

3 May 2016

Australian Rural Capital Limited (ASX : ARC) | Update on Kidman Transaction

Following the statements by the Treasurer on Friday 29 April 2016 regarding the Foreign Investment Review Board's (**FIRB**) approval for the Dakang Australia Holdings Pty Ltd (**Dakang Australia**) acquisition of 80% of S. Kidman & Co Ltd (**Kidman**), and ARC's announcement to the market of same date, we provide the following by way of update.

Withdrawal of FIRB application

Dakang Australia has confirmed it has withdrawn its current FIRB application to acquire 80% of Kidman under the terms of the Offer.

ARC, Dakang Australia and Kidman Deed

ARC, Dakang Australia and Kidman have entered into a binding deed (**Deed**) which:

- (a) terminates the Bid Implementation Agreement and other associated agreements;
- (b) permits the withdrawal of the FIRB application by Dakang Australia;
- (c) permits the withdrawal of the Offer for the purchase of Kidman by ARC and Dakang Australia in accordance with the Corporations Act;
- (d) returns the Escrow Amount; and
- (e) releases each party from its obligations under the Bid Implementation Agreement (save for confidentiality and other usual obligations).

In addition, the Deed specifies and sets out the intentions of ARC, Dakang Australian and Kidman that the parties will continue to, in good faith, negotiate and explore options for an amended structure for the transaction to proceed. The specific terms in that respect are:

- (a) The parties agree to cooperate in good faith and use their best endeavours to investigate terms and conditions for the transaction to proceed and identify the most appropriate structure for implementing the transaction;
- (b) The commercial terms for any future transaction will reflect those of the Bid Implementation Agreement (to the extent that they may be reflected) but will in any event include the current Offer Price and the acquisition of the business as a single operation (excluding Anna Creek);
- (c) It is the intention of the parties that the provisions of the Deed be legally binding but unless and until agreement is reached on all aspects of the transaction and the relevant transaction documents then there will be no agreement between the parties beyond the obligations set out in the Deed;
- (d) The term of the negotiation period is 3 months from the date of the Deed.

Commitment to transaction

ARC and Dakang Australia remain committed to continuing to working together and with the Kidman board to develop a new bid structure which will be capable of acceptance by the Kidman board, the Kidman shareholders and approval by the Treasurer.

Please direct all media enquiries to Mark Rudder at GRACosway on +61 (0)411 362 362.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jah', with a long horizontal flourish extending to the right.

James Jackson
Executive Chairman
Mobile 0402 435 762