Annual General Meeting 30 October 2019

Presentation to Shareholders by Executive Chairman, James Jackson

2019 Results Summary and Current Position

AUSTRALIAN RURAL CAPITAL

- Loss of $2.5m mainly due to mark to market fall in Namoi Share price
- Cash operating costs of approximately $420,000 per annum
- Holding 13.47 million Namoi Cotton ordinary Shares
- Cash Levels are $220,000
- NTA is 38 cents per share
- No immediate source of income (no dividends from investments)
- AFSL License and Public Investment Company established
- Directors taking shares as fees until June 2020 to save cash
- August 2020, 50 cents options currently out of the money

Namoi Cotton Investment Update

AUSTRALIAN RURAL CAPITAL

- Second largest shareholder with 9.7%
- Cultural transition from Co-operative to Company taking place
- Return on Invested Capital focus, along with costs review
- Full risk analysis of business and review of risk profile
- New CEO started on September 1, 2019 with positive impact already
- Asset base to be rationalised, impairments at Half Year announced last week on Ginning assets and NCA Joint Venture
- Worst growing conditions recorded, due to drought in Eastern Australia, cotton prices are solid
- Tough year ahead, NTA of 91 cents per share
- Industry consolidation potential from drought

The Drought and Impact

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- Worst in 120 years, in all valleys or regions that Namoi operates
- Crop Forecast mid range of 150,000 bales for 2020, which is down from the 10 year average of 900,000 bales or is 16.6% of average
- Water prices in Southern Valleys making cotton uneconomic due to the opportunity cost of selling annual allocations
- Both levels of Government now engaged to stem long term structural damage to rural and regional communities, job losses, closures.
- Reinforces the long term strategic need of Namoi to also source earnings outside of the Murray Darling Basin (MDB)

What growth opportunities has ARC pursued in the past year?

- St George Region Water and Land Repurposing acquisition, offer rejected by vendor.
- Livestock Financing Business acquisition, we progressed to a term sheet and heads of agreement, pending banking approval which was finally turned down by vendors bank, expenditures on preliminary due diligence.
- Western Queensland Grazing operation, extensive due diligence and site visits and sourcing of tenant, opportunity to create property trust under management. Unable to source capital partners in time, tenant finally purchased outright.

In the past 5 years we have expended funds on research, due diligence costs on various business growth opportunities, including :

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- 2015 : S Kidman and Co, Initial Proposal, stand alone ARC
- 2016 : S Kidman and Co, Binding proposal with 20% interest
- 2017 : Griffith Almond Development project, circa $60m acquisition, vendor turned down offer, funding partially arranged
- 2018 : Mackay Sugar recapitalisation plan submitted with contingent funding, proposal not advanced by Mackay board
- 2018 : Capital Raise for Agrivest Fund, unable to meet minimum
- 2019 : See previous page
- **Sadly and to our frustration, none have been completed**

Some reasons for lack of deal completion

- Acquisition purchase prices have not been compelling nor accretive to create value for ARC shareholders
- Inability to secure funding, limited capital partners in the space, some conflict between listed and unlisted.
- Regulatory approvals not achieved

Strategic direction and update

AUSTRALIAN RURAL CAPITAL

- Currently evaluating agri-business acquisition we believe could create real value for our shareholders, if progressed and completed.
- If not completed, then the board will be considering all options for the business and structure on the basis that...
- Business development has not been successful to date, this is fully understood by your board and….
- It remains our objective to preserve and create value for shareholders and we will be reviewing our overall activities with this focus.

People and Summary

AUSTRALIAN RURAL CAPITAL

- New Company Secretary appointed during the year, Tamara Barr
- Re- election of Darren Anderson
- Acknowledge my fellow directors for their contributions
- Thanks to our advisory committee members for your input
- Finally, thanks to all our shareholders for your patience, support and feedback.

AUSTRALIAN RURAL CAPITAL

Further Shareholder enquiries, please contact:

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