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**Australian Agricultural Projects Ltd**
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# MARKET UPDATE
# QUARTER ENDED 30 SEPTEMBER 2020

**ANNOUNCEMENT** **30 OCTOBER 2020**

The Company is pleased to present its report for the quarter ended 30 September 2020 and advises:

- Post harvest orchard operations have continued as planned and growing conditions have been good with no major frosts or rain events. The orchard is in good health with a good coverage of flower buds. The flowers are expected to open over the first two weeks of November and we will be able to report on flowering and fruit set in the next quarterly report.

- The continued rain has significantly impacted the water markets since their opening this season in July. The three principal dams that supply the Victorian irrigation districts, that is the Hume, Dartmouth and Eildon dams, currently have around 50% more water in them now than they did at this time last season. Importantly, they continue to record strong net inflows from the ongoing rains. It is orchard managements expectation that there will be a 100% water allocation in our irrigation district this season. We are pleased to see current spot water prices in the Goulburn district in the region of $110 to $120 per ML compared with $550 to $600 per ML at the same time last year.

- The newly planted portions of the orchard continue to be a focus of the orchard team and we are pleased with the establishment of the first and second tranches. The picture below is of some trees planted as part of the first tranche in March 2018 which we expect will produce a commercial harvest this season (ie at three years old). Managements review of these two plantings has confirmed the benefit of planting larger nursery stock as the trees initial growth is greater and the loss rate is lower. Further, it is our experience the larger seedlings result in significant cost savings over the first two years as the trees are trained to the trellis. With this in mind, the decision regarding the timing of the planting of the third and final tranche of the replanting programme will be deferred until after another inspection of the nursery stock in November 2020 at which time we will also have a better understanding of the likely 2021 harvest.



- We confirm all oil produced last year has been accepted by Boundary Bend Olives and has been collected.

- We remain conscious of the impact of the COVID-19 virus and continue to enforce preventative practices at the orchard. We are pleased to report that the virus has had little impact on operations to date.

**Quarterly cash flow**

The cash receipts for the September quarter amounted to $423,000 which compares with $1,007,000 for the same period last year and the operating surplus was $22,000 compared with $362,000 for the same period last year. These lesser amounts are a result of the 2020 harvest being lower than the previous year.

The Company forecasts that operating cash will run at a small deficit through to the March 2021 quarter followed by a larger decicit in the June quarter which includes the annual harvest costs. This pattern is not unexpected given the reduced cash receipts this season and management will continue to monitor cash balances. The business cashflow is expected to return to normal levels post the 2021 harvest with the anticipated improved harvest and the significant reduction of water prices to levels close to long term averages. The $1.5m rights issue capital raising completed successfully in the June 2020 quarter placed the Company in a sound funding position to deal with the cyclical nature of the business.

The Company has commenced the process of reviewing its financing strategies with a view to developing options to restructure the current debt arrangements of the Company.

The payments to related parties of the Company set out in section 6 of the attached Appendix 4C refers to salary and superannuation entitlements paid to the Managing Director during the quarter.

**AUTHORISED BY:**
**Paul Challis**
***Managing Director***

**Enquiries may be directed to:**
Paul Challis – Managing Director

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# Appendix 4C

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

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**Name of entity**

**AUSTRALIAN AGRICULTURAL PROJECTS LIMITED**

| **ABN** | **Quarter ended ("current quarter")** |
|---|---|
| **19 104 555 455** | **30 SEPTEMBER 2020** |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date ( 3 months) $A'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 423 | 423 |
| 1.2 | Payments for | | |
| | (a) research and development | | |
| | (b) product manufacturing and operating costs | (157) | (157) |
| | (c) advertising and marketing | | |
| | (d) leased assets | | |
| | (e) staff costs | (188) | (188) |
| | (f) administration and corporate costs | (48) | (48) |
| 1.3 | Dividends received (see note 3) | | |
| 1.4 | Interest received | | |
| 1.5 | Interest and other costs of finance paid | (63) | (63) |
| 1.6 | Income taxes paid | | |
| 1.7 | Government grants and tax incentives | | |
| 1.8 | Other (Government grants) | 55 | 55 |
| **1.9** | **Net cash from / (used in) operating activities** | **22** | **22** |

| **2.** | **Cash flows from investing activities** | | |
|---|---|---|---|
| 2.1 | Payments to acquire: | | |
| | (a) entities | | |
| | (b) businesses | | |
| | (c) property, plant and equipment | | |
| | (d) investments | | |
| | (e) intellectual property | | |
| | (f) other non-current assets | | |

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| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date ( 3 months) $A'000 |
|---|---|---|---|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | | |
| | (b) businesses | | |
| | (c) property, plant and equipment | 10 | 10 |
| | (d) investments | | |
| | (e) intellectual property | | |
| | (f) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| **2.6** | **Net cash from / (used in) investing activities** | **10** | **10** |

| **3.** | **Cash flows from financing activities** | | |
|---|---|---|---|
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | | |
| 3.2 | Proceeds from issue of convertible debt securities | | |
| 3.3 | Proceeds from exercise of options | | |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | | |
| 3.5 | Proceeds from borrowings | 31 | 31 |
| 3.6 | Repayment of borrowings | (21) | (21) |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| **3.10** | **Net cash from / (used in) financing activities** | **10** | **10** |

| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
|---|---|---|---|
| 4.1 | Cash and cash equivalents at beginning of period | 80 | 80 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 22 | 22 |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 10 | 10 |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date ( 3 months) $A'000 |
|---|---|---|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 10 | 10 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| **4.6** | **Cash and cash equivalents at end of period** | **122** | **122** |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 5.1 | Bank balances | 175 | 102 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | (53) | (22) |
| 5.4 | Other (provide details) | - | - |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **122** | **80** |

| 6. | Payments to related parties of the entity and their associates | Current quarter $A'000 |
|---|---|---|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 38 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The amount in item 6.1 includes payment for:

Salary and superannuation 38

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| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*Add notes as necessary for an understanding of the sources of finance available to the entity.* | **Total facility amount at quarter end $A'000** | **Amount drawn at quarter end $A'000** |
|---|---|---|---|
| 7.1 | Loan facilities | 3,666 | 3,666 |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other - Overdraft | 500 | 53 |
| 7.4 | **Total financing facilities** | 4,166 | 3,719 |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | 447 |

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Loan facility

- Lender: CBA
- Interest Rate Variable base rate less a margin of 2.81%
- Secured

Overdraft facility

- Lender CBA
- Interest Rate 7.68% pa
- Secured

| 8. | **Estimated cash available for future operating activities** | **$A'000** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | 22 |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 122 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | 447 |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 569 |
| 8.5 | **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)** | n/a |

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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## Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

Authorised by: The Board of Directors.

(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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