



Australian Agricultural Projects Limited

ABN: 19 104 555 455

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**FINANCIAL REPORT**  
for the year ended 30 June 2023



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CORPORATE DIRECTORY

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**Directors**

Mr Paul Robert Challis – Managing Director  
Mr Anthony Ho – Non-Executive Director  
Mr Daniel Stefanetti – Non-Executive Director

**Company Secretary**

Mr Adrian Teo

**Principal Place of Business**

Suite 19, 456 St Kilda Road  
Melbourne VIC 3004

**Registered Office**

Suite 6, 4 Riseley Street  
Applecross, Western Australia, 6153

Telephone: (61-8) 6389 2688  
Facsimile: (61-8) 6389 2588

**Auditor**

BDO Audit Pty Ltd  
Collins Square, Tower 4  
Level 18, 727 Collins Street  
Melbourne Victoria 3008

**Bankers**

National Australia Bank  
Level 32 / 395 Bourke Street  
Melbourne VIC 3000

**Solicitor**

Blackwall Legal LLP  
Level 26,  
140 St Georges Terrace  
Perth Western Australia 6000

**Share Registry**

Computershare Investor Services Pty Ltd  
Level 17  
221 St Georges Terrace  
Perth Western Australia 6000

Telephone: (61-8) 9323 2000  
Facsimile: (61-8) 9323 2033

**Stock Exchange**

ASX Limited  
Level 40, Central Park  
152-158 St George's Terrace  
Perth, Western Australia, 6000

ASX Code: AAP

**Corporate Governance Statement**

[www.voopl.com.au/aap-shareholders](http://www.voopl.com.au/aap-shareholders)



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## MANAGING DIRECTOR'S LETTER

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28 September 2023

Dear Shareholders,

Your Company recorded a profit after tax of \$534,653 (2022 loss of \$246,592) which was largely driven by the harvest of 727,400 litres (compared to 2022 harvest of 564,500 litres) completed in the last week of June. This harvest result was in line with management's expectations having consideration for the difficult growing conditions experienced during the season. The result should be considered in the following context:

- 2023 was an "on year" in the natural "on-off" biennial cycle of olive oil yield;
- The climatic conditions during the year including the flooding in late 2022 and the cooler than normal average temperatures resulted in historically low levels of oil accumulation; and
- The contribution from those portions of the orchard that have been replanted as part of the replanting strategy commenced in 2018 has continued to increase.

The Australian olive oil industry is currently benefiting from a global shortage of quality bulk olive oil which has caused international prices for bulk oil to spike in the lead up to the commencement of this years European harvest. We envisage this price increase will continue to put upward pressure on domestic retail prices which is the principal driver of the pricing mechanism in the Company's olive oil supply agreement.

The operating and financial reviews on pages 3 to 8 provide further details of the Company's operations for the year.

The Company continues to assess proposals which address the end of the first term of the lease for the managed investment schemes and projects the Company administers. The objectives of these proposals remain the creation of a stable, long term environment in which stakeholder value can be maximised. A principal benefit in each of these proposals is the reduction in compliance costs and the simplification of the business model

The Company continues to rely on a small team which manages the orchard and produces cost effective results. The Directors take this opportunity to record sincere appreciation for their ongoing efforts as well as for the ongoing support of our loyal shareholders.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P. Challis', with a long horizontal stroke extending to the right.

**PAUL CHALLIS**  
Managing Director



## DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity, being Australian Agricultural Projects Limited (Company) and its subsidiaries, for the financial year ended 30 June 2023 and the auditor's report thereon.

### DIRECTORS

The Directors of the Company at any time during the financial year and to the date of this report are:

#### Mr Paul Challis

Managing Director – Appointed 12 September 2007

Mr Challis is an accountant with more than 20 years' experience in the finance, health and agricultural industries. Mr Challis has been involved with the olive industry, including a term as a director of the Australian olive industry's peak body – the Australian Olive Association, since the planting of the Company's first orchard in 2002. As part of his role as Managing Director, Mr Challis will continue to oversee grove operations.

#### Mr Anthony Ho

Non-Executive Director – Appointed 30 April 2003

Mr Ho graduated in 1980 with a Bachelor of Commerce from the University of Western Australia and is qualified as a Chartered Accountant in 1983. Mr Ho is presently the principal of a firm specialising in providing corporate and financial services to companies listed on the ASX. He is currently a director of two other companies listed on the ASX.

#### Mr Daniel Stefanetti

Non-Executive Director – Appointed 26 September 2019

Mr Stefanetti graduated in 1998 with a Bachelor of Business from RMIT. He qualified as a Certified Financial Planner in 2006 and is a principal of Grimsey Wealth with over 20 years' experience in providing financial services and supervises their investment team. Mr Stefanetti is a director of a number of unlisted public and proprietary companies.

### COMPANY SECRETARY

#### Ms Joan Dabon

Company Secretary – Appointed 1 February 2021, ceased 9 May 2023

Ms Dabon has a degree in law and is a member of the Governance Institute of Australia. Over the past 5 years, Ms Dabon has been providing company secretarial services to ASX and NSX listed companies in their compliance, governance, capital raising, financial reporting and IPO-related requirements.

#### Mr Adrian Teo, B. Com, CA

Company Secretary – Appointed 9 May 2023

Mr Adrian Teo graduated with a Bachelor of Commerce majoring in Financial Accounting and Corporate Finance from the University of Western Australia. He is a Chartered Accountant with the Chartered Accountants Australia and New Zealand. Mr Teo is currently an associate of a firm which is principally focussed in providing corporate and financial services to companies listed on the ASX.

### DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the last 3 years immediately before the end of the year are as follows:

Director	Company	Period of Directorship	
		From	To
Mr P Challis	Nil	-	-
Mr A Ho	Alchemy Resources Limited	2011	Present
	Mustera Property Group Limited	2014	Present
	Newfield Resources Limited	2012	April 2021
Mr D Stefanetti	Nil	-	-



## DIRECTORS' REPORT (cont'd)

### DIRECTORS' INTERESTS

The relevant interest of each Director in the securities of the Company at the date of this report is as follows:

Director	Ordinary Shares	Options
Mr P Challis	42,142,124	14,782,990
Mr A Ho	4,000,002	1,000,000
Mr D Stefanetti	52,686,348	16,350,167

### DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of the Board of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings		Nomination and Remuneration Committee Meetings		Audit and Risk Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr P Challis	9	9	N/A	N/A	N/A	N/A
Mr A Ho	9	9	0	0	2	2
Mr D Stefanetti	9	9	0	0	2	2

### Committee membership

As at the date of the report, the Company had a Nomination and Remuneration Committee and an Audit and Risk Committee of the Board of Directors. Members acting on the committees of the Board during the financial year were:

Nomination and Remuneration Committee	Audit and Risk Committee
Mr A Ho (Chairman) Mr D Stefanetti	Mr A Ho (Chairman) Mr D Stefanetti

### PRINCIPAL ACTIVITY

The Company's principal activity is the management of managed investment schemes and other investors' olive groves located in Boort, Victoria.

### OPERATING AND FINANCIAL REVIEW

#### Trading result

The Company recorded a profit after income tax of \$534,653 for the year ended 30 June 2023 (2022: loss of \$246,592), a result consistent with management's expectations. The key components of this trading result include:

- The 2023 harvest, which was completed in June 2023, yielded a total of 727,400 litres which compares with 564,500 litres in the previous year. This was a pleasing result given the poor growing conditions experienced during the season. It was a "on" year in the biennial cycle of the orchard and the harvest result is similar to the previous "on" year in 2021 which was 752,900 litres. This harvest resulted in total revenue from lease and management fees derived from the projects the Company manages of \$3,351,899 (2022: \$2,632,591).
- Orchard operating costs totaled \$1,913,839 down from \$2,036,872 in 2022. The principal factors influencing these costs were:
  - Heavy rains resulting in flooding at the orchard during spring 2022 which restricted the level of orchard operations early in the season;
  - The volume water used and cost per megalitre was low; and
  - A focus on the refurbishment of harvest equipment with the objective of improving its reliability, efficiency and longevity.
- Funding costs of \$452,124 (2022: \$596,636) reflect the benefit from the refinance of the core debt facilities at the end of the previous financial year.
- Depreciation expense of \$639,862 (2022: \$577,677) includes the depreciation of the olive trees that amounted to \$434,842 (2022: \$373,729).



## DIRECTORS' REPORT (cont'd)

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### Trading result (*continued*)

In addition to the trading result summarised above, the Company also recorded an upward revaluation of the olive trees of \$1,101,007 (2022: \$1,283,954). This valuation is based upon the anticipated discounted net cash flows expected to be generated from the lease of the orchard assets to the projects the Company manages and is supported by an independent valuation the Directors obtained last year. This result reflects the increased maturity of the replanted portions of the orchard and the increase in the market value of quality horticultural assets which has occurred over recent years.

### *Cash flows*

The Company's net cashflows from operations this year amounted to a surplus of \$42,523 (2022: surplus of \$892,890). This reduction in net cashflows is a direct reflection of the 2022 harvest being lower than the 2021 harvest as the proceeds of the sale of the oil produced is received in the year subsequent to harvest. Accordingly, with the proceeds of the increased 2023 harvest being received in the 2024 financial year, the Company has budgeted an increased operating cash surplus in the next year.

### *Balance sheet*

The Company's balance sheet improved over the year principally as a consequence of the operating profit and increased valuation of the orchard assets. Net assets increased 16.5% to \$9,596,961 (2022: \$9.5% to \$8,236,553). This trend of increasing net assets is expected to continue as a result of:

- Ongoing operating profits driven by the increasing maturity of the replanted portions of the orchard;
- Continued increases in the value of orchard assets; and
- The likely capital injection from the exercise of options due to expire in December 2023.

It is a corporate objective over the coming years to improve the resilience of the balance sheet post the replanting programme. As a consequence, it is planned that both the amount of the core debt facility with the Company's bank as well as the loans from shareholders will be reduced. It is anticipated that these reductions will be funded from the expected proceeds from the exercise of options in December 2023 as well as ongoing operating surpluses.

### The olive orchards

#### *Operations*

Orchard operations during the 2023 financial year were largely shaped by the climatic conditions during the year. Heavy rains resulting in severe flooding at the orchard in October and November 2022 had a number of impacts on orchard operations and oil yield:

- The requirement for irrigation was significantly reduced and the cost of water during the second half of the year was at historical lows reflecting the excess supply in the market; and
- Orchard operations in the early part of the year were severely impacted because of poor orchard access. The orchard team made good this deficit later in the season as the orchard became more trafficable.

The flooding also impacted the health of a portion the orchard. Approximately 5,500 of the trees that had been planted in March 2022 (approximately 10%) have died and are in the process of being replanted. The expectation is that this exercise will be completed in Spring 2023. In addition to the young trees, approximately 40 hectares of mature trees have been impacted by flood waters. A low number of tree deaths have been identified along with an increase in the number of stressed trees. This response is similar to that following the 2010 Victorian floods. The 2010 experience leads to the expectation that the impacted areas of the orchard will largely return to full health over a couple of years. Orchard management will monitor the condition of these areas of the orchard.

Other than the flood impacted areas, the orchard is in good health and the newly replanted portions of the orchard are growing as expected.

The aim of the orchard management team continues to be a low-cost producer of quality extra virgin olive oil. This objective is achieved by performing as much of the orchard maintenance, harvesting and processing in house and having little reliance on external contractors unless specialist skills or equipment is required. Contract labour is used as necessary for the few labour-intensive tasks at the orchard.



DIRECTORS' REPORT (cont'd)

**The olive orchards (continued)**

The short term focus of orchard management is now centred on two objectives:

- the training of the newly planted trees so as to maximise their yielding potential while still being able to be harvested mechanically by available technology; and
- improving the capacity of orchard processes with the view of reducing operating risk.

*Harvest*

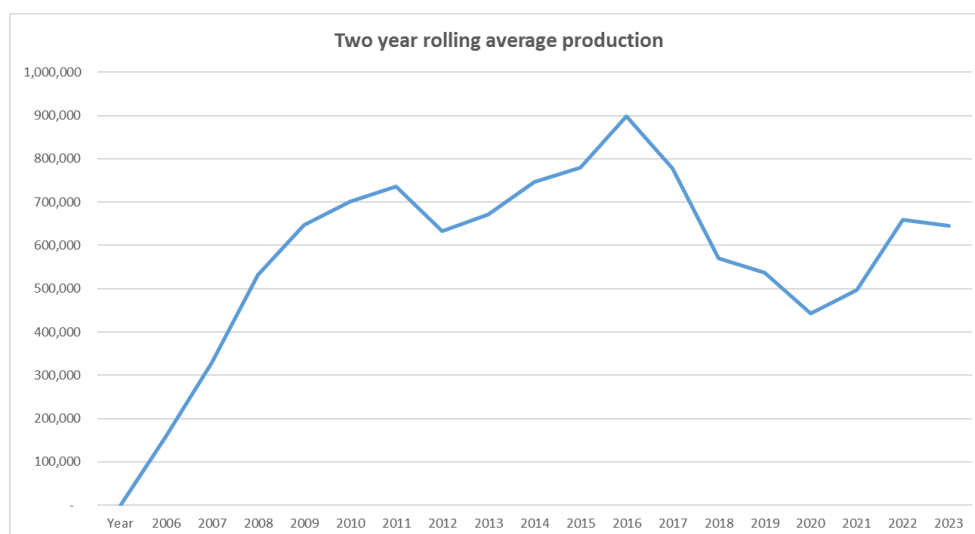
The annual harvest was completed in late June yielding 727,400 litres (2022: 564,500 litres). This harvest result is in line with management's expectations and should be considered in the following context:

- 2023 was an "on year" in the natural biennial cycle of olive oil yield;
- A better comparative production year is 2021 in which 752,900 litres were produced as it was the previous on year; and
- Poor climatic conditions contributed to the 2023 harvest (727,400 litres) being similar to the 2021 harvest (752,900 litres) despite the expectation of increased yield following the successful replanting strategy.

The total harvest is summarised as follows:

Project	Planted	Size	2023 Harvest (Litres)
VOOP I	2002	285 hectares	408,100
VOOP II	2003	118 hectares	152,500
Peppercorn	2006	108 hectares	166,800
<b>Total</b>			<b>727,400</b>

The harvest result reflects an "on" year in the orchard which will likely be followed by an "off" year. Accordingly, management considers performance of the orchard on a two-year rolling average of oil produced as a better performance measurement to accommodate the volatility associated with the biennial productive nature of olive trees. The following graph summarises the total harvests from the orchards on a two-year rolling average basis since the first harvest in 2006. The impact of the deterioration of the barnea trees which initiated the replanting programme is apparent from 2017 onwards and the uptick in the trend continued this year and is expected to continue as the newly replanted areas continue to mature.



The unfavourable climatic conditions over the year also impacted the final oil production. The flowering period in November was late and elongated 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 despite the total fruit volumes meeting management's expectations. The impact of this reduction in oil content is evident in the graph by the levelling off of the two year rolling average in the last year. Orchard managements expectation is that the recent trend of increasing yield will return with more favourable growing conditions.





## DIRECTORS' REPORT (cont'd)

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### **The olive orchards (continued)**

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 Cobram Estate Limited (Cobram), under existing offtake arrangements (see below), in support of the Cobram Estate and Redisland retail brands of extra virgin olive oil. The remaining portion of final production was adversely impacted by frost towards the end of harvest. As a consequence, this portion was reclassified as virgin olive oil grade, the second highest grade of olive oil.

Orchard management's outlook for the 2024 harvest is that it should be no lower than the previous "off" year which was the 2022 harvest, however, this will be largely dependent upon the performance of those portions of the orchard that have to recover from the flood conditions. The Company is proceeding with an initial budget production for 2024 in the region of 590,000 to 640,000 litres and this will be refined by the orchard team later this year after flowering and fruit set in November. As always, the 2024 result will depend on general climatic and growing conditions during the season. The Company will continue to report each significant event such as flowering and fruit set as well as indicators of oil accumulation through its quarterly reports.

#### *Price*

The Company sells the olive oil produced through an Olive Oil Supply Agreement with Cobram Estate Limited entered into in December 2012. The basis of this offtake arrangement is that the Company will supply all of the oil produced to Cobram in support of their Australian retail packaged products. The pricing mechanism of this offtake arrangement is such that our Company benefits from Cobram's ability to more effectively negotiate pricing improvements in the retail market.

The Company continues to benefit from the continued upward pressure on shelf prices, initially from increased domestic demand following the COVID pandemic and now from the historically high international bulk prices that impact imported competition. These high bulk prices are being driven by a shortage of oil in the European growing regions and with the continuation of unfavourable growing conditions there, it is unlikely this shortage will be resolved in the short term. The Company will continue to monitor this situation as part of its wider review of the industry.

Largely due to a global shortage of olive oil, the Company was able to sell the virgin oil it produced with little difficulty. The final price achieved for these bulk sales meant that there was not a significant variation in the average price the Company will receive over the 2023/24 from that originally budgeted.

#### *Operating costs*

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 continues to experience upward cost pressure in areas such as fertiliser, diesel, energy and insurance costs and expect these to continue into the near future. As noted above, savings are being experienced with water prices.

### **Material business risks**

The Group has set out below potential risks that may have a material impact on the Group's future financial performance and operations.

The Group makes every effort to identify materials risks and where possible, take the appropriate action to manage and mitigate these effectively. This section does not attempt to provide an exhaustive list of risks faced by the Group or by investors in the Group, nor are they in order of significance. Actual events may be different to those described.

The Group's management of material risks and the systems has in place to manage these risks include the following:

#### *Agricultural risks*

This category includes those risks that are inherent to most agricultural businesses and cannot be avoided regardless of management's action and includes adverse growing conditions, damaging events such as fire and flood and market conditions which influence demand, supply and price of the oil we produce.

The Company continues to implement appropriate policies and procedures that have the objective of mitigating the impact of these events where possible. These include insurance where appropriate, orchard design and maintenance as well as long term secure marketing arrangements.



## DIRECTORS' REPORT (cont'd)

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### **Material business risks (continued)**

#### *Financial risks*

This risk is categorised as an economic risk and is managed through detailed budgeting and forecasting supported by monthly reporting systems.

Financial risk including cashflow management, inventory management and the maturity of core debt facilities are monitored with a view of identifying financial issues as soon as practical so that appropriate mitigating action can be taken in a timely manner.

#### *Cyber risk*

This risk is categorised as a business risk and is managed by undertaking regular risk assessments of the exposure to disruption events and the impact of an event on the ability of the Company to operate.

The Company has a focus on prevention and also continues to operate recovery measures as well as raising employee awareness to ensure the integrity of its digital environment.

#### *Regulatory risk*

The Company maintains an Australian Financial Services Licence (ASFL) as part of the operation of the two managed investment schemes it operates. There is a business risk that any change to the conditions of the ASFL or the regulatory environment surrounding managed investment schemes may impact the fundamental structure of the projects the business manages.

This risk is mitigated by the Company maintaining a high compliance culture and continually monitoring the regulatory environment it operates in.

#### *People risk*

Future financial and operational performance of the Company is dependent on the performance and retention of key personnel. The unplanned or unexpected loss of key personnel, or the inability to attract and retain experienced individuals to the business may adversely affect the Company's future financial performance. This risk is mitigated by continually monitoring market rates and conditions for compensating its personnel and adopting appropriate human resource management and compensation policies to support its people resource.

### **MIS Project restructure**

The Company is conscious that the first term of the two managed investment schemes the Company operates ends on 30 June 2025. Each of the projects have a lease option to continue for a further 25 years.

The Company is considering proposals to restructure the projects given that this rollover date of 30 June 2025 may create an opportunity for a reset where practical. The proposals the Company is considering have the objectives of:

- providing a mechanism through which the project investors can best access the benefit in the lease option;
- reducing the compliance costs associated with operating the managed investment schemes and maintaining an Australian Financial Services Licence; and
- simplifying the overall operations of the business.

The Company is conscious of the responsibilities it has to the individual participants in the projects and that any change to the existing arrangements is an involved and complex exercise. However, the Company has identified that if a restructure of the projects is possible, then the best time to effect any change is in the lead up to the exercise of the lease extension option noted above.



## DIRECTORS' REPORT (cont'd)

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### Looking forward

The immediate goal of the Company continues to return future harvest yields and cash flow to historical levels and this is nearing completion with the finalisation of the replanting programme and the newly planted trees entering commercial production.

Separately, the Company will continue to review opportunities in the agribusiness sector in which the Company's management has considerable experience or where immediate cash flows can be created.

### Appreciation

As always, the Company continues to rely on a small team which manages the orchard and produces cost effective results. The team worked long and hard together during the year to deal with the challenges that nature posed to us. The Directors take this opportunity to record their appreciation for their ongoing efforts as well as the continuing support of our shareholders.

### Impact of legislation and other external requirements

The Board believes that the consolidated entity has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the consolidated entity. There were no changes in environmental or other legislative requirements during the year that have significantly affected the results or operations of the consolidated entity.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has not been any significant change in the state of affairs of the consolidated entity during the year.

### RESULTS

The consolidated entity reported a profit of \$534,653 (2022 loss of \$246,592) after income tax for the year.

### DIVIDENDS

No dividend has been declared or paid by the Company during the year or to the date of this Report.

### MATTERS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the year 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.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The consolidated entity will continue to operate the olive grove at Boort, Victoria as outlined in the Operating and Financial Review.

### OPTIONS

#### Options exercised during the year

The Company has 75,796,477 (2022: 75,796,477) options on issue. These options have the following terms:

- Exercise price 1.5 cents
- Expiry date 22 December 2023

These options are not quoted on the ASX.

No options were exercised during the year ended 20 June 2023.

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## DIRECTORS' REPORT (cont'd)

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### **INDEMNIFICATION AND INSURANCE OF OFFICERS**

#### **Indemnification**

The Company has agreed to indemnify the current Directors and the company secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and company secretary of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet, to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

#### **Insurance Premiums**

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts; as such disclosure is prohibited under the terms of the contract.

### **INDEMNIFICATION AND INSURANCE OF AUDITORS**

The Company has not, during or since the financial year indemnified or agreed to indemnify an auditor of the Company or any related body corporate against a liability incurred as an auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

### **NON-AUDIT SERVICES**

No non-audit services were provided by the consolidated entity's auditor, BDO Audit Pty Ltd.

### **OFFICERS OF THE COMPANY WHO ARE FORMER DIRECTORS OF BDO AUDIT PTY LTD**

There are no officers of the Company who are former audit directors of BDO Audit Pty Ltd.

### **REMUNERATION REPORT**

The remuneration report is set out on pages 12 to 19 and forms part of the Directors' Report.

### **ROUNDING OF AMOUNTS**

In accordance with ASIC Legislative Instrument 2016/191, amounts shown in the Directors' report and the financial report have been rounded off to the nearest dollar.



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DIRECTORS' REPORT (cont'd)

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**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is set out on page 11 and forms part of the Directors' Report.

Dated at Melbourne, Victoria this 28th day of September 2023.

Signed in accordance with a resolution of the Directors, made pursuant to s298(2)(a) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to be 'P. Challis', written over a horizontal line.

Paul Challis  
*Managing Director*

**DECLARATION OF INDEPENDENCE BY JAMES DIXON TO THE DIRECTORS OF AUSTRALIAN  
AGRICULTURAL PROJECTS LIMITED**

As lead auditor of Australian Agricultural Projects Limited for the year ended 30 June 2023, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 28 September 2023



## REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the *Corporations Act 2001 (Act)* and its regulations. This information has been audited as required by section 308(3C) of the Act.

For the purposes of this report, key management personnel of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

### KEY MANAGEMENT PERSONNEL

The following were key management personnel of the consolidated entity at any time during the financial year and unless otherwise indicated were key management personnel for the entire financial year:

#### Directors

Name	Position held
Mr P Challis	Managing Director
Mr A Ho	Non-Executive Director
Mr D Stefanetti	Non-Executive Director

#### Other Key Management Personnel

Name	Position held
Ms J Dabon	Company Secretary ceased 9 May 2023
Mr A Teo	Company Secretary appointed 9 May 2023

### REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration policies for the Directors and executives. If necessary, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the consolidated entity. No advice was sought in the past year.

### PRINCIPLES OF REMUNERATION

The remuneration structures explained below are competitively set to attract and retain suitably qualified and experienced candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segments performance;
- the consolidated entity's performance including:
  - the consolidated entity's earnings; and
  - the growth in share price and delivering constant returns on shareholder wealth.



## REMUNERATION REPORT (cont'd)

### REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive directors' remuneration is clearly distinguished from that of executives.

#### Non-executive director remuneration

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2003 General Meeting, is not to exceed \$100,000 per annum. Directors' fees cover all main board activities and membership of committees.

Non-executive directors do not receive any retirement benefits, nor do they receive any performance related compensation. Non-executive directors' fees as at the reporting date are as follows:

Name	Non-executive directors' fees (per annum)
Mr A Ho	\$12,000
Mr D Stefanetti	-

#### Executive remuneration

Remuneration for executives is set out in employment agreements.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

#### Fixed remuneration

Fixed remuneration consists of base compensation as well as employer contributions to superannuation funds.

Fixed remuneration is reviewed by the Nomination and Remuneration Committee through a process that considers individual and overall performance of the consolidated entity. As noted above, the Nomination and Remuneration Committee has access to external advice independent of management.

#### Other benefits

Key management personnel may receive benefits such as car allowances, and the Company pays fringe benefits tax on these benefits.

#### Long-term incentives

Long-term incentives (**LTI**) may be provided to key management personnel via the Australian Agricultural Projects Limited Employee Option Scheme (**EOS**). The LTI are provided as options over ordinary shares of the Company to key management personnel based on their position within the consolidated entity. Vesting conditions may be imposed on any LTI grants if considered appropriate, in accordance with the EOS's terms and conditions.

LTI are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. Options may only be issued to Directors subject to approval by shareholders in general meeting.

The Company has introduced a policy that prohibits employees and Directors of the consolidated entity from entering into transactions that operate or are intended to operate to limit the economic risk or are designed or intended to hedge exposure to unvested Company securities. This includes entering into arrangements to hedge their exposure to LTI granted as part of their remuneration package. This policy may be enforced by requesting employees and Directors to confirm compliance.





## REMUNERATION REPORT (cont'd)

### REMUNERATION STRUCTURE (cont'd)

#### Consequences of performance on shareholder wealth

In considering the consolidated entity's performance and benefits for shareholder wealth, the Directors have regard to the following indices in respect of the current financial year and the previous four financial years:

	2023	2022	2021	2020	2019
Profit/(loss) for the year	\$534,653	\$(246,592)	\$978,230	\$(1,479,819)	\$(496,004)
Dividends paid	Nil	Nil	Nil	Nil	Nil
Change in share price	(1.2) cents	0.2 cents	1.2 cents	(0.5) cents	(1.0) cents
Share price at beginning of the year	2.4 cents	2.2 cents	1.0 cents	1.5 cents	2.5 cents
Share price at end of the year	1.2 cents	2.4 cents	2.2 cents	1.0 cents	1.5 cents
Earnings/(Loss) per share	0.18 cents	(0.08) cents	0.32 cents	(0.78) cents	(0.33) cents

The overall level of key management personnel's compensation takes account of the performance of the consolidated entity over the past 5 years. As a result, the level of compensation has remained relatively unchanged, other than the increase or decrease in compensation levels due to the appointment or resignation of key management personnel.

There were no performance related remuneration transactions during the financial year (2022: Nil).

#### USE OF REMUNERATION CONSULTANTS

The Nomination and Remuneration Committee did not engage the services of a remuneration consultant during the year.

#### VOTING AND COMMENTS MADE AT THE COMPANY'S 2022 ANNUAL GENERAL MEETING

The Remuneration Report for the 2022 financial year received unanimous shareholder support at the 2022 AGM. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

#### EMPLOYMENT AGREEMENTS

All Directors of the Company are employed under a letter of appointment. The letters of appointment:

- the employment agreement outlines the components of compensation paid to each executive but does not prescribe how compensation levels are to be modified year to year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed by the executive and any changes to meet the principles of remuneration.
- are rolling with no fixed term although the consolidated entity retains the right to terminate a position immediately by making payment equal to the termination period in lieu of notice.

The consolidated entity has an employment agreement with the Company Secretary who is not a director. The terms of the contracts are open ended although the consolidated entity retains the right to terminate a contract immediately by making payment equal to the termination period in lieu of notice. The key executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

All employment appointments and agreements are capable of termination between one and three months' notice,



REMUNERATION REPORT (cont'd)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of the remuneration of each key management person of the consolidated entity are:

		SHORT TERM		LONG TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration that is performance related %
		Salary & fees \$	Other benefits \$	Long term benefits <sup>1</sup> \$	Superannuation benefits \$	Options \$			
<b>Directors</b>									
<i>Non-executive</i>									
Mr A Ho	2023	12,000	-	-	-	-	12,000	-	-
	2022	12,000	-	-	-	-	12,000	-	-
Mr D Stefanetti	2023	-	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-	-
<i>Executive</i>									
Mr P Challis	2023	140,000	-	3,573	14,525	-	158,098	-	-
	2022	140,000	-	7,008	14,000	-	161,008	-	-
<b>Total, all Directors</b>	<b>2023</b>	<b>152,000</b>	<b>-</b>	<b>3,573</b>	<b>14,525</b>	<b>-</b>	<b>170,098</b>	<b>-</b>	<b>-</b>
	<b>2022</b>	<b>152,000</b>	<b>-</b>	<b>7,008</b>	<b>14,000</b>	<b>-</b>	<b>173,008</b>	<b>-</b>	<b>-</b>



REMUNERATION REPORT (cont'd)

		SHORT TERM		LONG TERM	POST-EMPLOYMENT	SHARE-BASED PAYMENTS			
		Salary & fees \$	Other benefits \$	Long term benefits <sup>1</sup> \$	Superannuation benefits \$	Options \$	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration that is performance related %
<b>Other key management personnel</b>									
Mr Adrian Teo (from May 2023)	2023	5,000	-	-	-	-	5,000	-	-
	2022	-	-	-	-	-	-	-	-
Ms J Dabon (to April 2023)	2023	25,000	-	-	-	-	25,000	-	-
	2022	30,000	-	-	-	-	30,000	-	-
<b>Total, all other key management personnel</b>									
	2023	30,000	-	-	-	-	30,000	-	-
	2022	30,000	-	-	-	-	30,000	-	-
<b>Total, all Directors and other key management personnel</b>									
	2023	182,000	-	3,573	14,525	-	200,098	-	-
	2022	182,000	-	7,008	14,000	-	203,008	-	-

Notes:

1 - Long term benefits relate to the change in annual leave and long service leave entitlements from the previous year.



## REMUNERATION REPORT (cont'd)

### OPTION HOLDINGS BY KEY MANAGEMENT PERSONNEL

Two Directors acquired options during the year. The number of options held by key management personnel are summarised as follows:

	<b>Mr P Challis</b>	<b>Mr D Stefanetti</b>	<b>Mr A Ho</b>
Held at 1 July 2022	12,280,853	13,848,031	1,000,000
Purchases	2,502,137	2,502,136	-
Held at 30 June 2023	14,782,990	16,350,167	1,000,000
Held at 1 July 2021	12,280,853	13,848,031	1,000,000
Purchases	-	-	-
Held at 30 June 2022	12,280,853	13,848,031	1,000,000

### SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Two Directors acquired shares on market during the year. The number of shares held by key management personnel are summarised as follows:

	<b>Mr P Challis</b>	<b>Mr D Stefanetti</b>	<b>Mr A Ho</b>
Held at 1 July 2022	37,137,852	47,682,076	4,000,002
Purchases	5,004,272	5,004,272	-
Received on exercise of options	-	-	-
Other changes	-	-	-
Held at 30 June 2023	42,142,124	52,686,348	4,000,002
Held at 1 July 2021	37,137,852	45,406,562	4,000,002
Purchases	-	2,275,514	-
Received on exercise of options	-	-	-
Other changes	-	-	-
Held at 30 June 2022	37,137,852	47,682,076	4,000,002



REMUNERATION REPORT (cont'd)

**Other key management personnel transactions with the Company or its controlled entities**

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Transaction	Note	Transactions value year ended 30 June		Balance outstanding as at 30 June		
		2023 \$	2022 \$	2023 \$	2022 \$	
<b>Directors</b>						
Mr A Ho	Secretarial and accounting fees	(i)	30,000	30,000	(5,500)	(5,500)
Mr P Challis, Mr D Stefanetti	Management fees	(ii)	(513,634)	(267,043)	513,634	267,043
	Net proceeds on sale of oil	(iii)	239,525	476,219	(964,286)	(932,052)
Mr P Challis	Shareholder Loans	(iv)	(150,000)	(250,000)	(1,277,000)	(1,127,000)
	Interest paid on loans	(v)	97,993	89,886	102,385	83,790
Mr D Stefanetti	Administration services	(vi)	(12,000)	(12,000)	2,200	2,200

*Notes in relation to the table of related party transactions*

- (i) A company associated with Mr Ho, provides company secretarial services in connection with the operations of the consolidated entity.
- (ii) The consolidated entity manages an olive orchard for a company in which Mr P Challis is entitled to minority shareholdings (approx. 1.3%). Mr D Stefanetti is a director of the company. The management fees for this project had been calculated in accordance with production sharing agreement. The fees charged for this project are of a similar amount and nature as the fees charged for management of other projects managed by the consolidated entity.
- (iii) The company referred to in (ii) is owed an amount by the consolidated entity being balance of net proceeds of the sale of oil from prior year harvests.
- (iv) The consolidated entity entered into shareholder loan agreements with entities associated with Mr P Challis (total facility limit amounts to \$1,500,000 of which \$1,277,000 was drawn at 30 June 2023).
- (v) The consolidated entity pays interest in relation to the unsecured shareholder loan agreements referred to in note (iv). Average interest rate at 30 June 2023 was 9.1%.
- (vi) The Company provides administration services to Grimsey Pty Ltd in support of their accounting for Peppercorn Estate Limited.



## REMUNERATION REPORT (cont'd)

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### SHARE-BASED COMPENSATION

#### Equity based payments

There were no equity based payments during the year ended 30 June 2023 (2022: Nil).

#### *Employee incentive plan*

The Company operates a Company's Employee Incentive Plan ("Plan") which was adopted at the 2021 Annual General Meeting on 29 November 2021.

Eligibility to the Plan is limited to all employees including directors, contractors or casual employees employed to work more than 40% of a full-time position;

- The Plan is administered by the Board;
- The Plan provides for the issue of shares, options or performance rights in the securities of the Company;
- Securities awarded under this Plan may be subject to restriction conditions;
- The maximum number of securities that may be granted under the Plan is restricted to 5% of the total listed shares at the time of the grant of the securities; and
- Securities issued under the Plan may not be transferred, encumbered or otherwise disposed of unless all restriction on their transfer have been met or the Board has waived such restrictions;

#### *Modification of terms of equity-settled share-based payment transactions*

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

End of remuneration report (audited).



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
for the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue	3	3,351,899	2,632,591
Cost of sales		(1,913,839)	(2,036,872)
Gross profit		<u>1,438,060</u>	<u>595,719</u>
Other income	4	4,821	150,852
Corporate and administrative expenses		(393,204)	(391,263)
Depreciation and amortisation		(639,862)	(577,677)
Borrowing costs		(452,124)	(596,636)
Revaluation of investment property		301,710	251,425
<b>Profit / (Loss) before income tax</b>		<u><b>259,401</b></u>	<u><b>(567,580)</b></u>
Income tax benefit	7	275,252	320,988
<b>Profit / (Loss) after income tax</b>		<u><b>534,653</b></u>	<u><b>(246,592)</b></u>
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
- Revaluation of bearer plants net of tax	14	825,755	962,966
<b>Total Comprehensive Income attributable to the members of Australian Agricultural Projects Limited</b>		<u><u><b>1,360,408</b></u></u>	<u><u><b>716,374</b></u></u>
Basic earnings / (loss) per share (cents)	25	0.18	(0.08)
Diluted earnings / (loss) per share (cents)	25	0.17	(0.08)

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 30 June 2023

	Note	2023 \$	2022 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	229,340	68,040
Trade and other receivables	9	3,110,205	2,380,655
Inventories	10	421,527	374,453
Other	11	29,250	38,043
<b>Total Current Assets</b>		<b>3,790,322</b>	<b>2,861,191</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	12	732,324	925,115
Right of use asset	13	48,924	61,152
Bearer plants	14	13,017,952	12,351,787
Investment property	15	2,313,860	2,012,150
<b>Total Non-Current Assets</b>		<b>16,113,060</b>	<b>15,350,204</b>
<b>TOTAL ASSETS</b>		<b>19,903,382</b>	<b>18,211,395</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	3,116,203	2,925,593
Lease liability	17	14,568	13,365
Provisions	18	333,962	311,770
Loans and borrowings	19	1,489,000	17,859
<b>Total Current Liabilities</b>		<b>4,953,733</b>	<b>3,268,587</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability	17	33,188	47,755
Loans and borrowings	19	5,319,500	6,658,500
<b>Total Non-Current Liabilities</b>		<b>5,352,688</b>	<b>6,706,255</b>
<b>TOTAL LIABILITIES</b>		<b>10,306,421</b>	<b>9,974,842</b>
<b>NET ASSETS</b>		<b>9,596,961</b>	<b>8,236,553</b>
<b>EQUITY</b>			
Issued capital	20	24,338,804	24,338,804
Reserves	21	4,176,091	3,350,336
Accumulated losses		(18,917,934)	(19,452,587)
<b>TOTAL EQUITY</b>		<b>9,596,961</b>	<b>8,236,553</b>

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CASH FLOWS  
for the year ended 30 June 2023

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations including GST		3,343,202	4,498,723
Cash payments in the course of operations including GST		(2,905,634)	(3,076,627)
Interest received		4,821	155
Interest paid		(399,866)	(529,361)
<b>Net cash provided by operating activities</b>	29	<b>42,523</b>	<b>892,890</b>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of assets		-	150,697
Payments for bearer plants		-	(720,284)
Payments for property, plant and equipment		-	(106,852)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(676,439)</b>
<b>Cash flows from financing activities</b>			
Net (cost) / proceeds from issue of securities (net of costs)		-	(382)
Proceeds from loan facilities		325,000	5,242,500
Repayment of loan facilities		(175,000)	(5,492,500)
Repayment of hire purchase liabilities		(17,859)	(20,708)
Repayment of lease liability		(13,364)	(12,262)
<b>Net cash provided by / (used in) financing activities</b>		<b>118,777</b>	<b>(283,352)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>161,300</b>	<b>(66,901)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>68,040</b>	<b>134,941</b>
<b>Cash and cash equivalents at the end of the year</b>	8	<b>229,340</b>	<b>68,040</b>
<b>Cash and cash equivalents represented by:</b>			
Cash at bank and in deposits		229,340	68,040
<b>Cash and cash equivalents in the statement of cash flows</b>		<b>229,340</b>	<b>68,040</b>

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the year ended 30 June 2023

	Issued capital \$	Reserves \$  (Note 21)	Accumulated losses \$	Total \$
<b>Balance as at 1 July 2021</b>	<b>24,339,186</b>	<b>2,387,370</b>	<b>(19,205,995)</b>	<b>7,520,561</b>
Loss for the year after income tax	-	-	(246,592)	(246,592)
Other comprehensive income for the year	-	962,966	-	962,966
Total comprehensive income for the year	-	962,966	(246,592)	716,374
Contributions to equity (net of costs)	(382)	-	-	(382)
<b>Balance as at 30 June 2022</b>	<b>24,338,804</b>	<b>3,350,336</b>	<b>(19,452,587)</b>	<b>8,236,553</b>
<b>Balance as at 1 July 2022</b>	<b>24,338,804</b>	<b>3,350,336</b>	<b>(19,452,587)</b>	<b>8,236,553</b>
Profit for the year after income tax	-	-	534,653	534,653
Other comprehensive income for the year	-	825,755	-	825,755
Total comprehensive income for the year	-	825,755	534,653	1,360,408
Contributions to equity (net of costs)	-	-	-	-
<b>Balance as at 30 June 2023</b>	<b>24,338,804</b>	<b>4,176,091</b>	<b>(18,917,934)</b>	<b>9,596,961</b>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting entity

The consolidated financial report of Australian Agricultural Projects Limited for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 28<sup>th</sup> September 2023.

Australian Agricultural Projects Limited (the **Company**) is a company limited by shares incorporated in Australia whose shares are quoted on the Australian Securities Exchange. The registered office for the Company is Suite 6,4 Riseley Street, Applecross, WA 6953 and the principal place of business is Suite 19, 456 St Kilda Road, Melbourne VIC 3004.

Separate financial statements for Australian Agricultural Projects Limited as an individual entity have not been presented within this financial report as permitted by the Corporations Act 2001, however limited financial information for Australian Agricultural Projects Limited as an individual entity is included in Note 29.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

### Basis of preparation

#### *Statement of compliance*

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (**AASBs**) and interpretations of the Australian Accounting Standards Board as appropriate for profit oriented entities. The consolidated financial report of the consolidated entity also complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *Basis of measurement*

Except for the cash flow information, the financial report is prepared on the accruals basis and the historical cost basis with the exception of financial assets and liabilities, the investment property and bearer plants which are recorded at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

### Going Concern

The financial report has been prepared on the basis of a going concern as the Directors expect the consolidated entity 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 this financial report.

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.

### Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- (a) Note 7 - Recognition of Deferred Tax Assets
- (b) Note 14 – Bearer Plants
- (c) Note 15 – Investment Property
- (d) Note 18 - Provisions



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

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## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Adoption of new and revised accounting standards

The consolidated entity has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The adoption of these standards has not had any financial impact.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Principles of consolidation

#### *Subsidiaries*

Subsidiaries are entities controlled by the consolidated entity.

Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. The reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

The assets, liabilities and results of all subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment charges.

#### *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### Rounding of amounts

In accordance with ASIC Legislative Instrument 2016/191, amounts shown in the Directors' report and the financial report have been rounded off to the nearest dollar.

### Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the consolidated entity's other components) whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment, assess its performance and for which discrete financial information is available.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 *Operating segments* are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included in current liabilities in the statement of financial position.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Trade and other receivables**

Trade receivables are amounts due from customers for goods or services provided or lease fees earned in the ordinary course of business. They are generally due for settlement from the proceeds of sale of the olive oil produced during the period to which the services and lease fees relate and this date is generally within twelve months of reporting date. They are therefore classified as current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

**Financial instruments**

*Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

**Fair value measurement hierarchy**

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to Note 14 and 15 for further information.

**Issued capital**

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment**

*Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

*Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated entity and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

*Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Plant and equipment	2.5 to 14 years
Motor vehicles	5 to 10 years
Office furniture and equipment	2.5 to 14 years
Buildings	10 to 25 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

**Bearer Plants**

Bearer plants comprising of mature and immature olive trees in the olive groves are measured initially at cost. Costs associated with establishing trees will be capitalised for the two years following the planting of the tree. Subsequent to initial recognition, the bearer plants are recognised at fair value which is based on the discounted cash flows of expected future income streams, adjusted for any difference in the nature, location or condition of the specific asset at the reporting date.

Increases in the carrying amounts arising on revaluation of bearer plants are recognised in other comprehensive income and credited to other reserves in shareholders' equity. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to profit or loss.

Depreciation of bearer plants is recognised in profit or loss on a straight-line basis over the estimated useful lives of those bearer plants. The estimated useful life of bearer plants is 25 years.

**Investment Property**

Investment properties are measured initially at cost including transaction costs. Investment properties are subsequently stated at fair value which is based on an independent expert valuation report which is no more than three years old. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

**Right of use assets**

Right of use assets are recognised at the commencement date of a lease and comprise the initial measurement of the corresponding lease liability less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

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## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Right of use assets (continued)

Right of use assets are depreciated on a straight line basis over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the consolidated entity expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The consolidated entity has elected not to recognise a right to use asset and corresponding lease liability for short-term leases with terms of 12 months or less. Lease payments on these assets are expensed to the profit and loss as incurred.

### Impairment

#### *Non-financial assets*

The carrying amounts of the consolidated entity's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less associated costs to sell.

### Provisions

A provision is recognised if, as a result of a past event, the consolidated entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The time value of money is not material to the currently recognised provisions and they are not discounted to expected future cash flows at a pre-tax rate.

### Employee Benefits

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled wholly within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian corporate bond markets with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

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## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Lease liability

Lease liabilities are recognised at the commencement date of a lease and are initially measured at the present value of the lease payments discounted by the rate implicit in the lease. If this rate cannot be readily determined, the consolidated entity uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability include:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate;
- Any amount expected to be payable by the lease under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the option; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate a lease.

The lease liability is subsequently measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

### Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue from the sale of goods is recognised at a point in time basis when the control of the goods passes to the customer and the price can be reliably determined so that there will not be a significant reduction in the future.

#### *Rendering of services*

Revenue from the management and ongoing maintenance of the orchard schemes not subject to production sharing is recognised by reference to separate contracts at a point in time. The rates are set at the beginning of the financial year and billed when proceeds from the sale of the produce is available.

#### *Rental Revenue*

Revenue from the leasing of investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned.

#### *Production sharing revenue*

Revenue from the production sharing arrangement is earned under lease and management agreements whereby the Company is entitled to an agreed percentage of the crops proceeds. Revenue is recognised once the Company has sufficient information to enable determination with reasonable certainty the value of the Company's share of the oil. This information includes a calculation of the volume of oil available for sale after the harvest and an estimate of the weighted average per litre farm gate price expected over the next twelve months as advised by customer. Payment is received over the following ten months.

#### *Interest Revenue*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognisable for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

*Tax consolidation*

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group on 1 July 2007. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Australian Agricultural Projects Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amount of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

*Tax funding agreement*

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Amounts are recognised as payable to or receivable by the head entity and each member of the group in relation to any tax liability/asset assumed by the head entity.

**Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Goods and Services Tax (continued)**

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**Loans and borrowings**

Loans are recognised at their principal amount, subject to set-off arrangements. Borrowing costs are recognised as an expense when incurred.

**Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. Trade accounts payable are normally settled within 60 days.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

**Determination of fair values**

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

*Bearer plants*

The fair value of the bearer plants is based on the discounted cash flows expected to be derived from the plants.

*Investment Property*

The fair value of the investment property is based on the Directors' assessment of the value of the property having reference to tri annual independent valuations of the investment property.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

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## 2. FINANCIAL RISK MANAGEMENT

### Overview

The consolidated entity has exposure to the following risks from the use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the consolidated entity's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included in Note 22.

The Company's risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the consolidated entity's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the consolidated entity and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Board has established an overall Risk Management Policy which sets out the consolidated entity's system of risk oversight, management of material business risks and internal control.

### Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

### Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and commodity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

#### *Price risk*

The consolidated entity's exposure to price risk primarily relates to the market price of olive oil. The consolidated entity manages price risk by monitoring its supply agreements and assessing those price arrangements against current and market prices.

#### *Foreign currency risk*

The consolidated entity is not exposed to currency risk on transactions that are denominated in a currency other than the Australian dollar (AUD) as part of its ordinary operations.

#### *Interest rate risk*

The consolidated entity's exposure to interest rates primarily relates to the consolidated entity's long-term debt obligations. The consolidated entity manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.

### Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's cash and cash equivalents.

The consolidated entity does not hold any credit derivatives to offset its credit exposure.

#### *Interest rate risk*

The consolidated entity's exposure to interest rates primarily relates to the consolidated entity's long-term debt obligations. The consolidated entity manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2022

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## 2. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's cash and cash equivalents.

The consolidated entity does not hold any credit derivatives to offset its credit exposure.

#### *Trade and other receivables*

The consolidated entity's exposure to credit risk is influenced principally by the ability to collect fees from the participants in the projects it manages.

The consolidated entity's current policy is to only invoice fees once an equivalent amount of oil has been harvested. In this way the collectability of fees is linked to the sale of the bulk oil and this has been secured under the olive oil supply agreement with Cobram Estate Limited (ASX:CBO) (formally Boundary Bend Limited). The consolidated entity maintains a constant credit watch on Cobram Estate Limited due to the critical nature of this agreement.

The consolidated entity's policy in respect to receivables not covered by oil supplies is to only recognise those balances that it expects to recover from the proceeds of the sale of future harvests. The consolidated entity has not sourced new customers or projects to manage and therefore there is no new credit risk to the consolidated entity.

### Liquidity risk

Liquidity risk arises from the financial liabilities of the consolidated entity and the consolidated entity's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows. This is done in the context of an annual forecast and projected inventory levels.

### Capital management

When managing capital, the Board's objective is to ensure the consolidated entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the consolidated entity.

The Board is constantly adjusting the capital structure to take advantage of favorable costs of capital or high return on assets. As the market is constantly changing, Directors' may issue new shares, sell assets to reduce debt or consider deferment of payment of dividends to shareholders.

The Board has no current plans to issue further shares on the market.

The capital structure of the consolidated entity consists of net debt (borrowings as detailed in Note 17, offset by cash and cash equivalents) and equity of the consolidated entity (comprising issued capital, reserves and retained earnings).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels. This position has not changed from the previous year.

There were no changes in the consolidated entity's approach to capital management during the year.

The consolidated entity is not subject to any externally imposed capital requirements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

	2023 \$	2022 \$
<b>3. REVENUE</b>		
Revenue from contracts with customers		
Management fees	1,131,026	981,782
Production sharing	1,449,157	923,466
	<u>2,580,183</u>	<u>1,905,248</u>
Lease fees from investment property and bearer plants	<u>771,716</u>	<u>727,343</u>
	<u>3,351,899</u>	<u>2,632,591</u>

Production sharing revenue includes lease and management fees that are determined as a percentage of the total value of the annual harvest.

**4. OTHER INCOME**

Interest received	4,821	155
Gain on sale of assets	-	150,697
	<u>4,821</u>	<u>150,852</u>

**5. PERSONNEL EXPENSES**

Wages and salaries costs	617,488	617,543
Superannuation costs	74,090	79,116
Change in liability for annual and long service leave	22,192	38,341
Non-executive directors' fees	12,000	12,000
	<u>725,770</u>	<u>747,000</u>

In 2023, \$626,920 (2022: \$635,655) of personnel expenses were included in cost of sales and the balance, \$98,850 (2021: \$111,345) was included in corporate and administrative expenses.

**6. AUDITOR'S REMUNERATION**

**Audit services**

Auditors of the Company (BDO Audit Pty Ltd)		
- audit and review of financial reports	110,820	93,000
- audit and review of other financial statements	57,994	50,000
	<u>168,814</u>	<u>143,000</u>

The auditors provided no other services.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

	2023 \$	2022 \$
<b>7. INCOME TAX</b>		
<b>(a) Income tax</b>		
The major components of income tax are:		
<b>Income statement</b>		
Current income tax charge/(credit)	-	-
Deferred tax liability movement	-	-
Deferred tax asset movement	(275,252)	(320,988)
	<u>(275,252)</u>	<u>(320,988)</u>
Aggregate income tax benefit	<u>(275,252)</u>	<u>(320,988)</u>
<b>(b) Numerical reconciliation between tax credit and pre-tax net loss</b>		
Profit / (Loss) before income tax	<u>259,401</u>	<u>(567,580)</u>
Income tax expense / (benefit) calculated at 25.0%.	64,850	(141,895)
Tax effect on the following amounts:		
Non deductible expenditure	330	775
Depreciation entitlement attached to fixed assets	(1,809)	(2,512)
Capital raising costs	(1,574)	(1,544)
Tax losses and temporary differences recouped	(337,049)	(320,988)
Tax losses and temporary differences not brought to account	-	145,176
	<u>(275,252)</u>	<u>(320,988)</u>
Income tax benefit reported in the statement of comprehensive income	<u>(275,252)</u>	<u>(320,988)</u>
<b>(c) Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses - Revenue	2,888,044	2,927,771
Temporary differences	(1,354,085)	(1,056,763)
Unrecognised deferred tax asset	<u>1,533,959</u>	<u>1,871,008</u>
Movement consists of:		
Opening balance	1,871,008	2,128,717
Effect of change in corporate tax rate on unrecognised deferred tax assets	-	(81,897)
Current year tax losses and temporary differences recouped	(337,049)	(320,988)
Current year tax losses and temporary differences not brought to account	-	145,176
Closing balance	<u>1,533,959</u>	<u>1,871,008</u>

The benefits of the deferred tax benefits not brought to account will only be recognised if the conditions for deductibility set out in the accounting policies note occur.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

	2023 \$	2022 \$
<b>8. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in deposits	229,340	68,040
Cash and cash equivalents in the statement of cash flows	229,340	68,040
<hr/>		
The consolidated entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 22.		
<b>9. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade receivables	3,110,205	2,380,655
	3,110,205	2,380,655
<hr/>		
The consolidated entity's exposure to credit and currency risks and impairment losses related to trade and receivables are disclosed in Note 22.		
98.7% (2022: 99.9%) of trade receivables relate to management and lease fees the Company has earned over the past twelve months from the growers in the projects which the Company manages. These fees are paid from the proceeds of the sale of the produce from the annual harvest. As the produce is sold progressively over the ten months following the harvest, the amount receivable is received over the period.		
<b>10. INVENTORIES</b>		
Finished goods	421,527	374,453
	421,527	374,453
<hr/>		
<b>11. OTHER CURRENT ASSETS</b>		
Prepayments	25,950	34,743
Security deposits	3,300	3,300
	29,250	38,043
<hr/> <hr/>		



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

12. PROPERTY, PLANT & EQUIPMENT

Year ended 30 June 2023	Plant & equipment	Motor vehicles	Office furniture & equipment	Buildings	Total
At 1 July 2022, net of accumulated depreciation	540,133	134,150	1,672	249,160	925,115
Additions	-	-	-	-	-
Depreciation charge for the year	(111,059)	(47,712)	(1,618)	(32,402)	(192,791)
At 30 June 2023, net of accumulated depreciation	429,074	86,438	54	216,758	732,324

At 30 June 2023

Cost	4,288,812	1,150,846	66,880	1,061,417	6,567,955
Accumulated depreciation	(3,859,738)	(1,064,408)	(66,826)	(844,659)	(5,835,631)
Net carrying amount	429,074	86,438	54	216,758	732,324

Year ended 30 June 2022	Plant & equipment	Motor vehicles	Office furniture & equipment	Buildings	Total
At 1 July 2021, net of accumulated depreciation	660,673	64,455	3,291	281,562	1,009,981
Additions	-	106,852	-	-	106,852
Depreciation charge for the year	(120,540)	(37,157)	(1,619)	(32,402)	(191,718)
At 30 June 2022, net of accumulated depreciation	540,133	134,150	1,672	249,160	925,115

At 30 June 2022

Cost	4,288,812	1,150,846	66,880	1,061,417	6,567,955
Accumulated depreciation	(3,748,679)	(1,016,696)	(65,208)	(812,257)	(5,642,840)
Net carrying amount	540,133	134,150	1,672	249,160	925,115

Restrictions on property plant and equipment

Where motor vehicles were purchased using hire purchase finance, then the financier has a charge over that vehicle until such time as the finance is repaid. This amounts to \$nil at 30 June 2023 (2022: \$17,859).

All buildings are included in the security provided to a lending syndicate in support of the term loan which has been provided to the consolidated entity.

2023  
\$

2022  
\$

13. RIGHT OF USE ASSETS

Land and buildings - right of use	73,382	73,382
Accumulated depreciation	(24,458)	(12,230)
	48,924	61,152

The Company recognised the lease of office premises at 19/456 St Kilda Road, Melbourne as a right of use asset. The lease has annual options for a further year until the term of the lease being 30 June 2026.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

14. BEARER PLANTS	2023 \$	2022 \$
Olive trees	13,017,952	12,351,787
Movement consists of:		
Bearer plants opening balance	12,351,787	10,721,278
Depreciation	(434,842)	(373,729)
Capital improvements	-	720,284
Change in fair value of bearer plants	1,101,007	1,283,954
	<u>13,017,952</u>	<u>12,351,787</u>

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 (Note 15) to two managed investment schemes for an initial period to 2025 plus an option of another 25 years.

The estimated useful life of the bearer plants is 25 years from the date which they commence commercial production.

The value of the bearer plants was determined by the Directors at 30 June 2023 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 bearer plants increased annually by CPI indexation commencing at a rate of 3.5 percent in 2024 and decreasing to a long term average of 3 percent 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 percent 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 percent 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 7.2 tonnes of fruit per hectare per increasing to a long term average of 9.75 tonnes per hectare per annum from 2027 which is when the orchard is expected to achieve maturity yields following the recent replanting programme.
- The average price of water available to the orchard increases from \$75 per ML in the current year to a long term average of \$170 per ML from 2026.

The sensitivity of these long term assumptions are as follows:

Assumption	Assumed Value	Sensitivity	Change in Valuation
CPI	3.0% from 2027	if increased to 3.5% if reduced to 2.5 %	947,154 (839,029)
2025 market rental	\$4,000 per ha	If increased to \$4,250 If reduced to \$3,750	638,021 (638,021)
Discount rate	11.0%	if increased to 11.5% if reduced to 10.5 %	(991,827) 1,125,849
Harvest yield	9.75 t per ha from 2027	if increased to 10.25 tonne per ha if reduced to 9.25 tonne per ha	178,975 (178,975)
Price of water	\$170 per ML from 2027	if increased to \$190 per ML if decreased to \$150 per ML	(230,874) 230,874

The Company's orchard assets that comprise bearer plants, land and buildings were last valued by an external valuer in April 2022. The Directors have considered the information in this external valuation in determining the reasonableness of the assumptions in the discounted cash flow model used to determine the valuation of the bearer plants.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

15. INVESTMENT PROPERTY	2023 \$	2022 \$
Land	2,313,860	2,012,150
Movement consists of:		
Investment property opening balance	2,012,150	1,760,725
Net fair value gain investment property	301,710	251,425
	2,313,860	2,012,150

The land is a level 3 asset for the purposes of determining fair value. The land is located at 1453 Wychitella Quambatook Road, Terraplee in Victoria totalling 517.85 hectares. The land has been planted with the olive trees (bearer plants) included in Note 14: Bearer plants. The land 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 land and the bearer plants as a combined asset, and as such a reasonable split of the expenses between the land 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 land was determined by the Directors at 30 June 2023 with reference to a valuation dated 4 April 2022 prepared by a recognised and relevantly qualified, independent professional who has relevant experience in the region and the industry. The key assumptions in the valuation were:

- A fair value for the land was \$4,600 per hectare of usable land; and
- A fair value for the land of \$50 per hectare of unusable land with remnant vegetation.

The sensitivity of this assumption is as follows:

Assumption	Assumed Value \$	Sensitivity	Change in Valuation \$
Fair value per hectare of usable land	\$4,600	if increased 5% to \$4,830 per hectare if reduced 5% to \$4,370 per hectare	125,712 (125,712)
Fair value per hectare of land with remnant vegetation	50	if increased 10% to \$55 per hectare if reduced 10% to \$45 per hectare	75 (75)

The land has been pledged as security in support of the consolidated entities term loan provided by a lending syndicate.

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 Company's orchard assets that comprise bearer plants, land and buildings were last valued by an external valuer in April 2022. The Directors have considered the information in this external valuation in determining the reasonableness of the assumptions used in determining the value of the land.

16. TRADE AND OTHER PAYABLES	2023 \$	2022 \$
<b>Current</b>		
Trade payables	2,535,601	2,406,623
Other payables and accruals	580,602	518,970
	3,116,203	2,925,593



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

	2023 \$	2022 \$
<b>17. LEASE LIABILITIES</b>		
<b>Current</b>		
Lease liability	14,568	13,365
<b>Non-current</b>		
Lease liability	33,188	47,755

Refer Note 22 for further information on financial instruments.

**18. PROVISIONS**

Liability for employee benefits	333,962	311,770
	333,962	311,770

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount of the provision of \$333,962 (2022: \$311,770) is presented as current since the consolidated entity does not have an unconditional right to defer settlement for any of these obligations. However, based upon past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The current leave obligations expected to be settled within the next 12 months is \$36,077 (2022: \$37,167).

**19. LOANS AND BORROWINGS**

This note provides information about the contractual terms of the consolidated entity's interest-bearing loans and borrowings. For more information about the consolidated entity's exposure to interest rate risk, see Note 22.

	2023 \$	2022 \$
<b>Current</b>		
Hire purchase liabilities	-	17,859
Secured bank loan	1,000,000	-
Unsecured loan facilities	339,000	-
Unsecured loan facilities with related parties	150,000	-
	1,489,000	17,859
<b>Non-current</b>		
Secured bank loan	4,192,500	5,192,500
Unsecured loan facilities with related parties	1,127,000	1,466,000
	5,319,500	6,658,500



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

**19. LOANS AND BORROWINGS (CONTINUED)**

**Terms of loans and borrowings**

*Hire purchase facilities*

The hire purchase liabilities are secured by the financed assets, as such in the event of default, the assets revert to the lessor. These assets are included in the category Motor Vehicles.

Hire purchase liabilities of the consolidated entity are payable as follows:

	<b>2023 Minimum payments</b>	<b>2023 Interest</b>	<b>2023 Principal</b>	<b>2022 Minimum payments</b>	<b>2022 Interest</b>	<b>2022 Principal</b>
Less than one year	-	-	-	18,168	309	17,859
Between one and five years	-	-	-	-	-	-
Later than 5 years	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	18,168	309	17,859

*Secured bank loan*

The secured bank facility was drawn in May 2022. This loan is summarised as follows:

- Loan amount of \$5,192,500;
- Variable interest rate being BBSY plus 2.35% (plus facility fee of 0.75%) per annum, payable in arrears;
- Term to 30 April 2025;
- No principal reductions required prior to 31 March 2024 when principal reduction of \$1,000,000 is required, replaced with \$1,000,000 overdraft facility limit, then principal reductions of \$125,000 per quarter commencing 30 September 2024; and
- No financial covenants other than quarterly compliance and management reporting.

*Unsecured loan facilities*

The unsecured loan facilities have the following interest rates and repayment dates:

Facility 1:

Amount: \$339,000  
Term: repayable October 2023;  
Interest rate: the greater of 8.0% or the RBA cash rate plus 5%;

Facility 2:

Amount: Limit of \$1,500,000 reducing to \$1,127,000 in October 2023, 1,000,000 in October 2024.  
Term: October 2025  
Drawn: \$1,277,000 as at 30 June 2023  
Interest rate: the greater of 7.5% or the 30 day RBA cash rate plus 5% for the first \$1,000,000 drawn, then the greater of 8.0% or the RBA cash rate plus 5%.

All unsecured loans are from shareholders or parties associated with shareholders.

**Assets pledged as security**

The secured bank loan is secured by:

- a first registered mortgage over rural property situated at Wytchitella Road, Boort, Victoria.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

		2023 \$	2022 \$
<b>20. ISSUED CAPITAL</b>			
<b>Issued capital</b>			
305,099,476 (2022: 305,099,476) fully paid ordinary shares		24,338,804	24,338,804
<i>Movements in ordinary share capital</i>			
	<b>Date</b>	<b>No of shares</b>	<b>Issue price</b> <b>\$</b>
Balance	30 June 2021	305,041,626	24,339,186
Issue of shares on exercise of options	22 December 2021	57,850	0.015 868
Share issue transaction costs	22 December 2021	-	0.00 (1,250)
Balance	30 June 2022	<u>305,099,476</u>	<u>24,338,804</u>
Issue of shares		-	-
Balance	30 June 2023	<u>305,099,476</u>	<u>24,338,804</u>

**Options**

The Company has 75,796,477 (2022: 75,796,477) options on issue. These options have the following terms:

- Exercise price 1.5 cents
- Expiry date 22 December 2023

These options are not quoted on the ASX.

No options exercised during the year ended 30 June 2023 (2022: 57,850 of these options were exercised).

**21. RESERVES**

	2023 \$	2022 \$
Foreign currency translation reserve	259,784	259,784
Revaluation surplus reserve	3,916,307	3,090,552
	<u>4,176,091</u>	<u>3,350,336</u>

*Foreign currency translation reserve*

This reserve is used to record the value of exchange differences arising on translation of the foreign controlled entities. There were no movements in the reserve during the year (2022: nil).

*Revaluation reserve*

This reserve is used to recognise increments and decrements in the fair value of bearer plants net of tax.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

**21. RESERVES (continued)**

*Movement in reserves*

Movements in each class of reserve during the current and previous year are set out below:

	Note	Foreign exchange translation \$	Bearer plants revaluation \$	Total \$
Balance as at 30 June 2021		259,784	2,127,586	2,387,370
Revaluation of bearer plants, net of tax	14	-	962,966	962,966
Balance as at 30 June 2022		259,784	3,090,552	3,350,336
Revaluation of bearer plants, net of tax	14	-	825,755	825,755
Balance as at 30 June 2023		259,784	3,916,307	4,176,091

**22. FINANCIAL INSTRUMENTS DISCLOSURE**

**Market risk**

*Exposure to foreign currency risk*

The consolidated entity has no material exposure to foreign currency risk (2022: nil).

*Price risk*

The consolidated entity is not exposed to any significant price risk (2022: nil).

*Interest rate risk*

(a) *Profile*

At the reporting date the interest rate profile of the consolidated entity's interest bearing financial instruments was:

	Carrying Amount			
	2023 Interest rate p.a.	\$	2022 Interest rate p.a.	\$
<b>Fixed rate instruments</b>				
Hire purchase liabilities		-	3.8%	17,859
		-		17,859
<b>Variable rate instruments</b>				
Secured bank loans	6.90%	5,192,500	4.68%	5,192,500
Unsecured loans	(i) 9.10%	1,616,000	(i) 7.66%	1,466,000
		6,808,500		6,658,500
<b>Interest free instruments</b>				
Trade and other payables		3,116,203		2,925,593
		9,924,703		9,601,952

(i) Weighted Average



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

**22. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)**

**Market risk (continued)**

*(b) Cash flow sensitivity for variable rate instruments*

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value risk.

The consolidated entity's variable rate borrowings at reporting date amounted to \$6,808,500 (2022: \$6,658,500) are interest only loans. Monthly cash outlays of approximately \$42,112 (2022: \$29,608) are required to service the interest payments on these variable rate borrowings. An increase / decrease in interest rates of 100 (2022: 300) basis points would have an adverse / favourable effect on profit after tax of \$68,085 (2022: \$160,775) per annum and an adverse / favourable impact on total equity of \$68,085, (2022: \$160,775). The percentage change is based on the expected change in interest rates over the next twelve months using market data and analysts forecasts.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

	<b>Carrying Amount</b>	
	<b>2023</b>	<b>2022</b>
	\$	\$
The financial assets are:		
Cash and cash equivalents	229,340	68,040
Trade receivables	3,110,205	2,380,655
	3,339,545	2,448,695

The consolidated entity has a credit risk exposure to the investors in the projects it manages who collectively, as at 30 June 2023, owed the consolidated entity \$3,108,005 (99.9% of trade receivables) (2022: \$2,378,455 (99.9% of trade receivables)). These receivables arise from the management of the investor's projects and lease fees for the orchard assets and primarily relate to the year ended 30 June 2023. The consolidated entity expects to collect \$3,072,392 (2022: \$2,349,371) of this amount by way of a deduction from the proceeds of the sale of the investors' oil over the next twelve months. The balance of \$35,613 (2022: \$29,084) will be collected by way of deduction from future harvest proceeds or by way of equity in the projects should they be restructured.

Management considers the following factors indicators of significant increase in credit risk:

- With regard to grower lease and management fees to be deducted from the proceeds of sale of the oil produced, when the proceeds due are more than 30 days past due from the terms set out in the olive oil supply agreement;
- For grower receivables that the Company holds security over through either future harvest proceeds or the growers lease, a shortfall in this security; and
- For all other amounts receivable, when the amount is more than 30 days past due



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

**22. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)**

**Liquidity risk**

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Financing arrangements*

Unused borrowing facilities at the reporting date:

	2023		2022	
	Facility amount	Unused portion	Facility amount	Unused portion
Secured bank loans	5,192,500	-	5,192,500	-
Unsecured loans	1,839,000	223,000	1,839,000	373,000
Equipment finance	500,000	500,000	500,000	500,000
	<u>7,531,500</u>	<u>723,000</u>	<u>7,531,500</u>	<u>873,000</u>

*Contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position. Where the financial liability has a variable interest rate, the contractual payments are calculated using the weighted average interest rate for the past twelve months.

<b>30 June 2023</b>	<b>1 year or less</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Total contractual maturities</b>
<i>Non-interest bearing</i>				
Trade and other payables	3,116,203	-	-	3,116,203
<i>Interest bearing – fixed rate</i>				
Hire purchase liabilities	-	-	-	-
Lease liability	18,000	18,000	18,000	54,000
<i>Interest bearing – variable rate</i>				
Secured loans	1,341,032	4,424,942	-	5,765,974
Unsecured loans	606,390	221,852	1,030,333	1,858,575
	<u>5,081,625</u>	<u>4,664,794</u>	<u>1,048,333</u>	<u>10,794,752</u>
<b>30 June 2022</b>				
<i>Non-interest bearing</i>				
Trade and other payables	2,925,593	-	-	2,925,593
<i>Interest bearing – fixed rate</i>				
Hire purchase liabilities	18,168	-	-	18,168
Lease liability	18,000	18,000	36,000	72,000
<i>Interest bearing – variable rate</i>				
Secured loans	243,009	1,231,309	4,350,157	5,824,475
Unsecured loans	112,280	461,586	1,255,387	1,829,253
	<u>3,317,050</u>	<u>1,710,895</u>	<u>5,641,544</u>	<u>10,669,489</u>





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

**22. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)**

**Fair value of financial instruments**

Fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows.

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flows. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

**23. FAIR VALUE MEASUREMENT**

*Fair value hierarchy*

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

<b>2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Bearer plants	-	-	13,017,952	13,017,952
Investment property	-	-	2,313,860	2,313,860
	-	-	15,331,812	15,331,812
<b>2022</b>				
<i>Bearer plants</i>	-	-	12,351,787	12,351,787
Investment property	-	-	2,012,150	2,012,150
	-	-	14,363,937	14,363,937

Details regarding fair value measurement of bearer plants are disclosed in Note 14 and for investment property are disclosed in Note 15.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair value.

*Level 3 assets and liabilities*

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	<b>Bearer plants</b>	<b>Investment property</b>	<b>Total</b>
Balance at 1 July 2021	10,721,278	1,760,725	12,482,003
Gains recognised in profit or loss	-	251,425	251,425
Gains recognised in other comprehensive income	1,283,954	-	1,283,954
Additions	720,284	-	720,284
Depreciation	(373,729)	-	(373,729)
Balance at 30 June 2022	12,351,787	2,012,150	14,363,937
Gains recognised in profit or loss	-	301,710	301,710
Gains recognised in other comprehensive income	1,101,007	-	1,101,007
Additions	-	-	-
Depreciation	(434,842)	-	(434,842)
Balance at 30 June 2023	13,017,952	2,313,860	15,331,812



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

**24 COMMITMENTS**

The consolidated entity leases out the bearer trees set out in Note 14 and the investment property set out in Note 15. A significant portion of the lease payments from this property are directly linked to the value of the agricultural production each year and as a consequence, the Directors cannot measure the future receivables with reliable certainty.

These lease payments are included in the valuation model of the bearer plants as set out in Note 14.

<b>25. EARNINGS PER SHARE</b>	<b>2023</b>	<b>2022</b>
Earnings/(loss) per share	<u>0.18 cents</u>	<u>(0.08) cents</u>
Diluted earnings / (loss) per share	<u>0.17 cents</u>	<u>(0.08) cents</u>

**Basic earnings per share**

The calculation of basic earnings per share at 30 June 2023 was based on the net profit after income tax of \$534,653 (2022: loss of \$246,592) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2023 of 305,099,476 (2022: 305,071,740).

**Diluted earnings per share**

The calculation of diluted earnings per share at 30 June 2023 was determined using:

- net profit after income tax of \$534,653;
- weighted average ordinary shares outstanding of 305,099,476 for the year ended 30 June 2023;
- weighted average number of shares under option of 75,796,477 for the year ended 30 June 2023;
- exercise price of the options of 1.5 cents per share;
- average market price of ordinary shares of 1.85 cents per share during the year ended 30 June 2023; and
- the resulting number of shares for the dilution calculation being 319,439,350.

In 2022, diluted loss per share does not show an inferior view of the earnings performance of the Group than is shown by the basic loss per share and is disclosed as the same as the undiluted amount for this reason.

**26. RELATED PARTY DISCLOSURES**

**(a) Controlled entities**

The consolidated financial statements include the financial statements of Australian Agricultural Projects Limited and the subsidiaries listed in the following table:

	<b>Country of Incorporation</b>	<b>Equity interest 2021</b>	<b>Equity interest 2020</b>
AOX Pty Ltd	Australia	100%	100%
Australian Agricultural Investments Ltd	Australia	100%	100%
Victorian Olive Oil Project Limited	Australia	100%	100%
Popeye Holdings Pty Ltd	Australia	100%	100%
Lanyons Paddock Pty Ltd	Australia	100%	100%
Terrapee Contractors Pty Ltd	Australia	100%	100%
Victorian Olive Processors Pty Ltd	Australia	100%	100%
EVOO Marketing Pty Ltd	Australia	100%	100%
Finest Food Import Corporation	USA	100%	100%
AAP Export Pty Ltd	Australia	100%	100%
Oilpack Australia Pty Ltd	Australia	100%	100%
Red Island Australian Food Corporation	USA	100%	100%

Investments in controlled entities are measured at cost.

**(b) Ultimate parent**

Australian Agricultural Projects Limited is the ultimate parent of the consolidated entity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

**26. RELATED PARTY DISCLOSURES (CONTINUED)**

**(c) Key management personnel**

The Company has entered into loan agreements with entities related to Mr P Challis. Details of these loans are set out in Notes 26(d) and 26(e). Detailed remuneration disclosures are provided in the Remuneration Report on pages 12 to 19.

**(d) Key transactions with related parties**

Transaction	Note	Transactions value year ended 30 June		Balance outstanding as at 30 June	
		2023 \$	2022 \$	2023 \$	2022 \$
<b>Schemes</b>	(a)				
Victorian Olive Oil Project					
Lease fees	(i)	771,716	727,343	771,716	756,172
Management fees	(ii)	1,491,792	1,305,142	1,207,682	1,009,927
Victorian Olive Oil Project II					
Lease fees as part of production sharing	(i)	234,607	128,776	238,663	128,776
Management fees as part of production sharing	(ii)	328,007	180,328	425,266	289,165
Oil purchased	(iii)	-	-	985,291	(1,022,171)

- (a) 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.

*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) 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 is payable to the investors.

**(e) Loans from director related parties**

The Company has obtained a financing facility from an entity associated with Mr P Challis. The total facility amount is \$1,500,000 of which \$1,277,000 was drawn at 30 June 2023 (2022: 1,127,000). The facility limit reduces to \$1,127,000 in October 2023, then to \$1,000,000 in October 2024 and must be fully repaid by October 2025. The annual interest rate payable on the facility is the greater of 7.5% or the 30 day RBA cash rate plus 5% on the first \$1,000,000 drawn and the greater of 8.0% or the 30 day RBA cash rate plus 5% on any drawn balance in excess of \$1,000,000. The finance facility is unsecured.

The maturity profile of drawn loans at 30 June 2023 is as summarised as follows:

	Carrying amount	At call	1 year or less	1-2 years	2-5 years
Mr P Challis	1,277,000	-	150,000	127,000	1,000,000
	1,277,000	-	150,000	127,000	1,000,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2023

**27. KEY MANAGEMENT PERSONNEL**

**Details of key management personnel**

The following were key management personnel of the consolidated entity at any time during the year and unless otherwise indicated were key management personnel for the entire year:

- Mr P Challis (Managing Director)
- Mr A Ho (Non-Executive Director)
- Mr D Stefanetti (Non-Executive Director)
- Ms J Dabon (Company Secretary) – ceased May 2023
- Mr Adrian Teo (Company Secretary - appointed May 2023)

**Key management personnel compensation**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	182,000	182,000
Post-employment benefits	14,525	14,000
Long term benefits	3,573	7,008
	200,098	203,008

The Company has entered into loan agreements with entities related to Mr P Challis. Details of these loans are set out in Notes 26(d) and 26(e).

Detailed remuneration disclosures are provided in the Remuneration Report on pages 12 to 19.

**28. SEGMENT INFORMATION**

**Business segments**

*Identification of reportable operating segments*

The Company only operates in one segment, being the management of olive groves located in Boort, Victoria, including those managed investment schemes that lease the orchard assets from the consolidated entity

*Major Customers*

The Company currently generates its management and lease fee revenue from two managed investment schemes, Victorian Olive Oil Project (ASRN 096 091 511) and Victorian Olive Oil Project II (ASRN 106 286 560) and management fees from one corporate project operated by Peppercorn Estate Limited. In earning these management fees, the Company is responsible for the sale of the olive oil produced and these sales are exclusively with Cobram Estate Limited through an Olive Oil Supply Agreement which has a term until 30 June 2025.

<b>29. RECONCILIATION OF CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Profit / (Loss) for the year	534,653	(246,592)
Adjustments for:		
Depreciation	639,861	577,677
Gain on sale of assets	-	(150,697)
Revaluation of investment property	(301,710)	(251,425)
Income tax benefit	(275,252)	(320,988)
Change in trade and other receivables	(729,550)	669,952
Change in inventories	(47,074)	16,763
Change in other assets	8,793	80,721
Change in provisions and employee benefits	22,192	36,689
Change in trade and other payables	190,610	480,790
Net cash provided by operating activities	42,523	892,890



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)  
for the year ended 30 June 2022

**30. PARENT ENTITY INFORMATION**

The following details information related to the parent entity, Australian Agricultural Projects Limited as at 30 June 2023. The information presented has been prepared using accounting policies as disclosed in Note 1 with the additional policy that investments in subsidiaries are recorded at the lower of cost or net realisable value.

**Statement of financial position**

	<b>Company</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Current assets	1,186,008	1,103,205
Non current assets	10,716,363	10,558,809
<b>TOTAL ASSETS</b>	<b>11,902,371</b>	<b>11,662,014</b>
Current liabilities	3,501,627	2,883,805
Non current liabilities	1,127,000	1,466,000
<b>TOTAL LIABILITIES</b>	<b>4,628,627</b>	<b>4,349,805</b>
<b>NET ASSETS</b>	<b>7,273,744</b>	<b>7,312,209</b>
<b>EQUITY</b>		
Contributed equity	24,338,804	24,338,804
Accumulated losses	(17,065,060)	(17,026,595)
<b>TOTAL EQUITY</b>	<b>7,273,744</b>	<b>7,312,209</b>
Comprehensive income / (loss) of parent entity	(38,464)	3,045,198

**31. COMMITMENTS AND CONTINGENT LIABILITIES**

The Company does not have any capital commitments or contingent liabilities at balance and reporting dates.

**32. EVENTS SUBSEQUENT TO REPORTING DATE**

There has not arisen in the interval between the end of the year 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

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The Directors of the Company declare that:

- the attached financial statements and notes as set out on pages 20 to 50 comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Dated at Melbourne, Victoria this 28<sup>th</sup> day of September 2023.

A handwritten signature in black ink, appearing to read 'P. Challis', written over a horizontal line.

Paul Challis  
*Managing Director*

## INDEPENDENT AUDITOR'S REPORT

To the members of Australian Agricultural Projects Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Australian Agricultural Projects Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of Bearer Plants and Investment Property

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's assets include bearer plants and an investment property at fair value with carrying values of \$13.0m and \$2.3m respectively. These assets consist of olive trees on a farm currently leased to investors via managed investment schemes.</p> <p>This is a key audit matter as judgements and estimates, which are complex and subjective, are incorporated into the valuation of the bearer plants and investment property to determine the fair value.</p> <p>The accounting policy is disclosed in Note 1, and details of the key accounting estimates and assumptions are disclosed in Note 14 and Note 15 of the accompanying financial report.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• Reviewing that management had correctly classified the bearer plants to be in line with the requirements of AASB 116 <i>Property, Plant and Equipment</i>.</li> <li>• Reviewing that management has correctly classified the investment property in line with the requirements of AASB 140 <i>Investment Property</i>.</li> <li>• Challenging management's key assumptions and estimates used in the value-in-use model to determine the fair value of the bearer plants and investment property, including those relating to forecast revenue, costs, and discount rate, and corroborating the key market related assumptions to relevant and appropriate external data.</li> <li>• Checking the mathematical accuracy of the value-in-use model and agreeing relevant data to the latest budgets.</li> <li>• Engaging our BDO valuation experts to assist in assessing the discount rate applied.</li> <li>• Assessing the ongoing appropriateness of the fair value and key estimates used by reference to an independent valuation report which was commissioned by management during the financial year.</li> <li>• Evaluating the competency and capability of management's expert engaged to prepare the valuation report.</li> <li>• Assessing the historical accuracy and reliability of management's forecasts.</li> <li>• Performing a sensitivity analysis on the key financial assumptions being CPI, market rental, discount rate, harvest yield and the price of water.</li> <li>• Assessing the adequacy of the disclosures in the financial statements in respect of the key assumptions adopted in the value-in-use model.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Australian Agricultural Projects Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**

**BDO**



James Dixon  
Director

Melbourne, 28 September 2023



## SHAREHOLDER INFORMATION

### Details of shares as at 18 September 2023:

#### Top holders

The 20 largest holders of each class of quoted security as at 18 September 2023 were:

#### Fully paid ordinary shares

	Name	No. of Shares	%
1	PATRAC HOLDINGS PTY LTD <THE CHALLIS FAMILY A/C>	42,142,124	13.81
2	BLISS ON BANKSIA HAIRDRESSING PTY LTD <THE STEFANEST EGG SFUND A/C>	35,491,914	11.63
3	GRIMFAM INVESTMENTS PTY LTD <THE GRIMSEY SUPER FUND A/C>	28,412,754	9.31
4	PETTO HOLDINGS PTY LTD <THE PETTOFREZZA FAMILY A/C>	25,129,856	8.24
5	BOND STREET CUSTODIANS LIMITED <GFSOFF - D42134 A/C>	24,911,976	8.17
6	CAROLINE HOUSE SUPERANNUATION FUND PTY LTD <THE CAROLINE HOUSE S/F A/C>	22,586,332	7.40
7	PETTO HOLDINGS PTY LTD <THE P PETTO PREZZA FAM A/C>	15,473,846	5.07
8	STEFANETTI WEALTH PTY LTD <D & P SUPER FUND>	12,190,162	4.00
9	WAI HENG HO	9,837,586	3.22
10	MRS SERNG YEE LIEW	9,200,000	3.02
11	MR ROBERT BRYDON RUDD	9,025,030	2.96
12	MR PAUL PETTOFREZZA + MRS CARMELA PETTOFREZZA <PETTOFREZZA RET FUND A/C>	6,082,354	1.99
13	CITICORP NOMINEES PTY LIMITED	5,699,611	1.87
14	CFS INTERIORS PTY LTD <THE STEFANETTI FAMILY A/C>	5,004,272	1.64
15	MR ANTHONY HO	4,000,002	1.31
16	WOODDUCK PTY LIMITED	3,434,999	1.13
17	WINPAR HOLDINGS LIMITED	3,000,000	0.98
18	MR CHRISTOPHER MANNING BEATTIE	2,719,736	0.89
19	BURRABAROO PTY LTD <MR&AM ELLIS RETIREMENT A/C>	2,002,147	0.66
20	MR ALEX ANDRIANOPOULOS + MS VIRGINIA ORFANOS	2,000,000	0.66
		268,344,701	87.96

#### Distribution schedule

A distribution schedule of each class of equity security as at 18 September 2023:

#### Fully paid ordinary shares

Range	Holders	Units	%
1 - 1,000	23	7,514	0.00
1,001 - 5,000	7	20,274	0.01
5,001 - 10,000	3	20,918	0.01
10,001 - 100,000	145	6,496,190	2.13
100,001 - Over	102	298,554,580	97.85
Total	280	305,099,476	100.00

#### Unquoted options exercisable at \$0.015 on or before 22 December 2023

Range	Holders	Units	%
1 - 1,000	3	2,360	0.01
1,001 - 5,000	7	24,250	0.03
5,001 - 10,000	3	30,000	0.04
10,001 - 100,000	12	602,310	0.79
100,001 - Over	27	75,137,557	99.13
Total	52	75,796,477	100.00



## SHAREHOLDER INFORMATION

### Number of unquoted securities

Class	Exercise Price	Expiry Date	Number of Shares	Number of Holders
Unquoted Options	\$0.015	22 December 2023	75,796,477	52

### Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Substantial shareholder	Number of Shares
Patrac Holdings Pty Ltd <The Challis Family A/C>	42,142,124
Bliss on Banksia Hairdressing Pty Ltd	35,491,914

### Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 25,000 units as at 18 September 2023):

Holders	Units
72	763,204

### Voting Rights

The voting rights attaching to ordinary shares are:

- on a show of hands, every member present in person or by proxy shall have one vote; and
- upon a poll, each share shall have one vote.

Options do not carry any voting rights.

### On-Market Buy Back

There is no current on-market buy-back.