

26 February 2021

## **2021 Half Year Results Update to Shareholders**

### **Review of Operations**

Australian Rural Capital Limited (ARC) posted a loss after provision for income tax of \$211,152 for the period compared to a loss of \$697,036 in the comparative period. Of this loss, \$127,000 arose from the mark to market of the Company's holding of 12,700,000 ordinary shares in Namoi Cotton Limited ("Namoi") to a level of 29.5 cents per share, as compared to 30.5 cents per share on 30 June 2020. The balance of the loss was due to operating and listing expenses.

### **Namoi Cotton Holding and the "In Specie" Distribution**

In the period to December 31, 2020, the holding was reduced to 12,700,000 shares following the sale of 771,111 shares to fund the repayment of a loan which had been drawn to cover the expenses of the due diligence and offer preparation for the Buderim Ginger business proposal. As previously advised, we were overbid in this transaction and we did not proceed.

The company then commenced the process to distribute most of this holding in Namoi Cotton to shareholders as an In Specie Distribution of Capital. Following various other approvals and shareholder approval at the Annual General meeting in January 2021, this process was completed on February 10, 2021. The company distributed 91.7 % of this holding with eligible shareholders receiving 9 Namoi Cotton shares for every 10 ARC shares held at the record date.

Subsequent to this event we have sold and converted most of the remaining holding in Namoi Cotton to cash and our current cash levels are now approximately \$300,000 and the company has no debt.

The exercise of returning the Namoi shares as capital to shareholders enables the ARC structure to be valued independently as it seeks to recapitalise and grow again. This has already been evident in the trading price of the ARC shares since the distribution.

### **Operating Costs**

The current cash levels are sufficient to fund operations for another 12 months, however this does not include the payment of any director's fees. It should be noted by shareholders that the board has not received any remuneration in this financial year from July 1, 2020.

### **Recapitalisation Proposals**

The company has now received two non-binding indicative proposals, to acquire shares in the company to facilitate a recapitalisation of ARC to enable new growth and investment activities.

We have also received two investment opportunities to consummate with the potential consideration in the form of an issue of new shares in ARC.

**Australian Rural Capital Limited**

**ABN 52 001 746 710**

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The board are reviewing and evaluating these proposals with the following objectives:

- To create the best value outcome for shareholders with the existing structure
- To capture an opportunity to enable future growth and value creation for ARC shareholders.
- The transaction can be executed in a simple and timely manner with limited costs

#### **Tax Losses**

The company has accumulated tax losses of approximately \$15m and these losses have been incurred in the business of investing and investment management from 2008. These tax losses are not recorded on the balance sheet of the company due to accounting standards. We are currently taking taxation advice on the ability to potentially utilise these losses in any recapitalisation proposal and what value may be attributed to these losses.

#### **Summary**

We are pleased to report the progress in realising value for our shareholders and will keep the market informed when appropriate to further developments in the recapitalisation process.

I once again wish to thank my fellow directors, Wayne and Darren for their contributions and also thank our Company Secretary and Richard Baker from Mertons.

ENDS.

By order of the Board of Directors.

#### **For Further Details contact:**

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