



AGRICULTURAL FINANCE CO-OPERATIVE LIMITED

ABN 23 048 434 035

2006 Chairman's Report to Members

Dear Members

Welcome to this the first Annual General Meeting of the Agricultural Finance Co-operative Limited (the "Co-operative") which covers the financial period from inception, 20th January 2006 up to and including 30th June 2006 together with an update of events to date.

This comes at a time when some of you have received relief from the drought and an opportunity to look forward with some hope to a successful season whilst others continue to look at cloudless skies and pray for a break.

A lot of work has been done in developing member's recruitment to date. This has included a stand at the Hawkesbury Field Days in November 2006, a public meeting held in Euston prior to Christmas and employment of Andy McLaughlin as our Field Officer – Member Services and more recently the engagement of Bill Foulds from WellSpring Partners to complete our membership drive. Bill is holding his first public meeting following this annual general meeting today.

You will note from Bill's address that a time frame has been instigated to achieve various steps culminating in an operational bank by June 2010. This now means that members have a time line for the Co-operative to achieve certain results and have the knowledge that if this cannot be met that the effort will cease in 2010. I don't believe any of us can afford to let that scenario develop.

You will also note from Bill's presentation that as further encouragement to support this effort, the Board has determined to offer free options for shares in the body that becomes the Bank to members based on the volume and timing of Co-operative investment. Bill will expand on this during his presentation this afternoon. It has to be understood that these free shares only have meaning and substance if we are successful. However, when successful they should represent a significant investment and you will be the "early shareholders". These options will also be available to existing shareholders.

The audited accounts presented here today has enabled us to apply for and be granted a Certificate of Compliance from the NSW Co-operatives Registrar which now allows us to apply for registration in all states. It is a requirement that this Compliance Certificate be provided to achieve other state registration and this could not be obtained until the first

audited accounts were available and presented to the Registry. As registration in other states is completed our marketing effort will quickly expand to all areas of Australia.

Over this initial period your Board has worked diligently to achieve the aim of the Co-operative and in so doing has gained a greater understanding of the direction that needs to be taken and obstacles that have to be addressed to end up with the Co-operative controlling the banking body that will service members' financial requirements.

Your board members are battling through the drought as you are, and I take this opportunity to thank them for their effort, diligence and support in the effort to better control our destiny through servicing our own financial needs and promoting a supportive regional economy.

Finally I thank you, the Co-operative members, for your support and ask that you do everything you can to encourage membership. If we could get half the farmers in Australia as members we would become a very significant and united force both financially and politically and once results are achieved I believe others will quickly join the winning team.

I hope you all receive the rainfall needed and the coming season produces a beneficial and rewarding result.

R C (Bob) Yabsley
Chairman

2 May 07