



**FARMWORKS**  
AUSTRALIA

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## Shareholder Newsletter

ASX:FWA

### Message from the CEO

June 2011

Welcome to the latest edition of our shareholder newsletter. We hope you find this an informative and useful update from the company.

It has been a busy year for FarmWorks Australia. We have made significant progress on a number of fronts across the company.

At our AGM in Sydney in February, we outlined our strategy for growth. We are now concentrating our resources on developing and growing in two key areas; the Ag-Chemical business, Conquest Crop Protection and our West Australian Retail Distribution business. Global agriculture dynamics are being shaped by a rising global population and declining arable land. This will drive demand for food for many years to come. Australia will increasingly be relied upon to help satisfy that demand. Evidence of this can already be seen in increased prices across the Board for agricultural commodities. This means that demand for Ag-Chemical products and rural merchandise will increase too.

In the shorter term, an upturn in demand is expected on the back of recent weather events across the country. For these reasons, it is the right time and right strategy for FarmWorks to concentrate on Ag-Chemical and rural services. As part of this strategic focus we have recently divested our livestock division and exited the rural property division.

Earlier this year we strengthened our balance sheet when we undertook a placement of 7,628,210 shares and welcomed Mr. Quenhui Xu of Zhejiang XinNong Chemical Co. Ltd., a leading agricultural chemical manufacturer, as a major shareholder. You can read more on this in the article below.

I've now been in the role of CEO for five months and continue to be impressed by the quality and dedication of our people and the service they provide to our many customers. We have a great team on-board and I am fortunate to be working closely with them.

I started in this role in early 2011, having previously been the company's Chief Financial Officer. Before joining FarmWorks, I was the Chief Financial Officer of Elders Australia Limited for 8 years and I have previously held other senior executive roles with Codan Limited and Adelaide Brighton Limited. I am a Chartered Accountant and commenced my career with Coopers and Lybrand, where I remained for 10 years. I can say with some experience that FarmWorks has a good business model and I believe it has tremendous potential.

We are also fortunate to have an experienced and energised Board of Directors at the helm. They bring to us an extensive network of rural and other business contacts throughout Australia and internationally.

We are making solid progress in 2011 but there remains plenty of work to do and a lot of opportunity on the road ahead. I look forward to keeping you updated on our progress and would welcome any feedback from you. Should you have any ideas or feedback on this newsletter, please let us know.

Yours Sincerely,

Rick Moody



### FarmWorks Welcomes New Strategic Investor in 2011

Recently we announced that FarmWorks Australia undertook a placement of 7,628,210 shares to Mr Qunhui Xu. Mr Xu is the Managing Director of Zhejiang XinNong Chemical Co. Ltd., a leading agricultural chemical manufacturer based in China.

The placement to Mr Xu was undertaken at a price of 10 cents per share which represents an investment of \$762,821. The placement gives Mr Xu a 13% stake in the expanded capital of the company.

Based in Hangzhou, China, Zhejiang XinNong Chemical has three manufacturing plants and one sales centre, with over 600 employees. Zhejiang XinNong Chemical has been a supplier of agricultural technical chemical product to FarmWorks for a number of years.

Mr Xu, said he was delighted to be working with FarmWorks.

"Australia is a strong agricultural market in which to invest. I believe FarmWorks has a very good model to be a successful agricultural chemical provider. given they participate in the full end to end supply chain. I am delighted to be working with a company like FarmWorks that has a clean footprint to expand and capitalise on the growth in the agricultural sector"

FarmWorks Chairman, Larry Shutes said that the investment by Mr Xu was a significant vote of confidence in the company's future.

"We have been working diligently in 2011 on the strategic direction of the company, including making sure our capital base is optimised. The investment by Mr Xu not only strengthens our financial position but also is an example of the calibre of partners that we will be looking to work with in the future."

## Recent Rainfall a Welcome Change

Recent heavy rainfall across crop areas in Western Australia means good news for the agribusiness sector, with record plantings expected for 2011 winter crops.

CEO, Rick Moody explained that the recent rainfall would result in a boost in demand for farm inputs as well as improved grower confidence.

"With a high percentage of the crop dry sown prior to the recent rain, we can expect the increased rainfall will enable growers to capitalise on the current high international grain prices. Most seasonal forecasts for the WA wheat-belt point towards near average rain this winter, so a huge improvement on last year is expected" he said.

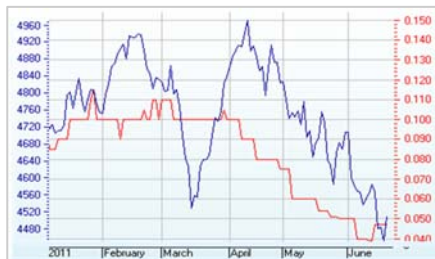
Outside WA, higher than average rainfall over the 2010/2011 summer season has been a welcome change to the Australian agribusiness sector, creating an optimum sowing window for this year's cereal program and sowing now in full-swing.

Recent rainfall in WA is now bringing the state into line with the improved agribusiness environment across the country.



## Why Invest in FarmWorks? (ASX: FWA)

As a listed company on the Australian Securities Exchange, FarmWorks share price is affected by broader, general market conditions. In 2011 the Australian equities market has been volatile. The chart below shows the S&P/ASX 200 trading range this year, with a steep decline occurring from April to June. As this chart shows, in the same period FarmWorks has not been immune to the broader market decline.



The **blue line** represents the price or value of the S&P200 index from January to June 2011. The actual price is shown on the left axis.

The **red line** represents FWA's shareprice from January to June 2011. The actual price is shown on the right axis.

While we would obviously all enjoy seeing a rising share price, the investment fundamentals of FarmWorks remain sound. Our investment "case" is based on:

- An investment in FarmWorks provides direct exposure to the increased demand for Australian agricultural production
- We have no legacy assets and a simple low cost model
- We have a highly credentialed board and management team with significant agribusiness experience
- Most importantly, we have a clear growth strategy that focuses on our core strengths in the rural "inputs" businesses

The fundamentals of the agribusiness sector remain compelling. Demand for clean food produce will continue to increase as the global population increases. For example, the World Bank reported that its food price index rose by 15% in the last quarter of 2010 and it was 29% higher in March than it was a year before then. For companies like ours, these developments represent themes that other market sectors cannot replicate, which we believe will drive long term demand for listed agribusiness groups like FarmWorks.

## Contact

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