



**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

**MARKET UPDATE
QUARTER ENDED 30 JUNE 2022**

ANNOUNCEMENT

29 JULY 2022

Australian Agricultural Projects Ltd (ASX: **AAP**) (**Company**) is pleased to present its report for the quarter ended 30 June 2022 and advises:

- The annual harvest completed in late June 2022 with total oil production of 564,500 litres (2021: 752,900 litres). This harvest result is in line with management's expectations and should be considered in the following context:
 - 2022 is a "low year" in the natural "high-low" biennial cycle of olive oil yield;
 - a better comparative production year is 2020 in which 246,200 litres were produced as it was the previous 'low year'; and
 - a key contributing factor for the significant increase of the 2022 Harvest (564,500 litres) over the 2020 harvest (246,200 litres) is the successful replanting strategy implemented in 2018 with the groves improving yield as they continue to mature.
- The harvest is best viewed on a two-year rolling average of oil produced as this averages out the high-low biennial cycle. We are pleased to advise that this year, this metric increased 159,150 litres to 658,700 litres. Expectations are that this measure will continue to improve next season.
- Testing of the oil to date has confirmed that the majority of this season's oil produced is of a high extra virgin quality and will be supplied to Boundary Bend Olive Pty Ltd in support of the Cobram Estate and Redisland retail brands of extra virgin olive oil. A portion of final production was impacted by the late harvest and the unusually wet conditions. As a consequence, this portion suffered some disease related issues resulting in the oil being of virgin olive oil grade (the second highest grade of olive oil). Management is still to decide the final budgeted pricing for the harvest just gone, but it is expected that total sales proceeds will be materially similar to management's initial expectations.
- In May 2022, the Company completed the restructuring of its banking facilities with the principal objective of creating more certainty over the medium term. New facilities have been arranged with the National Australia Bank which have been used to replace the syndicated loan of \$5,192,500, as well as provide an asset purchase facility of \$500,000. The initial term for these facilities is to 30 April 2025 and will result in interest savings over the previous year.
- Business operations continue relatively smoothly although it is recognised that the limited access to reliable casual labour, especially over the harvest period, continues to complicate the planning of orchard activities. The Company has experienced some upward pressure in areas such as fertiliser, diesel and energy costs and expects these to continue into the near future. Savings are being experienced with water prices currently being low as a consequence of wetter than normal weather conditions.

Quarterly cash flow

The June quarter operating cash deficit of \$320,000 (2021: \$977,000) was less than expected as a consequence of the payment of some harvest related costs being made at the end of July 2022 which will have the effect of reducing the cash operating surplus in the September 2021 quarter. Future operating cash flows are expected to return to positive as the proceeds from the sale of the 2022 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. Pleasingly, the net cash operating surplus for the whole of the 2022 financial year amounted to \$875,000 compared with the previous year's (2021) cash operating deficit of \$1,077,000.

The payment of \$158,000 in the June 2022 quarter (full year cost of \$716,000) represents the end of the multi-year replanting programme resulting in around 40% of the total orchard area being replanted.

The payments to related parties of the Company set out in section 6 of the Appendix 4C relate to salary and superannuation entitlements paid to the Managing Director during the quarter along with contract secretarial fees to a firm associated with a member of the Board.

AUTHORISED BY:

Paul Challis

Managing Director

Enquiries may be directed to:

Paul Challis – Managing Director

E: paul.challis@voopl.com.au