Australian Agricultural Projects Ltd
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HALF-YEAR FINANCIAL RESULTS

ANNOUNCEMENT **27 FEBRUARY 2020**

In accordance with Listing Rule 4.2A.3, the Interim Financial Report for the six months ended 31 December 2019 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 2019.

AUTHORISED BY:

Paul Challis
Managing Director

Enquiries may be directed to:
Paul Challis – Managing Director

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Australian Agricultural Projects Ltd

AUSTRALIAN AGRICULTURAL PROJECTS LTD

Appendix 4D

Half Year Report
for the period ended 31 December 2019

Results for announcement to the market

	Current Period $'000	Percentage Change Up/(Down)	Previous Corresponding Period $'000
Revenue from ordinary activities	581	(18.4%)	712
Loss from ordinary activities after tax attributable to members	(462)	(139.4%)	(193)
Net loss for the period attributable to members	(347)	(22.2%)	(284)

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	3.01 cents	3.11 cents

Interim review of accounts

The interim financial statements have been reviewed by the Group's independent auditor. The review report is included with the accompanying Interim Financial Report.

The independent auditor's review report contains an emphasis of matter in relation to going concern. The emphasis of matter draws attention to Note 2(d) of the Interim Financial Report which details some of the assumptions used to prepare the consolidated entity's cash flow forecast. The Note 2(d) states many of the factors influencing these assumptions are outside of the Company's control and as a consequence, these factors give rise to material uncertainties that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

In Note 2(d), the Directors confirm their belief that the consolidated entity has the alternatives available to it to fund its operations should actual cash flows vary from its expectations.

Australian Agricultural Projects Limited
ABN: 19 104 555 455

Interim Report

for the half-year ended 31 December 2019

INTERIM REPORT – 31 DECEMBER 2019

Contents **Page**

The directors present their report on the consolidated entity consisting of Australian Agricultural Projects Limited ("AAP") and its controlled entities for the six months ended 31 December 2019 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 Daniel Stefanetti *Non-Executive Director*	Director since 26 September 2019
Mr Phillip Grimsey *Non-Executive Director*	Director ceased 19 September 2019
Mr Anthony Ho *Non-Executive Director*	Director since 30 April 2003

2. Results and review of operations

The Company presents its financial report for the six months period to 31 December 2019. The financial result for this period is summarised below:

	Six months to Dec 19	Six months to Dec 18	Six months to Dec 17	Six months to Dec 16
Earnings before interest, tax, depreciation, amortisation and bearer plant revaluation	(130,587)	105,100	153,947	376,743
Interest received	-	73	119	212
Depreciation	(120,256)	(129,624)	(138,103)	(162,204)
Borrowing costs	(212,062)	(168,743)	(165,663)	(145,354)
Asset revaluation	115,879	(91,493)	30,928	151,723
Total comprehensive income for the period	**(347,026)**	**(284,687)**	**(118,772)**	**221,120**

Expected yield

The reduction in this period's earnings before interest, tax, depreciation, amortisation and asset revaluation compared to previous period's as set out in the table above is largely due a reduced assessment of the upcoming 2020 harvest. This reduced assessment has the effect of capping the estimate of management fees the Company is likely to earn from those projects where production sharing arrangements are in place with the project investors. The principal factors that have had a negative impact on the assessment of the likely 2020 harvest are:

- a poor fruit set, especially in the picual variety, after what appeared to be a reasonable flowering. The picual variety flowered for much longer than normal and has set very low numbers of fruit. Indications are that this result is consistent with most other olive orchards in our region;
- it is an "off" year in the biennial cycle of orchard production; and
- this is the point in the replanting programme where the orchard has the lowest number of productive trees. We have now removed the trees from approximately 40% of the orchards we manage and it will not be until next year that the first of the replanted areas start to contribute to commercial production.

Overall, the expectation is that the total oil produced will be much less than last year although the final result will depend upon climatic conditions leading up to and during harvest in May. Management anticipate this harvest will be the low point in oil production during the period of the replanting programme and that harvests over the next few years will return to the averages experienced before the commencement of the replanting programme.

2. Results and review of operations (continued)

Replanting

Management is satisfied with the performance of those sections of the orchard replanted to date.

The 104 hectares replanted in March last year (pictured right) are now growing satisfactorily and confidence is high that they will produce a commercial crop in 2022. The level of replants has been relatively low compared to the initial plantings of the orchard and work is continuing on training and to ensure they are securely attached to the trellis system.

Those areas planted the year before (pictured below) are especially pleasing and have benefited from superior stock having been received from the nursery. These areas are all showing consistently good growth and canopy development and will definitely carry commercial yields in the 2021 year. In fact, many of these trees are carrying a small crop this year which will need to be harvested (unfortunately, not commercial yields). Management have trialed spraying in some areas to reduce fruit set in order to promote tree growth. The learnings from this exercise will be applied to those trees planted as part of the second tranche.

The last tranche of the replanting programme is scheduled to be completed in March 2021 and orders have already been placed for more than 50,000 trees. Given the experience with the last two plantings, we are confident that this final portion of the programme will be completed to the similar standard of the previous ones.

Water

Water prices have remained well above management's expectation with current spot prices exceeding $600 per ML. As previously detailed, these prices the result of a number of factors including the drought over the past two years which has seen water allocations reduced in most irrigation districts. The Company's expectation remains that in the medium term, temporary water prices will return to an amount closer to the long term average (prior to the recent surge in prices, the average price for the previous ten years was in the region of $100 per ML).

Naturally, this remains one area where management retains a close watching brief to ensure the maximum value is extracted from this resource and where necessary, given the reduced fruit loads, adjust the volume of water used on sections of the orchard.

Non-renounceable entitlement issue

On 10 February 2020, the Company announced a non-renounceable entitlements issue on the following basis:

- One new share for every one share held at an issue price of $0.01 (one cent) each; with
- One free option for every two shares issued (exercisable at $0.0125 before 22 December 2023).

The offer seeks to raise up to $1.5 million which will be used to reduce the amount of unsecured loans as well as to augment the Company's general working capital. The Company expects the proceeds from this issue will significantly cover the additional cost to the Company of the increased water prices over the past two seasons and provide the balance sheet flexibility to accommodate the balance of the cost of the replant programme.

The Directors refer you to the offer document provided to each eligible shareholder and encourages shareholders to continue supporting the Company.

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 27th day of February 2020.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

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DECLARATION OF INDEPENDENCE BY WAI AW 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 2019, 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.

Wai Aw
Director

BDO Audit Pty Ltd

Melbourne, 27 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half-year ended 31 December 2019

	Note	2019 $	Re-stated 2018 $
Revenue	3	581,011	711,886
Cost of sales		(567,532)	(482,319)
		13,479	229,567
Corporate and administrative expenses		(144,066)	(124,394)
Depreciation and amortisation		(120,256)	(129,624)
Borrowing costs		(212,062)	(168,743)
Net loss before income tax		(462,905)	(193,194)
Income tax expense	6	-	-
Net loss for the period		(462,905)	(193,194)
Other comprehensive Income			
Revaluation of bearer plants		115,879	(91,493)
Total comprehensive income for the period		(347,026)	(284,687)
Earnings per share			
Basic loss per share (cents)		(0.23)	(0.19)
Earnings per share attributed to members			
Basic loss per share (cents)		(0.23)	(0.19)

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
CURRENT ASSETS			
Cash and cash equivalents		194,490	156,446
Trade and other receivables		1,577,677	2,290,915
Inventories		-	267,057
Other		337,583	18,355
Total Current Assets		2,109,750	2,732,773
NON CURRENT ASSETS			
Property, plant and equipment		1,117,527	1,194,481
Bearer plants	4	9,013,321	8,778,853
Investment property		1,553,550	1,553,550
Total Non Current Assets		11,684,398	11,526,884
TOTAL ASSETS		**13,794,148**	**14,259,657**
CURRENT LIABILITIES			
Bank overdraft		454,600	495,300
Trade and other payables		2,388,234	2,214,867
Provisions		317,580	301,783
Loans and borrowings		1,367,573	1,596,952
Total Current Liabilities		4,527,987	4,608,902
NON CURRENT LIABILITIES			
Loans and borrowings		4,676,570	4,714,138
Total Non Current Liabilities		4,676,570	4,714,138
TOTAL LIABILITIES		**9,204,557**	**9,323,040**
NET ASSETS		**4,589,591**	**4,936,617**
EQUITY			
Contributed equity		22,840,966	22,840,966
Reserve		752,471	636,592
Accumulated losses		(19,003,846)	(18,540,941)
TOTAL EQUITY		**4,589,591**	**4,936,617**

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 2019

	2019 $	2018 $
Cash flows from operating activities		
Cash receipts in the course of operations	2,014,358	1,286,281
Cash payments in the course of operations	(1,196,409)	(1,456,754)
Interest received	7	73
Interest paid	(207,972)	(157,140)
Net cash provided by / (used in) in operating activities	**609,984**	**(327,540)**
Cash flows from investing activities		
Payments for property plant and equipment	(47,633)	(127,317)
Payment for bearer plants	(216,659)	(205,183)
Net cash used in by investing activities	**(264,292)**	**(332,500)**
Cash flows from financing activities		
Proceeds of borrowings	37,940	730,049
Repayment of borrowings	(304,888)	(65,011)
Net cash (used in) / provided by financing activities	**(266,948)**	**665,038**
Net increase in cash and cash equivalents held	78,744	4,998
Cash and cash equivalents at the beginning of the period	(338,854)	(277,170)
Cash and cash equivalents at the end of the period	**(260,110)**	**(272,172)**

Represented by:

	2019 $	2018 $
Cash and cash equivalents	194,490	215,560
Bank Overdraft	(454,600)	(487,732)
	(260,110)	**(272,172)**

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 2019

	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2019	22,840,966	636,592	(18,540,941)	4,936,617
Loss net of tax for the half year	-	-	(462,905)	(462,905)
Other comprehensive income	-	115,879	-	115,879
Balance as at 31 December 2019	**22,840,966**	**752,471**	**(19,003,846)**	**4,589,591**

	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2018	22,840,966	401,856	(18,212,233)	5,030,589
Loss net of tax for the half year	-	-	(193,194)	(193,194)
Other comprehensive income	-	(91,493)	-	(91,493)
Balance as at 31 December 2018	**22,840,966**	**310,363**	**(18,405,427)**	**4,745,902**

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

1. CORPORATE INFORMATION

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

The consolidated interim financial report as at and for the six months ended 31 December 2019 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 2019 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 27th of February 2020.

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 and Bearer plants 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 2019. 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 2019 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 2019 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 2019.

(c) Adoption of new and revised accounting standards

The consolidated entity has adopted AASB 16 Leases effective from 1 July 2019.

The consolidated entity has only one operating lease which relates to office premises. It expires on 30 June 2020 and the consolidated entity is unlikely to take up the option to extend the lease beyond this date. The consolidated entity has elected to apply the short term exemption to this lease and as such the adoption of AASB 16 has no financial impact in the current accounting period.

(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.

The consolidated entity's current cash flow forecast includes material assumptions with regard to cash receipts from a non-renounceable entitlement issue which closes on 4 March 2020, the value of the forthcoming harvest which will be completed in June 2020 as well as to the future price of water. 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 raise additional equity or restructure its finance facilities to fund its operations in the event that actual cash flows should vary from its 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.

(e) Prior period error

Management of Australian Agricultural Projects Limited, while preparing financial statements of the Company for the year ended 30 June 2019, identified that their current accounting policy for investment property was not in compliance with AASB 140 Investment Properties due to Bearer Plant assets having been included within the value of the investment property instead of being separately classified and valued. The full detail of this restatement is set out in the consolidated financial report as at and for the year ended 30 June 2019.

The change in the comparative half year is to recognise the revaluation to fair value of the bearer plants to other comprehensive income.

Financial statement extracts of Australian Agricultural Projects Limited would appear as follows after the retrospective correction of the prior period accounting error.

EXTRACT OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31 December 2018 $	Effect of restatement $	Restated 31 December 2018 $
Revenue	711,886	-	711,886
Cost of sales	(482,319)	-	(482,319)
Gross profit	229,567	-	229,567
Corporate and administrative expenses	(124,394)	-	(124,394)
Depreciation and amortisation	(129,624)	-	(129,624)
Borrowing costs	(168,743)	-	(168,743)
Net fair value loss on investment property	(91,493)	91,493	-
Loss before income tax	**(284,687)**	**91,493**	**(193,194)**
Income tax expense	-	-	-
Loss after income tax	**(284,687)**	**91,493**	**(193,194)**
Other Comprehensive Income			
Revaluation of bearer plants	-	(91,493)	(91,493)
Total Comprehensive Income attributable to the members of Australian Agricultural Projects Limited	**(284,687)**	**-**	**(284,687)**

3. REVENUE

	December 2019	December 2018
Management fees	221,618	331,954
Lease fees from the investment property	351,853	348,800
Production sharing fees	2,033	11,059
Other Revenue	5,507	20,073
	581,011	711,886

4. BEARER PLANTS

	December 2019	June 2019
Bearer plants	9,013,321	8,778,853
Movement consists of:		
Bearer plants opening balance	8,778,853	7,491,171
Capital improvements	118,589	1,052,946
Net fair value gain on bearer plants	115,879	234,736
	9,013,321	8,778,853

The bearer plants are a level 3 asset for the purposes of determining fair value. The bearer plants comprise the trees on a 403 hectare olive orchard. They are leased in conjunction with the investment property to two managed investment schemes for an initial period to 2025 plus an option of another 25 years.

The value of the bearer plants was determined by the directors at 31 December 2019 by discounting the cash flows of expected future net income streams over the remaining useful life of the bearer plants 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 5.0 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 $480 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 $551,000 and will be completed by 2021.

4. BEARER PLANTS (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%	653,191
		if reduced to 2.5 %	(582,912)
Discount rate	11.50%	if increased to 12.5%	(1,391,941)
		if reduced to 10.5 %	1,784,894
Harvest yield	10.5 t per ha	if increased to 11.5 tonne per ha	254,022
		if reduced to 9.5 tonne per ha	(254,022)
Average price of water	170 per ML	if increased to 190 per ML	(202,929)
		if reduced to 150 per ML	202,929

The investment property including the bearer plant assets have 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 Limited, 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 Limited.

			Transactions value six months ended 31 December		Balance outstanding as at	
	Transaction	Note	2019 $	2018 $	31 Dec 2019 $	30 June 2019 $
Scheme						
Victorian Olive Oil Project	Lease fees	(i)	351,412	345,878	706,324	794,484
	Management fees	(ii)	141,202	275,950	399,264	576,997
Victorian Olive Oil Project II	Costs of operating the project that have been capitalised until harvest	(iii)	280,500	214,326	-	-
	Lease and management fees receivable	(ii)	-	-	321,153	607,848
	Oil purchased	(iv)	-	-	(767,088)	(673,282)

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 the management and lease of olive orchard assets. This includes the cultivation of olive trees, the harvesting and processing of fruit to oil, the marketing of oil produced 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 2019 of $60,000 (2018: $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 $551,000. The commitment for the twelve months to 31 December 2020 has been budgeted at $291,000. The balance of the replanting costs post 31 December 2019 are estimated at $260,000. 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

On 10 February 2020, the Company issued a prospectus for a pro-rata non-renounceable entitlement offer of one new share for every one share held. The offer included one free-attaching unquoted option for every two new shares subscribed for. The new options will be exercisable at $0.015 each on or before 22 December 2023. The offer is not underwritten and closes on Wednesday 4 March 2020. It is anticipated the funds raised under this offer will be used to reduce the amount of unsecured loans as well as for general working capital.

Other than those matters noted above, 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 2019.

DIRECTORS' DECLARATION

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

1. the financial statements and notes, as set out on pages 7 to 15, 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 2019 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 27th day of February 2020.

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 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 2019, 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, 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 2019 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 *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 2(d) in the half-year 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 2019 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.

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

BDO Audit Pty Ltd

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Wai Aw
Director

Melbourne, 27 February 2020