



**Australian
Agricultural
Projects
Limited**

ABN: 19 104 555 455

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MARKET UPDATE QUARTER ENDED 30 JUNE 2021

ANNOUNCEMENT

30 JULY 2021

Australian Agricultural Projects Limited (**Company**) (ASX: **AAP**) is pleased to present its report for the quarter ended 30 June 2021 and advises:

- The annual harvest was completed in late June 2021 and totaled 752,900 litres (2020: 241,700 litres). This result exceeded the top end of management's expectations and the highlights are set out below:
 - The excellent outcome follows on from the low 2020 harvest resulting in a two-year rolling average of 497,300 litres (2020 two-year running average: 443,000 litres).
 - The successful harvest validates the orchard re-planting strategy adopted in 2018 which will see in the region of 200 hectares (approximately 40%) of trees replaced with the higher density plantings which are expected to enter production over the coming years.
 - The 2021 harvest is the first time that the replanted trees yielded oil and the contribution from the replanted areas will continue to scale up over the next 3 years when they are expected to approach maturity yields.
- The harvest result also reflects an "on" year in the orchard which will likely be followed by an "off" year which may result in lower oil production. Management is assessing future performance of the orchard on the two-year rolling average as a better measurement of performance to accommodate the volatility associated with the biennial bearing of the olive trees. The expectation is that the two-year rolling average will continue to improve as a consequence of the increasing production from the newly replanted areas.
- Testing of the oil to date has confirmed this season's oil produced is all of a high-quality extra virgin olive oil and will be supplied to Boundary Bend Olive Pty Ltd (**Boundary Bend**) in support of the Cobram Estate and Redisland retail brands of extra virgin olive oil. Management is yet to finalise budgeted pricing for the coming year, but it is expected that the farm gate pricing mechanism, which links the price of the oil sold to retail sales of packaged product in Australia by Boundary Bend, will result in an increase in pricing over the next two years.
- In May 2021, the Company settled the refinance of its banking facilities with a syndicated loan of \$5,192,500 (**New Facility**). Although the New Facility is more expensive on a weighted average basis than the previous combination of term loan, equipment finance and overdraft facilities, the New Facility better suits the cyclical working capital requirements of the business. It has an initial maturity date of August 2022 and gives the Company the option to extend the facility for a further 12-month term. Importantly, there are no fees or costs associated with early repayment of the facility.
- On 30 March 2021, the Company announced a small holdings sale facility that provided holders of fully paid ordinary shares (**Shares**) valued at less than \$500 the opportunity to have their Shares sold without incurring any brokerage or handling costs. This process was concluded on 27 May 2021 with a total of 1,316,880 Shares (representing 0.43% of the Company's issued capital) being sold.

Quarterly cash flow

The June 2021 quarter operating cash deficit of \$977,000 (2020: \$608,000) was marginally greater than budgeted as a consequence of the harvest being significantly larger, therefore requiring more working capital than expected. Future operating cash flows are expected to return to positive as the proceeds from the sale of the excellent 2021 harvest are received. This cash flow pattern is consistent with the business cycle that generally sees the proceeds from the sale of the previous year's harvest received in the first ten months of the financial year and then two months of negative cash flows which include the cost of the annual harvest.

The Company issued 324,858 Shares in May 2021 for total proceeds of \$4,878 following the conversion of unquoted options exercisable at \$0.015 each on or before 22 December 2023.

The consolidation and refinancing of the Company's debt facilities in May 2021 included an allowance for working capital absorbed during the year because of the lower-than-expected 2020 harvest. This amount is expected to be recouped over the next year from improvement in operating cash flows. It is noted that the "Interest and other costs" in item 1.5 on the Appendix 4C includes the one-off payment of application and settlement costs associated with the New Facility.

AUTHORISED BY:

The Board of Directors

Enquiries may be directed to:

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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")
30 JUNE 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	128	1,451
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(349)	(1,079)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(309)	(721)
(f) administration and corporate costs	(89)	(262)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(358)	(579)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (Government grants)	-	113
1.9 Net cash from / (used in) operating activities	(977)	(1,077)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-	(252)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	7	17
	(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	7	(235)

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	5	5
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(2)
3.5	Proceeds from borrowings	5,443	5,474
3.6	Repayment of borrowings	(4,014)	(4,109)
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	1,432	1,368

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	(326)	80
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(977)	(1,077)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	7	(235)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,432	1,368
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	136	136

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	136	165
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	(491)
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	136	(326)

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
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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
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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	5,195	5,195
7.2 Credit standby arrangements	-	-
7.3 Other - Overdraft	-	-
7.4 Total financing facilities	5,195	5,195

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

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: Private syndicate
- Interest Rate 9.00%
- Maturity 14 August 2022 with an option for a further 12 months
- Secured

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(977)
8.2 Cash and cash equivalents at quarter end (Item 5.1)	136
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	136
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.14

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: Operating cash flows have been consistent with the normal cash cycle of the business with expectations that the negative June quarter will be followed by positive operating cashflows in the September quarter. This situation arises every year as the June quarter includes the costs of the annual harvest with minimal cash receipts from the sale of the prior year's harvest whereas the September quarter includes the cash receipts of the initial sales of the current harvest.

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: The Company refinanced its principal banking facilities during the June quarter and it expects these arrangements to provide sufficient cash to fund operations.

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: Yes, the Company expects to be able to continue its operations and to meet its business objectives on the basis that the Company expects to return to positive operating cash flows following the annual harvest which was completed in June 2021.

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 July 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.