

WHAT THE AUSTRALIAN GRAINS CHAMPION PROPOSAL MEANS FOR US

“The chance to better control our business and diversify our income.”

Peter and Tammy run a mixed grain/sheep farm north of Esperance. They have averaged 2,100 tonnes delivered to CBH over the past 5 years and run about 2,000 ewes. They have a manageable debt and are reluctant to borrow additional large sums against the farm until this is paid down.

The couple are looking to transition out of livestock and increase their grain production, where they have been consistently achieving better returns. Their property has a further 700ha suitable for cropping, but the amount of capital necessary to develop their property, buy supporting infrastructure and provide sufficient crop working capital has held them back to date – the sale of their ewe flock does not get them there without further leveraging the farm (their only asset).

If they are able to develop this additional land, they will transform their operation into a 3,500 tonne per annum business with significantly enhanced profit potential.

They have a young family and would like to begin growing the farm business both to generate increased income and to prepare for succession planning in the future.

The farm's current production average of 2,100 tonne per year will transform Peter and Tammy's \$2 CBH share into around \$530,000* worth of equity on their balance sheet. This is made up of \$130,000 in cash and \$400,000* in shares.

For Peter and Tammy the Australian Grains Champion proposal could deliver \$530,000 in cash and shares*



\$130,000 Cash

Peter and Tammy's farm business would receive \$110,000 cash following the conversion of co-operative shares to company shares. This cash, together with the sale of the ewe flock and some modest additional working capital borrowings would be sufficient to allow them to develop the additional 700ha. Plus, they now have the backstop of the shares.



\$400,000 Shares*

They will also own \$380,000 worth of shares in the new listed company. These shares will deliver real value on the balance sheet of the farm business and provide them with a level of financial flexibility they have not had before.

Peter and Tammy are weighing up a number of options for the future to further transform their operations once they have developed the additional cropping:

Update equipment

As a small operation, Peter and Tammy have neither had the financial capacity to spend on the latest equipment – they have made do with second hand and refurbished gear and contractors. With an increased and focussed cropping operation and the financial flexibility of the shares they would own, Peter and Tammy can look to modernise key machinery.

On-farm Storage

As they operate in a traditionally wet harvest area, Peter and Tammy are also attracted to the potential harvesting and marketing benefits afforded through on-farm storage.

In the short term

Peter and Tammy know that Australian Grains Champion has guaranteed no increase in storage and handling fees above CPI for five years. They also know that the goal of the business is to retain tonnes on the network over time and that the only way to do this will be to drive down storage and handling costs across the network.

In the long term

Tammy and Peter want to be in grain for the long term. They want a strong and innovative Australian Grains Champion to develop the WA grains industry – to retain and grow market share in SE Asia and to introduce new opportunities for processing grain in WA.

*All illustrative valuations based on the Paterson Securities independent valuation of CBH Group at \$2.56 billion. Actual values may differ. The Australian Grains Champion calculator can be found at www.australiangrainschampion.com.au.

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Peter and Tammy have average grain deliveries of 2,100 tonnes per annum for the last five years.

PETER AND TAMMY CURRENTLY OWN:

VS

UNDER THE AUSTRALIAN GRAINS CHAMPION PROPOSAL PETER AND TAMMY COULD OWN*:

\$2 in 1 CBH share



\$130,000 in cash

1 vote



\$400,000 worth of voting shares

S & H rebate



Grower loyalty incentive scheme



Potential dividends

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AUSTRALIAN GRAINS CHAMPION PROPOSAL

Equity onto your balance sheet



Guaranteed no new storage & handling fees for at least first five years



Guaranteed fees and charges capped to CPI increases for at least first five years



Providing the most efficient and cost effective supply chain in Australia



Growers remain substantial shareholders at listing

