



Australian Agricultural Company Limited
ABN 15 010 892 270

ASX:AAC

AACo Letter to Shareholders

ASX Announcement

20 April 2020

A letter from the Chairman and Board of Australian Agricultural Company Limited ('AACo') to Shareholders.



Dear Shareholders,

We hope this letter finds you in good health during these difficult times of the COVID-19 pandemic.

As you know, this crisis has harmed countries, cities, communities and companies large and small all over the world. As such, we are writing this letter to update you on how AACo is responding to this crisis.

While the COVID-19 pandemic has presented unprecedented challenges, AACo sees this as an opportunity to examine everything we do as a company and ensure that we can meet the challenges and opportunities of a post-COVID world.

Over the past month, as the situation unfolded, management, in consultation with the Board of Directors, reviewed all aspects of our company, from bottom to top, to determine what we need to do to survive this health and economic crisis and come out of this as a company positioned for success in the future.

We also have determined that our current sales and marketing priorities must be modified to adapt to the changing conditions.

As the situation is fluid, we will continue to pivot as necessary and adjust the company to create an organisation that is as flexible as possible to manage through this fast-changing situation. Rest assured, we are taking numerous actions in response to the worldwide economic slowdown and medical emergency. Several of the steps that have been taken as a company are highlighted below:

- 1) AACo acted early and decisively to protect its people and to ensure continuity of operations by adopting social distance work practices across all global offices, halting all visits from non-station employees and suppliers and reducing movement between the 26 stations, farms and feedlots that AACo operates throughout Queensland and the Northern Territory.
- 2) As Government directives around the world have forced most of the restaurants which buy our beef to close temporarily, we are accelerating our allocation of product to the retail markets where we already have a strong presence across our geographically diverse customer base. We are also testing direct to consumer initiatives.
- 3) The Executive Team has taken several steps aimed at optimising cashflow and reducing operating costs to meet these changed circumstances. These include the following:
 - The Executive Team, including our Managing Director and CEO, Hugh Killen will reduce their salaries by 20 percent over the next three months.
 - The AACo Board of Directors will follow suit and forego 20 percent of directors' fees over the same period.
 - We will temporarily stand down a small number of sales and marketing staff; and
 - All Corporate staff have been asked to reduce their working week to four days from 1 May to 31 July 2020 to assist the company through this period.



While all these steps are being taken to position ourselves to rise to the challenge of this historic event, we would like to stress that AACo is well capitalised, has significant headroom remaining across its debt facilities and the balance sheet is strong.

A recent independent valuation by CBRE Valuations Pty Ltd., pending audit, is expected to result in an increase in the carrying value of AACo's pastoral properties of between eight and ten percent at 31 March 2020 over balances reported at 30 September 2019 and 31 March 2019.

In addition, pending audit, the company is expecting a material increase in the value of its herd over values held at 30 September 2019 and 31 March 2019. This expected increase in value is primarily due to higher cattle prices despite lower overall herd numbers that have resulted from the company's strategic destocking decision made in response to the adverse seasonal conditions experienced in calendar year 2019 and the loss of cattle in the Gulf flood event in early February 2019.

AACo has been in existence for almost 200 years. Etched in the company's history is the ability to overcome adversity and disruption. This may well be one of the biggest challenges that AACo has faced, however the company, with the help of our extraordinary employees, is adapting to the changing circumstances to ensure it continues to prosper for another 200 years.

We plan to share a further update at AACo's Full-Year 2020 Results announcement on 20 May 2020.

Yours sincerely,

Donald McGauchie AO
Chairman

For the purposes of ASX Listing Rule 15.5, AACo confirms that this announcement has been authorised for release to the market by the Board.

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