



Australian Agricultural Company Limited
ABN 15 010 892 270

Operational Update

ASX Announcement No. 46/2012

5 December 2012

Operational update

- Key physical performance metrics continue to track well
- Large majority of cattle sales for 2012 now either complete or contracted
- Operating cashflow surplus expected in 2012
- The final 2012 profit result will be driven by non-cash, market-dependent valuations of the herd

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.

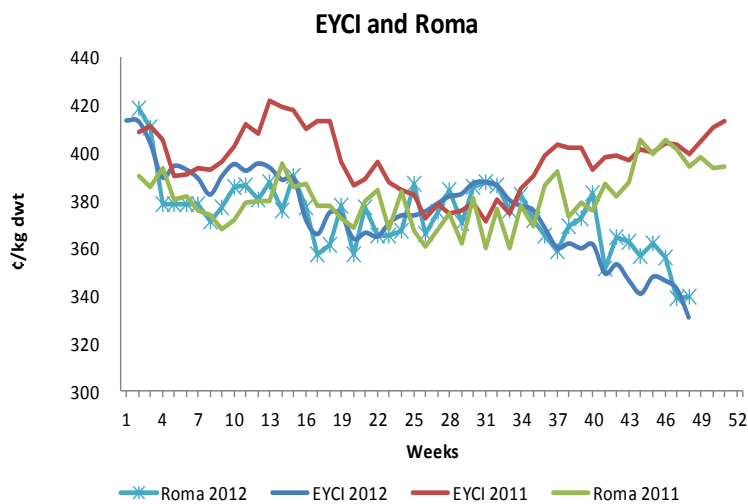
Operational Update

AACo’s key physical performance metrics continue to track well. Climate and pasture conditions continue to support weight gain and brandings outcomes.

The large majority of these cattle sales have been scheduled for the back half of the year in order to benefit from abundant pasture to add weight to the trading herd. Further the Company had expected an increase in market prices on the back of increasing global meat prices, however these have failed to eventuate. The table below shows the total cattle sales completed at 30 November 2012 and the estimated full year sales.

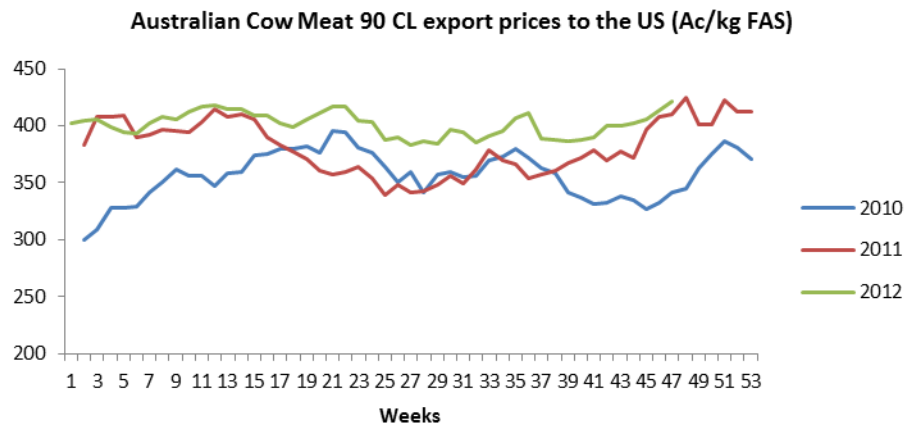
Cattle sales (number of head)

	Grass Finished	Shortfed Grain	Wagyu	Breeder and Feeder	Live Export	Total sales
November YTD	48,963	17,036	33,882	52,931	70,866	223,678
Estimated 2012	50,465	20,577	36,765	59,222	78,649	245,678
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



While AACo has good visibility over its key physical performance metrics and cattle sales, the final full year result will largely depend on the outcome of market-driven valuations of the AACo herd (AACo currently has ~183k head of cattle in its trading herd which, under the Australian Accounting Standard 141 “Agriculture”, are exposed to potentially volatile non-cash mark-to-market movements). These herd valuations are largely driven by indicators such as Roma sale yards and Darwin live export and grainfed feedlot prices. Since AACo last updated the market on 8 August 2012, Roma, which makes up ~15% of the Eastern Young Cattle Indicator (EYCI), has fallen by \$0.46/kg carcass weight and the EYCI as a whole has fallen by \$0.55/kg carcass weight. In the same period live export prices have fallen by \$0.23/kg live weight.

AACo notes that export prices for Australian meat continue to outperform as illustrated in the chart below. The construction of its own processing facility and any fall in the AUD/USD will assist AACo to gain exposure to this overseas meat price thematic.



Herd positioning for 2013

AACo continues to improve the genetics and profile of its herd with the aim of establishing a high quality, self-regenerating herd profile (AACo’s breeding herd has grown to approximately 330k head). AACo believes that this is key to producing an asset base capable of producing sustainable cash generation. The current branding and weight gain metrics bear out the improvements to the herd profile. AACo believes that based on the current branding program combined with the sales and purchase program, the closing branded herd at the end of the year will not be materially different in number (head) to the start of the year.

Darwin Meat Processing Facility update

On 19 October 2012 AACo announced that the Board of Directors had approved the commencement of civil works and the appointment of a Project Management company for the Northern Territory meat processing facility.

The decision is a significant milestone for the Company and a natural next step towards vertical integration, particularly given our proximity to the growing Asian markets.

The Board determined that the project fundamentals around a processing plant in the Northern Territory are compelling, and believes it will secure the long term future of Australia's northern pastoral industry.

Following the purchase of the land and planning approval, detailed planning for the facility is well advanced, with the project manager, principal contractor and earthworks contractor being appointed in recent weeks. Initial earthworks are estimated to take 10-12 weeks to complete.

Facility construction and equipment installation is expected to be completed in the third quarter of next year, with commissioning beginning immediately thereafter.

Cash flow outlook

AACo expects to produce an operating cash flow surplus in its 2012 full year.

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