



**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 30 JUNE 2023**

31 JULY 2023

Australian Agricultural Projects Ltd (ASX: **AAP**) (**Company**) is pleased to present its report for the quarter ended 30 June 2023 and advises:

- The annual harvest completed in late June 2023 with total oil production of 727,400 litres (2022: 564,500 litres). This harvest result was slightly down on the previously advised estimate of 750,000 litres and should be considered in the following context:
 - 2023 is an “on year” in the natural “on-off” biennial cycle of olive oil yield;
 - The season was significantly impacted by climatic conditions including flooding in winter and spring 2022, a late and extended flowering period in November which, combined with the unusually cooler summer and autumn, resulted in a shorter growing season. These conditions resulted in a historically low oil content in the fruit; and
 - The total fruit volumes exceeded management’s expectations despite the climatic conditions. These volumes continue to validate the replanting strategy which was completed in March 2022 as well as support the expectation that orchard yields will improve as these replanted areas 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. This year this metric decreased by 12,750 litres as a consequence of the low oil content in the fruit. Interestingly, had oil content reached historical averages, then this metric would have increased by approximately 41,500 litres.
- Testing of the oil 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 frost as a consequence of the late harvest. As a consequence, this portion has some mild taste defects resulting in the oil being of virgin olive oil grade (the second highest grade of olive oil). Management has been able to take advantage of the currently high spot prices for olive oil and have committed purchasers for all of this volume. It is expected that total average pricing will be similar to managements initial expectations.
- There continues to be upward pressure on retail prices for extra virgin olive oil which, combined with the current spike in spot prices driven by shortages of oil in Europe, has resulted in this harvest being the most valuable harvest in the history of the orchard.
- Orchard operations are expected to normalise over the coming year. Water allocations of 100% have already been announced supporting the view that water prices will continue to be low for the coming season. Budgeted fertiliser, chemical and other input prices are closer to their historical averages. Supply of quality labour remains tight.

Quarterly cash flow

The June quarter operating cash deficit of \$558,000 (2022: \$320,000) was as expected. Future operating cash flows are expected to return to positive as the proceeds from the sale of the current 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 net cash from the full years operating activities was a small surplus of \$29,000 which was a pleasing result given that the 2022 harvest, which is the source of 2023 operating cash receipts, was an off year in the biennial cycle of the orchard.

The proceeds of borrowings of \$150,000 represents a short term draw down on shareholder loan facilities to smooth cash flows over the end of harvest period. It is expected that this advance will be repaid in the coming months.



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AUTHORISED BY:
Paul Challis
Managing Director

Enquiries may be directed to:
Paul Challis – Managing Director

E: paul.challis@voopl.com.au

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")

30 JUNE 2023

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	252	3,345
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(375)	(1,929)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(271)	(711)
(f) administration and corporate costs	(55)	(272)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	(110)	(409)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (Government grants)		
1.9 Net cash from / (used in) operating activities	(558)	29
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(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		
(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	-	-

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	150	325
3.6 Repayment of borrowings	(2)	(193)
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	148	132

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	639	68
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(558)	29
4.3 Net cash from / (used in) investing activities (item 2.6 above)		

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)	148	132
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	229	229

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	229	639
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	229	639

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

- | | Current quarter
\$A'000 |
|---|------------------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 47 |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |

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	39
Secretarial fees	8

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	7,032	6,809
7.2 Credit standby arrangements	-	-
7.3 Other	500	-
7.4 Total financing facilities	7,532	6,809

7.5 **Unused financing facilities available at quarter end** 723

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.

Bank Loan Facility

- Amount \$5,192,500
- Lender: NAB
- Interest Rate Variable – 6.90% pa as at 30 June 2023
- Matures 30 April 2025
- Secured

Shareholder Loan Facility

- Amount \$1,839,000 limit – drawn to \$1,616,000
- Lender Various shareholders
- Interest Rate 7.66% pa (weighted average)
- Matures \$339,000: October 2023, \$500,000: October 2024, balance: October 2025
- Unsecured

Asset Finance Facility

- Amount \$500,000 – nil drawn
- Lender NAB
- Interest Rate n/a – facility undrawn
- Matures 30 April 2025
- Secured

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(558)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	229
8.3 Unused finance facilities available at quarter end (Item 7.5)	723
8.4 Total available funding (Item 8.2 + Item 8.3)	952
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.71

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 does not consider it necessary to raise further cash in order to fund its future 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 2023

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: 31 July 2023

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.