



## Thailand feedmill investment advances Novacq™ strategy

Melbourne, Australia 29 January 2016: Ridley Corporation Limited (**Ridley**) (**ASX: RIC**)

Ridley is pleased to announce today the execution of formal agreements to acquire a Joint Venture interest in Pen Ngern Feedmill Co (**PNFM**), an entity domiciled in Thailand which owns and operates a dedicated aquafeed manufacturing facility, for an investment of A\$1.1 million.

PNFM was established by Mr Prayoon Hongrath, a Thai national. For the last 30 years, Mr Hongrath has (separately) owned and successfully run a major 224 hectare prawn farm, adjacent to PNFM's feedmill, trading as "Sureerath Prawns" and constituting one of Thailand's largest prawn farms, and was a pioneer in establishing Thailand's prawn industry. Mr Hongrath is consequently a well-known and respected figure in the Thai prawn industry, whose views are regularly sought on industry issues.

The feedmill owned by PNFM is located in Thailand's prime prawn-growing Chanthaburi region and is relatively new, having been constructed in 2012 and commencing manufacture of feed in early 2013.

The mill's primary purpose was to make feed for the adjacent and related Sureerath Prawns farm, with a view to simultaneously building a market for third party feed sales. The mill has an existing capacity of 30,000 tonnes per annum with infrastructure in place to expand to 55,000 tonnes per annum for minimal capital outlay. Thailand is the world's second largest producer of prawns (also called shrimp globally), with an estimated prawn feed market capacity of 800,000 tonnes per annum (albeit this is currently depressed due to the impact of Early Mortality Syndrome<sup>1</sup>). For comparative purposes, the Thailand prawn feed market is approximately 100 times larger than the Australian market.

Strong progress has been made over the last 12 months regarding Ridley's applied Research and Development efforts, with prawn feed product trials including the Novacq™ ingredient consistently demonstrating growth rate improvements in the vicinity of 40% or more, improving feed conversion rates, and improving animal well-being via enhanced resistance to the challenge of viral/bacterial attacks and thereby increasing survival rates.

The contracts entered into by Ridley include an exclusive Supply Agreement between PNFM and Sureerath Prawns, which will provide a base level of operations from which to build sales to third party customers. For its part, Ridley will provide PNFM with access to its Novacq™ ingredient, which will provide PNFM with a significant first-mover advantage for this ground-breaking ingredient in the Thai marketplace.

Ridley and Sureerath Prawns are also currently working closely with Farallon Aquaculture S.A., a company engaged in the production of prawn larvae. Following the successful introduction in Latin America, Farallon has recently introduced into the Thai market its pathogen-resistant larvae, which have been designed to improve prawn performance against Early Mortality Syndrome.

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<sup>1</sup> EMS stands for Early Mortality Syndrome, which is a serious disease of shrimp caused by a combination of a plasmid (section of exotic bacterial DNA) infecting a *Vibrio* species bacteria commonly found in shrimp farm environments, which then turns on the production of a toxin by the bacteria when they are present in large enough concentrations. This toxin affects the digestive tract of the shrimp causing rapid and high mortality, typically within the first month of the culture cycle in the ponds.

The proposed collaboration between the parties will introduce an integrated on-farm solution to Thailand, leveraging each party's respective intellectual property, comprising Ridley's Novacq™ ingredient, Farallon's pathogen-resistant larvae, and Sureerath Prawns providing a local application to test these practices in a progressive and well run prawn farm. Post-validation, the opportunity exists to introduce this concept to Thailand and across Asia.

Ridley's Joint Venture partnership in PNFM is Ridley's first significant offshore venture in aquaculture, and the feedmill represents a highly attractive proposition in its own right. Ridley's investment of \$1.1 million is effectively secured by the value of the feedmilling assets, and can thus be considered as a low-risk, low-cost entry into Thailand, especially when compared with Australian construction and operating costs/standards.

In addition to the feedmill operation, Ridley's Joint Venture partnership also represents a critical step in Ridley's wider strategy to develop and commercialise Novacq™ as a novel feed ingredient. Ridley's involvement with PNFM will provide it with an unrivalled opportunity to learn about the Thai prawn feed industry and market, and also to test customer acceptance and performance of Novacq™ in a real commercial environment.

Additionally, the feedmill is located in the heart of a major prawn producing region, and Ridley is currently actively evaluating a number of local aquaculture farms as potential sites for commercial scale production of the Novacq™ raw material in Thailand.

Ridley Chief Executive Officer Tim Hart stated "This is a tremendous opportunity for Ridley to establish itself within the world's second largest prawn producing country with a full prawn feed service offering at a low cost entry point, and with local relationships on the ground to help us navigate our way through the markets, regulations, customs and practices of the region. Having recently announced the securing of a site for domestic production of Novacq™ at Yamba in northern New South Wales, this investment will also facilitate the identification of an overseas Novacq™ production site in our preferred territory of Thailand."

The investment by Ridley follows an extensive financial, tax and legal due diligence process conducted by the local offices of KPMG (financial and tax) and Baker McKenzie (legal), and is formally documented in a suite of contractual arrangements comprising a Share Subscription Agreement, Shareholders Agreement and Operation and Usage Agreement, the latter two documents providing the governance arrangements for shareholder rights and responsibilities and the conduct of the feedmill business respectively.

Ridley's investment of A\$1.1 million will provide it with a 49% stake in PNFM. The 49%, rather than an equal or controlling equity stake, is a reflection of Thai law, which can impose certain restrictions on Thai businesses whose shares owned by non-Thai nationals exceed 49%. The pertinent contracts have been structured however, such that governance and management of the business will be effectively on a 50:50 basis between Ridley and the Hongrath family.

Formal consent to the Ridley investment was required and received from the PNFM financiers, and consent to comply with the Ridley accounting and monthly reporting requirements has been granted by the co-owners of PNFM.

**For further Ridley information please contact:**

Tim Hart, Chief Executive Officer  
Ridley Corporation Limited  
+61 (03) 8624 6529

**For further Novacq™ information please refer to:**

ABC Landline (April 2014) article at <http://www.abc.net.au/landline/content/2014/s3984247.htm>

CSIRO Novacq™ article (November 2015) at:

<http://www.csiro.au/en/Research/AF/Areas/Aquaculture/Better-feeds/Novacq-prawn-feed>

[Ridley \(RIC\) ASX Release dated 22 January 2016](#)