Australian Agricultural Projects Ltd

HALF-YEAR FINANCIAL RESULTS

ANNOUNCEMENT **28 FEBRUARY 2013**

In accordance with Listing Rule 4.2A, the Half-Year Financial Report for the six months ended 31 December 2012 and ASX Appendix 4D – Half Year Report of Australian Agricultural Projects Limited (ASX: AAP) follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2012.

AUTHORISED BY:

Paul Challis
Managing Director

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AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

Appendix 4D

Half Year Report
for the period ended 31 December 2012

Results for announcement to the market

	Current Period $'000	Percentage Change Up/(Down)	Previous Corresponding Period $'000
Revenue from ordinary activities[1]	1,170	38.8%	843[2]
Loss from ordinary activities after tax attributable to members[3]	(120)	(97.4%)	(4,549)[4]
Net profit/(loss) for the period attributable to members	2,844	(162.7%)	(4,539)

Notes:

1. Revenue from continuing operations has been disclosed as revenue from ordinary activities.
2. Previous corresponding period has been restated to disclose revenue from continuing operations as revenue from ordinary activities.
3. Net loss for the period from continuing operations has been disclosed as loss from ordinary activities after tax attributable to members.
4. Previous corresponding period has been restated to disclose net loss for the period from continuing operations as loss from ordinary activities after tax attributable to members.

Dividends

It is not proposed to pay dividends for the current period.

Net tangible assets per security	Current Period	Previous Corresponding Period
Cents per ordinary share	3.66 cents	1.71 cents

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Australian Agricultural Projects Ltd

ABN 19 104 555 455

(formerly known as Redisland Australia Ltd)

Interim Report

for the half-year ended 31 December 2012

INTERIM REPORT – 31 DECEMBER 2012

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The directors present their report on the consolidated entity consisting of Australian Agricultural Projects Ltd ("AAP")(formerly known as Redisand Australia Ltd) and its controlled entities for the six months ended 31 December 2012 and the independent auditor's review report thereon:

1. Directors

The directors of the Company during the half-year and up to the date of this report are:

Name	Period of directorship
Mr Paul Challis *Managing Director*	Director since 12 September 2007
Mr Phillip Grimsey *Non-Executive Director*	Director since 12 September 2007
Mr Anthony Ho *Non-Executive Director*	Director since 30 April 2003

2. Results and review of operations

The Company has reported a profit for the half-year to 31 December 2012 of $2,844,456 (2011: loss of $4,539,139) which includes a profit on sale of the retail business unit of $3,428,010 (2011: Nil).

Sale of business

As reported in November 2012, the Company sold its retail business, principally the Redisland brand, and its bottling equipment to Boundary Bend Limited (BBL) for a total of $4,000,000 plus inventory at cost.

The Redisland brand was initially established in 2004 to provide an outlet for the growing supply of quality Australian produced extra virgin olive oils which was expected from the orchards that were planted in the late 1990's and early 2000's. This concept evolved through a number of different strategies including:

- the supply to the boutique markets through the Njoi brand,
- establishment of a supply agreement with Timbercorp Limited to market their oil through the Redisland brand,
- significant investment in launching the Redisland brand in the US which resulted in accumulated losses in the region of $7.5m,
- in 2007, integration of the orchards associated with the Victorian Olive Oil Projects,
- since 2007, a shift in emphasis to the domestic and New Zealand market with the Redisland brand developing market share and expanding revenues; and
- a recent expansion in Asian export markets.

While the brand has enjoyed steady growth in top line sales, this has not transcribed into satisfactory growth in gross margin. The last two years have been typified by:

- an aggressive retail sector where there has been a focus on lower prices and deep discounting, which has resulted in many of the Australian brands once available to the consumer being removed from supermarket shelves;
- cheap imported competition resulting from historically low bulk oil prices; and
- the high Australian dollar experienced over the past two years has compounded the impact of the imported competition.

While the Company was able to operate within this environment, as a consequence of the ability to purchase low priced oil from other Australian producers, the directors did not consider this to be a long term option for either the Redisland brand or the wider Australian industry.

Since the start of the 2012 calendar year, the Company had been exploring a number of restructuring options including alternative marketing strategies, changes to the structure of the Company's finances, additional equity through joint venture opportunities, the likely support for a capital raising from existing and new shareholders and asset sales.

In considering the offtake agreement and the sale of the Redisland brand to BBL, in conjunction with the alternatives to the ongoing operation of the brand, the directors unanimously agreed that all resources should be applied to the ongoing operation of the Company's principal asset being the olive orchard. In this way:

- The Company's statement of financial position will be significantly improved with reduced gearing levels and a more appropriate level of term debt.

- The profitability of the Company is expected to increase with a greater level of certainty, especially in the next four to five year period, due primarily to the fixed price arrangement under the supply agreement; and
- Future cashflow will not be absorbed into working capital and debt reduction requirements improving the possibility for future distribution to shareholders.

It is the Company's view that the purchase of the Redisland brand by BBL was the best opportunity for this Australian brand to continue to offer value to Australian consumers. The ability of BBL to add to the supply of quality oils in conjunction with the Redisland Oil Supply Agreement is the best mechanism for the Company to extract value from the brand into the future.

The principal terms of the sale agreement were:

- $4m cash on settlement plus inventory at valuation over the next 120 days.
- BBL is obliged to purchase from the Company all oil produced at the orchard at a fixed price for the first 4 million litres of production. The price then switches to a retail market linked index for the period to and including the June 2025 harvest.
- As part of the consideration, BBL agreed, subject to RLA shareholder approval, to the cancellation of 10.8m shares in the Company which they currently own, in a selective share buy-back scheme.

The sale agreement was settled on 29 November 2012 and the selective cancellation of the shares was approved on 22 February 2013 and will be effected in March 2013.

The Company was required to change its company name at the time of the share buy-back. This change was approved by shareholders on 22 February 2013 and the company name has been changed to Australian Agricultural Projects Ltd. The new ASX code is AAP.

The Company closed its bottling line in Braeside and is in the process of vacating these premises.

Future direction

At a strategic level, the proposed transaction sees the Company continue with the management of its olive orchards and shift from the retail marketing of the oil produced to bulk sale of the oil through the Oil Supply Agreement. The pricing of which is fixed for the first 4 million litres of production before converting to a market linked retail price.

Furthermore, the certainty provided by the supply agreement has also allowed the Company to commence the process of restructuring the Managed Investment Schemes (MIS) projects that it manages. The objective here will be to move the projects out of the MIS framework and to simplify the operation of the projects, both for the growers and the Company. This process is expected to be completed before the end of the financial year.

Finally, upon the settlement of the (MIS) restructure and the 2013 harvest which is expected to be completed in June 2013, the Company will then be in a position to consider the corporate options which exist in order to maximize the value for shareholders.

Orchard Management

At the recent Australian Olive Association annual expo, the orchard was awarded the "Olive Grove of the Year", an award designed to recognise orchards which:

- Have achieved a high level across all aspects of olive production;
- Are a leader and innovator in setting industry benchmarks for coming years; and
- Embrace new technologies.

This is the first year the orchard submitted an application to be considered by the judging panel and we are very happy to be recognised. The focus of the application was on cost effective orchard management on a large scale with a focus on commercial outcomes. This is an issue which is becoming a greater concern to the Australian industry as a response to the low price of bulk oil and the strength of the Australian dollar is required.

The orchard was recognised as having one of the lowest levels of per litre production costs which has resulted in commercial outcomes over the past five years. This has been the principal reason why this orchard is still operating while many other large scale projects have been recapitalised, sold or in several instances, wound up.

2013 harvest

After the disappointing 2012 harvest, orchard management have reported that the 2013 harvest is likely to return to previous levels.

Unfortunately, the orchard recently incurred a hail event on the eastern edge of the orchard. While reports indicate that the crop loss was not significant, the resulting damage to the crop has increased the risk of fungal disease which can be compounded with high humidity. Orchard management is focused on this issue and preventative measures have already commenced. The timing and speed of harvest will take this issue into account.

Recognition

The past few years has been a challenging time for the olive industry and the Company, and with the sale of the Redisland brand, many staff have had to leave the team. The directors recognize the efforts of team, especially during the period before Christmas when the business was in transition, and are appreciative of the results they achieved.

3. Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6.

Dated at Melbourne, Victoria, this 28th day of February 2013.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

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AUSTRALIA

DECLARATION OF INDEPENDENCE BY ALEX SWANSSON TO THE DIRECTORS OF AUSTRALIAN AGRICULTURAL PROJECTS LTD

As lead auditor for the review of Australian Agricultural Projects Ltd for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Agricultural Projects Ltd and the entities it controlled during the period.

Alex Swansson
Partner

BDO East Coast Partnership
Melbourne, 28 February 2013

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2012

	Note	2012 $	2011 $
Continuing operations			
Revenue		1,170,000	793,689
Other revenue		-	49,016
Total Revenue		1,170,000	842,705
Cost of sales		(225,575)	(354,251)
Logistic and marketing expenses		(16,656)	(11,959)
Corporate and administrative expenses		(287,209)	(253,050)
Depreciation and amortisation		(219,355)	(248,903)
Borrowing costs		(421,461)	(455,218)
Impairment of Goodwill	5a	-	(3,019,189)
Impairment of water rights	5b	(120,000)	(100,000)
Net fair value loss on investment property		-	(947,849)
Other Expenses		-	(932)
Net loss before income tax		**(120,256)**	**(4,548,646)**
Income tax expense	6	-	-
Net loss for the period from continuing operations		(120,256)	(4,548,646)
Profit after income tax from discontinued operations	4	2,964,712	9,507
Profit after income tax expense for the period		2,844,456	(4,539,139)
Other Comprehensive Income			
Movement in foreign exchange reserve		(981)	1,472
Total Other Comprehensive Income		**(981)**	**1,472**
Total Comprehensive Income/ (Loss) for the period		**2,843,475**	**(4,537,667)**
Earnings per share from continuing operations			
Basic Loss per share (cents)		(0.07)	(2.79)
Diluted Loss per share (cents)		(0.07)	(2.79)
Earnings per share attributed to members			
Basic Earnings/(Losses) per share (cents)		1.75	(2.78)
Diluted Earnings/(Losses) per share (cents)		1.75	(2.78)

The Company's potential ordinary shares are not considered dilutive and accordingly the basic loss per share is the same as diluted loss per share.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Australian Agricultural Projects Ltd
(formerly known as Redisland Australia Ltd)

ABN 19 104 555 455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

	Note	31 December 2012 $	30 June 2012 $
CURRENT ASSETS			
Cash and cash equivalents		66,530	79,885
Trade and other receivables		4,518,298	3,120,961
Inventories		193,826	2,019,403
Other		424,676	342,504
		5,203,330	5,562,753
Non-current assets classified as held for sale		480,000	600,000
Total Current Assets		5,683,330	6,162,753
NON CURRENT ASSETS			
Investment property		8,322,785	8,322,785
Property, plant and equipment		2,255,052	2,704,669
Intangibles		-	337,922
Deferred tax assets	6	638,057	638,057
Total Non Current Assets		11,215,894	12,003,433
TOTAL ASSETS		**16,899,224**	**18,166,186**
CURRENT LIABILITIES			
Bank overdraft		485,717	221,174
Trade and other payables		4,644,314	5,166,309
Employee benefits		195,704	306,124
Loans and borrowings		1,627,369	5,341,756
Deferred Income		19,091	153,933
Current tax liability		13,926	13,926
Total Current Liabilities		6,986,121	11,203,222
NON CURRENT LIABILITIES			
Loans and borrowings		3,933,199	3,802,405
Employee benefits		1,399	25,529
Total Non Current Liabilities		3,934,598	3,827,934
TOTAL LIABILITIES		**10,920,719**	**15,031,156**
NET ASSETS		**5,978,505**	**3,135,030**
EQUITY			
Contributed equity		22,949,400	22,949,400
Reserve		294,807	295,788
Accumulated losses		(17,265,702)	(20,110,158)
TOTAL EQUITY		**5,978,505**	**3,135,030**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2012

	2012 $	2011 $
Cash flows from operating activities		
Cash receipts in the course of operations	7,192,048	5,747,021
Cash payments in the course of operations	(7,475,420)	(5,629,981)
Interest paid	(417,942)	(406,598)
Income tax paid	-	(11,374)
Net cash used in operating activities	**(701,314)**	**(300,932)**
Cash flows from investing activities		
Proceeds from sale of property and equipment	-	7,900
Proceeds from sale of business	4,000,000	-
Payment for property, plant and equipment	(17,683)	(23,522)
Net cash provided/(used in) by investing activities	**3,982,317**	**(15,622)**
Cash flows from financing activities		
Proceeds from borrowings	178,452	843,380
Repayment of borrowings	(3,736,840)	(565,248)
Net cash (used in)/provided by financing activities	**(3,558,388)**	**278,132**
Net (decrease)/increase in cash and cash equivalents held	(277,385)	(38,422)
Cash and cash equivalents at the beginning of the period	(141,289)	(190,644)
Effect of exchange rate fluctuations	(513)	1,472
Cash and cash equivalents at the end of the period	**(419,187)**	**(227,594)**
Consisting of:		
Cash at bank	66,530	22,365
Bank overdraft	(485,717)	(249,959)
Cash and cash equivalents at the end of the period	**(419,187)**	**(227,594)**

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2012

	Contributed Equity $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2012	22,949,400	295,788	(20,110,158)	3,135,030
Profit net of tax for the half year	-	-	2,844,456	2,844,456
Other comprehensive income	-	(981)	-	(981)
Balance as at 31 December 2012	**22,949,400**	**294,807**	**(17,265,702)**	**5,978,505**
Balance as at 1 July 2011	22,949,400	442,915	(14,626,827)	8,765,488
Loss net of tax for the half year	-	-	(4,539,139)	(4,539,139)
Other comprehensive income	-	1,472	-	1,472
Balance as at 31 December 2011	**22,949,400**	**444,387**	**(19,165,966)**	**4,227,821**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

Australia Agricultural Projects Ltd (the "Company") is a company domiciled in Australia. The Company changed its name from Redisland Australia Limited to Australian Agricultural Projects Limited at a general meeting of shareholders held on 22 February 2013.

The consolidated interim financial report as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "Group").

The annual financial report of the consolidated entity as at and for the year ended 30 June 2012 is available upon request from the Company's registered office or may be viewed on the Company's website, www.voopl.com.au.

2. BASIS OF PREPARATION

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reports* and the *Corporations Act 2001*. The half year financial report has been prepared on the historical cost basis.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2012. It is also recommended that the interim financial report be considered together with any public announcements made by the consolidated entity during the six months ended 31 December 2012 in accordance with continuous disclosure obligations under the *ASX Listing Rules*.

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2012.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2012.

This consolidated interim financial report was approved by the Board of Directors on 28th of February 2013.

Going Concern

The consolidated entity's current liabilities exceeded its current assets by $1,302,791 (30 June 2012: $5,040,469). The consolidated entity also had cash outflows from operating activities of $701,314 (31 December 2012: 300,932). These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The Financial Report has been prepared on the basis of a going concern, as the directors expect the consolidated entity to be in a position to pay its debts as and when they become due for a period of twelve months from the date of approving this financial report.

In November 2012 the Company sold its brand of extra virgin olive oil, Redisland, and the associated bottling plant and ceased marketing olive oil in the retail market. The Company continues to operate its olive orchard at Boort in Central Victoria and has entered into an oil supply agreement with the purchaser of the brand in conjunction with the sale agreement.

As at 31 December 2012, the following factors impacted the level of current liabilities and current assets.

- The Company was still to collect $1,510,012 in receipts from its retail customers and $501,750 in settlement of inventory as part of the sale. These amounts are to be collected over the next four months and will be used to further reduce banking facilities and trade payables.
- The Company still holds $480,000 in water assets for sale which will reduce banking facilities upon settlement.
- Current liabilities includes a portion of shareholder loans amounting to $920,000 which are expected to be renegotiated upon completion of the sale process.
- Current liabilities included the current portion of hire purchase facilities of $345,200 and the current portion of the CBA term debt of $125,000 which are both payable on a structured basis.

The budgeted cashflows indicate the consolidated entity is able to produce sufficient cash flows to fund its operations.

The budgets and forecasts reviewed by the directors for the next twenty four month (two year) period anticipate the business will generate profits in the next financial year although this is dependent upon the size of the 2013 and 2014 harvests. Recent experience has indicated that that the size of the harvest has been extremely volatile which creates a level of uncertainty about the level of future cashflows which in turn casts significant doubt about the ability of the consolidated entity to continue as a going concern. Initial orchard management reports for the 2013 harvest support the businesses projected cashflows.

Separate to the continuation of normal operations, the consolidated entity has the option to raise capital from existing shareholders, make a placement of shares to a strategic partner or may look to sell further assets.

Based on the above, the directors are satisfied those adequate plans are in place and that the consolidated entity will have positive cash flows for at least 12 months after the date of this report. On this basis the financial report has been prepared on the going concern basis.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

3. SEGMENT INFORMATION

Business segments

As a consequence of the sale of the retail olive oil business, the Company now operates in just one segment, that being Orchard Management; the cultivation of olive trees as well as related services. The segment information in relation to the olive oil sales segment is disclosed in Note 4: Discontinued operations.

Seasonality

A portion of the orchard fees the Company earns is subject to seasonal influences as it is not recognised until the orchard is harvested and the resulting oil produced during April to June. The recognition of the orchard expenses related to this portion of fee income are also deferred until the time of harvest.

4. DISCONTINUED OPERATIONS

On 29 November 2012, the Company sold its olive oil retailing business (including the Redisland brand) as well as most of the equipment associated with the olive oil bottling lines for a consideration of $4,000,000. In addition the purchaser agreed to purchase inventory of $644,785. While the gross revenues from these business units had increased significantly up until the date of sale, gross margins continued to be under pressure in an environment with volatile supply arrangements and exposure to imported competition. Accordingly, with the negotiation of the oils supply agreement in conjunction with the asset sale agreement, the Directors decided to dispose of these business units. In conjunction with this sale, the US operations are in the process of being closed.

Subsequent to the date of the sale, the Company continued operations until 14 January 2013 to meet outstanding export orders and production commitments.

A. Financial performance of the discontinued operations

	Consolidated	
	2012	2011
Sale of goods	7,461,379	8,014,504
Other Income	569	932
Cost of sales	(5,728,331)	(6,200,443)
Logistic and marketing expenses	(1,505,902)	(1,628,907)
Occupancy expenses	(125,505)	(119,804)
Depreciation and amortisation	(36,336)	(33,733)
Borrowing costs	(3,327)	(23,042)
Business closure costs	(525,845)	-
Total expenses	(7,925,246)	(8,005,929)
(Loss)/Profit before income tax	(463,298)	9,507
Income tax expense	-	-
(Loss)/Profit after income tax	(463,298)	9,507
Profit on disposal of assets	3,428,010	-
Income tax expense	-	-
Profit on disposal after income tax expense	3,428,010	-
Profit after income tax from discontinued operations	2,964,712	9,507

Earnings per share from discontinued operations		
Basic Earnings per share (cents)	1.82	0.01
Diluted Earnings per share (cents)	1.82	0.01

B. Cash flows from discontinued operations

	Consolidated	
	2012	2011
Net cash (used in)/provided by operating activities	(216,417)	868,095
Net cash provided by/(used in) investing activities	3,219,818	(1,745,805)
Net cash (used in)/provided by financing activities	(3,249,952)	848,288
Net decrease in cash and cash equivalents from discontinued operations	(246,551)	(29,422)

4. DISCONTINUED OPERATIONS (cont'd)

C. Carrying amount of net assets disposed

	Consolidated	
	2012	2011
Inventories	644,785	-
Property, plant and equipment	160,995	-
Intangibles	337,922	-
Net assets disposed	1,143,702	-

D. Details of the sale

	Consolidated	
	2012	2011
Total sale consideration	4,644,785	-
Carrying amount of assets sold	(1,143,702)	-
Disposal costs	(73,073)	-
Profit on sale before income tax	3,428,010	-
Income tax expense	-	-
Profit on disposal after income tax	3,428,010	-

	2012 $	2011 $
5. REVALUATION AND IMPAIRMENT EXPENSES		
(a) Impairment of Goodwill	-	(3,019,189)

The value of goodwill has been reduced to nil in conjunction with the sale of olive oil retailing business and therefore there is no longer requirement to test the impairment of the asset.

(b) Impairment of water rights	(120,000)	(100,000)

For the purpose of impairment testing, the carrying value of permanent water rights is compared to the median price of water trades on the Victorian Water Register for the relevant period. The recoverable amount was determined to be below the carrying amount so an impairment charge was recognised.

6. INCOME TAX

The trading result for the Company includes a capital gain on the sale of the Redisland brand and it is expected that this gain will be offset against tax losses available to the Company.

As disclosed at 30 June 2012 the directors have recognised a deferred tax asset to the extent of losses expected to be recouped. In preparing this half year report, the directors have considered the current circumstances of the Company and are satisfied that the booked deferred tax asset is still probable of recovery.

7. CONTINGENT LIABILITIES

The consolidated entity does not have any contingent liabilities at reporting date or the date of this report.

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 February 2013, at a general meeting of shareholders, the Company gained approval to cancel a total of 10,843,404 shares held by Boundary Bend Limited. This reduced the issued capital of the Company to 153,358,384 shares. The calculation of earnings per share and diluted earnings per share do not include this reduction into account as it will not be effective until March 2013.

Other than that item detailed above, there are no other events subsequent to reporting date that would have a material financial effect on the financial statements for the half year ended 31 December 2012.

DIRECTORS' DECLARATION

In the opinion of the directors of Australian Agricultural Projects Ltd ("the Company"):

1. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

    (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2012 and of its performance for the six month period ended on that date; and

    (a) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne, Victoria, this 28th day of February 2013.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Agricultural Projects Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Agricultural Projects Ltd, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Agricultural Projects Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Agricultural Projects Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Agricultural Projects Ltd is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 in the financial report, which indicates that the consolidated entity had a net current asset deficiency of $1,302,791 as at 31 December 2012 and cash outflows from operating activities of $701,314. These conditions, along with other matters as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

Alex Swansson
Partner

Melbourne, 28 February 2013