

## **Namoi Cotton Market Update**

As previously reported to the market, Namoi Cotton (ASX: NAM) has signed a Heads of Agreement for a marketing joint venture with China National Cotton Group Corporation ("CNCGC").

Namoi Cotton and CNCGC have been negotiating definitive agreements to give effect to arrangements described in the Heads of Agreement. Whilst these negotiations have been productive, the complexity of the proposed joint venture operations and the time frame associated with the oncoming 2012 season has resulted in the parties not being able to reach agreement on all facets of the joint venture. Namoi Cotton and CNCGC are however continuing their negotiations with a view to a strategic alliance for the 2012 season, which is expected to provide significant strategic benefits for both parties.

We remain in discussions with our bankers. Our current debt facilities remain in place and our debt obligations are being repaid in accordance with our banking agreements.

The Board continues to review strategic alternatives to assist Namoi Cotton in handling the unprecedented market volatility and liquidity challenges which have impacted the cotton industry globally over the past 12 months.

The rainfall over the past year and the near capacity dam levels in all cotton growing regions (including on farm water) should now provide genuine water security to cotton growers for the 2012, 2013 and 2014 seasons.

In view of this very positive outlook for cotton crops and the associated growth potential for Namoi Cotton's business the Board is now widening its consideration of strategic alternatives to include a review of various financing alternatives and an injection of further equity into Namoi Cotton to underpin its business activities.

In tandem with reviewing strategic alternatives, the Board commissioned m3property Valuers to undertake an independent valuation of the fixed assets of Namoi Cotton. This valuation based on value in use takes into account the significantly improved water outlook, increased ginning prices, ginning capacity volume certainty and financing metrics. This process is now complete and the independent valuation is approximately \$185m versus a current books carrying value of approximately \$80m. The Board is reviewing the accounting standard requirements around depreciation, asset impairment and fair value in considering adoption of this valuation in the financial year end accounts for February 2012.

Namoi Cotton Co-operative Limited  
Jeremy Callachor  
Chief Executive Officer