Australian Agricultural Projects Ltd

HALF-YEAR FINANCIAL RESULTS

ANNOUNCEMENT **28 FEBRUARY 2014**

In accordance with Listing Rule 4.2A.3, the Half-Year Financial Report for the six months ended 31 December 2013 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 2013.

AUTHORISED BY:

Paul Challis
Managing Director

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Australian Agricultural Projects Ltd

AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

Appendix 4D

Half Year Report
for the period ended 31 December 2013

Results for announcement to the market

	Current Period $'000	Percentage Change Up/(Down)	Previous Corresponding Period $'000
Revenue from ordinary activities[1]	1,040	(11.1%)	1,170
Profit/(loss) from ordinary activities after tax attributable to members[2]	134	(211.7%)	(120)
Net profit for the period attributable to members	134	(95.3%)	2,844

Notes:

1. Revenue from continuing operations has been disclosed as revenue from ordinary activities.
2. Net loss for the period from continuing operations has been disclosed 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	3.34 cents	3.66 cents

If the accounts contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter:

The independent auditor's review report contains an emphasis of matter in relation to going concern. The emphasis of matter states that on the basis of the factors indicated in the going concern note to the financial statements, there is a material uncertainly that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business.

Australian Agricultural Projects Ltd

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Interim Report

for the half-year ended 31 December 2013

Australian Agricultural Projects Ltd

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INTERIM REPORT – 31 DECEMBER 2013

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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 2013 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 report a profit for the half-year to 31 December 2013 of $134,415 (2012: $2,844,456). The 2012 comparative included a profit on sale of the retail business unit of $3,428,010. Additionally, the Company had surplus operating cashflows of $805,142 for the period (2012: deficit of $701,314) and the benefit of this is reflected in the reduction of total liabilities of $660,045 from 30 June 2013.

Orchard Operations

The principal operations of the business now revolve around the operation and management of the 511 hectare orchard located 14 km west of the Victorian town of Boort.

The orchard continues in good health and is responding to more stable growing conditions compared to the drought and flood conditions experienced over the past five years. Irrigation water is available via the Western Waranga channel and again, with the more stable conditions, there is a plentiful supply of water and water pricing has been much less volatile than in past years.

The orchard in flowering

Orchard management anticipate a reduction in oil production this year after the record production of 884,000 litres of oil last harvest. It is normal for olives tree to have a bi annual pattern of production which then adds support for a significant harvest in the following year (2015). Current projections for the 2014 harvest is between 80% and 85% of last years harvest.

The Company has also taken the opportunity to invest in the orchard infrastructure in the past six months with the first major overhaul of the irrigation system. Stage one is now complete with stage two to be attended to either after the 2014 or 2015 harvest. The objective of this work is not just to maintain the system, but to improve efficiency saving on the cost of pumping.

Oil sales

The Company continues to sell the oil it produces to Boundary Bend Limited in support of the Redisland brand (which was sold to them in November 2012) under the terms of the olive oil supply agreement negotiated at the time of the sale. This arrangement has been operating well since last harvest.

While the Company enjoys a fixed price arrangement under the supply agreement we make the following observations that impact upon the current market price of Australian oil:

- The level of heavy discounting in Australian supermarkets appears to have reduced;
- The world benchmark price for bulk oil has reduced back to around two Euro per kilogram over the past 12 months in anticipation of a large Spanish harvest which is just completing; and
- The weakening of the Australian dollar assists in making the Australian product competitive against the imported oils.

Although these indicators do not give a clear indication as to the direction of the market, they do describe an environment where we expect the market to be much less volatile than it has been over the past five years providing the stability within which we expect the sale of Australian extra virgin olive oils to increase as a percentage of the Australian market.

Future direction

At a strategic level, the Company is looking to consolidate its operations with the immediate corporate objectives being:

- The restructure of the MIS projects the Company manages;
- The resolution of the premises at Braeside where the Company's bottling operations used to be; and
- The renegotiation of the Company's banking facilities and loans with shareholders.

These short term objectives are all consistent with the objective of strengthening the Company's financial position after which the Company can investigate some longer term investments. In the meantime, we will continue to review options that may be of advantage to the Company.

Recognition

The Company continues to recognise the effort and loyalty displayed by the key staff that form the nucleus of the team at the orchard and extend our gratitude to them.

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 2014.

Signed in accordance with a resolution of the directors:

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Paul Challis
Managing Director

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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 2013, 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 Ltd and the entities it controlled during the period.

Alex Swansson
Partner

BDO East Coast Partnership

Melbourne, 28 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half-year ended 31 December 2013

	Note	2013 $	2012 $
Continuing operations			
Revenue		1,039,978	1,170,000
Gain on sale of property, plant and equipment		19,299	-
Cost of sales		(392,380)	(225,575)
Logistic and marketing expenses		-	(16,656)
Corporate and administrative expenses		(269,969)	(287,209)
Depreciation and amortisation		(138,661)	(219,355)
Borrowing costs		(225,170)	(421,461)
Impairment of water rights	**5(a)**	-	(120,000)
Net fair value gain on investment property	**5(b)**	101,318	-
Net profit / (loss) before income tax		134,415	**(120,256)**
Income tax expense	**6**	**-**	-
Net profit / (loss) for the period from continuing operations		134,415	(120,256)
Profit after income tax from discontinued operations	**4**	**-**	2,964,712
Profit after income tax expense for the period		134,415	2,844,456
Other Comprehensive Income			
Movement in foreign exchange reserve		102	(981)
Total Other Comprehensive Income		102	**(981)**
Total Comprehensive Income for the period		134,517	**2,843,475**
Earnings per share from continuing operations			
Basic Loss per share (cents)		0.08	(0.07)
Diluted Loss per share (cents)		0.08	(0.07)
Earnings per share attributed to members			
Basic Earnings/(Losses) per share (cents)		0.08	1.75
Diluted Earnings/(Losses) per share (cents)		0.08	1.75

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

ABN 19 104 555 455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Note	31 December 2013 $	30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents		135,062	139,915
Trade and other receivables		2,589,741	3,234,215
Inventories		158,791	408,227
Other		397,242	84,500
Total Current Assets		3,280,836	3,866,857
NON CURRENT ASSETS			
Property, plant and equipment		1,940,887	1,981,712
Investment property	**5(b)**	8,424,103	8,322,785
Total Non Current Assets		10,364,990	10,304,497
TOTAL ASSETS		**13,645,826**	**14,171,354**
CURRENT LIABILITIES			
Bank overdraft		-	670,504
Trade and other payables		3,120,666	3,041,892
Provisions		371,415	391,363
Loans and borrowings		3,809,565	1,534,284
Total Current Liabilities		7,301,646	5,638,043
NON CURRENT LIABILITIES			
Loans and borrowings		1,255,520	3,581,031
Provisions		2,718	855
Total Non Current Liabilities		1,258,238	3,581,886
TOTAL LIABILITIES		**8,559,884**	**9,219,929**
NET ASSETS		**5,085,942**	**4,951,425**
EQUITY			
Contributed equity		22,840,966	22,840,966
Reserve		259,930	259,828
Accumulated losses		(18,014,954)	(18,149,369)
TOTAL EQUITY		**5,085,942**	**4,951,425**

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 2013

	2013 $	2012 $
Cash flows from operating activities		
Cash receipts in the course of operations	2,448,437	7,192,048
Cash payments in the course of operations	(1,492,115)	(7,475,420)
Interest paid	(151,180)	(417,942)
Net cash provided by / (used in) in operating activities	**805,142**	**(701,314)**
Cash flows from investing activities		
Proceeds from sale of property and equipment	21,700	-
Proceeds from sale of business	-	4,000,000
Payment for property, plant and equipment	(109,915)	(17,683)
Net cash (used in) / provided by investing activities	**(88,215)**	**3,981,317**
Cash flows from financing activities		
Proceeds from borrowings	88,215	178,452
Repayment of borrowings	(139,440)	(3,736,840)
Net cash used in financing activities	**(51,225)**	**(3,558,388)**
Net increase / (decrease) in cash and cash equivalents held	665,702	(277,385)
Cash and cash equivalents at the beginning of the period	(530,589)	(141,289)
Effect of exchange rate fluctuations	(51)	(513)
Cash and cash equivalents at the end of the period	**135,062**	**(419,187)**
Consisting of:		
Cash at bank	135,062	66,530
Bank overdraft	-	(485,717)
Cash and cash equivalents at the end of the period	**135,062**	**(419,187)**

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 2013

	Contributed Equity $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2013	22,840,966	259,828	(18,149,369)	4,951,425
Profit net of tax for the half year	-	-	134,415	134,415
Other comprehensive income	-	102	-	102
Balance as at 31 December 2013	**22,840,966**	**259,930**	**(18,014,954)**	**5,085,942**
Balance as at 1 July 2012	22,949,400	295,788	(20,110,158)	3,135,030
Loss 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**

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 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 2013 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 2013 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 2013. 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 2013 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 2013.

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 2013.

This consolidated interim financial report was approved by the Board of Directors on 28th of February 2014.

Going Concern

The consolidated entity's current liabilities exceeded its current assets by $4,020,810 (30 June 2013: $1,771,186) and the future cashflows of the Company are dependent upon the level of the annual harvest which has been extremely volatile over recent years.

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.

Current liabilities have exceeded the current assets of the consolidated entity at the end of each reporting period since the merger with Australian Agricultural Investments Limited in September 2007. Current liabilities continue to include a large portion of the structured debt facilities of the consolidated entity. As at 31 December 2013 these included all of the CBA banking facilities of $2,705,000 as the facilities were in the process of review following the 12 month period from the sale of the Redisland brand. Current liabilities also included shareholder loan amounts of $920,000 (June 2013: $920,000) and the current portion of hire purchase liabilities of $184,565 (June 2013: $239,284) along with provisions for employee entitlements of $189,200 (June 2013: $209,148) as well as other provisions and accruals.

Furthermore, the Company is in the process of restructuring its operations following the sale of its brand of extra virgin olive oil, Redisland, and the associated bottling plant in November 2012. This restructuring includes:

- Restructuring the format of the two MIS schemes that the Company operates;
- Renegotiating current banking facilities to add a harvest overdraft facility in order to provide greater flexibility during harvest while restructuring the total facility onto a longer term basis; and
- Arranging for the termination of the lease at the Braeside premises.

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

The budgeted cashflow based upon the above restructuring indicates the consolidated entity is able to produce sufficient cash flows to fund its operations.

Going Concern (continued)

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 years although this is dependent upon the size of the 2014 and 2015 harvests. Recent experience has indicated that the size of the harvest has been extremely volatile which creates a level of uncertainty about the level of future cashflows which, in conjunction with the restructuring process, casts significant doubt about the ability of the consolidated entity to continue as a going concern. Initial orchard management reports for the 2014 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

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 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.

There were no discontinued operations in the half-year period ended 31 December 2013

A. Financial performance of the discontinued operations

	Consolidated	
	2013	**2012**
Sale of goods	-	7,461,379
Other Income	-	569
Cost of sales	-	(5,728,331)
Logistic and marketing expenses	-	(1,505,902)
Occupancy expenses	-	(125,505)
Depreciation and amortisation	-	(36,336)
Borrowing costs	-	(3,327)
Business closure costs	-	(525,845)
Total expenses	-	(7,925,246)
(Loss)/Profit before income tax	-	(463,298)
Income tax expense	-	-
(Loss)/Profit after income tax	-	(463,298)
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

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

B. Cash flows from discontinued operations

	Consolidated	
	2013	**2012**
Net cash (used in)/provided by operating activities	-	(216,417)
Net cash provided by/(used in) investing activities	-	3,219,818
Net cash (used in)/provided by financing activities	-	(3,249,952)
Net decrease in cash and cash equivalents from discontinued operations	-	(246,551)

4. DISCONTINUED OPERATIONS (cont'd)

C. Carrying amount of net assets disposed	Consolidated 2013	2012
Inventories	-	644,785
Property, plant and equipment	-	160,995
Intangibles	-	337,922
Net assets disposed	-	1,143,702

D. Details of the sale

	2013	2012
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

5. REVALUATION AND IMPAIRMENT EXPENSES

	2013	2012
(a) Impairment of water rights	-	(120,000)

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.

(b) Revaluation of orchard

	2013	2012
Land, trees and orchard assets held to earn lease fees	8,424,103	8,322,785
Movement consists of:		
Investment property opening balance	8,322,785	8,322,785
Reduction in impairment	101,318	-
	8,424,103	8,322,785

The value of the investment property was determined at 31 December 2013 by discounting the cash flows of expected future income streams generated by the investment property based on the following key assumptions:

- Future cash flows were estimated as the budgeted rental to be received from the investment property increased by CPI indexation of 3 percent per annum;
- Cash flows were projected over a 36 year period, being the term of the lease, with no terminal value;
- Pre tax discount rate of 12.5 percent was applied to future cash flows, which is based on group cost of funding plus risk premium.

5(b) Revaluation of orchard (continued)

Any change to the above assumptions would result in a change of the carrying value of the investment property. The most sensitive assumptions are the discount rate applied to the future cash flows and the projected CPI indexation. These sensitivities are summarised as follows:

	Change in valuation
Change to discount rate	
• Increase of 0.5% to 13.0%	(408,598)
• Decrease of 0.5% to 12.0%	443,691
Change to CPI indexation	
• Increase of 0.5% to 3.5%	(409,662)
• Decrease of 0.5% to 2.5%	442,437

The most recent independent valuation report was prepared in October 2012 by CBRE and included an opinion that the current value of the freehold interest in the property was $8,560,000 at that date.

6. INCOME TAX

As disclosed at 30 June 2013 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.

The trading result for the Company in 2012 included a capital gain on the sale of the Redisland brand this gain was offset against tax losses available to the Company.

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

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 2013.

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 2013 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 2014.

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 2013, 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 ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company 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 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 consolidated entity's financial position as at 31 December 2013 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 2013 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 half-year financial report, which indicates that the consolidated entity had a net current asset deficiency of $4,020,810 as at 31 December 2013. This condition, 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 2014