



Australian Agricultural Company (ASX code: AAC)
ACN 010 892 270

ASX/Media Release

31 December 2006 Results

ASX Announcement No. 03/07

6 February 2007

AAco system delivers strong growth in operations

Key operational highlights:

- **Beef production increased 9% from 67 million Kg to 73 million Kg**
- **Calving rate increased from 67% to 71%**
- **Acquisition of Anthony Lagoon and Eva Downs Stations further complementing Barkly Tableland aggregation**
- **Herd growth of 11% through property development and breeder retention as well as strategic purchases**
- **Acquired outstanding purebred Wagyu herd to facilitate substantial growth in Wagyu beef production**
- **Meat business grew by 95% to \$78 million in sales**
- **AAco system delivered certainty of supply of high quality traceable beef to its customers in a difficult year in many areas of Australia**
- **AAco won two NAB Agribusiness Awards in Environmental and Energy Management and in Risk Management**

Financial highlights:

- **Net Assets increased from \$559m to \$582m – up 4.1%**
- **Gross Assets increased from \$945m to \$1.09bn – up 15%**
- **Net Profit for the year ended 31 December 2006 was \$10.1m**
- **A cattle herd valuation decrease of \$17.3m compared to an increase of \$32m in 2005**
- **Before any adjustment for mark to market valuation of the herd AAco significantly outperformed the previous year on revenue and EBIT**
- **Dividend of 7 cents per share paid in October 2006 was consistent with 2005**

Seasonally the Company had a generally good year with excellent rain on the large northern properties with below average rainfall only affecting the southern properties, underscoring the value of a diverse northern focussed operation. The company contained its operating costs on a cattle production base which expanded by 11%. This profit includes a \$17.3m write down of trading cattle inventory as required under Australian Accounting standard AASB141, (previously known as SGARA), and reflects the effect of falls in the cattle market particularly in the latter part of the year. The result was assisted by a realisation of the tax consolidation effected gains on the sale of Wrotham Park Station. Operating Cash Flow of negative \$12m to fund herd retention was in line with internal planning.

In the 12 months to 31 December 2006, and particularly in the second half of the year, serious drought in the southern areas of Australia impacted on markets. Normal seasonal rainfall in this region was not received and caused significant fluctuations in the grass fed feeder and store cattle market.

While this affected market prices in some areas, AAcO remained focussed on further developing its cattle herd, developing its land and utilising the Company's strengths of geographic diversity, high quality grain finished production systems and direct marketing of branded beef to provide certainty of supply to its customers and strong total returns for its shareholders. The Company was able to mitigate most of the impact of the poor season on its southern properties by utilising the abundant feed stocks available on its larger northern properties.

Cattle

Unlike 2005 where AAcO had lower calving rates in the herd, average calving rates improved in 2006 from 67% to 71%. The development of the base breeding herds continued with further introduction of composite genetics to accelerate improvement in production and meat quality. The purchase of the Westholme Wagyu stud herd allowed the extensive introduction of high quality genetics into our expanding Wagyu breeding programme.

Branded Beef

The Company has continued its expansion of wholesale beef sales domestically and overseas. Branded beef revenue increased 95% from the previous 12 months reflecting the 100% acquisition of Chefs Partner in April 2006 and increased 1824 and Wagyu beef sales. The Company's award winning 1824 brand was launched in Japan and early interest augers well for the future development of this and other export markets. Demand for the Company's Wagyu beef in both domestic and export markets is extremely strong.

Dividend

A dividend of 7 cents was paid in October 2006. Dividends are paid at that time each year to align with cash flows. An announcement in relation to the 2007 dividend will be made at the release of the half year accounts in August 2007 when the Company will have a clearer picture of the seasonal and market conditions.

Herd Statistics

HERD STATISTICS					
Year Ended	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06
Number of cattle sold	147,534	135,892	175,725	185,313	199,002
Average gross price of cattle sold (per head)	\$ 738.20	\$ 747.63	\$ 947.36	\$ 908.67	\$ 935.40
Natural increase (No. of head)	121,683	109,810	119,025	143,216	155,980
Number of cattle on hand on station (Excludes small investment in MIS scheme cattle)	393,136	395,140	523,691	502,866	556,558
Average value of cattle on hand (per head)	\$ 495.64	\$ 608.06	\$ 679.11	\$ 740.61	\$ 730.07
Number of breeding cattle on hand	190,886	196,419	263,992	264,147	277,567
Number of non-breeding cattle on hand	202,250	198,721	259,699	238,719	278,991
Number of cattle purchased	15,147	41,696	197,099	37,948	114,903

The acquisition of the Lawn Hill and Victoria River Group properties in 2004 is reflected in cattle purchases in the above table. The cattle purchased in 2006 takes into account the acquisition of Anthony Lagoon and Eva Downs and the sale of Wrotham Park herds respectively (net increment of 25,000 approximately). The Company also retained approximately 20,000 breeding cattle to stock newly developed areas of existing properties in 2006.

Land & Buildings Revaluation

Chief Executive Officer, Don Mackay said, "The value of the Company's land assets has continued to grow. At 31 December 2006 AAcO booked a valuation increase of \$41.3 million for land and buildings. Good returns from beef cattle production has contributed to the continuing appreciation in value of our quality, large scale properties. Ongoing sustainable development of these properties has been recognised in the market place in the form of increased values."

AACO's Strategic Position in Cattle

The world supply of clean quality beef continues to be restricted with the total herds of key producers such as USA and Australia still at historically low levels. Demand for beef however has been growing strongly with improving economic conditions in Asia as well as a strong demand in the US. These factors will underpin long term demand for Australian beef.

AACO plans to capture these opportunities through a strategy of herd growth, brand building and extracting market premiums for its systems based approach to production.

The breed development work undertaken over the last 16 years is helping deliver this opportunity and will continue to deliver further as the influence of this work now spreads through the herd.

Don Mackay said, "Consumers throughout the world are demanding greater knowledge of the source of the food they eat. Through our sustainable practices, quality systems and identification programmes, AACO is committed to meeting this expectation and therefore participating in the strong growth in demand for quality assured beef."

Market Outlook

Factors influencing the market in Australia as assessed by AACO are:

- Seasonal conditions – good start to 2007 season for most of the Company's stations although more rain is still required across southern growing and backgrounding stations
- The world supply of quality beef remains limited by historically low herd numbers in the USA and Australia and herd health issues in South America
- The protocols restricting access of US beef into Japan and Korea is likely to continue to provide opportunities for Australian beef to maintain its market share in these markets throughout 2007
- Australian beef supply is progressively being acknowledged as high quality and reliable by Japanese and Korean wholesalers, retailers and consumers
- The world demand for clean exportable beef remains strong
- Consumers are becoming increasingly focused on traceable, quality assured and source verified products with Australia's electronic identification scheme (NLIS), a world leader in this regard
- AACO's operations for 2007 are based on the assumption that the AU\$/US\$ relationship will stay in the range of 75 to 80 cents
- AACO's forward purchases of grain ensures that feed costs will not rise substantially for the majority of the 2007 season

Additional Information

AACO will host an analyst/media conference call at 10.00am (Queensland time) on Tuesday 6th February 2007. To join the conference call please dial:

Australia Freecall	1800 064 291
New Zealand	0800 441 278
UK	0800 032 4417
USA	1866 830 1117
Singapore	800 6161 919
Japan	0034 800 400 541
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