



**Australian
Agricultural
Projects Ltd**

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**MARKET UPDATE
QUARTER ENDED 31 MARCH 2020**

ANNOUNCEMENT

30 APRIL 2020

The Company is pleased to present its report for the quarter ended 31 March 2020 and advises:

- Harvest is scheduled to commence next week on 5 May. As set out in the last quarterly report, the orchard team are anticipating the total oil produced will be less than previous years. This is consistent with:
 - the orchard being in an off year as part of its biennial cycle;
 - being in that part of the replanting programme where we have the maximum number of non-productive trees. We anticipate the first areas planted to commence commercial production next season; and
 - the poor fruit set observed in the Picual variety.

We expect harvest will be completed in early June and we will report the final harvest result shortly thereafter.

- The orchard has continued to experience high rainfalls since the start of the year – the current year to date total significantly exceeds the total rainfall for last year. Not only has this reduced the pressure at the orchard with regard to water, but with recent rains in the catchments and a long range weather forecast much closer to historical averages, the expectation is for much lower water prices next season. Spot water prices in our district have already reduced to around \$250 per megalitre from a high in the region of \$600 in February. The orchard team will continue to monitor the water acquisition strategy which makes use of medium term water leases, carry-over entitlements and spot purchases.
- The Company was pleased with the support it received for its non-renounceable entitlement issue which was completed in March. The amount raised totalled \$1,165,956 before costs. The Company is considering the placement of the shortfall securities and will advise in due course.
- The Company has considered the impact of the COVID-19 virus on the business and has implemented procedures consistent with the directions given by the authorities. A side effect of the virus and the stage three restrictions has been a surge in retail sales of extra virgin olive oil which is the key sector of the market that we supply through the olive oil supply agreement with Boundary Bend.

Quarterly cash flow

The cash receipts for the March quarter amounted to \$982,000 (year to date: \$2,996,000) which principally comprises the proceeds from the sale of oil under the olive oil supply agreement. The quarterly operating surplus of \$105,000 (year to date: \$710,000) is largely in line with management expectations. This result is consistent with the business cycle of the business that generally sees positive operating cash flows in the first ten months of the financial year as the proceeds from the sale of the prior year harvest are received and then two months of negative cash flows which include the cost of the annual harvest.

The year to date cash outflow from investing of \$311,000 includes the acquisition of equipment at the orchard as well as costs associated with the replanting programme.

The repayment of borrowings of \$718,000 (year to date) comprises reduction in equipment finance loans as well as repayment of some shareholder and related party loans. These repayments were partially funded from the proceeds of the non-renounceable entitlement issue.

AUTHORISED BY:

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Managing Director

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity
AUSTRALIAN AGRICULTURAL PROJECTS LIMITED
ABN
19 104 555 455
Quarter ended ("current quarter")
31 MARCH 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	982	2,996
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(570)	(1,347)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(158)	(465)
(f) administration and corporate costs	(60)	(199)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(89)	(275)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	105	710
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(110)	(311)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(110)	(311)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,166	1,166
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(12)	(12)
3.5 Proceeds from borrowings	38	38
3.6 Repayment of borrowings	(392)	(718)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	800	474

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	(261)	(339)
4.2 Net cash from / (used in) operating activities (item 1.9 above)	105	710
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(110)	(311)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	800	474
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	534	534

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	534	190
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	(451)
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	534	(261)

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
39

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The amount in item 6.1 includes payment for:

Salary and superannuation	38
Reimbursement of expenses	<u>1</u>
Total	<u>39</u>

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	3,600	3,600
7.2	-	-
7.3	500	-
7.4	4,100	3,600

7.5 **Unused financing facilities available at quarter end** 500

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Loan facility

- Lender: CBA
- Interest Rate Variable base rate less a margin of 2.81%
- Secured

Overdraft facility

- Lender CBA
- Interest Rate 8.68% pa
- Secured

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	105
8.2 Cash and cash equivalents at quarter end (Item 4.6)	534
8.3 Unused finance facilities available at quarter end (Item 7.5)	500
8.4 Total available funding (Item 8.2 + Item 8.3)	1,034
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	n/a

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2020

Authorised by: The Board of Directors.

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.