action includes the government auction system called "Emission Reduction Fund"; first auctions in April.
- Internationally, all eyes are on Paris at the end of the 2015 calendar year – different views to potential outcomes.
- The company continues to scope opportunities within its capability set.

# Seafarms: Operational Report

## Contents

- Current Operations
  - Strategy Roll Out
  - Operational Overview
  - Safety
  - Employment & Productivity
  - Capital Projects
  - Marketing
  - Looking Forward
- Project Sea Dragon

# Current Operations

- Hatcheries

- Flying Fish Point

- Capacity of 27 million Post-Larvae (PL) per run (up 68%)
    - Domestication program
    - R&D Project with ARC Research Hub for Advanced Prawn Breeding

- Exmouth

- Biosecure breeding facility



- Farms

- Cardwell (Farms 1 and 2)

- 128 ha of ponds
    - Processing plant
    - Maintenance division
    - Farm administration

- Ingham (Farm 3)

- 32 ha of ponds

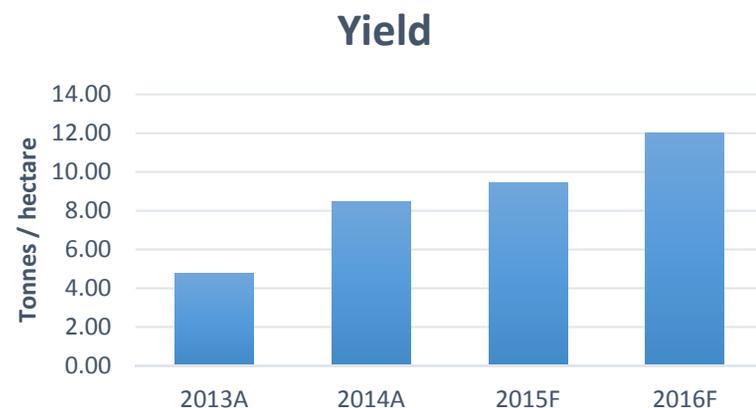
- Processing (Cardwell)

- 20t/day capacity (up 66%)
    - Fresh/frozen
    - Cooked
    - MAP line



# Strategy Roll Out

- Acquired the Seafarm business in January 2014
- Began to move production to Black Tiger Prawns
  - Stocked in July 2014 for Christmas
- Acquired Ingham farm in November 2014
  - Stocked in November 2014
- Strong focus on data systems to improve visibility, analytics and drive \$5/kg GCM outcome
- 10% yield improvement July vs December crops
- The business now grows:
  - Banana prawns
  - Black Tiger prawns



# Operational Overview

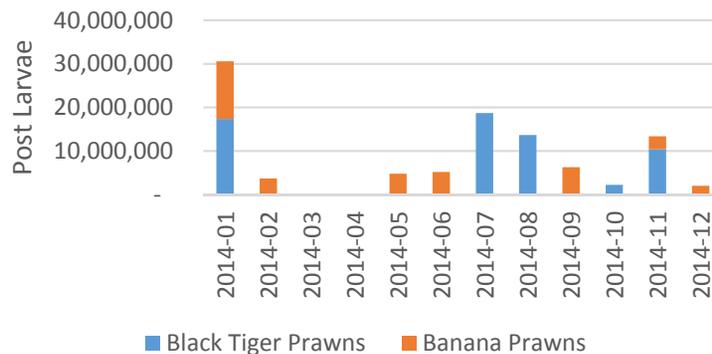
## Changing of product mix

2014A Harvest (1)		
Black Tiger Prawns	463,680kg	43%
Banana Prawns	627,305kg	57%
<b>Total</b>	<b>1,090,985kg</b>	

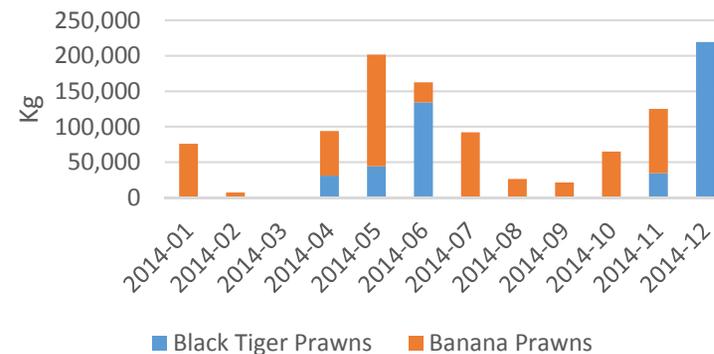
2015F Harvest (1)		
Black Tiger Prawns	1,110,000kg	73%
Banana Prawns	400,000kg	27%
<b>Total</b>	<b>1,510,000kg</b>	

(1) Calendar year

### 2014 Stocking by Species



### 2014 Harvest by Species



# Operational Overview

- Strong sales performance for Christmas 2014
  - Sales circa \$6 million for December
  - 34,000 retail ready branded packs in mass merchants
  - Distribution extended to Victoria and South Australia
- NT sourced broodstock progeny performing well on Farm 3 and meeting expectations
  - Performance (to date) is significantly better than East coast progeny
  - Reinforces the need for a domestication and breeding program

	2013A		2014A		2015F		2016F	
	Bananas	Tigers	Bananas	Tigers	Bananas	Tigers	Bananas	Tigers
East Coast Progeny	0%	0%	0%	100%	0%	20%	0%	10%
NT Progeny	0%	0%	0%	0%	0%	80%	0%	80%
Domesticated	100%	0%	100%	0%	100%	0%	100%	10%

# Operational Overview

- 3<sup>rd</sup> party supplied PL's performed poorly overall
  - Reinforces the need to further expand hatchery capacity

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	PL Supply Source		
	2014A	2015F	2016F
External Hatcheries	36%	20%	0%
Flying Fish Point	64%	80%	100%

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# Safety

- Focus on safety introduced to the organisation
- 3<sup>rd</sup> party consultant commissioned
- Total Injury Frequency Rate (**TIFR**) per million hours work target set for business
  - TIFR is down 75% since January 2014

# Employment & Productivity

- International recruitment completed in January 2015
  - Implemented new structure and processes
- 74 FTE across the organisation
  - Productivity 16 tonnes per FTE
  - 20% above industry average (Source Department Agriculture, Fisheries and Forestry)



# 2014 Capital Projects

- Hatchery
  - 50% increase in capacity to 27 million PL's per run
  - Development of under-utilised shed space and existing water supply
- Processing
  - Integrated some equipment from Ingham acquisition
  - Increase capacity to 20 tonnes per day
  - New Modified Atmosphere Packaging (**MAP**) machine installed
    - 4kg wholesale pack
    - 1 kg retail ready pack

# 2015 Capital Projects

On track with our two year refurbishment, maintenance and capital improvement program

Achievements to date:

- Pond refurbishment
- First hatchery upgrade
- Increased processing capacity to 20t per day

Planned in the coming year:

- Hatchery – no dependency on 3<sup>rd</sup> party, support domestication
- Pumps – more reliable and economical to run
- Processing - further capacity increase
- Selected equipment replacement

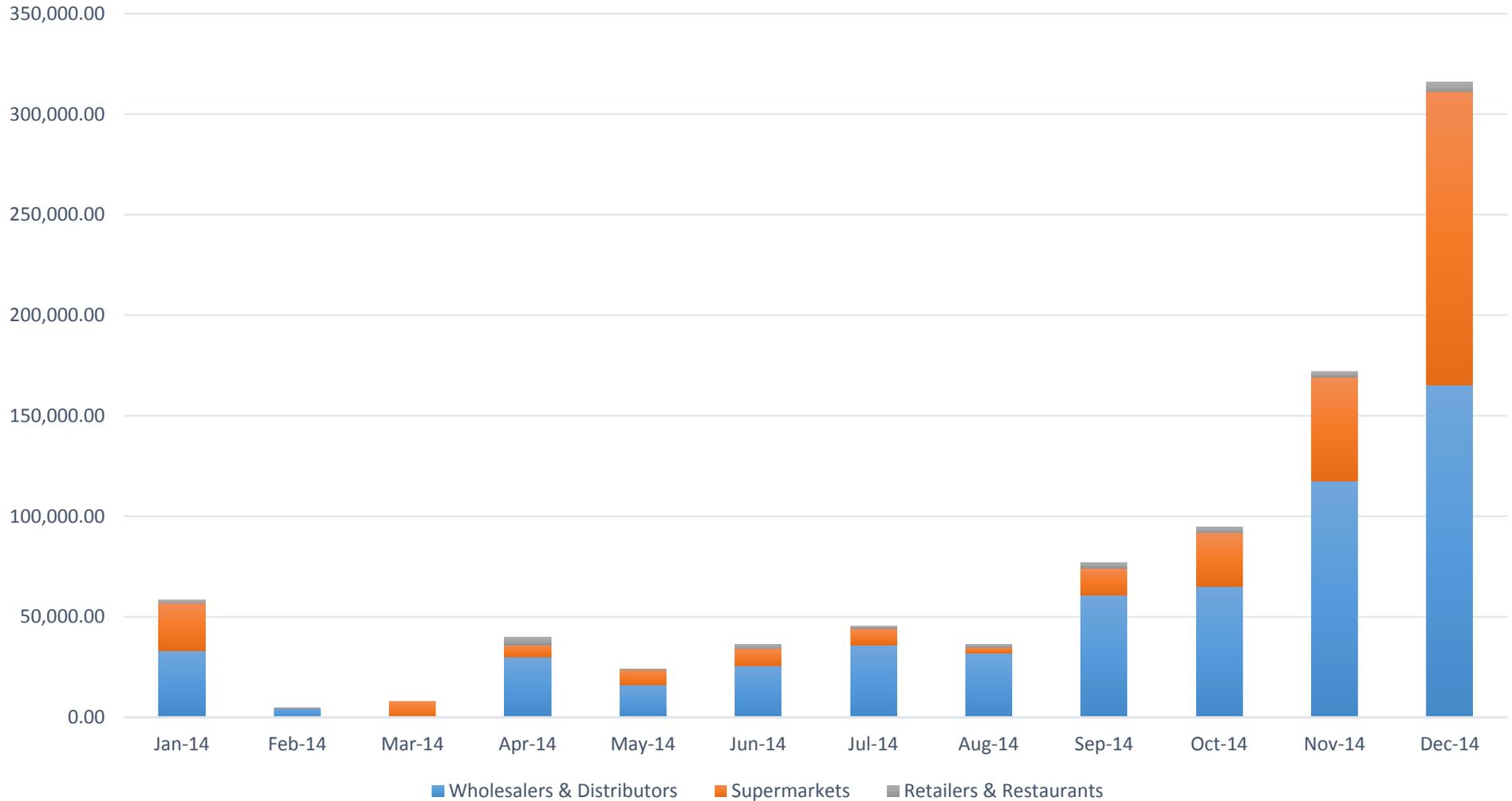
# Marketing

- Strategies
  - Maximise brand exposure and engagement opportunities.
  - Maximise consumer acquisition opportunities and drive purchase frequency
  - Develop an innovation funnel which addresses the category barriers to entry and maximises value
  - Maximise channel performance, delivering true partnerships with our customers
- Deliverables
  - Brand development including positioning and communication propositions
  - Marketing strategies and tactics which deliver true to our positioning.
  - A defined innovation pipeline
  - Delivering consistent marketing across all consumer touch points



# Sales & Distribution

## Sales Volume



# Export Markets

- Export approval currently pending
- Discussions underway
  - Wholesaler/distributor in Europe
  - Global supermarket chain
  - Japanese sashimi wholesaler
  - Distributors in Taiwan and Hong Kong
  - Speciality stores in Hong Kong
- Focus
  - High quality, niche supply
  - Provenance story to be strong demand driver

# Looking Forward

- Continued improvement in production processes and outcomes
- Efficiency drives and cost reductions in Maintenance Division
- Investment in R&D – specifically domestication and breeding
- Export market development and trial export orders
- Continued brand development in the domestic market
- Operational and capital focus on achieving \$5/kg GCM

# Pilot Project

- The Cardwell production hub as a “pilot” for Project Sea Dragon (**PSD**) has established important building blocks:
  - Farm Management Team
  - Systems and processes
  - Science
  - Brand product range expansion

# Project Sea Dragon

## Project Sea Dragon

Creating a new world-class aquaculture enterprise for northern Australia

# Project Sea Dragon – the Project

Industrial scale integrated black tiger prawn production

- Industrialise production using proven technology achieving lowest cost quartile of global production
- Leverage Australia's food safety, biosecurity and sustainable production integrity
- Capitalise on Free Trade Agreements
  - Reduce import tariffs into FTA countries by 8% to 10%
  - Softening Australian dollar will further increase export opportunities
- The \$1.45 billion (capex) project will generate forecast annual revenue of \$1.6 billion and will comprise of a 10,000 hectare grow out farm supported by:
  - Feed mill
  - Hatchery & Broodstock facility
  - Power Station
  - Processing Plant
  - Storage/Export facilities
- Development in 3 stages
- Stage 1
  - 1,000ha grow out + head works
  - Imported feed
  - Hatchery
  - Processing
  - ~ \$150M CAPEX

# Project Sea Dragon – Project Status

- Access and Option Agreement finalised on preferred Northern Territory development site
  - Enables on-ground work for bankable feasibility study
  - Enables approvals applications
- Facilities will also be located in Northern Western Australia
- Project can now proceed to bankable feasibility stage to be finalised over 21 months at an estimated cost of \$21 million

# Project Sea Dragon – Project Status

Change land tenure to permit aquaculture on pastoral lease	3-4 months
Obtain Major Project Status with NT, WA and Federal Governments	6 months
Environmental Impact Statement <ul style="list-style-type: none"><li>• Initial approval for 5,000 ha</li><li>• Agreed pathway for 10,000 ha</li></ul>	18-21 months
Engineering <ul style="list-style-type: none"><li>• Finalise scope of work contracts</li></ul>	Commenced
Re-engage off-take and/or equity participants from global shrimp producers/importers	Commenced
Engagement with finance specialists	Commenced
Finalise Bankable Feasibility Study <ul style="list-style-type: none"><li>• Key team members already in place, others identified and to join in coming months</li></ul>	21 months