



Australian Rural Capital Limited

Shareholder Update: Capital Reduction and Proposed Return of Capital

Further to its announcement of 2 November 2020, Australian Rural Capital Limited ("**ARC**" or "**the Company**") wishes to update shareholders in respect of actions commenced by ARC in connection with a proposal by ARC for capital reduction and return of capital by means of an in specie distribution ("**Proposal**") of shares held by ARC in Namoi Cotton Limited ("**Namoi Cotton**").

ARC remains committed to prudent capital management, with a focus on optimising value for its shareholders. As identified in its announcement of 20 August 2020, despite a number of attempts by ARC to acquire an interest in businesses or assets with a view to generating further income, ARC has been unable to do so.

If the Proposal proceeds, ARC must comply with the requirements of the *Corporations Act 2001* (Cth) and *ASX Listing Rules*. Further, ARC will need to obtain certain approvals and waivers from each of the ASIC and the ASX, respectively. Subject to ARC meeting those requirements and obtaining necessary approvals and waivers (in its absolute discretion), the Board will consider and may (in its absolute discretion) determine to proceed with the Proposal. In such case, the matter will be referred to a meeting of shareholders to be approved by ordinary resolution.

Subject to the foregoing, the Proposal may be considered by shareholders at the relevant time, which may as an item of business at the Annual General Meeting of the Company, which is currently scheduled to take place on Friday, January 29, 2021.

Currently, ARC has identified the Proposal may be effected such that ARC may distribute up to 92% of the ordinary shares held by ARC in Namoi Cotton ("**Namoi Cotton Shares**"). Such distribution may be effected to ARC shareholder by means of in specie distribution. ARC currently holds 12,700,000 shares as at the date of this document. Any such distribution is currently intended to be effected on an equal and proportionate basis.

Any shareholder approval in respect of the Proposal will also likely require shareholder approval in respect of the associated significant change in the nature and scale of activities of ARC via a disposal of the Company's main undertaking (being substantially all of the shares held by ARC in Namoi Cotton).

Subject to the foregoing, including necessary shareholder approvals, if the Proposal proceeds on the above basis, the outcome for ARC shareholders (being those shareholders as at the relevant record date for the Proposal) will be such that each of them will receive an in-specie distribution of Namoi Cotton Shares. Following such distribution, those shareholders will continue to hold shares in ARC ("**ARC Shares**") and will also hold Namoi Cotton Shares directly, which will (relative to other shareholders of ARC as at the relevant record date) be proportionate to their holding of ARC Shares.

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Currently, the Board considers the Proposal will be in the best interests of shareholders of ARC with a view to preservation of shareholder value. ARC will provide further detailed information in respect of the Proposal, as available.

In the meantime, the Board may consider and have regard to any alternative proposals which may be superior to the Proposal, and in the best interest of shareholders.

The Company will continue to keep its shareholders updated having regard to its legal obligations.

This release has been approved by the Board of Australian Rural Capital Limited.



James A Jackson
Executive Chairman
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