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30 November 2016

HUON AQUACULTURE GROUP LIMITED (ASX: HUO)
Announcement

2016 Annual General Meeting

Attached are copies of the Chairman's Address and Chief Executive Officer's Review of Operations to be presented at today's Annual General Meeting, Wednesday 30 November 2016, Henry Jones Art Hotel, 25 Hunter St, Hobart commencing at 10.30am.

Yours faithfully,

Thomas Haselgrove
Company Secretary

For further information please contact:

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Huon Aquaculture Group Limited ABN 79 114 456 781

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CHAIRMAN'S ADDRESS
HUON AQUACULTURE GROUP LIMITED ANNUAL GENERAL MEETING
10.30 am, Wednesday 30 November 2016
Henry Jones Art Hotel
25 Hunter St, Hobart

Good morning ladies and gentlemen.

On behalf of the Board I extend a warm welcome to the second Annual General Meeting of Huon Aquaculture Group Limited. My name is Neil Kearney and I have been privileged to chair the Huon Board since August 2016 following the retirement of our founding Chairman Peter Margin. I have served as a Director of the Company since August 2014, prior to the public float in October of that year.

The Company Secretary has advised me that a quorum is present so, as it is now after 10.30 a.m., I declare the Meeting open. Before I proceed, would you please take a moment to switch off your mobile phone or to ensure that it is in silent mode. Thank you.

I would also like to ensure that you are familiar with the evacuation procedure we would follow in the unlikely event of an emergency. If there is an emergency, you will hear the evacuation alarm. Please exit via the main stairs or via the fire escape on my right. And please follow all instructions of the wardens.

At today's Meeting our Chief Executive Peter Bender and I will report on Huon's performance for the financial year ended 30 June 2016 and comment on the Company's outlook for the current year and beyond. The presentations from today's Meeting have been lodged with the Australian Securities Exchange and are now posted on the Huon website.

The format of today's Meeting will be as follows:

Following my address, Peter will deliver his review of FY16 operations. At the conclusion of Peter's review, shareholders will have the opportunity to ask questions. Then we will move to the formal

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business of the Meeting, during which we will consider and vote on the five Resolutions set out in the Notice of Meeting that has been sent to you.

Shareholders will be invited to approve, as Ordinary Resolutions, the adoption of the remuneration report, the grant of performance rights to Peter Bender, the re-election of Simon Lester and Tony Dynon as Directors of the Company, the re-adoption of the long-term incentive and bonus sacrifice plan and, as a Special Resolution, the renewal of the proportional takeover provisions contained in the Company's Constitution.

The details of these Resolutions are set out in the Notice of Meeting and, unless there are any objections, I propose to take the Notice as read.

Introductions

Let me now introduce my colleagues on stage.

(To my right/left) are (order to be adjusted as necessary):

- Peter Bender, our CEO and Managing Director
- Frances Bender, Executive Director
- Simon Lester, Independent Non-Executive Director
- Tony Dynon, Independent Non-Executive Director. Tony was appointed to the Board last August.
- Philip Wiese, our Deputy CEO and
- Tom Haselgrove, our CFO and Company Secretary.

Auditors

The Company's external auditors PricewaterhouseCoopers Australia are also represented this morning by partner *Daniel Rosenberg*. *Mr Rosenberg* will be available to answer questions when the Accounts are considered.

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The Year in Review

I will now move to my report for the year ended 30 June 2016.

In our second year as a listed company Huon continued to advance our program of transformational change, both to secure the Company's long-term sustainable profitability and to actively manage business risk.

We completed the implementation of Huon's \$200 million Controlled Growth Strategy which is expected to improve efficiency, reduce earnings volatility and lower our risk profile over time. The full implementation of the strategy, on time and on budget, was one of the most significant achievements in the Company's history. The first fish to be raised with the full benefit of the Controlled Growth Strategy will be harvested in FY 2018.

Consistent with this growth strategy, we invested substantially in our capital assets last year, including in a state-of-the-art hatchery at Forest Home in Judbury and in patented seal-proof Fortress pens, feed barges and mooring systems.

These strategic investments reflect the Board's view that long-term competitive advantage for Huon Aquaculture lies in continuous operational improvement and the enhancement of product quality, environmental performance and security of supply.

To achieve our business goals, the Company will continue to invest in value-accretive and industry-leading technical and market innovation, including geographical and species diversification.

FY16 Results

Turning to our financial results for FY16, it is well-known that, during the summer of 2015/16, Tasmania experienced one of the most severe El Nino events in the State's recorded history.

However, Huon anticipated this unavoidable climatic event, and we made a strategic decision to bring forward the salmon harvest to avoid the negative impacts on fish health and growth that would have arisen had we left mature salmon in rapidly warming waters, particularly in Macquarie

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Harbour. Fish size and growth rates were also affected last year by adverse feed performance, an issue that we are currently pursuing with the particular feed supplier.

The early harvest delivered record sales volumes in FY16 and revenue of \$233.7 million was 22% higher than in the prior year. However, Huon's profitability was significantly impacted.

Principally because of the higher-than-usual fish harvest, 25% of sales last year were channelled through the export market which coincided with Norway, the world's largest producer of salmon, significantly increasing its harvest in response to ongoing problems with sea lice.

Increased export tonnages sold into a market suffering pricing pressure, together with increased processing and freight costs associated with export sales, adversely affected our profit margins

As a result, operating EBITDA in FY16 declined against prior year by 35% to \$26.5 million. I should note at this point that export-derived revenue has declined substantially as a proportion of the Company's sales in the current year.

While no Board likes to report a reduction in year-on-year earnings, we believe that the actions we took last year, in the face of very challenging environmental conditions, minimised the impact on our business and that the implementation of Huon's Controlled Growth Strategy will substantially mitigate our environmental and other business risks in the future.

Strategy

The \$200 million Controlled Growth Strategy has been the Company's primary focus during the two years since listing. The completion of this Strategy in FY16, combined with a return to more normal weather patterns in the current financial year, is expected to deliver a strong turnaround in profitability. At the same time we anticipate that the full benefits to accrue from the Strategy, in the form of substantially improved operating efficiencies, will be realised from FY18 onwards.

We see no change in the trend of the past 10 years where Australian consumers have steadily increased their demand for salmon as a valuable source of protein in their diet. The Australian

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domestic market for salmon is therefore expected to grow by around 10% per annum over the next five years, with global demand continuing to grow at around 5-7% per annum.

Over the next two to three years Huon will focus primarily on servicing increasing domestic demand for the high quality farmed salmon we produce.

The Controlled Growth Strategy has been a key component of the Company's overarching Corporate Strategy, founded on the adoption of three goals or business principles regarded as fundamental to long-term sustainable profitability. These goals bear restating. They are to:

- Grow the market through increased consumption, better channel mix and enhancement of sales and brand value
- Build production and enhance operational efficiency
- Safely and sustainably develop our people through embedding a culture of continuous improvement throughout our operations

Safety

Huon's safety culture is already bearing fruit and I am pleased to report that the Company's safety performance improved markedly in FY16. We recorded a 74% reduction in Lost Time Injury Frequency Rate, from 27 down to 7. Our new Fortress pens create a safer working environment for our people and the Company's 'Safety First' program, a top priority at all our sites, is clearly paying off.

Capital Management

In relation to capital management, Huon's balance sheet remains strong. While net debt for the year rose to \$62.1 million due to the capital expenditure associated with the implementation of the final stages of the Controlled Growth Strategy, the Board is comfortable with the gearing ratio of 24.8% at year-end.

However, the significant reduction in retained earnings in FY16, mandates maximum retention of cash within the business and, as a result, the Board determined not to declare a dividend for FY16. The Company's stated intention is to pay annual dividends up to 35% of net operating profit but this commitment is subject to ongoing financing and capital expenditure requirements.

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At this stage of Huon's development and, particularly in light of the significant and necessary investment in the Controlled Growth Strategy, the Board will only consider dividend payments when earnings and cash flow are at sustainably higher levels than in FY16.

Recent Media Commentary

Before summarising Huon's outlook for FY17 and beyond, it would be remiss of me not to comment on recent media coverage of the Tasmanian salmon industry and, in so doing, to address any lingering misgivings that shareholders may have about the nutritional quality of our salmon and the environmental circumstances in which they are reared.

ABC's 'Four Corners' program raised concerns about the industry's use of the antioxidant astaxanthin in salmon feed and implied that its only purpose was to enhance the pink coloured flesh of farmed salmon.

The facts are these. Salmon in the wild have a naturally red/pink colour, due largely to astaxanthin which is produced in natural waterways by algae, yeast and bacteria. Astaxanthin is absorbed by crustaceans, such as shrimp or krill, which is then passed on to salmon as part of their natural diet and provides vital antioxidant protection which is essential to the salmon reproductive cycle.

Farmed salmon have limited access to wild crustaceans so it is essential to supplement their diet with a 'nature identical' and fully approved synthetic equivalent which provides the same benefits to the fish.

While natural and synthetic versions of astaxanthin have the same chemical composition, in light of concerns about its use expressed in and after the 'Four Corners' program, the Tasmanian farmed salmon industry is transitioning towards using naturally-sourced astaxanthin during 2017.

The issue of Macquarie Harbour and its long-term sustainability for salmon farming also received attention from Four Corners. As shareholders would be aware, Huon has had concerns about this matter for many years and outlined these concerns in our prospectus of October 2014. We have demonstrated our commitment to ensuring that salmon farming in Macquarie Harbour is kept at sustainable levels by finding an alternative site in Storm Bay to accommodate our future growth. In relative terms, therefore, our production in Macquarie Harbour, which now accounts for around 10% of Huon's salmon production, will slowly decline as we focus all our efforts in building up our higher energy leases offshore in the southern region.

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Huon will continue to put its case to government and work constructively towards an outcome in the best interests of the environment, the health of the fish, the community, the industry and the Tasmanian economy.

We are committed to optimal farming conditions in all of our sites and the Fortress Pen rollout, completed in the first half of FY2016, has enabled stocking densities to be reduced at all sites, ensuring that our fish have a better and safer environment in which to grow.

Outlook

Turning now to Huon's prospects for FY17, the Board is confident that the successful implementation of the Controlled Growth Strategy program, on time and on budget, has enhanced Huon's competitive position and placed the Company on a sounder footing both to execute its business strategy and to continually improve its environmental performance.

The recent rise in international and domestic salmon prices, is already contributing to a strong turnaround in profitability in the current financial year, returning Operating EBITDA to levels exceeding those recorded in FY2015. It should be noted however that while Huon's profitability will benefit from this improvement in pricing together with a return to more normal climatic conditions, the impact of El Niño last summer on the growth of our 2015 Year Class salmon will continue to be felt through the business this year in the form of lower average fish weights. We are therefore anticipating that volumes from the harvest in the current financial year will be broadly in line with FY2016.

In FY2018 we are expecting Huon's growth in profitability to continue, as substantially improved operating efficiencies deliver a further uplift to both revenue and earnings, supported by continuing strong international prices.

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Conclusion

Ladies and gentlemen, I hope I have been able to convey to you my passion for this Company and the Board's confidence in its profitable future. We believe that our Controlled Growth Strategy will signal a new era for salmon farming in Australia and will ensure our growth over time.

Of course we would achieve nothing without the tireless efforts of our dedicated and loyal employees and without the support of our customers, suppliers, local communities and of course you, our shareholders. We are deeply grateful for your ongoing support and faith in Huon through recent difficult times.

I also thank my Board colleagues for their diligence and hard work and look forward to chairing our deliberations in the years ahead.

I will now ask our Managing Director, Peter Bender, to present his review of FY16 operations.

Thank you.

END

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**CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS
HUON AQUACULTURE GROUP LIMITED ANNUAL GENERAL MEETING
10.30 am, Wednesday 30 November 2016
Henry Jones Art Hotel
25 Hunter St, Hobart**

Thank you Neil and good morning everyone.

Let me add my welcome to the Chairman's and thank you for attending today's AGM.

Huon Aquaculture made substantial operational progress during FY16. Our business is stronger and more sustainable than it was a year ago as a result of the completion last year of our Controlled Growth Strategy program (or CGS), on time and on budget.

The implementation of the \$200 million CGS is expected to generate steady and sustainable growth for Huon in the current year and beyond. Importantly, this comprehensive strategy will also substantially mitigate environmental and agricultural risks and enhance employee safety.

Principally as a result of the production efficiency measures that are one of the key priorities of the CGS, our business is performing more strongly in the current year, assisted by better growing conditions and stronger salmon prices. However, it is important to also bear in mind that the full operational and financial benefits of the implementation of the CGS will actually accrue in FY18 and continue into subsequent years.

FY16 Operational Overview

In terms of Huon's financial results for FY16, our earnings were, as the Chairman has noted, significantly affected by the combined impact of the early harvest of 2014 Year Class fish and a consequent shift to higher export sales.

During the financial year Huon experienced growing conditions that were far from ideal due to feed performance issues and in the second half of the year a severe El Nino event. Huon has commenced litigation to seek appropriate compensation from the supplier of poor quality fish food. This litigation

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is presently before the Court and when the matter is resolved an announcement will be made to the market.

Revenue in the second half was higher than the previous corresponding half as salmon prices rose in response to a shortage of supply from major growing regions. This helped offset the impact of a decline in Huon's production volumes in the second half due to the poor growing conditions. The average harvest fish weight fell 22% from 5.14kg in the first half to 4.0kg in the second half.

Our change in harvest strategy delivered a substantial rise in revenue and sales volumes for the full year. Sales revenue grew by 22% compared with the prior year, to \$233.7 million, and volumes of whole fish sold rose from 15 200 thousand tonnes to 20 500 thousand tonnes.

Around 75% of the increase in production was sold into the export market and as a consequence exports as a percentage of sales grew markedly, from 15% to 25%.

As would be expected freight and processing costs also rose contributing to a reduction in margins as the additional stock harvested was sold into the lower priced export market.

Operating cash flow for FY16 was \$16.32 million, part of which was used to fund the completion of the CGS. Cash flows were tightly managed in the second half as growing conditions increased farm and raw materials costs.

In summary, the three major negative factors that impacted Huon's FY16 financial results were the poor growing conditions due to the extreme El Nino in the second half, inferior feed formulation that affected fish health and the timing of increased sales into the export market.

No company likes to report a reduction in full year earnings, but the actions we took in response to the very challenging operational issues over the past year are expected to deliver long-term strategic and competitive advantage as we continue to build a resilient and sustainable business.

Controlled Growth Strategy – Securing Huon's Sustainable and Prosperous Future

The importance of the Controlled Growth Strategy to Huon's sustainable and prosperous future is hard to overstate. Indeed, the implementation of the Strategy, completed last year, was the most significant operational achievement in Huon's history.

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The CGS will make Huon a stronger, more sustainable business by improving our operations, efficiency and risk management at each stage of the production process, from the production of smolt (juvenile salmon) to the delivery of the freshest retail product to our customers. The first fish to be raised with the full benefit of the CGS will be harvested in FY18.

Key actions undertaken during FY16 under the CGS investment program included the rollout of the new higher energy offshore Fortress pens and mooring systems, the completion of the Forest Home Hatchery and the deployment of new high tech feed barges.

The Fortress Pens enable us to produce higher quality and healthier salmon and will lead to an overall increase in growth rates, quantity and average weight of our farmed fish.

These offshore Pens also significantly reduce the environmental and community impact of Huon's farming operations.

Risk management

The effective management of business risk is a fundamental component of the CGS and remains a high priority for Board and management. Simply stated, Huon is exposed to four categories of risk which are all actively monitored and regularly assessed as part of our operational management strategy.

In FY16 we took substantial steps to mitigate risk in each of the four categories.

The categories are:

- **Agricultural risk** (such as disease and algae)
Our main action in FY16 to reduce agricultural risk was to anticipate the impact of the forecast El Niño, particularly in the Macquarie Harbour region, by bringing forward the harvest as I have already outlined.
Macquarie Harbour now accounts for around 10% of Huon's salmon production and this will decrease further as we concentrate our plans for expansion in our higher energy leases offshore in the southern region.
As the Chairman has noted, it has long been Huon's considered position that Macquarie Harbour will not be sustainable as an environment for salmon farming unless the regulated biomass cap is revised down to a safe level.

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Conditions in Macquarie Harbour have deteriorated significantly since the Company's announcement to the ASX on the 15th of this month.

Last night the Company received a draft determination from the EPA Director indicating his intention was to cap the biomass in the Harbour at 14,000 tonnes by 31 January. Prima facie, we do not agree with the draft determination and we will be making a further public statement later today.

- **Environmental risk** (relating principally to weather and wildlife)

The Fortress Pen rollout enables stocking densities to be reduced at all sites, giving the fish a better environment in which to grow. The Pens and new mooring systems also reduce wildlife interactions, thereby reducing a major contributor to fish mortality risk.

We have addressed the issue we encountered during FY16 in relation to quality of feed by undertaking a comprehensive feed tender and contracting new suppliers. I am pleased to report that the fish have responded well to the new feed formulations.

Other environmental risk mitigation actions in FY16 included the installation of an oxygenation system in Macquarie Harbour.

- **Market risk** (managing competitive issues and anticipating changing consumer preferences)
Huon is always aware that our commercial success is fundamentally dependent on our success in a competitive marketplace and on our ability to track and stay ahead of changing consumer preferences. In FY16 we worked to build our presence in the retail market, culminating in the signing of contracts with major retailers together with our leading position supplying the wholesale market, supports our objective of growing the domestic market. We also continue to research species diversification.

- **Safety risk**

Huon's commitment to our employees and their safety at work is absolute and is a key element of the CGS. Safety and environmental performance are vital to sustainable improvements in earnings and Huon mandates safety as a top management priority at all of our sites.

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The Chairman noted that our 'Safety First' program resulted in approximately 74% reduction in Lost Time Injury Frequency Rate (LTIFR) in FY16, from 27 to 7. This reduction is very pleasing but our target remains an LTIFR figure of zero. We are being assisted in making progress towards that target by the introduction of the Fortress pens which have created a safer working environment for our people as evidenced by a reduction in slips, trips and falls.

The Company has also invested in an expanded safety team and we have a relentless focus, including at Board level, on safety improvement in all areas of the business.

Outlook

Let me add to the Chairman's comments on Huon's current outlook for FY17.

Forecasts by industry analysts of a recovery in the market outlook for salmon were confirmed at the beginning of calendar 2016, with reduced global supply and continuing growth in global and domestic demand pushing up salmon prices.

This has meant that the domestic market is now in a much better position than it was twelve months ago and the wholesale market remains strong. We expect an improved channel mix in FY17, with domestic wholesale representing 74% of sales and retail 24% and 2% to Export.

Growth in imports into Australia decreased significantly during FY16 as local producers expanded supply, aided by a weaker Australian dollar and supply constraints in offshore markets. There will therefore be increasing demand on domestic suppliers as the Australian consumer appetite for farmed salmon is expected to continue growing at about 10% pa. With prices in the domestic market stabilising at mid-2016 levels, we do not anticipate expanding our participation in the export market in the medium term.

Huon's new supply agreements in retail are expected to double Huon's presence in the retail market in FY17 and we see further opportunities to expand our volumes in this sector. Our capacity to supply this growth segment of the market is supported by Huon's state-of-the-art processing facility at Parramatta Creek (Tasmania) and our new Sydney facility. We continue to investigate opportunities for diversification into other fish species such as Kingfish, although our New South Wales Kingfish initiative is at an early stage of development.

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The recent rise in international and domestic salmon prices, together with the completion of the CGS, will underpin Huon's recovery and increase its profitability in the short to medium term. The effects of the difficult growing conditions experienced in the second half of FY16 will nonetheless continue to affect the business in FY17 in the form of lower average fish weights. We are therefore anticipating that volumes from the harvest in FY17 will be broadly in line with FY16.

We are confident, however, that Operating EBITDA will return to levels exceeding those recorded in FY15, resulting in a strong turnaround in profitability in FY17. The full impact of the CGS investment in the form of substantially improved operating efficiencies will deliver further growth in FY18.

Conclusion

As I reflect on Huon Aquaculture's achievements in its second year as a listed company I am confident that the Company's profitable future is secure and that, operationally, we are on a very sound footing.

The cost of the CGS was substantial but we will continue to reap rewards from this major investment in the years ahead. Huon's best days lie before it and at an operational level I am confident that we now have a stronger and more sustainable business, with our key risks being carefully and prudently managed.

Our careful management of business risk and focus on the development of growth opportunities will ensure that Huon remains a leading producer of high quality farmed fish and is positioned well to continue to grow safely, sustainably and profitably.

I take this opportunity to thank all of our dedicated employees for their hard work and application, our local communities where we live and work, our customers, our suppliers and you, our shareholders, for your continuing support.

Thank you.

END

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