Australian Agricultural Projects Limited
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

HALF-YEAR FINANCIAL RESULTS

ANNOUNCEMENT **25 FEBRUARY 2022**

In accordance with Listing Rule 4.2A.3, Australian Agricultural Projects Limited (**Company**) (ASX: **AAP**) is pleased to present its Interim Financial Report and ASX Appendix 4D for the six months ended 31 December 2021. This information should be read in conjunction with the Annual Report for the year ended 30 June 2021.

This announcement was authorised for release by the Board of Directors of the Company.

Enquiries may be directed to:
Paul Challis – Managing Director
E: paul.challis@voopl.com.au

Australian Agricultural Projects Limited
ABN: 19 104 555 455

AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

Appendix 4D

Half Year Report
for the period ended 31 December 2021

Results for announcement to the market

	Current Period $'000	Percentage Change Up/(Down)	Restated Previous Corresponding Period $'000
Revenue from ordinary activities	696	9.3%	637
(Loss) / Profit from ordinary activities after tax attributable to members	(58)	n/a	401
Total comprehensive income for the period attributable to members	213	(83.5%)	1,292

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	2.46 cents	2.21 cents

Australian Agricultural Projects Limited

ABN: 19 104 555 455

Interim Financial Report

for the half-year ended 31 December 2021

Contents **Page**

Directors' Report	3
Auditor's Independence Declaration	6
Half-Year Financial Report	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Cash Flows	9
Consolidated Statement of Changes in Equity	10
Notes to the Consolidated Financial Statements	11
Directors' Declaration	17
Independent Auditor's Review Report	18

The Board of Directors present their report on the consolidated entity consisting of Australian Agricultural Projects Limited ("ASX:AAP") (Company) and its controlled entities (Group) for the six months ended 31 December 2021 and the independent auditor's review report thereon:

1. Directors

The Directors of the Company at any time during or since the end of 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 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 2021. The financial result for this period was a net loss after tax of $57,500 (2020 restated: profit $400,767). The principal drivers in the change to this result are:

- The estimated 2022 harvest being smaller than the prior year estimate largely as a consequence of this being an "off" year in the biennial cycle of the orchard. This has the impact of reducing the level of management fees that are expected to be received;
- Increased orchard costs as a consequence of several large maintenance projects being undertaken along with significant increases in chemical costs, especially urea. These increases are partially offset by lower water prices; and
- A reduced tax benefit recouped as a consequence of a smaller upward revaluation of the bearer plants.

Expected yield

Flowering at the orchard occurred in November 2021 over an extended period raising fears of low pollination. Despite this, the final fruit set appears reasonably consistent for an "off" year in the biennial cycle of the orchard. The principal factors that have impacted the assessment of the likely 2022 harvest are:

- Inconsistent fruit set between varieties – the frantoio variety has set above expectations whereas the picual variety is generally below expectations and patchy. The younger trees from the 2018 and 2019 replanting have all set well;
- it is an "off" year in the biennial cycle of orchard production; and
- the commercial harvests from the large second tranche of the replanting programme (completed March 2019) adding to the harvest volume.

In summary, the expectation is that the total oil produced in 2022 will be between that of the previous two years harvest results and in the region of 550,000 litres. A result of this volume would continue to see the two year rolling average production continue to increase, a trend management anticipates to continue as the newly planted sections of the orchard mature. As always, final volumes of oil produced is dependent upon many factors including climatic conditions between now and the harvest in May 2022.

2. Results and review of operations (continued)

Water

The recent heavy Victorian rains have led to high water levels in all of the principal Victorian irrigation dams. This has resulted in a 100% water allocation for the season across all districts and the expectation is that this will continue for at least the next year as well. Significantly, this increased supply of water has softened spot water prices. Current pricing of temporary water in our region is in the region of $60 per megaliter compared with $550 to $600 at the peak of the recent drought.

Orchard management is of the view that access to and pricing of water will not be an issue over the next few years by which time all of the newly replanted sections of the orchard will be in commercial production.

The orchard team continues to manage the supply of water by a combination of multi-year water leases, spot purchases on the temporary water markets and carry over entitlements from one season to another.

In October, the Company was issued an allocation of 36.0 high reliability water shares and 19.9 low security water shares as part of the distribution of the irrigators' share of water recovered under the GMW Connections Project. Consistent with the Company's water strategy, the high security shares were sold in December and the low security shares will be retained with the other low security shares the Company owns to provide some flexibility in carrying water entitlements from one season to the next.

Asset revaluation

During the reporting period, the principal assets of the Company were revalued, specifically:

Asset	Six months to 31 December 2021 Revaluation	31 December 2021 Valuation
Investment property (land)	251,425	2,012,150
Bearer plants (trees)	360,857	10,978,419
Total	612,282	12,990,569

Replanting

Preparations for the planting of the final tranche of trees as part of the replanting programme is well advanced. Planting is expected to be completed in March 2022 with a combination of arbequina and arbosana trees, a mix consistent with the other sections of the replanting programme.

These trees will continue to be planted on a high density basis, 1,000 trees per hectare, compared to the 333 trees per hectare in the established portions of the orchard. While this different density will require the different portions of the orchard to be managed separately, both are above critical mass and any cost impost is expected to be minimal. This is more than offset by the increased flexibility provided during the harvest period where it is expected that the higher density trees will provide harvest options that are not currently available to more mature trees. Specifically, the smaller harvest equipment required to harvest the smaller higher density trees should be more effective in wet conditions that may prevent or delay the harvest of the original plantings.

It is expected that this last tranche of plantings will enter commercial production in 2025. The first two tranches of the replanting programme continue in good health with the growth of the first planting continuing to impress the orchard team. Both the first and second tranches of the replanted trees will produce commercial crops this year as expected and these crops will continue to increase as the trees mature. This is expected to drive the trend of increasing the two year rolling average production back to the levels prior to when the barnea variety started to deteriorate.

2. Results and review of operations (continued)

COVID-19

The Company continues to take a careful approach to the issues presented by the COVID-19 pandemic.

The management team have implemented procedures at the orchard and office locations consistent with the advice provided by the State authorities. The largest risks identified involve the management of staff and contractors during the period of harvest as well as when labour teams are contracted for specific tasks. To date, we are pleased to report that the amended procedures do not significantly impact operations.

The demand for both the Cobram Estate and Redisland brands of extra virgin olive oil has remained strong during the disrupted period of this pandemic with some noticeable changes in purchasing patterns. It is uncertain if this will convert into a long-term change in consumer behaviour although it is reasonable to say that the COVID-19 situation has put upward pressure on this segment of the market which may flow through to long term price and volume benefits.

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 25th day of February 2022.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY JAMES DIXON 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 2021, 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.

James Dixon
Director

BDO Audit Pty Ltd

Melbourne, 25 February 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2021

	Note	31 December 2021 $	Restated 31 December 2020 $
Revenue	3	696,068	636,826
Cost of sales		(476,634)	(311,768)
		219,434	325,058
Other income		142,551	99,551
Corporate and administrative expenses		(184,549)	(166,781)
Depreciation and amortisation		(280,294)	(227,360)
Borrowing costs		(296,281)	(150,137)
Revaluation of investment property	5	251,425	207,175
Net (loss) / profit before income tax		(147,714)	87,506
Income tax benefit	7	90,214	313,261
Net (loss) / profit for the period		(57,500)	400,767
Other comprehensive Income			
Revaluation of bearer plants	4	270,643	891,589
Total comprehensive income for the period		213,143	1,292,356
Earnings per share			
Basic earnings / (loss) per share (cents)		(0.019)	0.132
Diluted earnings / (loss) per share (cents)		(0.019)	0.105

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 2021

	Note	31 December 2021 $	30 June 2021 $
CURRENT ASSETS			
Cash and cash equivalents		729,803	134,941
Trade and other receivables		2,196,574	3,050,607
Inventories		-	391,217
Other		549,123	118,764
Total Current Assets		3,475,500	3,695,529
NON CURRENT ASSETS			
Property, plant and equipment		914,408	1,009,980
Bearer plants	4	10,980,857	10,721,278
Investment property	5	2,012,150	1,760,725
Total Non Current Assets		13,907,415	13,491,983
TOTAL ASSETS		**17,382,915**	**17,187,512**
CURRENT LIABILITIES			
Trade and other payables		2,672,982	2,444,803
Provisions		289,802	275,081
Loans and borrowings		5,213,599	270,708
Total Current Liabilities		8,176,383	2,990,592
NON CURRENT LIABILITIES			
Loans and borrowings		1,473,211	6,676,359
Total Non Current Liabilities		1,473,211	6,676,359
TOTAL LIABILITIES		**9,649,594**	**9,666,951**
NET ASSETS		**7,733,321**	**7,520,561**
EQUITY			
Issued Capital / Contributed equity		24,338,803	24,339,186
Reserves		2,658,013	2,387,370
Accumulated losses		(19,263,495)	(19,205,995)
TOTAL EQUITY		**7,733,321**	**7,520,561**

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 2021

	31 December 2021 $	31 December 2020 $
Cash flows from operating activities		
Cash receipts in the course of operations	2,745,982	1,031,559
Cash payments in the course of operations	(1,502,810)	(884,565)
Interest received	58	-
Interest paid	(304,303)	(136,608)
Net cash provided by operating activities	**938,927**	**10,386**
Cash flows from investing activities		
Proceeds from the sale of assets	-	10,000
Payments for property plant and equipment	-	(174,365)
Payment for bearer plants	(83,425)	(23,967)
Net cash used in investing activities	**(83,425)**	**(188,332)**
Cash flows from financing activities		
Issue of capital (net of costs)	(383)	-
Proceeds of borrowings	50,000	31,020
Repayment of borrowings	(310,257)	(58,749)
Net cash used in financing activities	**(260,640)**	**(27,729)**
Net increase / (decrease) in cash and cash equivalents held	594,862	(205,675)
Cash and cash equivalents at the beginning of the period	134,941	79,680
Cash and cash equivalents at the end of the period	**729,803**	**(125,995)**

Represented by:		
Cash and cash equivalents	729,803	190,703
Bank Overdraft	-	(316,698)
	729,803	**(125,995)**

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 2021

	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2021	24,339,186	2,387,370	(19,205,995)	7,520,561
Loss net of tax for the half year	-	-	(57,500)	(57,500)
Other comprehensive income	-	270,643	-	270,643
Total comprehensive income for the period	-	270,643	(57,500)	213,143
Contribution to equity (net of costs)	(383)	-	-	(383)
Balance as at 31 December 2021	**24,338,803**	**2,658,013**	**(19,263,495)**	**7,733,321**

	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2020	24,336,854	1,296,551	(20,184,225)	5,449,180
Profit net of tax for the half year - restated	-	-	400,767	400,767
Other comprehensive income - restated	-	891,589	-	891,589
Total comprehensive income for the period	-	891,589	400,767	1,292,356
Contribution to equity (net of costs)	-	-	-	-
Balance as at 31 December 2020 - restated	**24,336,854**	**2,188,140**	**(19,783,458)**	**6,741,536**

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

1. CORPORATE INFORMATION

Australian Agricultural Projects Limited ("Company") is a public company limited by shares, incorporated in Australia whose shares are quoted on the Australian Securities Exchange.

The consolidated interim financial report as at and for the six months ended 31 December 2021 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 2021 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 25th of February 2022.

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 interim 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 2021. 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 2021 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 annual financial report as at and for the year ended 30 June 2021.

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 2021.

(c) Going Concern

The interim financial report has been prepared on a going concern basis 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 interim financial report. In forming this view, the Directors had regard to the following:

- At 31 December 2021, the Group had a cash position of $729,803 (June 2021: $134,941) and surplus funds from operations of $938,926 for the six months ended 31 December 2021;
- While the consolidated entity's operations are always subject to the normal business risks of producing olive oil, its forecast profitability and cashflows indicate that the sensitivity to such agricultural business risks have been significantly reduced as a result of the replanting programme and the consequential increase in future annual harvests;
- While the current syndicated debt facility matures in August 2022, the consolidated entity has the option to extend the term of the facility for a further twelve months.
- The consolidated entity is confident that the quality of its assets and its successful operational track record supports the ability to raise equity funds by way of placements or rights issue;
- The consolidated entity has considered the impact of COVID-19 and, in particular, the restrictions placed on businesses has had on its operations and is of the view that there is no significant impact on its operations.

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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Prior period error

Management of Australian Agricultural Projects Limited, while preparing financial statements of the Company for the year ended 30 June 2021, identified that having classified the bearer plants as a separate asset on the statement of financial position in 2019 and depreciating this asset in accordance with AASB 116 *Property, Plant and Equipment*., they omitted to account for the tax impact of the revaluations to bearer plants that had been included on other comprehensive income.

The consolidated entity holds land on which olive trees are grown and the land and trees are leased to investors through managed investment schemes. These leases are considered operating leases. Any gain or loss from fair value revaluations of bearer plants is classified to the revaluation reserve (refer to the Company's accounting policy in regards to the measurement of the bearer plants) net of any tax effect. Therefore, management has tax effected the other comprehensive income that has arisen from the revaluation of the bearer plants.

The error in applying the policy in the previous year's financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Consequently, the consolidated entity has adjusted all comparative amounts presented in the current period's financial statements affected by the accounting error.

The changes in the comparative year are to include amending income tax benefit, other comprehensive income, the revaluation reserve and accumulated losses.

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

EXTRACT OF THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	31 December 2020 $	Effect of restatement $	Restated 31 December 2020 $
Revenue	636,826		636,826
Cost of sales	(311,768)	-	(311,768)
Gross profit	325,058	-	325,058
Other income	99,551		99,551
Corporate and administrative expenses	(166,781)	-	(166,781)
Depreciation and amortisation	(227,360)	-	(227,360)
Borrowing costs	(150,137)	-	(150,137)
Revaluation of investment property	207,175		207,175
Profit before income tax	87,506	**-**	87,506
Income tax benefit	-	313,261	313,261
Profit after income tax	**87,506**	**313,261**	**400,767**
Other Comprehensive Income			
Revaluation of bearer plants	1,204,850	(313,261)	891,589
Total Comprehensive Income attributable to the members of Australian Agricultural Projects Limited	**1,292,356**	**-**	**1,292,356**

	31 December 2021	31 December 2020
3. REVENUE		
Management fees	314,396	297,569
Lease fees from the investment property	363,672	350,357
Production sharing fees	-	(17,100)
Other Revenue	18,000	6,000
	696,068	636,826

	31 December 2021	30 June 2021
4. BEARER PLANTS		
Bearer plants	10,980,856	10,721,278
Movement consists of:		
Bearer plants opening balance	10,721,278	9,423,565
Depreciation of bearer plants	(184,703)	(248,608)
Capital improvements	83,425	72,241
Net fair value gain on bearer plants	360,857	1,474,080
	10,980,857	10,721,278

Note: The comparative numbers headed 30 June 2021 are for the twelve month period ended 30 June 2021. The detail for the comparative six month period ended 31 December 2020 are opening balance $9,423,565, depreciation of bearer plants ($117,385), capital improvements $23,382 and net fair value gain on bearer plants $1,204,850 resulting in a total value of bearer plants at 31 December 2020 of $10,534,412.

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 2021 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 1.5% increasing to a long-term average of 3% from 2025. 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% 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 11.0% 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 5.5 tonnes of fruit per hectare per annum increasing to a long term average of 10.5 tonnes per hectare per annum from 2025.
- The average annual price of water available to the orchard increases from $90 per ML in the current year to a long term average of $170 per ML from 2025.
- The remaining capital costs required to complete the current replanting programme amounts to $577,949 and will be completed by March 2022.

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%	854,938
		if reduced to 2.5 %	(757,278)
Discount rate	11.0%	if increased to 11.5%	(905,633)
		if reduced to 10.5 %	1,029,165
Harvest yield	10.5 t per ha	if increased to 11.5 tonne per ha	278,089
		if reduced to 9.5 tonne per ha	(278,089)
Average price of water	$170 per ML	if increased to $190 per ML	(218,658)
		if reduced to $150 per ML	218,658

The investment property including the bearer plant assets have been pledged as security in support of the consolidated entity's finance facilities provided by a finance syndicate.

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. INVESTMENT PROPERTY

	31 December 2021 $	30 June 2021 $
Investment property	2,012,150	1,760,725
Movement consists of:		
Investment property opening balance	1,760,725	1,553,550
Net fair value gain investment property	251,425	207,175
	2,012,150	1,760,725

Note: The comparative numbers headed 30 June 2021 are for the twelve month period ended 30 June 2021. The detail for the comparative six month period ended 31 December 2020 are the same as there was no change to the valuation of the property between 1 January 2021 and 30 June 2021.

The investment property is a level 3 asset for the purposes of determining fair value. The investment property comprises land located at 1453 Wychitella Quambatook Road, Terrappee in Victoria totalling 517.85 hectares. The land has been planted with the olive trees (bearer plants) included in Note 4 Bearer Plants. The investment property, in conjunction with the olive trees, are leased to two managed investment schemes for an initial period to 2025 plus an option of another 25 years. The majority of the expenses of the Group are incurred to maintain the investment property and the bearer plants as a combined asset, and as such a reasonable split of the expenses between the investment property and the bearer plants cannot be made.

The lease agreement requires 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.

The value of the investment property was determined by the Directors at 31 December 2021 with reference to a valuation dated 28 October 2020 prepared by a recognised and relevantly qualified, independent professional who has relevant experience in the region and the industry and percentage movements in property valuations based upon local shire site valuations. The key assumptions in management's valuation were:

- A fair value for the land was $4,000 per hectare of usable land; and
- A fair value for the land of $50 per hectare of unusable land with remnant vegetation.

5. INVESTMENT PROPERTY (continued)

The sensitivity of these assumptions are as follows:

Assumption	Assumed Value	Sensitivity	Change in Valuation $
Fair value per hectare of usable land	$4,000	if increased 5% to $4,200 per hectare	100,570
		if reduced 5% to $3,800 per hectare	(100,750)
Fair value per hectare of land with remnant vegetation	$50	if increased 10% to $55 per hectare	75
		if reduced 10% to $45 per hectare	(75)

The investment property has been pledged as security in support of the consolidated entities finance facilities provided by a finance syndicate.

6 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.

	Transaction	Note	Transactions value six months ended 31 December 2021 $	2020 $	Balance outstanding as at 31 Dec 2021 $	30 June 2021 $
Scheme						
Victorian Olive Oil Project	Lease fees	(i)	363,676	350,357	672,791	768,665
	Management fees	(ii)	314,396	297,569	794,178	1,139,237
Victorian Olive Oil Project II	Costs of operating the project that have been capitalised until harvest	(iii)	393,732	277,784	-	-
	Lease and management fees receivable	(ii)	-	-	348,724	712,345
	Oil purchased	(iv)	-	-	(1,002,696)	(908,087)

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 sells the oil produced by the investors in the managed investment schemes on their behalf. At reporting date, the balance outstanding is the amount of proceeds received by the consolidated entity that has still to be paid to investors.

7. INCOME TAX	31 December 2021	Restated 31 December 2020
Income tax benefit	90,214	313,261

The Directors have not recognised a deferred tax asset to the extent of losses available to the Company. In preparing this interim financial 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.

An income tax benefit is recognised to the extent that the increase in the valuation of bearer plants will recoup a portion of the deferred tax losses not previously recognised.

8 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 2022. The recognition of the orchard expenses related to this portion of fee income are also deferred until the time of harvest.

9 COMMITMENTS AND CONTINGENT LIABILITIES

The Company has undertaken a commitment to replant a portion of the olive trees on the investment property and this is expected to be completed in March 2022. The commitment to this replanting has been budgeted at $577,494. This amount has been incorporated in the determination of the bearer plants value as set out in Note 4: Bearer Plants.

Other than the above, the Company does not have any capital commitments or contingent liabilities at balance and reporting dates.

10 EVENTS SUBSEQUENT TO REPORTING DATE

The Company has considered the continuing impact of the COVID-19 virus on the business and has implemented procedures consistent with the directions given by the authorities. These procedures have had little or no impact upon the operations of the business although management continue to monitor the situation.

Other than the above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

The Board of Directors of Australian Agricultural Projects Limited ("Company") declare that:

1. the financial statements and notes, as set out on pages 7 to 16, 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 2021 and of its performance for the six month period ended on that date; and

   (b) complying with Australian 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 25th day of February 2022.

Signed in accordance with a resolution of the directors:

____

Paul Challis
Managing Director

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

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 2021, 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, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2021 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 the *Corporations Regulations 2001.*

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 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.*

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.

BDO Audit Pty Ltd

BDO

James Dixon

James Dixon
Director

Melbourne, 25 February 2022