

19 February 2021

In-Specie Distribution – Information for Shareholders

Australian Rural Capital Limited (“ARC” or “the Company”) refers to the in-specie distribution to Shareholders of Namoi Cotton Limited (ASX: NAM) shares which was completed on 10 February 2021.

As set out in the Notice of Meeting to approve the in-specie distribution of NAM shares to eligible ARC shareholders at the Record Date, the distribution consisted solely of a return of share capital component.

No ruling from the Australian taxation Office has been sought in relation to the in-specie distribution and shareholders are referred to section 6.19 of the Notice of Annual General Meeting lodged with ASX on 24 December 2020 for information regarding the taxation consequences of the in-specie distribution.

Section 6.19 of the Notice of Annual General Meeting noted that the income tax consequence of the capital return for shareholders will depend upon their individual circumstances – in particular, whether the shareholder is a resident or non-resident and whether they hold their shares on capital or revenue account. Comments below set out the position for resident shareholders who hold their shares on capital account. The views expressed in the summary below are not intended as specific advice to shareholders. The application of tax legislation may vary according to the individual circumstances of shareholders. In this regard, the comments below are only relevant to those shareholders who hold their shares on capital account (i.e. have not been held for the purpose of resale or as trading stock).

If the return of capital (market value of the Namoi Cotton Shares received) is more than the shareholders cost base of their shares, the cost base and reduced cost base of their shares will be reduced to nil and the shareholder will have a capital gain equal to the excess. Any capital gain may be eligible for the CGT discount where the shares were held for at least 12 months prior to the in-specie distribution (for individuals, trusts and superannuation funds).

For resident shareholders who hold their shares on capital account, broadly, the value of the capital return (based on Namoi Cotton shares) will reduce their cost base of ARC shares and if the return is greater than their cost base it will crystallise a capital gain. Where the capital return is not more than the cost base of their shares, the cost base and reduced cost base will be reduced by the capital return amount. The shareholders cannot make a capital loss as a result of the capital return. Their shareholding in ARC will need to otherwise come to an end in order to crystallise any capital losses.

Shareholders will receive a cost base for the Namoi Cotton shares received equal to the market value of the shares at the time of the in-specie distribution. Where these Namoi Cotton shares are

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subsequently sold, shareholders will not be eligible for the CGT discount on any capital gain until they have been held for a period of 12 months.

In relation to the above, Company provides the following information to assist shareholders with the return of capital and in-specie distribution cost base calculations.

**Namoi Cotton Limited
ASX Closing Price (AUD)**

Completion Date 10 February 2021

\$0.30

Shareholders should note that in determining their taxation consequences of the capital reduction that the in-specie distribution was done on the basis of 9 Namoi Cotton Limited shares (rounded down to the nearest whole number) for every 10 ARC shares held on the Record Date (4 February 2021).

Shareholders who participated in the capital reduction and in-specie distribution should seek and rely on your own professional advice in relation to the taxation consequences of the capital reduction and in-specie distribution relating to your specific circumstances.

ENDS.

By order of the Board of Directors.

For Further Details contact:

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