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GrainCorp Oils increases oilseed crushing capacity

GrainCorp today announced an investment of \$50 million to increase oilseed crushing capacity and efficiency at its Numurkah facility in Victoria.

Managing Director and Chief Executive Officer of GrainCorp Mark Palmquist said the project is consistent with the company's aim to create a strategic hub for oilseeds crushing and refining in Victoria.

"The project is in addition to the upgrade already underway at GrainCorp's Numurkah and West Footscray facilities, announced in February 2014, which is on track for commissioning next year as planned," Mr. Palmquist said.

"Demand for healthy oils based on canola and other oilseeds continues to grow in Australia, and we are also experiencing steady export growth. Over the past three years canola oil exports from Australia have grown by over 25% and we expect recent Free Trade Agreements to create further opportunities to grow exports, in particular in growing Asian markets where consumers are becoming increasingly health conscious," Mr Palmquist said.

"We are able to pursue these opportunities thanks to our efforts to consolidate our edible oils manufacturing footprint, improving our supply chain capability," he said.

Group General Manager of GrainCorp Oils, Sam Tainsh, said the project involves installation of additional state-of-the-art technology, which delivers a substantially higher oil yield than the current extraction process.

"This investment further underlines the commitment of GrainCorp to edible oils food manufacturing operations in Australia and reinforces our vision of a regional Victorian hub for sourcing, crushing, processing and refining canola," Mr Tainsh said.

"The investment will increase our crush capacity at Numurkah by 40%, to 1,000 tonnes per day and will increase the competitiveness of our locally grown and crushed product versus imported oils. It also offers the capability to expand quickly and cost-effectively to 1,400 tonnes per day, should demand continue to grow.

"We are very excited about the additional demand and opportunity this creates for local grain growers. The expanded plant will also be able to produce canola meal tailored for the local poultry and dairy industries, as well as other customers.

"Our operations in Millicent, South Australia will increasingly focus on canola and speciality oils, including organic oils, for domestic and export markets. While our site in Pinjarra, Western Australia will continue to pursue growth opportunities," Mr Tainsh said.

The investment will also deliver ongoing benefits to the regional economy, through a number of construction jobs, in addition to ongoing indirect benefits for the regional Victorian economy through the facility's expanded production.

Project information

The project will be funded with existing cash and debt facilities, the majority of which expected to be spent in FY17.

The project is expected to generate an annual incremental benefit of approximately \$10 million to earnings before interest, tax, depreciation and amortisation from FY18.

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GrainCorp expects to recognise significant items totalling approximately \$5 million after tax, relating to redundant assets and other project costs. These will be spread over the life of the project.

Pending planning and environmental approvals, construction is expected to take place over approximately two years, with the expanded capacity expected to be available from the middle of the 2017 calendar year.

FURTHER INFORMATION

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