HALF YEARLY LETTER TO SHAREHOLDERS

Dear Shareholder,

I am pleased to report an after tax profit of $338,802 for the half year to December. This was due to the marking to market our Namoi Cotton Capital Units stake to 33.5 cents per unit which in effect reversed the previous mark to market valuation to 29 cents per unit. The current unit price for Namoi now reflects the approximate cost of this investment to ARC and along with our cash balance gives rise to an asset backing of 51 cents per share for ARC. We believe this is a positive outcome in a period of significant market volatility and negative returns. Our asset backing has remained stable, which highlights our approach, which remains focused on both on capital preservation and investment returns, both aspects which are fundamental to our value approach of investing.

The Namoi stake is currently the sole investment asset of the company, and as we have previously discussed we remain very positive on the value and opportunities within Namoi Cotton to be realised and captured for the benefit of all stakeholders including ARC. The major development on this journey was Namoi Cotton, in late December appointing the corporate advisers, Morgans Limited to review the capital structure and provide advice on capital raising options available to Namoi.

We believe that Namoi has numerous significant growth opportunities available, primarily due to the solid market position in which it holds within the cotton industry which is located within the large scale and very productive irrigated and dry land agricultural regions of the Murray Darling Basin. However to capture these opportunities, Namoi will need to make itself more attractive to capital providers and we believe the first step in this process is to reduce the financial risk of the enterprise. This means debt reduction, and we continue to advocate Namoi reduce term debt levels and seek to fund the operations and growth of the business with a greater proportion of permanent equity. We remain constructively engaged with Namoi and fully support the review process and look forward to participating in the future of Namoi Cotton and supporting the growth opportunities and for this to translate into the growth of our investment.

This progress at Namoi is consistent with our investment approach. We are seeking to hold significant ownership stakes in a limited number of assets, in which we believe represent absolute value investments. We also seek to work and participate in a constructive manner with our investments to implement strategies and structures to capture, create and unlock shareholder value. These can be achieved by many different means depending upon industry and operating environments but most likely will involve growth initiatives. We are long term investors and understand agriculture is a long term investment proposition, with a requirement for committed capital. This may also mean we have board representation if required to further our contribution. We feel in the end we would like to be recognised as a valuable partner in our investments and a natural owner of these assets.

This now brings me on to discuss the progress we continue to make on the establishment of our investment fund. This work has slightly increased our running costs as we have sought professional legal and accounting advice to advance our thinking and understanding. We also continue to conduct our research and due diligence on a number of assets as potential investments and this has increased our ongoing expenditures however these remain within budgets. We now sense that from a capital raising and ongoing liquidity standpoint, the most appropriate structure to house the type of assets we seek to hold will be an investment company, and that this company will seek an ASX listing as a specialist investment company to provide liquidity to investors. We also believe that permanent committed capital is the most appropriate source of capital for our type of investment approach and we are encouraged by the positive interest we have received from potential investors.

In December, Wayne Massey joined our board and we look forward to benefiting from his strong financial and strategic skills and experience in agribusiness companies and operations. Wayne has assumed the role as Chair of the Audit Committee.

In summary, our asset base is stable, our cash position solid, and we remain committed to developing the funds management segment of the business in order to grow the scale and influence of our activities in order to create wealth for our shareholders.

I look forward to reporting our progress.

Yours Sincerely,

James A Jackson
Executive Chairman
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