



**Australian
Agricultural
Projects Ltd**

ABN: 19 104 555 455

Head Office

Suite 14, 456 St Kilda Road
Melbourne VIC 3004

P: 0417 001 446

E: admin@voopl.com.au

**MARKET UPDATE
QUARTER ENDED 31 DECEMBER 2020**

29 JANUARY 2021

Australian Agricultural Projects Ltd (ASX: **AAP**) (**Company**) is pleased to present its report for the quarter ended 31 December 2020 and advises:

- Orchard management's assessment of the November 2020 flowering and subsequent fruit set is that there is sufficient fruit on the trees to support a good harvest which is consistent with this being an "on" year at the orchard. Pleasingly, the first tranche of the replanting programme (the 2018 planting) has set well and is expected to produce in the region of 40% to 50% of maturity volumes. While recognising that climatic conditions between now and harvest will impact oil accumulation, the team is still confident the total oil produced this season will be significantly greater than last year although the total will continue to be lower than the historical averages as a consequence of the replanting programme.
- The orchard team has deferred the planting of the final tranche of the replanting programme until next season. This will now be completed in March 2022 unless conditions are favorable for a Spring 2021 planting. As we noted in the last quarterly update, this decision will result in larger nursery stock being planted which, with the experience of the first two tranches, is one of the most significant factors in determining the commercial success of the replanting.
- Announced irrigation water allocations in our district have reached 100% as a consequence of the good seasonal rains which resulted in increased dam levels compared to the same time last year. This has resulted in the consolidation of temporary water prices in the level of \$120 to \$130 per megalitre (**ML**). This compares with \$650 per ML during the same period last year. The orchard team manages the orchard's water requirements through multi-year leases and spot acquisitions. They will consider year-end carry-over opportunities towards the end of the season.
- Anecdotal evidence indicates that the current price of bulk extra virgin olive oil is very strong following the low national production last harvest. These prices are expected to fall back to more normal levels after this year's harvest which is estimated to be significantly ahead of last year. The price in the olive oil supply agreement the Company has with Boundary Bend is based upon a farmgate index derived from the weighted average sale price of packaged extra virgin olive oil goods and is therefore removed from these seasonal movements in the bulk oil price. On review, management remains comfortable with the long term stable nature of the pricing arrangements under this supply agreement.

Quarterly cash flow

The cash receipts for the December 2020 quarter amounted to \$509,000 compared to \$1,007,000 for the same period a year ago which is a reflection of the low 2020 harvest. The operating deficit for the past quarter of \$13,000 (year to date: surplus of \$9,000) is in line with management's expectations. The Company continues to forecast a small deficit through the March 2021 quarter followed by a much larger operating deficit in the June 2021 quarter which traditionally includes the annual harvest costs. The business cash flows are expected to return to more normal levels following the 2021 harvest.

The Company has advanced the process of creating options for restructuring the current debt arrangements of the Company with the objective of completing this exercise by the end of the next reporting quarter.

The payments to related parties of the Company set out in section 6 of the attached Appendix 4C relate to salary and superannuation entitlements paid to the Managing Director during the quarter.

AUTHORISED BY:

The Board of Directors

Enquiries may be directed to:

Paul Challis – Managing Director
E: paul.challis@voopl.com.au

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Appendix 4C

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

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	509	932
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(301)	(458)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(117)	(305)
(f) administration and corporate costs	(75)	(123)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(73)	(136)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (Government grants)	44	99
1.9 Net cash from / (used in) operating activities	(13)	9
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(198)	(198)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		10
	(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	(198)	(188)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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		
3.5	Proceeds from borrowings		31
3.6	Repayment of borrowings	(37)	(58)
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	(37)	(27)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	122	80
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(13)	9
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(198)	(188)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(37)	(27)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	(126)	(126)

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	191	175
5.2	Call deposits	-	-
5.3	Bank overdrafts	(317)	(53)
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(126)	122

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**

38

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

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 Loan facilities	3,666	3,666
7.2 Credit standby arrangements	-	-
7.3 Other - Overdraft	500	317
7.4 Total financing facilities	4,166	3,983

7.5 **Unused financing facilities available at quarter end** 183

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 4.98%
- Maturity 9 July 2021
- Secured

Overdraft facility

- Lender CBA
- Interest Rate 7.60% pa
- Secured

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(13)
8.2 Cash and cash equivalents at quarter end (Item 5.1)	191
8.3 Unused finance facilities available at quarter end (Item 7.5)	183
8.4 Total available funding (Item 8.2 + Item 8.3)	374
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	28

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: Not applicable

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: Not applicable

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: Not applicable

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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: 29 January 2021

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.