



2016 AGM Chairman's Address

In my Chairman's address this morning I would like to cover the following:

- A quick re-statement of the strategy that will shape future operational and investment decisions.
- An overview of the 2016 year-end Financial results

Webster's Strategic Direction

Following a re-assessment of its business direction, in 2015 Webster embarked on a number of acquisitions.

Webster's reformulated approach is very simple. This was outlined in the Annual Review but in summary, Webster as a water owner, now has a significant core of water entitlements, the value of which, at June 2016 is estimated by directors to be around \$320 million.

Webster's strategy is to maximise the available water from those water entitlements by astute management of the opportunities presented by the climate and a thorough understanding of the water distribution rules and protocols.

Rather than selling the annual water allocations derived from these entitlements, which is always an option, we aim to convert our water assets into more valuable horticultural and agricultural products. This, we believe, is likely to provide shareholders with a higher return on their funds in the medium to long term.

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Our estimate of our effective “permanent” water, reliably available each year, will define the scope of our permanent plantings and the balance will be used on our annual cropping endeavours.

FY 2016

The previous Chairman, at last year’s AGM, when commenting on the transformational acquisitions in 2015, said:

“While the economic costs of these transactions themselves can be readily identified in the accounts, the immense organisational imposts are less quantifiable. The challenge to integrate these businesses into an effective, single operating unit with a unified culture lies before us.”

A great deal of our attention has been the challenge of integrating these businesses into a single and unified business with consistent managerial, accounting, administrative, OH&S and personnel systems.

However, we have also placed emphasis on the following key business issues:

- The restoration of the yield profile in our walnut business
- The further development of our cropping aggregations
- The optimisation of our water entitlement portfolio

At last year’s AGM the Chairman indicated that it was expected that an impairment test would result in a write down of goodwill in the half year accounts. As outlined elsewhere, the Goodwill in the accounts was really an accounting aberration.

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For the full year to 30 June 2016 Webster has booked a Statutory Loss of \$81.55 million, which was significantly impacted by that impairment of goodwill of \$96.45 million arising from the acquisition of Tandou and Bengerang.

While Webster's 2016 financial results included an underlying 158% increase in operating profit before tax to \$14.9 million, our crops have been adversely affected by two main issues.

Firstly, as previously detailed, walnut yields in fiscal 2016 were significantly impacted, we believe, by abnormally hot climatic conditions in the Riverina during flowering and pollination.

We would ordinarily anticipate a mature average yield of approximately 5 tonnes per hectare. The Tasmanian orchards have a lower target of around 3.5 tonnes per hectare. Two thirds of our walnut trees are at full maturity. The actual yield achieved was significantly lower than expectations.

Secondly, dryer than normal conditions reduced the annual cropping area which we could economically plant. No planting took place at Lake Tandou and a significantly smaller area than possible was planted at Garah and Bourke.

Current Year

Whilst the water currently flowing into the Menindee Lakes system was too late for this summer cropping season, the area under annual summer crops in the current year is likely to be 50% higher in aggregate than last year.

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Other than Lake Tandou, we are now expecting reasonably normal plantings at Hay, Bourke and Garah, whilst preparation at the Kooba aggregation has been affected by the very wet conditions and the planted area has been reduced from an anticipated 3,500 hectares to approximately 3,000 hectares.

Cotton prices remain around 500 dollars per bale and at the date of writing we have sold approximately 50 percent of anticipated production.

Our Kooba aggregation has been surveyed and we have a plan that will double our irrigated area footprint over the next 3 years through the conversion of previously water inefficient rice and pasture land into more productive row crop land. That development program is underway and will continue at an optimum rate.

Let me conclude by thanking my fellow directors and management for their considerable contribution in the past year.