



Australian Agricultural Company Limited

ABN 15 010 892 270

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ASX ANNOUNCEMENT

12 September 2013

STRATEGY UPDATE AND CAPITAL RAISING

Australian Agricultural Company Limited ("**AACo**" or the "**Company**") (ASX: AAC) today announced that it will accelerate its vertical integration strategy, and raise approximately \$299 million to significantly strengthen the Company's balance sheet ("**Capital Raising**").

The Capital Raising comprises:

- a \$219.2 million fully underwritten 7 for 10 accelerated non-renounceable entitlement offer ("**Entitlement Offer**"); and
- the issue of \$80.0 million of subordinated convertible notes maturing in September 2023 ("**Convertible Notes**").

The net proceeds of the Capital Raising will be applied to:

- fund the remaining capital expenditure (approximately \$67 million) and working capital requirements (approximately \$20 million) associated with the Darwin Abattoir (totalling approximately \$87 million);¹
- reduce net debt in order to support a future refinancing of its existing debt facilities; and
- increase its financial flexibility to pursue its vertical integration strategy.

The Capital Raising will reduce adjusted March 2013 gearing from 40.9% to 23.5%², post the expected funding requirement for the Darwin Abattoir.

STRATEGY UPDATE

The majority of AACo's assets are currently concentrated in capital intensive primary production with a high degree of exposure to variable climatic conditions and domestic cattle prices. Furthermore, AACo's current balance sheet position limits its strategic flexibility.

AACo's strategy is to diversify away from capital intensive primary production by increasing its exposure to higher margin, less cyclical assets with a higher return on capital. The primary focus is on vertical integration of AACo's beef business, including:

- capturing additional margin from downstream processing (including by-products);
- increased direct access to international export markets, in particular in Asia;

¹ Subject to change depending on final determination of scope and project costs. Excludes any potential increase of livestock on stations to support abattoir throughput.

² Net debt including Convertible Note / (Net debt including Convertible Note + Book equity)

- improved productivity from managing supply chains across its pastoral, feedlot and processing assets; and
- focus on brand and market development to facilitate new and stronger relationships with high value food services customers in overseas markets.

The development of the previously announced Darwin Abattoir is core to this vertical integration strategy and will provide beef processing capacity in close proximity to Asian export destinations. The Darwin Abattoir will be the only substantial beef processing asset in northern Australia and, when completed, is designed to have processing capacity of over 200,000 head per annum. Operations at the Darwin Abattoir are expected to commence during the second half of calendar year 2014 (1HFY15).

ENTITLEMENT OFFER

AACo has launched a fully underwritten 7 for 10 accelerated non-renounceable Entitlement Offer to raise approximately \$219.2 million. The Entitlement Offer will consist of an accelerated institutional component ("**Institutional Offer**") and a retail component ("**Retail Offer**"). Both the Institutional Offer and the Retail Offer are fully underwritten.

The offer price of \$1.00 ("**Offer Price**") per share ("**New Share**") represents a discount of 9.1% to the Theoretical Ex Rights Price (TERP)³ of \$1.10 per share.

Eligible shareholders will be able to purchase 7 New Shares for every existing 10 AACo shares held on the record date of 7.00pm (AEST) on 17 September 2013 ("**Record Date**") (for each shareholder, their "**Entitlement**").

New Shares will be fully paid and rank equally in all respects with existing AACo ordinary shares from allotment.

Institutional Offer

Eligible institutional shareholders will be invited to participate in the Institutional Offer which will take place on 12 September 2013. Eligible institutional shareholders can choose to take up all, part or none of their Entitlements. A shortfall bookbuild will be conducted in relation to Entitlements not taken up by eligible institutional shareholders under the Institutional Offer beyond the AA Trust's priority sub-underwriting commitment (detailed below). As the Entitlement Offer is non-renounceable, there will be no trading of Entitlements.

Retail Offer

Eligible retail shareholders with a registered address in Australia or New Zealand on the Record Date will be invited to participate in the Retail Offer which will take place from 20 September 2013 to 8 October 2013. Eligible retail shareholders will have the opportunity to participate at the same Offer Price and the same offer ratio as the Institutional Entitlement Offer.

Under the Retail Offer, Eligible retail shareholders (other than related parties of AACo) may also apply for additional New Shares in excess of their Entitlement up to a maximum of 50% of their Entitlement ("**Additional New Shares**"). The allocation of Additional New Shares and any scale back will be subject to the availability of Additional New Shares and any scale back will be applied by AACo in its sole discretion.

Eligible retail shareholders are encouraged to carefully read the Retail Offer Booklet for further details relating to the Retail Offer. AACo expects to lodge the Retail Offer Booklet with the ASX and despatch to retail shareholders on or about 20 September 2013. Copies of the Offer Booklet will be available on the AACo website at www.aaco.com.au from 20 September 2013.

Further information, including investment considerations and risks associated with the Entitlement Offer, is included in the investor presentation lodged with the ASX today.

³ TERP is the theoretical price at which AACo shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which AACo Shares will trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to AACo's closing price on 11 September 2013.

Major shareholder support for the Entitlement Offer

The AA Trust⁴, which is ultimately controlled by Mr Joseph Lewis (the principal investor and controller of the Tavistock Group)⁵, is a 13.5% shareholder prior to the announcement of the Entitlement Offer, and has committed to:

- take up its entitlement in full, equating to approximately \$29.6 million, or approximately 29.6 million New Shares; and
- provide a priority sub-underwriting commitment in respect of the Institutional Offer of a further \$34.6 million, or approximately 34.6 million New Shares.

The AA Trust's percentage shareholding in AACo is expected to be, and will not exceed, 19.99% as a result of the Entitlement Offer and sub-underwriting. The AA Trust will also subscribe for the Convertible Notes – see below for further information.

IFFCO Poultry Co Sdn Bhd ("**IFFCO Felda**"), a 16.9% shareholder prior to the Entitlement Offer, has advised the AACo Board that it will not take up its entitlement and provided the following comment: "*IFFCO Felda remains committed to its shareholding in AACo.*"

CONVERTIBLE NOTE

As part of the Capital Raising, AACo will issue \$80.0 million of Convertible Notes to the AA Trust.

The key details of the Convertible Notes are:

- 10 year maturity (30 September, 2023) where the holder may elect to cause redemption at the 5th anniversary of the issue date and annually thereafter;
- floating rate coupon at AUD denominated 6 month BBSW plus 0.15% subject to a floor of 3.0% per annum;
- fixed conversion price of \$1.15 per AACo share representing a 4.5% premium to TERP (subject to adjustment in certain circumstances);
- each Convertible Note shall entitle the holder to convert such Convertible Note into AACo ordinary shares at the conversion price during the conversion period; and
- conversion period is from 1 September 2014 until 15 business days prior to maturity.

The terms of the Convertible Notes are summarised in section 4.2 of the Investor Presentation, which AACo has released to ASX today.

If converted in full, the Convertible Notes would entitle the holder to acquire 69.6 million new AACo shares. Assuming the Convertible Notes were converted in full, and assuming no other issues of securities by AACo and no adjustments to the initial conversion price under the terms of the Convertible Notes, the AA Trust's interest in AACo could increase up to 29.2%.⁶

An outline of the full terms and conditions of the Convertible Notes will be disclosed to the ASX in a separate disclosure document. The Convertible Notes are being offered in reliance on Regulation S under the US Securities Act only and may only be sold in "offshore transactions" (as defined in Rule 902(h) under the US Securities Act).

⁴ A revocable discretionary trust established in The Bahamas. The trustee of the AA Trust is Mr Bryan A. Ginton.

⁵ Southeast Point Limited (an associate of Mr Lewis) recently transferred its 13.5% shareholding in AACo to the AA Trust.

⁶ The AA Trust's rights of conversion will be subject to compliance with Part 6.2 of the Corporations Act 2001 (Cth), and the AA Trust's ability to convert the Convertible Notes will be restricted by these provisions. For example, the AA Trust may need to rely on the "3% creep" rule in section 611 item 9 of the Corporations Act 2001 (Cth) to exercise conversion rights.

CAPITAL RAISING TIMETABLE

The timetable below is indicative only and may be subject to change. AACo reserves the right to amend any or all of these dates and times without notice subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws. In particular, AACo reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

Event	Date
Announcement of the offer ("Announcement Date")	Thursday, 12 September 2013
Result of the Institutional Offer announced to the market, trading halt lifted	Monday, 16 September 2013
Record date (7pm, AEST)	Tuesday, 17 September 2013
Retail Offer opens and despatch of Retail Offer Booklet	Friday, 20 September 2013
Settlement of Institutional Offer	Thursday, 26 September 2013
Allotment of Institutional Offer and trading of new shares under Institutional Offer	Friday, 27 September 2013
Retail Offer closes (5pm, AEDT) ("Closing Date")	Tuesday, 8 October 2013
Settlement of Retail Offer and Convertible Notes	Tuesday, 15 October 2013
Allotment of New Shares under the Retail Offer	Wednesday, 16 October 2013
Normal trading of new shares under Retail Offer, despatch of confirmation statements	Thursday, 17 October 2013

For further information about AACo or the Capital Raising, please contact:

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FORWARD LOOKING STATEMENTS

This announcement may contain forward-looking statements (including AACo's strategy and its proposed implementation and expected outcomes and the construction of the Darwin Abattoir). Forward-looking statements include those containing words such as: 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'consider', 'foresee', 'aim', 'will' and other similar expressions. Any forward-looking statements, opinions, and estimates, provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of AACo, including the risks

and uncertainties described in the 'Risk Factors' section of the Investor Presentation. This includes any statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements may include indications, projections, forecasts and guidance on sales, earnings, dividends and other estimates. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which those statements are based. These statements may assume the success of the AACo's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond AACo's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, AACo assumes no obligation to update these forward-looking statements. To the maximum extent permitted by law, the Company and its directors, officers, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions, do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

The forward-looking statements are based on information available to AACo as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), AACo undertakes no obligation to provide any additional, updated or supplementary information whether as a result of new information, future events or results or otherwise.