Australian Agricultural Projects Ltd
ABN: 19 104 555 455

Head Office
Suite 2, 342 South Road
Hampton East VIC 3188

P: 0417 001 446
F: + 61 3 9532 1556

E:admin@voopl.com.au

HALF-YEAR FINANCIAL RESULTS

ANNOUNCEMENT **28 FEBRUARY 2019**

In accordance with Listing Rule 4.2A.3, the Interim Financial Report for the six months ended 31 December 2018 and ASX Appendix 4D – Half Year Report of Australian Agricultural Projects Ltd (ASX: AAP) follow this announcement. This information is to be read in conjunction with the annual report for the year ended 30 June 2018.

AUTHORISED BY:

Paul Challis
Managing Director

Enquiries may be directed to:
Paul Challis – Managing Director

E: paul.challis@voopl.com.au

Australian Agricultural Projects Ltd

AUSTRALIAN AGRICULTURAL PROJECTS LTD

Appendix 4D

Half Year Report
for the period ended 31 December 2018

Results for announcement to the market

	Current Period $'000	Percentage Change Up/(Down)	Previous Corresponding Period $'000
Revenue from ordinary activities	712	12.8%	631
Loss from ordinary activities after tax attributable to members	(285)	(139.5%)	(119)
Net loss for the period attributable to members	(285)	(139.5%)	(119)

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	3.11 cents	3.78 cents

Australian Agricultural Projects Ltd

ABN 19 104 555 455

Interim Report

for the half-year ended 31 December 2018

Australian Agricultural Projects Ltd

ABN 19 104 555 455

INTERIM REPORT – 31 DECEMBER 2018

Contents **Page**

The directors present their report on the consolidated entity consisting of Australian Agricultural Projects Ltd ("AAP") and its controlled entities for the six months ended 31 December 2018 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 is pleased to present the financial report for the six months period to 31 December 2018. The financial result for this period is summarised below:

	Six months to Dec 18	Six months to Dec 17	Six months to Dec 16	Six months to Dec 15
Earnings before interest, tax, depreciation, amortization and investment property revaluation	105,100	153,947	376,743	301,026
Interest received	73	119	212	688
Depreciation	(129,624)	(138,103)	(162,204)	(137,454)
Borrowing costs	(168,743)	(165,663)	(145,354)	(183,868)
Asset revaluation	(91,493)	30,928	151,723	71,773
Net (loss) / profit after income tax	**(284,687)**	**(118,772)**	**221,120**	**52,165**

Expected yield

The orchard team have identified the following factors which will impact this year's harvest:

- flowering and the subsequent fruit set, while variable across the varieties, was reasonable and crop levels appear above average;
- it will be an "on" year in the biennial cycle of orchard production;
- that 138 hectares have either recently been planted or are about to be planted. While there will be some small volumes from those trees planted two years ago, this area will largely be non-productive; and
- that around 50 hectares of the underperforming barnea and nevadillo varieties remain.

The expectation is the amount of fruit to be harvested will be significantly greater than the previous year's result and, while still early in the season, conditions to date should contribute to average oil accumulations.

Overall, the expectation is that the total oil produced will be much greater than last year although the final result will depend upon climatic conditions leading up to and during harvest in May. Unfortunately, due to the large area that will be non-bearing, there is little opportunity for the final harvest to be significantly above expectations.

2. Results and review of operations (continued)

Water

Water prices have surged from $175 per ML at June last year to over $500 per ML at balance date. These prices are significantly greater than initially budgeted and are not consistent with the near full water allocations in our region. It has been reported that some new investors and speculators in the water markets are pushing prices up and management are reassessing what this new influence in the market may mean for long term water prices to the Company.

These increased water prices have had two impacts on the current period operating results;

- firstly an increase in operating expenses which more than explains the reduction in gross profit for the period; and
- secondly, a negative impact on the orchard valuation model as the assumptions for short term water prices have been adjusted in determining future cash flows.

Oil Sales

All of the oil produced in the 2018 harvest has been tested as extra virgin and accepted by Boundary Bend under the terms of the olive oil supply agreement in support of their domestic sales of packaged oil.

This year is the first year in which the farm gate pricing mechanism set out in the agreement is applicable and we anticipate that the final price will be above management's initial budgets. This result has arisen largely as a consequence of the price rise that Boundary Bend was able to implement in June of last year and the subsequent promotional campaign to support their product.

Replanting

The replanting programme continues. Preparations are now complete for the planting of 104,000 trees (104 hectares) in March 2019 which will bring the total area which has been replanted to 144 hectares over the past 30 months. These trees to be planted this year will represent the most trees ever planted by the Company in any one season.

The last tranche to be planted comprises approximately 54 hectares and represents the last of the barnea variety that have deteriorated to a point where they are no longer commercially viable and the few blocks of the nevadillo variety where the average annual production had been below the overall orchard average. No decision has been made as to when this tranche will be planted.

The expectation is that these replanted blocks will progressively come back into production from 2020 with near maturity yields four to five years after planting. This timeframe is shorter than that previously experienced largely due to the investment in the higher density layout of approximately 1,000 trees per hectare.

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 5.

Dated at Melbourne, Victoria, this 28th day of February 2019.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

BDO

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY RICHARD DEAN TO THE DIRECTORS OF AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

As lead auditor for the review of Australian Agricultural Projects Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Richard Dean
Partner

BDO East Coast Partnership

Melbourne, 28 February 2018

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2018

	Note	2018 $	2017 $
Revenue		711,886	631,403
Cost of sales		(482,319)	(370,656)
		229,567	260,747
Corporate and administrative expenses		(124,394)	(106,681)
Depreciation and amortisation		(129,624)	(138,103)
Borrowing costs		(168,743)	(165,663)
Net fair value (loss) / gain on investment property	4	(91,493)	30,928
Net loss before income tax		(284,687)	(118,772)
Income tax expense	6	-	-
Net loss for the period		(284,687)	(118,772)
Other comprehensive Income		-	-
Total comprehensive loss for the period		(284,687)	(118,772)
Earnings per share			
Basic loss per share (cents)		(0.19)	(0.07)
Earnings per share attributed to members			
Basic loss per share (cents)		(0.19)	(0.07)

The Company has no potential ordinary shares and therefore 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

ABN 19 104 555 455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	31 December 2018 $	30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		215,560	197,570
Trade and other receivables		1,434,696	1,660,462
Inventories		-	129,514
Other		516,140	37,124
Total Current Assets		2,166,396	2,024,670
NON CURRENT ASSETS			
Property, plant and equipment		1,315,295	1,317,602
Investment property	4	9,437,834	9,044,721
Total Non Current Assets		10,753,129	10,362,323
TOTAL ASSETS		**12,919,525**	**12,386,993**
CURRENT LIABILITIES			
Bank overdraft		487,732	474,740
Trade and other payables		2,298,336	2,164,918
Provisions		285,423	279,817
Loans and borrowings		1,064,054	1,042,899
Total Current Liabilities		4,135,545	3,962,374
NON CURRENT LIABILITIES			
Loans and borrowings		4,038,078	3,394,030
Total Non Current Liabilities		4,038,078	3,394,030
TOTAL LIABILITIES		**8,173,623**	**7,356,404**
NET ASSETS		**4,745,902**	**5,030,589**
EQUITY			
Contributed equity		22,840,966	22,840,966
Reserve		259,784	259,784
Accumulated losses		(18,354,848)	(18,070,161)
TOTAL EQUITY		**4,745,902**	**5,030,589**

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 2018

	2018 $	2017 $
Cash flows from operating activities		
Cash receipts in the course of operations	1,286,281	1,987,571
Cash payments in the course of operations	(1,456,754)	(1,363,290)
Interest received	73	119
Interest paid	(157,140)	(190,218)
Net cash (used in) / provided by in operating activities	**(327,540)**	**434,182**
Cash flows from investing activities		
Proceeds from the disposal of property, plant and equipment	-	4,646
Payments for investment property	(127,317)	-
Payment for property, plant and equipment	(205,183)	(428,500)
Net cash used in by investing activities	**(332,500)**	**(423,854)**
Cash flows from financing activities		
Proceeds of borrowings	730,049	428,500
Repayment of borrowings	(65,011)	(68,850)
Net cash provided by financing activities	**665,038**	**359,650**
Net increase in cash and cash equivalents held	4,998	369,978
Cash and cash equivalents at the beginning of the period	(277,170)	(300,774)
Cash and cash equivalents at the end of the period	**(272,172)**	**69,204**

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 2018

	Contributed Equity $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2018	22,840,966	259,784	(18,070,161)	5,030,589
Loss net of tax for the half year	-	-	(284,687)	(284,687)
Other comprehensive income	-	-	-	-
Balance as at 31 December 2018	**22,840,966**	**259,784**	**(18,354,848)**	**4,745,902**
Balance as at 1 July 2017	22,840,966	259,784	(17,217,454)	5,883,296
Loss net of tax for the half year	-	-	(118,772)	(118,772)
Other comprehensive income	-	-	-	-
Balance as at 31 December 2017	**22,840,966**	**259,784**	**(17,336,226)**	**5,764,524**

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

1. CORPORATE INFORMATION

Australian Agricultural Projects Ltd (the "Company") is a company domiciled in Australia.

The consolidated interim financial report as at and for the six months ended 31 December 2018 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 2018 is available upon request from the Company's registered office or may be viewed on the Company's website, www.voopl.com.au.

This consolidated interim financial report was approved by the Board of Directors on 28th of February 2019.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 with the exception of financial assets and liabilities and the investment property which are recorded at fair value.

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 2018. 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 2018 in accordance with continuous disclosure obligations under the *ASX Listing Rules*.

(b) Accounting policies

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 2018 except for those as described in note 2(c) below.

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 2018.

(c) Adoption of new and revised accounting standards

The consolidated entity has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The adoption of these standards has not had any financial impact.

Revised accounting policies in respect of financial instruments and revenue recognition are as follows:
- AASB 9 *Financial Instruments*, and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the respective accounting policies are disclosed below:

- **AASB 9 Financial Instruments**

In the current year, the consolidated entity has applied AASB 9 *Financial* which has come into effect 1 January 2018. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 resulted in the following amendment to the accounting policy for trade receivables

Trade and other receivables

Trade receivables are amounts due from customers for goods or services provided or lease fees earned in the ordinary course of business. They are generally due for settlement from the proceeds of sale of the olive oil produced during the period to which the services and lease fees relate and this date is generally within twelve months of balance date. They are therefore classified as current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Adoption of new and revised accounting standards (continued)

Trade and other receivables (continued)

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available which has been adopted with no impact.

Management has assessed the classification and valuation of existing financial assets and liabilities and concluded that the consolidated entity's accounting treatment is in line with the requirements of AASB 9 and the amended accounting policy for Trade receivables.

- **AASB 15 Revenue from Contracts with Customers**

In the current year, the consolidated entity has applied AASB 15 *Revenue from Contracts with Customers* which has come into effect 1 January 2018. AASB 15 establishes a comprehensive framework determining the timing and quantum of when revenue is recognised. It replaces AASB 118 Revenue. The core principal of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer.

Previously, the consolidated entity recognised revenue from the sale of goods when the risks and rewards transfer to the customer and when the quantity and value of the goods was fixed and, generally, when title had passed. In comparison, under the new standard, revenue from the sale of goods is recognised when it is highly probable that a significant reversal of revenue will not occur.

The consolidated entity has amended its policy for the recognition of revenue from the sale of goods to:

Sale of goods

Revenue from the sale of goods is recognised on a one time basis when the control of the goods passes to the customer and the price can be reliably determined so that there will not be a significant reduction in the future.

Management has reviewed each of the consolidated entity's revenue streams and confirmed that the current method of recognising income, which includes a process for determining the volume and value of oil produced where the revenue stream is determined by the subsequent proceeds of the sale of that oil, meets the requirements of AASB15.

The Directors believe adopting AASB 15 has had no impact on the revenue recognised by the consolidated entity.

(d) Going Concern

The financial report has been prepared on the basis of a going concern as the Directors contemplate the consolidated entity will continue with normal business activities, the realisation of assets and liabilities in the normal course of business and 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 the period after the completion of the 2019 harvest, the consolidated entity's current cash flow forecast includes some sales receipts brought forward from its agreed sales schedule. Furthermore, the long term profitability and cash flows of the consolidated entity are dependent upon the volume of future harvests, the value of extra virgin olive oil and the costs of operating the orchard. These factors are subject to many influences outside of the consolidated entity's control such as growing conditions, movements in the price and supply of water and the effective farm gate price of oil sold which is dependent upon third parties.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Going concern (continued)

The Directors remain confident of the long term cash flows and profitability of the consolidated entity after the newly replanted areas reach commercial yields. In the period prior to these yields, the Directors believe that the consolidated entity has the ability to bring forward sales receipts, raise additional equity or restructure is finance facilities to fund its operations in the event that actual cash flows should vary from expectation.

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. Revenue

	December 2018	December 2017
Management fees	331,954	287,209
Lease fees from the investment property	348,800	339,429
Production sharing fees	11,059	-
Other Revenue	20,073	4,765
	711,886	631,403

4. INVESTMENT PROPERTY

	December 2018	June 2018
Land, trees and orchard assets held to earn lease fees	9,437,834	9,044,721
Movement consists of:		
Investment property opening balance	9,044,721	8,789,560
Improvements to investment property	484,606	329,164
Net fair value loss on investment property	(91,493)	(74,003)
Investment property closing balance	9,437,834	9,044,721

The investment property is a level 3 asset for the purposes of determining fair value. The investment property comprises a 403 hectare olive orchard including the land, trees, irrigation infrastructure and associated buildings. It is leased to two managed investment schemes for an initial period to 2025 plus an option of another 25 years.

The value of the investment property was determined by the directors at 31 December 2018 by discounting the cash flows of expected future net income streams over the 31.5 year term (including option) of the lease generated by the investment property based on the following key assumptions:

- Future cash inflows were estimated as the budgeted rental to be received from the investment property increased annually by CPI indexation commencing at a rate of 2.25 percent increasing to a long term average of 3 percent from 2023. Where the rental forms a percentage of the proceeds from the sale of the produce from the property, the long term average value of the production was assumed to increase by 3 percent per annum.
- Where a lease is required to be renewed at a market rental at the end of the first term in 2025, the market rental at that time is assumed to be $4,000 per hectare.
- Pre tax discount rate of 11.5 percent was applied to future cash flows, which is based on group cost of funding plus risk premium.
- The orchard has a short term yield averaging 7.5 tonnes of fruit per hectare per annum increasing to a long term average of 10.5 tonnes per hectare per annum from 2023.
- The average annual price of water available to the orchard decreases from $435 per ML in the current year to a long term average of $170 per ML from 2023.
- The remaining capital costs required to complete the current replanting programme amounts to $1,230,058 and will be completed by 2021.

4. INVESTMENT PROPERTY (continued)

The sensitivity of these long term assumptions are as follows:

Assumption	Assumed Value	Sensitivity	Change in Valuation
CPI	3.0%	if increased to 3.5%	608,192
		if reduced to 2.5 %	(543,188)
Discount rate	11.50%	if increased to 12.5%	(1,337,221)
		if reduced to 10.5 %	1,738,048
Harvest yield	10.5 t per ha	if increased to 11.5 tonne per ha	254,089
		if reduced to 9.5 tonne per ha	(254,089)
Average price of water	170 per ML	if increased to 190 per ML	(203,643)
		if reduced to 150 per ML	203,643

The investment property has been pledged as security in support of the consolidated entity's finance facilities provided by the Commonwealth Bank of Australia.

The lease agreements require the consolidated entity to provide sufficient water to the property to allow for the commercial growing of olives and meet all outgoings associated with the property.

5. RELATED PARTY DISCLOSURES

A member of the consolidated entity, Victorian Olive Oil Project Ltd, acts as the responsible entity for two managed investment schemes. The consolidated entity transacts with these schemes in accordance with contracts which are fundamental to the operation of the schemes. Paul Challis is a director of Victorian Olive Oil Project Ltd.

			Transactions value six months ended 31 December		Balance outstanding as at	
	Transaction	Note	2018 $	2017 $	31 Dec 2018 $	30 June 2018 $
Scheme						
Victorian Olive Oil Project	Lease fees	(i)	345,878	339,429	720,651	794,805
	Management fees	(ii)	275,950	269,093	462,848	351,727
Victorian Olive Oil Project II	Costs of operating the project that have been capitalised until harvest	(iii)	214,326	147,325	-	-
	Lease and management fees receivable	(ii)	-	-	260,633	280,234
	Oil purchased	(iv)	-	-	(684,742)	(667,346)

Notes in relation to the table of key transactions with associated entities

(i) The consolidated entity receives lease fees in respect to the land, trees and orchard assets which are leased to the schemes. These lease fees are as set out in the scheme constitution and original product disclosure statement.

(ii) The consolidated entity receives management fees for the management of the orchard and the processing of the annual harvest from the investors in the managed investment schemes as well as for acting as responsible entity. These fees are as set out in the scheme constitution and the original disclosure statement

(iii) Where the management fees set out in (ii) above are subject to a production sharing arrangement, the direct costs incurred in farming this portion of the orchard are capitalised until harvest.

(iv) The consolidated entity purchased oil from the investors in the managed investment schemes in accordance with the oil take off agreement which formed part of the acquisition of the AAI group of companies.

6. INCOME TAX

The directors have not recognised a deferred tax asset to the extent of losses available to the Company. In preparing this half year report, the directors have considered the current circumstances of the Company and are satisfied that, given there is still insufficient certainty about the period over which the tax losses will be recovered, it is appropriate to continue to not recognise the deferred tax asset.

7. SEGMENT INFORMATION

Business segments

The Company operates in just one segment, that being Orchard Management; the cultivation of olive trees as well as related services.

Seasonality

A portion of the orchard fees the Company earns is subject to seasonal influences and those fees are 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.

8. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has given a bank guarantee as at 31 December 2018 of $60,000 (2017: $60,000) in support of lease obligations.

The Company has undertaken a commitment to replant a portion of the olive trees on the investment property at a total budgeted cost of $1,230,058. The commitment for the twelve months to 31 December 2019 has been budgeted at $614,058. The balance of the replanting costs post 31 December 2019 are estimated at $616,000. These amounts have been incorporated in the determination of the investment property value as set out in Note 4: Investment Property.

Other than the above, the Company does not have any capital commitments or contingent liabilities at balance and reporting dates.

9. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to reporting date that would have a material financial effect on the financial statements for the half year ended 31 December 2018.

Australian Agricultural Projects Ltd

ABN 19 104 555 455

DIRECTORS' DECLARATION

The directors of Australian Agricultural Projects Ltd ("the Company") declare that:

1. the financial statements and notes, as set out on pages 6 to 14, 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 2018 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. in the directors' opinion, 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 2019.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Agricultural Projects Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Agricultural Projects Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2(d) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company 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 Group's financial position as at 31 December 2018 and its financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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 the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Richard Dean
Partner

Melbourne, 28 February 2019