



Australian Agricultural Company Limited
ABN 15 010 892 270

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30 May 2012

Decision to proceed with acquisition of land for Darwin Meat Processing Facility

- **Acquisition of 600ha of land for the site at Livingstone Farm proceeding, with completion expected by late June 2012**
- **Proximity to growing Asian markets and vertical integration make a compelling case for the establishment of processing plant in the Northern Territory**

Operational update

- **Beneficial rainfall supporting pasture growth and management forecasts**
- **Herd numbers successfully restocked to record 2011 levels – to be sustained through 2012**
- **Cattle sales remain strong despite late rains and are expected to be in line with 2011**
- **Global beef pricing outlook strong and recent weakness in Australian dollar positive**
- **Operating cashflow surplus expected in 2012**

Australian Agricultural Company Limited (“AAco” or the “Company”) today announced an update and provides an outlook on various operational performance measures for the 2012 financial year to date.

Darwin Meat Processing Facility Update

The Company has decided to proceed with the acquisition of the site at Livingstone Farm for a price of \$13.275 million, subject to satisfaction of conditions precedent with settlement expected to occur by late June 2012. The Company is confident that outstanding conditions precedents will be satisfied shortly and then the contract can proceed to completion.

In May 2012, AAco announced that it had received an Exceptional Development Permit (EDP) approving the development of an abattoir south of Darwin. The approval contains 5 conditions precedent that must be met to enable the development to proceed. The Company has satisfied itself that these EDP conditions precedent have either been met or are capable of being met as part of the final development and approval processes.

The Livingstone site is approximately 600ha in size, of which approximately 14ha will be occupied by the abattoir. The balance of the site will comprise irrigation zones, natural wetlands, ponds and other areas providing facility and amenity to the site. The additional land purchased will ensure a sufficient buffer zone between the abattoir and adjoining areas.

CEO of AAco, Mr David Farley, said: “The project fundamentals around a processing plant in the Northern Territory are compelling, and will secure the long term future of Australia’s northern pastoral industry.”

“The economic benefits extend well beyond northern Australia and we believe will also have substantial positive flow on effects for our northern neighbours”. Mr Farley said.

Subject to final project endorsement by the AAcO Board to proceed with the development, the proposed Darwin Meat Processing Facility will be developed at a total estimated capital cost of circa \$83 million (including land). This plant will be built as a Hot Boning plant with flexibility to incorporate chillers when required, and a design capacity of up to 225,000 head pa. It is proposed that the plant will process circa 180,000 head pa once full production levels commence.

The project is forecast to meet return criteria established by the AAcO Board. The Board will review the final tendered delivery costs prior to construction commencing to ensure these benchmarks are achievable.

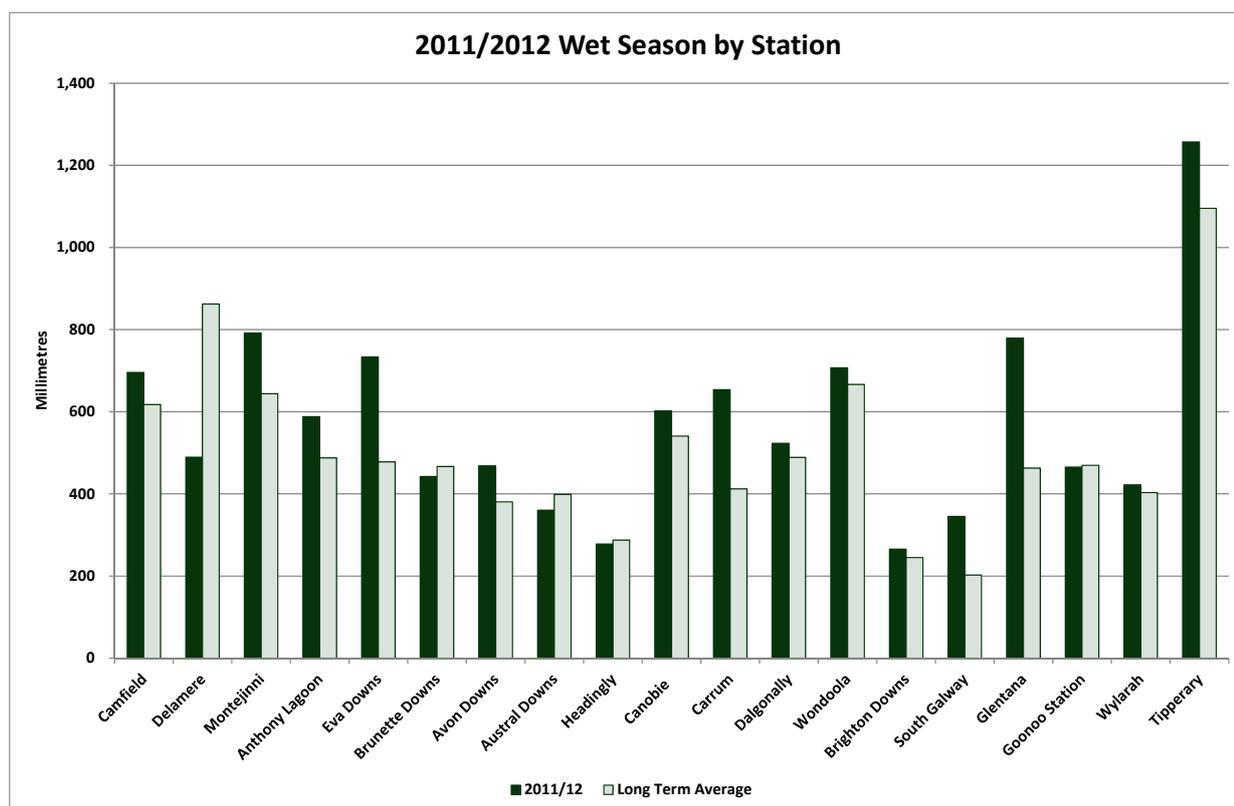
While AAcO is prepared to invest 100% of the required capital, the Company will seek investment partners in the facility and will hold a minimum of 50% of the equity in the company developing the Darwin Meat Processing Facility, "Northern Australian Beef Limited", which is currently a wholly owned subsidiary of AAcO.

The new facility will be state-of-the-art and when operational, will have the capacity to process up to 1,000 head per day at full production, create up to 260 full time jobs including substantial new opportunities for indigenous and female workers in the region. It will be efficient from a carbon emissions standpoint, and improve animal welfare outcomes.

Mr David Farley said, "A possible move by AAcO into meat processing is a natural next step in vertical integration, particularly given our proximity to the growing Asian markets and the quality of our end product."

Rainfall and pasture levels update

Beneficial rainfall received in late March and early April has ensured that AAcO has more than sufficient pasture to deliver on management forecasts for 2012. The herds across all properties are in very good condition and the available pasture is expected to promote excellent weight gain.



Herd planning

AAcO successfully rebuilt herd numbers in 2011. Herd planning has now been completed for 2012 and management expects the herd numbers at December 2012 to be in line with 2011. Herd numbers have increased during the first half of the year following completion of the wet and the commencement of branding.

Mustering is progressing well and pregnancy testing rates have been higher than expected on some stations. It is expected that brandings will marginally increase this year.

The early start to the wet season and lack of long monsoons has seen cattle body condition in the Northern breeding herd being better than normal. This puts the potential breeding herd performance for 2012 and 2013 in an excellent position. As a result of the above, it is anticipated that total kgs produced from the herd will exceed 2011 levels (81 million kgs).

AAco has taken the significant step of implementing Individual Animal Recognition (“IAR”) systems that will enable unprecedented management control and selection pressure over the breeding and trading herds. The rollout of these systems have commenced as part of the first round muster process and approximately 180,000 head have been identified and inducted into the IAR systems. IAR will provide AAco with improved data and better visibility on attrition, valuation and performance, on a herd and individual animal basis. These IAR systems will be linked to breeding and production technology to improve overall herd and financial outcomes.

Cattle sales and price outlook

AAco’s full year cattle sales (by number of head) are currently expected to be in line with 2011 as shown in the table below. Late rains this season have delayed a proportion of sales in the first half of 2012, though this will be offset by increased sales in the remaining part of the year.

	Grass Finished	Shortfed Grain	Wagyu	Breeder and Feeder	Live Export	Total sales
Estimated 2012	43,500	17,500	35,000	56,000	92,000	244,000
Actual 2011	47,166	35,395	26,563	50,470	80,177	239,771
Actual 2010	25,150	30,601	31,530	33,737	44,786	165,804

Stronger demand for Wagyu has provided AAco with some strong external sales direct from the feedlots. Intra-year cattle price indicators are moving in similar cycles to previous years. Management expects to continue to achieve prices in line with internal budgets based on the current price outlook and continued global strength of beef prices. If the Australian dollar remains at current levels or continues to weaken then the impact for AAco will be positive.

Branded Beef division

The Branded Beef division is performing well and is exceeding its performance over the same period in 2011. The recent fall in the Australian dollar has assisted the performance to date. The forward purchase contracts are at attractive prices and stronger 2012 performance for this division is expected. The outlook for this business is stronger than for 2011 based on current market prices and the price outlook in Australian dollar terms.

Cropping update

Increasing contributions from cropping is continuing to improve returns across the portfolio. The cotton harvest for 2012 is almost complete and average yields of circa 10 bales per hectare are being achieved. AAco anticipates that on completion of the 2012 ginning season final cotton bale production will be approximately 22,000 bales representing a 90% increase on the 2011 harvest. The good rains in mid-March and April in Central Queensland have produced excellent moisture for winter crop plantings. Given the current seasonal and market outlook, AAco anticipates that cropping will continue to expand further across 2012 and 2013.

Cash flow outlook

As previously indicated, AAco currently expects to produce an operating cashflow surplus in 2012. AAco’s profits and cashflows are generally weighted towards second half of each year and this is expected to be the case during 2012.

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