



Half Year Statement September 2009

Overview

Terra Firma finalised its majority acquisition of CPC on 8th April 2009 and CPC welcomes the involvement of Terra Firma as it undertakes the next phase of growth. To facilitate the new arrangement, Terra Firma and CPC have established a revised board structure encompassing individuals with a wide spectrum of knowledge across industry. This will ensure the company maintains its strong position in the Australian beef cattle industry.

The Australian cattle industry has endured a challenging environment over the first half of 2009 following the impact of severe drought and floods over the last twelve months coupled with an uncertain global economy and weaker beef prices. It is testament to the robustness of the CPC model with its diverse property portfolio and low cost structure that the company has managed to maintain profitability in the current environment.

Markets

Market prices were soft following a variable 2008 season of droughts and floods in certain areas. Producers who were unable to agist cattle (i.e.: rent land short term) had been forced to sell, creating an oversupply in both the live export and boxed beef markets. Indicators now point toward an improvement in the second half of the year when CPC generates the majority of its sales from live export shipments.

Property Conditions

CPC's property conditions have generally held up in a variable season. Whilst the northern properties experienced heavy rains, the wet season finished early leading to properties drying out earlier than normal; this has had an impact on sale weights and will have an impact on the general welfare of cattle towards the end of the year. Queensland properties enjoyed favourable seasons except Nockatunga and Mt Marlow who are experiencing a severe drought.



Investment and Growth

CPC has undertaken a considerable Capital Expenditure Program to increase sustainable carrying capacity by investing in a range of land management activities. These include a number of water projects, upgrading cattle yards and paddocks, fencing and re-growth clearing.

340,000 head by the end of 2009.....Australia's second largest beef producer.

The company has also been particularly active in the past few months pursuing acquisitions. After a lengthy due diligence process, CPC finalised the acquisition of the Wrotham Park property in August 2009. Wrotham

Park is a 40,000 head breeding property located 300km west of Cairns in northern Queensland and will offer CPC further end market flexibility in accessing both the live export and domestic meatworks markets.

Hilton Downs, a 2,000 head backgrounding property in Central Queensland has also been added to the CPC portfolio. The property will enhance CPC's ability to fatten cattle for the domestic meatworks market and background for the live export market, and will be run as an adjunct to its existing Mimong operations.

Both these acquisitions will see the CPC herd grow to around 340,000 head by the end of 2009 and cement CPC's position as Australia's second largest beef producer.

Indonesia Feedlot Expansion

CPC also has undertaken an expansion of its joint venture feedlot operations in Indonesia. Currently, CPC earns a substantial proportion of its revenues through the Indonesian live export market and this additional investment further establishes CPC in the region which is considerably the largest live export market for Australian beef producers.

Major Developments

Despite the majority of CPC properties being in robust condition, the drought at Nockatunga station has required CPC to respond by de-stocking a substantial portion of the station's herd via transferring cattle to central

Queensland stations Isis Downs and Mimong. Cattle will be sent back to the Northern Territory from Nockatunga if the drought continues. Isis Downs and Mimong have subsequently required early cattle turnoff to accommodate the Nockatunga herds. Whilst this will impact subsequent periods as the property is restocked, it does demonstrate the durability of CPC's property holdings and the competitive advantage of operating a diverse group of properties as a single portfolio.

CPC entered in to a due diligence arrangement with Tropical Forestry Services Corporation (TFS) for the growing of sandalwood on Carlton Hill station. Agreements such as this are a sound strategic fit as CPC looks to further develop its considerable land holdings and diversify its income streams.

Climate Change and Conservation

CPC has also engaged a Climate Change consultant to ascertain its involvement in the Carbon Pollution Reduction Scheme which is due to be introduced in 2015. The Australian government is still uncertain as to the status of agricultural industries in the Scheme but CPC is committed to staying ahead of the curve in terms of any reporting or operational implications.

The company remains in continued dialogue with state govern-

ments in terms of land use and sustainability. In light of this, CPC entered into an ongoing agreement with the Northern Territory Government to ensure the ongoing sustainable management of Lake Woods for pastoral purposes, biodiversity and conservation values as well as community and recreational use. Lake Woods, located on Newcastle Waters Station, is the largest fresh water lake in the Northern Territory and is recognised as a Wetland of International Importance due to its wildlife aggregations and wetland values. Lake Woods is also an important cultural and recreational area for the indigenous and non-indigenous residents of the surrounding region.

“The outlook for Australian live cattle shipments for the second half of 2009 looks positive based on continuation of demand from Indonesia..... Underpinning exports to Indonesia will be stronger economic growth in the second half of 2009 and 2010” - Meat and Livestock Australia (MLA)

Outlook

Cattle prices, particularly South East Asian live export, are expected to strengthen and northern Australian producers with grass fed operations are well placed to capitalise on this burgeoning market. The global supply of 'quality' beef remains constrained whilst global herds decline. We also anticipate further

increases in farm input costs around the globe, namely fuel and grain, will place upward pressure on prices.

The onset of the wet season will give a strong indicator for the 2010 outlook in securing abundant feed and water for our growing and breeding herds. This will also dictate the rate at which Nockatunga, the principal Queensland finishing property, can commence restocking.

Cattle properties continue to prove a resilient asset class with values holding, but the lack of cashed up buyers continues to provide opportunities to expand the portfolio. CPC continues to pursue properties which are a strategic fit to the current portfolio.

The company continues to closely monitor the economic environment recognising the impact of fuel costs, grain prices and the Australian dollar exchange rates on the business. However CPC remains committed to maximising efficiencies and its status as a low cost operator.

CPC is in a strong industry position with a robust balance sheet and is well positioned to take advantage of any opportunities as they arise.

Ken Warriner
Chief Executive Officer

