

Namoi Cotton Limited (“Namoi Cotton”)

Annual General Meeting

Toowoomba, Qld, Tuesday 31 July 2018

Address by Mr Stuart Boydell, Chairman

Ladies and gentlemen, I am pleased to welcome you to the 2018 Annual General Meeting of Namoi Cotton Limited here in Toowoomba. I would like to formally acknowledge the attendance today of representatives from Ernst & Young our auditor and Computershare our share registry manager.

In a momentous year for Namoi Cotton on 26 September 2017 Grower Members and Namoi Capital Stockholders of Namoi Cotton Co-operative Ltd overwhelmingly approved the proposed restructure of Namoi Cotton from a Co-operative to an ASX listed public company with a single class of quoted ordinary shares for Grower Members and Namoi Capital Stockholders to be named Namoi Cotton Limited. The NSW Supreme Court approved the restructure on 3 October 2017 and on 10 October 2017 Namoi Cotton was incorporated as Namoi Cotton Limited, a fully listed public company. On behalf of the Board, I would like to again publicly acknowledge Grower Members and Namoi Capital Stockholders for their strong support in Restructuring Namoi Cotton to position the business for the longer term.

The 2017 Australian cotton crop had overall production recorded at 3.75 million bales up from the 2.7 million bale 2016 crop. Enough cotton was planted to yield 4.5 million bales however, the extreme hot conditions in January and February 2017 combined with limited in-crop rainfall negatively impacted dryland crops and reduced irrigated crop yields. Irrigated yields averaged 10 bales per hectare

compared with 11.5 the previous year. The quality of the 2017 crop was also impacted by the wet and cold planting conditions, end of growing period weather and challenging defoliation parameters.

Namoi Cotton ginned 1.02 million bales (including 100% of joint venture bales) of the 2017 crop compared to 689,000 bales of the 2016 crop. The increased ginning volumes are directly related to the larger crop size. The quality of the cotton crop resulted in a reduction in ginning throughput rates to maximize cotton quality and limit discounts for the grower. The slower throughput rates were the primary driver of a 11% increase in unit ginning variable costs from the prior year. Overall, ginning contribution improved by 32%.

Our cotton seed business traded 266,000Mt compared to 172,000Mt in the prior year. Seed prices remained firm into the start of ginning supported by dry conditions and Chinese demand. During the ginning season the Chinese import restrictions on Bollgard III cotton seed and in country prices rationalized Chinese demand and resulted in cotton seed being sold back into the domestic market, slowing the movement of cotton seed from gin sites pressuring domestic seed prices. Effective risk and contractual yield management have significantly widened cotton seed trading margins from the previous year.

Our 15% interest in the Cargill Oilseeds Australia business contributed a loss of \$1.4 million compared to a loss of \$0.8 million in the preceding year. Whilst year on year volumes improved, margins were significantly impacted. Early year high priced cotton seed combined with competing feed market challenges to reduce cotton seed crush margins. Aggressive origination competition for canola seed

combined with soybean meal imports and oil price reductions due to alternate stocks and supplies lowered canola crushing margins.

Namoi Cotton Alliance's total cotton lint marketing volumes procured for the 2017 season reflected 636,000 bales compared to 507,000 bales in the 2016 season. This reflects a 25% improvement in volume traded largely associated with larger Australian production. Trading gross margins continued to be under pressure through competition to secure cotton. Improved derivative position management throughout the year however ensured this was more than offset. This resulted in a \$0.45 million improvement in Namoi Cotton's share of NCA's lint business in the financial results over the prior year.

During the year, the NCA commodity packing business delivered a significant contribution from packing volumes of 168,000Mt compared to a record 226,000Mt in 2016 including principally chick peas and cotton seed. Volumes were impacted by the slowdown in cotton seed demand from China, reduced chickpea yields due to adverse agronomic conditions and the Indian government's import policy decisions implementing a 60% import tariff restriction on Australian chickpeas. Chickpea packing volumes were supported by carryover 2016 crop packing and new 2017 crop Bangladesh and Pakistan demand. The Indian situation however left more than 30,000Mt of chickpeas in stock to be packed in the FY 2018/19 financial year.

Finance costs have reduced by \$0.05 million, with the continuing low interest rate environment prevailing throughout the period and further reductions to term debt. Namoi Cotton completed a term debt repayment of \$5.5 million

during the financial year. Term debt at balance date stood at \$42 million with further amortisation anticipated in FY 2018/19.

The volume improvements across our core cotton related operating activities underpinned an overall improvement in our financial performance with a consolidated net profit after tax from continuing operations of \$6.8 million for the full year ended 28 February 2018 compared to a net profit of \$0.3 million in the prior year. The consolidated net profit after tax and positive cash flow from operating activities result included \$1.6 million in pre-tax costs associated with the Restructure. Positive cash flows from operating activities were recorded at \$17.3 million up from the \$5.5 million the previous year.

The final cotton area planted for the 2018 crop was 371,000 hectares irrigated and 81,000 hectares dryland. Since planting through late February/early March 2018 the rainfall normally associated with La Niña conditions has not eventuated. Water shortages for irrigated cotton in the St George, Dirranbandi areas and some parts of the Gwydir valley have impacted overall production yield to conserve irrigation water supplies. The dryland planting was more heavily impacted due to no rainfall. Ginning results would suggest an improvement upon the poor yields associated with the 2017 crop. We estimate the 2018 Australian cotton crop will be approximately 4.6 million bales.

Namoi Cotton's operations in 2018 are predicted to deliver another strong financial result from incremental volume increases. Improved unit contributions are also expected to flow from the commissioning of key gin upgrades and improved seed cotton quality from the 2018 crop. Consistent earnings are

anticipated from Namoi Cotton's 51% investment in NCA, whilst lower contribution is forecast from the cotton seed trading business.

The Board is carrying out a strategic review of further optimisation in Namoi Cotton's ginning business and Namoi Cotton's overall business model given cotton production variability. In view of this strategic review and the immediate outlook for Australian cotton production, the Board has determined there is no need for a capital raising at this time. We continue to implement the strategic initiatives from our strategic plan funded by free cash flow from operating activities.

I would like to thank our grower clients, customers, suppliers and shareholders for their continued support of the Namoi Cotton business.

Finally, I would like to thank my fellow Directors, Executive Management and all Namoi Cotton's employees for their continued efforts over the past 12 months.

I would now like to ask our CEO, Jeremy Callachor to address the meeting and provide a detailed update on the 2018 season and a brief forward outlook.