Australian Agricultural Projects Limited
ABN: 19 104 555 455

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HALF-YEAR FINANCIAL RESULTS

26 FEBRUARY 2021

In accordance with Listing Rule 4.2A.3, the Interim Financial Report for the six months ended 31 December 2020 and ASX Appendix 4D – Half-Year Report of Australian Agricultural Projects Limited (**Company**) (ASX: **AAP**) follow this announcement.

This information is to be read in conjunction with the Company's annual financial report for the year ended 30 June 2020.

AUTHORISED FOR RELEASE BY:

The Board of Directors

Enquiries may be directed to:
Paul Challis – Managing Director
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AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

Appendix 4D
Half-Year Report
for the period ended 31 December 2020

Results for announcement to the market

	Current Period $'000	Percentage Change Up/(Down)	Previous Corresponding Period $'000
Revenue from ordinary activities	637	9.6%	581
Profit / (loss) from ordinary activities after tax attributable to members	88	n/a	(561)
Comprehensive income for the period attributable to members	1,292	n/a	(347)

Dividends

It is not proposed to pay dividends for the current period.

Net tangible assets per security	**Current Period**	**Previous Corresponding Period**
Cents per ordinary share	2.21 cents	3.01 cents

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Interim Financial Report

for the half-year ended 31 December 2020

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The Board of Directors present their report on the consolidated entity consisting of Australian Agricultural Projects Limited ("ASX:AAP") (Company) and its controlled entities (Group) for the six months ended 31 December 2020 and the independent auditor's review report thereon:

1. Directors

The Directors of the Company at any time during or since the end of the half-year and up to the date of this report are:

Name	Period of directorship
Mr Paul Challis *Managing Director*	Director since 12 September 2007
Mr Daniel Stefanetti *Non-Executive Director*	Director since 26 September 2019
Mr Anthony Ho *Non-Executive Director*	Director since 30 April 2003

2. Results and review of operations

The Company presents its financial report for the six months period to 31 December 2020. The financial result for this period is summarised below:

	Six months to Dec 20	Six months to Dec 19 (restated)
Earnings before interest, tax, depreciation, amortisation and bearer plant revaluation	257,828	(130,587)
Interest received	-	-
Depreciation	(227,360)	(218,283)
Borrowing costs	(150,137)	(212,062)
Asset revaluation	1,412,025	213,906
Total comprehensive income for the period	**1,292,356**	**(347,026)**

Asset revaluation

The most significant variation when this periods performance is compared to the same period last year is the revaluation of the orchard assets, specifically:

Investment property (land)	$ 207,175; and
Bearer plants (trees)	$1,204,850
Total	$1,412,025.

The increased Directors' valuations are supported by an independent valuation of the orchard assets conducted in October 2020 as part of the Company's policy of obtaining independent valuation reports every three years. The principal driver in the increase in value can be attributed to a move to more favourable discount rates which has widely reflected in improved prices for agricultural assets.

2. Results and review of operations (continued)

Expected yield

The improvement in this period's earnings before interest, tax, depreciation, amortisation and asset revaluation compared to previous period's as set out in the table above is largely due an improved assessment of the upcoming 2021 harvest when compared to the previous season. This assessment has the effect of improving this years estimate of management fees the Company is likely to earn from those projects where production sharing arrangements are in place with the project investors. The principal factors that have had a positive impact on the assessment of the likely 2021 harvest are:

- a more normal fruit set resulting from the November flowering, especially in comparison to the poor fruit set in the picual variety leading into the 2020 harvest;
- it is an "on" year in the biennial cycle of orchard production; and
- the commercial harvests from the first tranche of the replanting programme (completed March 2018) adding to the harvest volume.

Overall, the expectation is that the total oil produced in 2021 will be in the region of that from two seasons ago and definitely greater than that of the poor 2020 harvest. Management anticipate harvests over the next few years will return to the averages experienced before the commencement of the replanting programme as the newly planted sections of the orchard mature.

Replanting

The first two tranches of the replanting programme continue in good health with the growth of the first planting continuing to impress the orchard team. The first planting in 2018 will produce a crop this year and there is every confidence is that the 2019 planting will produce its first commercial crop in 2022.

Management has deferred the planting of the last tranche of the replanting programme until March 2022.

This decision was based principally upon the desire to ensure we were able to receive as mature as possible planting stock from the nursery. A review of the previous two plantings confirmed that one of the most significant factors impacting the early development of the replanted areas was the age and size of the nursery stock. The orchard was fortunate to receive very advanced nursery stock for the first planting and these trees have demonstrated much more early growth than those of the second planting resulting in the potential for greater early crop loads. In addition, the larger trees of the first planting required much less training and maintenance than those of the second planting resulting in cost savings.

Water

The pressure on water prices and the availability of water has continued to ease with pleasing rains in the catchments that supply the irrigation system that feeds the orchard. While we have only had relatively low rain fall at the orchard itself, the result of the rainfall has seen the levels of the major dams supplying the irrigation system fill to more comfortable levels.

Current pricing of temporary water in our region is in the region of $100 per megaliter compared with $550 to $600 at the same time last season. These cost savings will be reflected in the final financial result of the Company at the end of the season.

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

2. Results and review of operations (continued)

Refinance

The Company is well advanced in its process of refinancing the core debt of the business.

Management is in the process of assessing finance offers with a view of finalising this process prior to the end of the March 2021 financial quarter. In addition to extending the term of the debt beyond its current maturity date of July 2021, the corporate objective is to simplify the overall debt structure.

COVID-19

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

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

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

3. Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6.

Dated at Melbourne, Victoria, this 26th day of February 2021.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

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DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF AUSTRALIAN AGRICULTURAL PROJECTS LIMITED

As lead auditor for the review of Australian Agricultural Projects Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Agricultural Projects Limited and the entities it controlled during the period.

Wai Aw
Director

BDO Audit Pty Ltd

Melbourne, 26 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2020

	Note	2020 $	Re-stated 2019 $
Revenue	3	636,826	581,011
Cost of sales		(311,768)	(567,532)
		325,058	13,479
Other income		99,551	-
Corporate and administrative expenses		(166,781)	(144,066)
Depreciation and amortisation		(227,360)	(218,283)
Borrowing costs		(150,137)	(212,062)
Revaluation of investment property	5	207,175	-
Net profit / (loss) before income tax		87,506	(560,932)
Income tax expense	7	-	-
Net profit / (loss) for the period		87,506	(560,932)
Other comprehensive Income			
Revaluation of bearer plants	4	1,204,850	213,906
Total comprehensive income / (loss) for the period		1,292,356	(347,026)
Earnings per share			
Basic earnings / (loss) per share (cents)		0.03	(0.37)
Diluted earnings / (loss) per share (cents)		0.02	(0.37)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Note	31 December 2020 $	30 June 2020 $
CURRENT ASSETS			
Cash and cash equivalents		190,703	101,286
Trade and other receivables		1,169,162	1,120,154
Inventories		-	84,056
Other		393,898	114,389
Total Current Assets		1,753,763	1,419,885
NON CURRENT ASSETS			
Property, plant and equipment		1,095,668	1,039,201
Bearer plants	4	10,534,412	9,423,565
Investment property	5	1,760,725	1,553,550
Total Non Current Assets		13,390,805	12,016,316
TOTAL ASSETS		**15,144,568**	**13,436,201**
CURRENT LIABILITIES			
Bank overdraft		316,698	21,606
Trade and other payables		2,245,053	2,061,244
Provisions		284,594	315,255
Loans and borrowings		3,818,233	130,554
Total Current Liabilities		6,664,578	2,528,659
NON CURRENT LIABILITIES			
Loans and borrowings		1,738,454	5,458,362
Total Non Current Liabilities		1,738,454	5,458,362
TOTAL LIABILITIES		**8,403,032**	**7,987,021**
NET ASSETS		**6,741,536**	**5,449,180**
EQUITY			
Issued Capital / Contributed equity		24,336,854	24,336,854
Reserve		2,894,657	1,689,807
Accumulated losses		(20,489,975)	(20,577,481)
TOTAL EQUITY		**6,741,536**	**5,449,180**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2020

	31 December 2020 $	31 December 2019 $
Cash flows from operating activities		
Cash receipts in the course of operations	1,031,559	2,014,358
Cash payments in the course of operations	(884,565)	(1,196,409)
Interest received	-	7
Interest paid	(136,608)	(207,972)
Net cash provided by operating activities	**10,386**	**609,984**
Cash flows from investing activities		
Proceeds from the sale of assets	10,000	-
Payments for property plant and equipment	(174,365)	(47,633)
Payment for bearer plants	(23,967)	(216,659)
Net cash used in investing activities	**(188,332)**	**(264,292)**
Cash flows from financing activities		
Proceeds of borrowings	31,020	37,940
Repayment of borrowings	(58,749)	(304,888)
Net cash used in financing activities	**(27,729)**	**(266,948)**
Net (decrease) / increase in cash and cash equivalents held	(205,675)	78,744
Cash and cash equivalents at the beginning of the period	79,680	(338,854)
Cash and cash equivalents at the end of the period	**(125,995)**	**(260,110)**

Represented by:		
Cash and cash equivalents	190,703	194,490
Bank Overdraft	(316,698)	(454,600)
	(125,995)	**(260,110)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2020

	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2020	24,336,854	1,689,807	(20,577,481)	5,449,180
Profit net of tax for the half year	-	-	87,506	87,506
Other comprehensive income	-	1,204,850	-	1,204,850
Balance as at 31 December 2020	**24,336,854**	**2,894,657**	**(20,489,975)**	**6,741,536**

	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2019	22,840,966	636,592	(18,540,941)	4,936,617
Loss net of tax for the half year - restated	-	-	(560,932)	(560,932)
Other comprehensive income - restated	-	213,906	-	213,906
Balance as at 31 December 2019 - restated	**22,840,966**	**850,498**	**(19,101,873)**	**4,589,591**

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

1. CORPORATE INFORMATION

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

The consolidated interim financial report as at and for the six months ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "Group").

The annual financial report of the consolidated entity as at and for the year ended 30 June 2020 is available upon request from the Company's registered office or may be viewed on the Company's website, www.voopl.com.au.

This consolidated interim financial report was approved by the Board of Directors on 26th of February 2021.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated interim financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reports* and the *Corporations Act 2001*. The interim financial report has been prepared on the historical cost basis with the exception of financial assets and liabilities and the investment property and bearer plants which are recorded at fair value.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2020. It is also recommended that the interim financial report be considered together with any public announcements made by the consolidated entity during the six months ended 31 December 2020 in accordance with continuous disclosure obligations under the *ASX Listing Rules*.

(b) Accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2020.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2020.

(c) Going Concern

The interim financial report has been prepared on the basis of a going concern as the Directors contemplate the consolidated entity will continue with normal business activities, the realisation of assets and liabilities in the normal course of business and to be in a position to pay its debts as and when they become due for a period of twelve months from the date of approving this interim financial report.

The consolidated entity's current cash flow forecast includes material assumptions with regard to a refinance of the existing banking facilities which is expected to be completed in March 2021, the value of the forthcoming harvest which will be completed in June 2021 as well as to the future price of water. Furthermore, the long-term profitability and cash flows of the consolidated entity are dependent upon the volume of future harvests, the value of extra virgin olive oil and the costs of operating the orchard. These factors are subject to many influences outside of the consolidated entity's control such as growing conditions, movements in the price and supply of water and the effective farm gate price of oil sold which is dependent upon third parties.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The Directors remain confident of the long-term cash flows and profitability of the consolidated entity after the newly replanted areas reach commercial yields. In the period prior to these yields, the Directors believe that the consolidated entity has the ability to raise additional equity or restructure its finance facilities to fund its operations in the event that actual cash flows should vary from its expectation.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Prior period error

Management of Australian Agricultural Projects Limited, while preparing financial statements of the Company for the year ended 30 June 2020, identified that having classified the bearer plants as a separate asset on the statement of financial position in 2019, they omitted to depreciate this asset in accordance with AASB 116 Property, Plant and Equipment. Furthermore, as the Company revalues the bearer plant assets annually to fair value, this omission had an equal and opposite impact upon the gain or loss from revaluation of bearer plants included in other comprehensive income.

The consolidated entity holds land on which olive trees are grown. Olive trees are bearer plants which are required to be depreciated under AASB 116. Therefore, management has depreciated the bearer plants (the olive trees) accordingly. The land and olive trees are leased to investors through managed investment schemes. These leases are both considered operating leases. Any gain or loss from fair value revaluations of bearer plants is classified to the revaluation reserve (refer to the Company's accounting policy in regards to the measurement of the bearer plants). The depreciation of bearer plants impacted the calculation of this revaluation to fair value.

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

The changes in the comparative period are:
- (a) to include the depreciation of bearer plants as an expense; and
- (b) to correct the gain or loss on revaluing the bearer plants to fair value amending other comprehensive income, the revaluation reserve and accumulated losses.

Financial statement extracts of the Company appear as follows after the retrospective correction of the prior period accounting error.

EXTRACT OF THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 December 2019 $	Effect of restatement $	Restated 31 December 2019 $
Revenue	581,011		581,011
Cost of sales	(567,532)	-	(567,532)
Gross profit	13,479	-	13,479
Corporate and administrative expenses	(144,066)	-	(144,066)
Depreciation and amortisation	(120,256)	(98,027)	(218,283)
Borrowing costs	(212,062)	-	(212,062)
Loss before income tax	**(462,905)**	**(98,027)**	**(560,932)**
Income tax expense	-	-	-
Loss after income tax	**(462,905)**	**(98,027)**	**(560,932)**
Other Comprehensive Income			
Revaluation of bearer plants	115,879	98,027	213,906
Total Comprehensive Income attributable to the members of Australian Agricultural Projects Limited	**(347,026)**	**-**	**(347,026)**

3. REVENUE

	December 2020	December 2019
Management fees	297,569	221,618
Lease fees from the investment property	350,357	351,853
Production sharing fees	(17,100)	2,033
Other Revenue	6,000	5,507
	636,826	581,011

4. BEARER PLANTS

	December 2020	June 2020
Bearer plants	10,534,412	9,423,565
Movement consists of:		
Bearer plants opening balance	9,423,565	8,778,853
Depreciation of bearer plants	(117,385)	(196,054)
Capital improvements	23,382	155,947
Net fair value gain on bearer plants	1,204,850	684,819
	10,534,412	9,423,565

The bearer plants are a level 3 asset for the purposes of determining fair value. The bearer plants comprise the trees on a 403 hectare olive orchard. They are leased in conjunction with the investment property to two managed investment schemes for an initial period to 2025 plus an option of another 25 years.

The value of the bearer plants was determined by the directors at 31 December 2020 by discounting the cash flows of expected future net income streams over the remaining useful life of the bearer plants based on the following key assumptions:

- Future cash inflows were estimated as the budgeted rental to be received from the investment property increased annually by CPI indexation commencing at a rate of 2.25% increasing to a long-term average of 3% from 2025. Where the rental forms a percentage of the proceeds from the sale of the produce from the property, the long-term average value of the production was assumed to increase by 3% per annum.
- Where a lease is required to be renewed at a market rental at the end of the first term in 2025, the market rental at that time is assumed to be $4,000 per hectare.
- Pretax discount rate of 11.0% was applied to future cash flows, which is based on Group cost of funding plus risk premium.
- The orchard has a short-term yield averaging 6.0 tonnes of fruit per hectare per annum increasing to a long term average of 10.5 tonnes per hectare per annum from 2025.
- The average annual price of water available to the orchard decreases from $210 per ML in the current year to a long term average of $170 per ML from 2025.
- The remaining capital costs required to complete the current replanting programme amounts to $658,232 and will be completed by March 2022.

4. BEARER PLANTS (continued)

The sensitivity of these long-term assumptions are as follows:

Assumption	Assumed Value	Sensitivity	Change in Valuation $
CPI	3.0%	if increased to 3.5%	812,874
		if reduced to 2.5 %	(719,973)
Discount rate	11.0%	if increased to 11.5%	(879,563)
		if reduced to 10.5 %	1,000,536
Harvest yield	10.5 t per ha	if increased to 11.5 tonne per ha	277,157
		if reduced to 9.5 tonne per ha	(277,157)
Average price of water	$170 per ML	if increased to $190 per ML	(217,528)
		if reduced to $150 per ML	217,528

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

The lease agreements require the consolidated entity to provide sufficient water to the property to allow for the commercial growing of olives and meet all outgoings associated with the property.

5. INVESTMENT PROPERTY	**December 2020 $**	**June 2020 $**
Investment property	1,760,725	1,553,550
Movement consists of:		
Bearer plants opening balance	1,553,550	1,553,550
Net fair value gain investment property	207,175	-
	1,760,725	1,553,550

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

The value of the investment property was determined by the Directors at 31 December 2020 with reference to a valuation dated 28 October 2020 prepared by a recognised and relevantly qualified, independent professional who has relevant experience in the region and the industry. The key assumptions in the valuation were:

- A fair value for the land was $3,500 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 these assumptions are as follows:

Assumption	Assumed Value	Sensitivity	Change in Valuation $
Fair value per hectare of usable land	$3,500	if increased 5% to $3,675 per hectare	87,999
		if reduced 5% to $3,325 per hectare	(87,999)
Fair value per hectare of land with remnant vegetation	$50	if increased 10% to $55 per hectare	75
		if reduced 10% to $45 per hectare	(75)

5. INVESTMENT PROPERTY (continued)

The investment property has been pledged as security in support of the consolidated entities finance facilities provided by the Commonwealth Bank of Australia.

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.

6 RELATED PARTY DISCLOSURES

A member of the consolidated entity, Victorian Olive Oil Project Limited, acts as the responsible entity for two managed investment schemes. The consolidated entity transacts with these schemes in accordance with contracts which are fundamental to the operation of the schemes. Paul Challis is a director of Victorian Olive Oil Project Limited.

			Transactions value six months ended 31 December		Balance outstanding as at	
	Transaction	Note	2020 $	2019 $	31 Dec 2020 $	30 June 2020 $
Scheme						
Victorian Olive Oil Project	Lease fees	(i)	350,357	351,412	580,961	483,403
	Management fees	(ii)	297,569	141,202	441,789	305,898
Victorian Olive Oil Project II	Costs of operating the project that have been capitalised until harvest	(iii)	277,784	280,500	-	-
	Lease and management fees receivable	(ii)	-	-	202,365	282,984
	Oil purchased	(iv)	-	-	(864,124)	(819,839)

Notes in relation to the table of key transactions with associated entities

(i) The consolidated entity receives lease fees in respect to the land, trees and orchard assets which are leased to the schemes. These lease fees are as set out in the scheme constitution and original product disclosure statement.

(ii) The consolidated entity receives management fees for the management of the orchard and the processing of the annual harvest from the investors in the managed investment schemes as well as for acting as responsible entity. These fees are as set out in the scheme constitution and the original disclosure statement.

(iii) Where the management fees set out in (ii) above are subject to a production sharing arrangement, the direct costs incurred in farming this portion of the orchard are capitalised until harvest.

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

7 INCOME TAX

The Directors have not recognised a deferred tax asset to the extent of losses available to the Company. In preparing this interim financial report, the Directors have considered the current circumstances of the Company and are satisfied that, given there is still insufficient certainty about the period over which the tax losses will be recovered, it is appropriate to continue to not recognise the deferred tax asset.

Income tax expense is nil in the current period despite having taxable income as the Company has sufficient unrecognised deferred tax losses available to reduce the potential income tax expense to nil.

8 SEGMENT INFORMATION

Business segments

The Company operates in just one segment, that being the management and lease of olive orchard assets. This includes the cultivation of olive trees, the harvesting and processing of fruit to oil, the marketing of oil produced as well as related services.

Seasonality

A portion of the orchard fees the Company earns is subject to seasonal influences and those fees are not recognised until the orchard is harvested and the resulting oil produced during April to June 2021. The recognition of the orchard expenses related to this portion of fee income are also deferred until the time of harvest.

9 COMMITMENTS AND CONTINGENT LIABILITIES

The Company has given a bank guarantee as at 31 December 2020 of $60,000 (2019: $60,000) in support of lease obligations.

The Company has undertaken a commitment to replant a portion of the olive trees on the investment property at a total budgeted cost of $685,232. The commitment for the twelve months to 31 December 2021 has been budgeted at $276,967. The balance of the replanting costs post 31 December 2021 are estimated at $408,265. These amounts have been incorporated in the determination of the bearer plants value as set out in Note 4: Bearer Plants.

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

10 EVENTS SUBSEQUENT TO REPORTING DATE

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

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

DIRECTORS' DECLARATION

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

1. the financial statements and notes, as set out on pages 7 to 16, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2020 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne, Victoria, this 26th day of February 2021.

Signed in accordance with a resolution of the directors:

Paul Challis
Managing Director

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Agricultural Projects Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Agricultural Projects Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Material uncertainty relating to going concern

We draw attention to Note 2(c) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

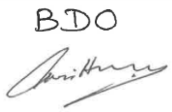
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd



Wai Aw
Director

Melbourne, 26 February 2021