Australian Agricultural Company Limited
ABN 15 010 892 270

FINANCIAL REPORT

For the half-year ended 30 September 2015

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 31 March 2015 and any public announcements made by Australian Agricultural Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Your Directors present their report on the Group consisting of Australian Agricultural Company Limited and the entities it controlled (AACo) at the end of, or during, the half-year ended 30 September 2015.

DIRECTORS

The following persons were Directors of Australian Agricultural Company Limited during the half-year and up to the date of this report. Directors were in office for this entire period unless otherwise stated.

Donald McGauchie AO (Non-executive Chairman)
Jason Strong (Managing Director)
Stuart Black AM
David Crombie AM
Tom Keene
Dr Shehan Dissanayake
Anthony Abraham

REVIEW AND RESULTS OF OPERATIONS

The Half Year in Review

The first 6 months of the 2016 financial year contain several positives that are a direct result of the transformation of AACo from a production-led pastoral Company into a vertically integrated beef business. The company reports a H1 FY16 Operating EBITDA of $11.5 million (compared to a loss of $8.2 million for the prior corresponding period) and Statutory EBITDA of $92.1 million (compared to a loss of $4.5 million).

Total sales revenue increased by $107.2 million in H1 FY16 compared to H1 FY15. Quality of earnings and growth is an important difference between being a seasonal seller of live cattle in domestic markets and a weekly exporter of high quality branded beef into global markets.

Beef sales as a percentage of total revenue over the last 2 years have increased from 47% to over 84%. We are now predominantly selling into international beef markets that are not influenced by Australian domestic seasonal conditions that create highly variable live cattle and slaughter markets in Australia.

Net internal transfers of cattle from Grassfed to both Grainfed and Northern Beef have increased from 12.3 to 24.1 million kg LW over the last 2 years.

The Grassfed cow breeding herd has increased slightly since H1 FY14 and is now over 170,000 head, while the average age has fallen from nearly 7 to 6 years. We will continue to invest significant resources into research and development projects to optimise the productivity of our breeding herd.

The company's lost-time injury frequency rate has fallen by 50% since July 2014. We remain focused on continued improvements.

Sales of AACo branded beef are up over 88% compared to the prior corresponding period, driven by increased volumes at improved prices. The quantity of meat sold more than doubled in H1 FY16 principally due to increased demand from established Grainfed Wagyu and Shortfed markets, as well as manufacturing beef markets supplied from the Livingstone Beef processing plant.

Livingstone Beef accounted for 16% of total beef sales and was consistently processing in excess of 400 head per day by the end of the period. The current focus for the plant has now shifted towards operational efficiency and stability of earnings. We are committed to the continuous improvement of our waste water treatment process to improve compliance with regulations.

While less of a focus than in the past, live cattle sales have increased by $8.2 million with a 25% increase in the average sell price on the back of rising live cattle prices in domestic and export markets.

During the period the company secured improved bank terms to provide greater funding flexibility and reduce the cost of funding.

Our operational leverage has improved in H1 FY16, with a reduction in corporate overheads despite a significant increase in total sales revenue. However we expect an increase in corporate overheads in H2 FY16 as we continue to invest in growth projects including branding, innovation and technology and the integrated operating plan.

We look forward to being in a position to demonstrate further progress against our stated strategic objectives at the full year.

OPERATING AND FINANCIAL REVIEW

30 September 2015 Key Financial Results

	6 months to 30 September 2015 $'000	6 months to 30 September 2014 $'000	Movements $'000	Favourable/ Unfavourable Movements %
Meat sales	217,619	115,476	102,143	88%
Cattle sales	36,375	28,188	8,187	29%
Admin. and other non-station operating costs	(7,450)	(11,281)	3,831	34%
Statutory EBITDA(1)	92,097	(4,532)	96,629	2132%
Statutory EBIT	81,980	(10,987)	92,967	846%
Net profit/(loss) after tax	49,827	(13,588)	63,415	467%
Net cash outflow from operating activities	(3,028)	(55,375)	52,347	95%
Operating EBITDA(1)	11,478	(8,190)	19,668	240%

(1) Refer to page 5 and page 6 for the definition of Statutory EBITDA and Operating EBITDA.

Operating EBITDA is a key indicator which is used to monitor and manage the company. It eliminates unrealised cattle valuation adjustments being recorded in the financial results, and is a better reflection of underlying financial performance under the control of management.

Statutory EBITDA was a profit of $92.1m in H1 FY16 ($4.5m loss in H1 FY15) and Operating EBITDA was a profit of $11.5m ($8.2m loss in H1 FY15). The difference between the two measures is the unrealised livestock valuation gains.

Financial results

	6 months to 30 September 2015 $'000	6 months to 30 September 2014 $'000	Movements $'000
Meat sales[1]	217,619	115,476	102,143
Cattle sales [1]	36,375	28,188	8,187
Crop sales [1]	4,213	7,332	(3,119)
Sales revenue	**258,207**	**150,996**	**107,211**
Cost of sales[2]	(256,019)	(156,743)	(99,276)
Cattle fair value adjustments [3]	179,112	74,779	104,333
Deemed cost of cattle sold [4]	(36,375)	(28,188)	(8,187)
Gross margin	**144,925**	**40,844**	**104,081**
Other revenue and other income	2,714	2,446	268
Expenses			
Administration and other non-station operating costs	(7,450)	(11,281)	3,831
Station operating costs	(10,873)	(11,492)	619
Employee costs	(25,559)	(20,675)	(4,884)
Livingstone Beef overheads	(7,283)	-	(7,283)
Lease and property related costs	(4,377)	(4,374)	(3)
Operating expenses	**(55,542)**	**(47,822)**	**(7,720)**
Earnings from operations – Statutory EBITDA[5]	**92,097**	**(4,532)**	**96,629**
Depreciation & amortisation	(10,117)	(6,455)	(3,662)
Earnings from operations – Statutory EBIT[5]	**81,980**	**(10,987)**	**92,967**
Net finance costs	(10,753)	(8,378)	(2,375)
Profit/(Loss) before income tax	**71,227**	**(19,365)**	**90,592**
Income tax (expense)/benefit	(21,400)	5,777	(27,177)
Net Profit/(Loss) after tax	**49,827**	**(13,588)**	**63,415**

(1) Sales are recognised when the risks and rewards of ownership have transferred.
(2) Cost of sales combines the cost of meat sold, cattle expenses, feedlot expenses and crop expenses. Cost of meat sold includes the cost of finished cattle and processing costs. Cattle expenses and feedlot cattle expenses includes direct costs associated with managing non-feedlot cattle and feedlot cattle respectively. The direct costs include feed, mustering, freight and agistment costs. Crops are valued at spot market prices at the time of harvest and this value is applied against the cropping costs to date and a margin recognised.
(3) Cattle fair value adjustments arise from increased weight as the cattle grow, market value changes in the herd, natural increase, attrition and rations. Natural increase is the value change associated with new calves entering the herd. These fair value adjustments are non-cash.
(4) In accordance with the accounting standard *AASB 141 Agriculture*, the value changes that determine gross margin occur prior to the point of sale. As the asset is always biologically changing no sales margin emerges under the accounting standard.
(5) EBIT (earnings before interest and tax) and EBITDA (earnings before interest, tax, depreciation and amortisation)

The tables below reconcile the underlying performance measures of the Group, from Statutory EBITDA to Operating EBITDA. The measures are defined as:

- Statutory EBITDA per the statutory accounts (refer page 5 for definition).

- Operating EBITDA is derived by adjusting statutory EBITDA to substitute the movement in inventory at market value with the movement in inventory at standard cost which is a 5 year average and may be adjusted as appropriate. The standard cost used is $0.85/kg LW for all stock in Grassfed, $1.30/kg LW in Northern Beef segment, and $1.75/ kg LW to $3.25/kg LW in the Grainfed segment (a range based on the genetic composition of the animal) (1)

  Under the Operating EBITDA methodology, the difference between market price and standard cost is not realised until the point of sale. Statutory EBITDA includes unrealised market price movements at the balance date. The tables below show that at 30 September 2015 there was an $80.6 million 'unrealised gain' included in the calculation of Statutory EBITDA driven by market price changes that were not included in the calculation of Operating EBITDA.

Operating EBITDA 6 months to 30 Sep 2015	**Grainfed $'000**	**Grassfed $'000**	**Nth. Beef $'000**	**Corporate $'000**	**Eliminat-ions $'000**	**Total $'000**
Total segmental revenue	196,506	77,540	35,731	-	(51,570)	258,207
Inter-segmental revenue	-	(51,570)	-	-	51,570	-
Segmental revenue	196,506	25,970	35,731	-	-	258,207
Operating EBITDA	**2,672**	**16,866**	**1,263**	**(9,323)**	**-**	**11,478**
Operating EBITDA / Total segmental revenue Margin %	*1.3%*	*23.8%*	*3.5%*	*n.m.*	*n.m.*	*4.4%*
Reconciliation to net loss after tax:						
Operating EBITDA	**2,672**	**16,866**	**1,262**	**(9,323)**	**-**	**11,478**
Difference between the movement of inventory valued at standard as opposed to market(2)	41,667	39,336	(384)	-	-	80,619
Statutory EBITDA	**44,339**	**56,202**	**879**	**(9,323)**	**-**	**92,097**
Depreciation	(1,587)	(3,941)	(3,235)	(1,354)	-	(10,117)
Statutory EBIT	**42,752**	**52,261**	**(2,356)**	**(10,677)**	**-**	**81,980**
Net finance costs						(10,753)
Income tax benefit						(21,400)
Net profit after tax						**49,827**

Operating EBITDA 6 months to 30 Sep 2014	**Grainfed $'000**	**Grassfed $'000**	**Nth. Beef $'000**	**Corporate $'000**	**Eliminat-ions $'000**	**Total $'000**
Total segmental revenue	127,132	40,157	-	-	(16,293)	150,996
Inter-segmental revenue	-	(16,293)	-	-	16,293	-
Segmental revenue	127,132	23,864	-	-	-	150,996
Operating EBITDA	**5,082**	**333**	**(3,029)**	**(10,576)**	**-**	**(8,190)**
Operating EBITDA / Total segmental revenue Margin %	*4.0%*	*1.4%*	*n.m.*	*n.m.*	*n.m.*	*(5.4%)*
Reconciliation to net loss after tax:						
Operating EBITDA	**5,082**	**333**	**(3,029)**	**(10,576)**	**-**	**(8,190)**
Difference between the movement of inventory valued at standard as opposed to market(2)	3,873	(215)	-	-	-	3,658
Statutory EBITDA	**8,955**	**118**	**(3,029)**	**(10,576)**	**-**	**(4,532)**
Depreciation	(1,846)	(3,799)	(18)	(792)	-	(6,455)
Statutory EBIT	**7,109**	**(3,681)**	**(3,047)**	**(11,368)**	**-**	**(10,987)**
Net finance costs						(8,378)
Income tax benefit						5,777
Net loss after tax						**(13,588)**

(1) LW = live weight, HSCW = Hot Standard Carcass Weight, CW = carton weight
(2) Difference is calculated by replacing the movement of kilograms of cattle held within each vertical at market value by the standard cost as outlined in the definition of Operating EBITDA.

Branded Herd Profile and Movements

The closing Branded herd size has increased by 14.8 thousand head since March 2015. Attrition increased during the first half of FY16 due to a one-off herd adjustment as a result of exiting Tipperary and Litchfield stations. Internal transfers of cattle from Grassfed to both Grainfed and Northern Beef have increased from 29.9k head to 81.9k head in H1 FY16 compared to the prior corresponding period. The number of head processed for sale as beef has increased 131% in H1 FY16 in line with strategy of adding value to live cattle through our supply chains. Brandings for the period increased 4% to 108.6 thousand head from an opening productive cow herd of 186.3 thousand head (30 September 2014: 189.6 thousand head).

Head ('000)	6 Months to 30 September 2015				6 Months to 30 September 2014		
	Grainfed	Grassfed	N. Beef	Total	Grainfed	Grassfed	Total
Opening balance	**104.2**	**406.2**	**1.3**	**511.7**	**84.3**	**382.7**	**467.0**
Brandings	3.3	105.3	-	**108.6**	2.9	101.1	**104.0**
Attrition	(1.4)	(15.6)	(0.1)	**(17.1)**	(0.9)	(7.6)	**(8.5)**
Transfers	64.0	(81.9)	17.9	**-**	29.9	(29.9)	**-**
Purchases - Live	23.6	7.1	22.0	**52.7**	28.3	51.3	**79.6**
Purchases - Finished	22.6	-	-	**22.6**	17.6	-	**17.6**
Sold Live	(8.5)	(29.8)	(0.6)	**(38.9)**	(3.5)	(32.7)	**(36.2)**
Processed for sale as beef	(74.7)	-	(38.4)	**(113.1)**	(48.6)	-	**(48.6)**
Closing balance	**133.1**	**391.3**	**2.1**	**526.5**	**110.0**	**464.9**	**574.9**
Closing balance consists of:							
Breeding and stud cattle	14.9	268.6	-	**283.5**	13.9	282.2	**296.1**
Trading cattle	63.6	122.7	2.1	**188.4**	50.5	182.7	**233.2**
Feedlot cattle	54.6	-	-	**54.6**	45.6	-	**45.6**

Kilograms live weight (mil)	6 Months to 30 September 2015				6 Months to 30 September 2014		
	Grainfed	Grassfed	N. Beef	Total	Grainfed	Grassfed	Total
Opening balance	**44.6**	**159.5**	**0.5**	**204.6**	**35.5**	**142.4**	**177.9**
Weight Produced	18.1	21.8	(0.2)	**39.7**	12.0	29.3	**41.3**
Transfers	16.8	(24.1)	7.3	**-**	8.3	(8.3)	**-**
Purchases - Live	8.8	2.2	9.3	**20.3**	19.9	14.8	**34.7**
Purchases - Finished	14.0	-	-	**14.0**	-	-	**-**
Sold Live	(4.0)	(10.8)	(0.3)	**(15.1)**	(1.8)	(13.4)	**(15.2)**
Processed for sale as beef	(45.6)	-	(15.7)	**(61.3)**	(29.1)	-	**(29.1)**
Closing balance	**52.7**	**148.6**	**0.9**	**202.2**	**44.8**	**164.8**	**209.6**
Closing balance consists of:							
Breeding and stud cattle	5.8	110.6	-	**116.4**	5.6	113.7	**119.3**
Trading cattle	18.7	38.0	0.9	**57.7**	16.1	51.1	**67.2**
Feedlot cattle	28.2	-	-	**28.2**	23.1	-	**23.1**

Operations

The business is now aligned into 3 key vertical supply chains, namely: the Grassfed segment (contains most of our extensive northern properties and breeding herds), the Grainfed segment (contains our feedlots and backgrounding properties with the output being sold primarily as boxed beef) and the Northern Beef segment (contains Livingstone Beef processing facility and Pell Station) which is focused on processing and marketing manufacturing beef.

As we have previously highlighted, the structure of the industry creates volatility which means value can, and does, move rapidly to different parts of the chain as market conditions change. This is clearly evident in the H1 FY16 results where the Grassfed segment outperformed the Grainfed segment largely due to internal transfers of cattle at market value in a period of strong live cattle prices. This provides further justification for our strategy to increase our participation in each part of the beef supply chains to reduce our exposure to such volatility. It also highlights the importance of viewing the Group's results on a consolidated basis, which is consistent with the Company's key performance metrics.

Grainfed Segment

Sales

Sales volumes of both Wagyu and Shortfed branded beef continued to increase due to strong global Wagyu and Shortfed/Other demand.

The period saw a corresponding fall in live fed-cattle sales to third parties. We sold a small number of store cattle in response to short term processing capacity constraints which increased total LW sold compared to the prior corresponding period.

	6 months to 30 Sep 2015	6 months to 30 Sep 2014
Wagyu meat and by-product sales - $ mil	86.1	67.0
Wagyu meat and by-product kilograms sold – mil Kg CW	6.7	5.5
Wagyu meat and by-product sold - $/Kg CW	12.88	12.18
Shortfed/Other meat and by-product sales - $ mil	96.0	48.5
Shortfed/Other meat and by-product kilograms sold – mil Kg CW	11.7	6.5
Shortfed/Other meat and by-product sold - $/Kg CW	8.18	7.43
Live cattle sales mil Kg LW	4.1	2.0

Production and sourcing

The execution of the company's strategy can be seen through increasing production of internally-sourced animals and reducing store cattle purchases. The combination of these factors has increased kilograms produced by nearly 50% compared to the prior corresponding period.

Finished cattle purchases as a proportion of meat sales volume have fallen from 54% in the prior corresponding period to 28%. Reliance on finished cattle purchases to meet customer demand has diminished as we strive to deliver more processing inventory from within our own supply chain.

	6 months to 30 Sep 2015	6 months to 30 Sep 2014
Kilograms produced – mil Kg LW	18.1	12.2
Finished cattle purchases – mil Kg HSCW	7.1	6.2
Store cattle purchases – mil Kg LW	1.6	9.6

Production costs have benefited from several changes during the period that caused them to fall to $3.45/Kg LW from $3.50/Kg LW. Improved logistical coordination and planning resulted in less expenditure on freight as feeder cattle were aligned to their terminal markets. The final contributing factor was the increase in the proportion of Shortfed cattle in the southern herd, which have lower production costs than Wagyu.

Store and re-stocker markets during the period were characterised by increasing prices as producers looked to restock following recent drought conditions throughout Queensland. This has similarly impacted finished cattle prices, resulting in a 22% increase over the prior corresponding period, to $5.15/kg HSCW. This volatility reinforces the company's strategy to increase the supply of internally-sourced cattle through its own supply chains.

	6 months to 30 Sep 2015	6 months to 30 Sep 2014
Processing cost - $/Kg HSCW	1.21	1.13
Cost of production - $/Kg LW	3.45	3.50
Finished cattle purchases - $/Kg HSCW	5.15	4.22
Store cattle purchases - $/Kg LW	3.18	2.53

The 22.0% increase in finished cattle purchase costs per kilogram HSWC and 25.7% increase in store cattle purchase costs per kilogram LW have been partially offset by a 5.7% increase in Wagyu meat and by-product sales price per kilogram CW and a 10.1% increase in Shortfed/Other meat and by-product sales price per kilogram CW. Average carcass weights were slightly lower compared to the prior corresponding period resulting in an increase in the processing cost per kilogram HSCW.

Grassfed Segment

Revenue increased in the Grassfed segment due to stronger prices received for live export cattle but volumes fell as transfers to the Grain vertical continued to increase.

	6 months to 30 Sep 2015	6 months to 30 Sep 2014
Revenue - $ mil	26.0	23.9
Cattle sold externally – mil Kg LW	10.9	13.4
Revenue - $/kg LW	2.39	1.78

<u>Production and sourcing</u>

Store cattle purchases have decreased as the company focuses on lifting the productivity of its existing herd. Contrary to prior periods, live cattle purchases are now predominantly sourced for backgrounding prior to transfer to Livingstone Beef for processing, rather than for live export sales.

Cost of production has increased due to additional transport and logistics costs associated with an increase in transfers of cattle from Grassfed into Grainfed. Kilograms of weight produced are lower than the prior corresponding period due to transferring younger, lighter feeder cattle to the grain vertical and below average seasonal conditions. There was a one off negative herd stock adjustment as a result of exiting the Tipperary and Litchfield properties.

	6 months to 30 Sep 2015	6 months to 30 Sep 2014
Kilograms produced – mil Kg LW	21.9	29.2
Cost of production - $/kg LW	1.87	1.36
Store cattle purchased – mil Kg LW	1.8	14.8
Store cattle purchase price - $/kg LW	1.81	1.27

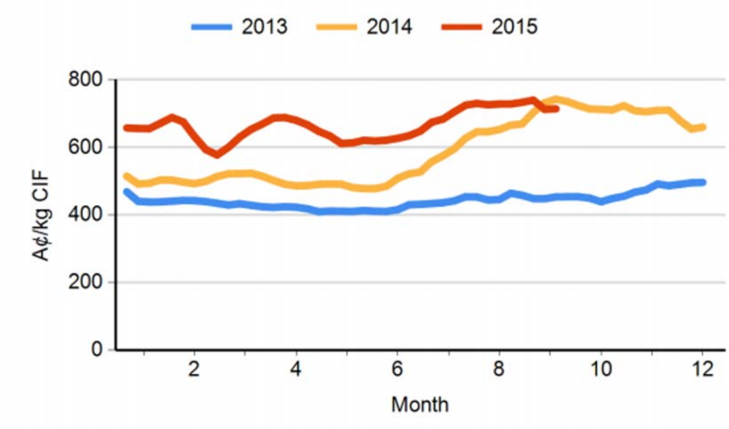
Northern Beef Segment

	6 months to 30 Sep 2015	6 months to 30 Sep 2014
Meat and by-product sales - $ mil	35.7	n/a
Meat and by-product kilograms sold - mil kg CW	7.3	n/a
Meat and by-product sold - $/kg CW	4.72	n/a
Finished cattle purchases - mil kg LW	9.2	n/a
Finished cattle purchases - $/kg LW	1.60	n/a

The construction phase of the Livingstone Beef facility was completed in FY15 and the facility is now ramping up throughput. Throughput at the end of the first half was tracking above 400 head per day which is ahead of budget and not yet running at full capacity. Unit processing costs are expected to steadily decline as throughput increases and operations are optimised.

Since the commissioning of the facility, there has been a significant increase in global manufacturing meat prices. An indicators of this is the US 90 CL cow beef price (see chart below). The Livingstone Beef facility has obtained licenses to export to key overseas markets and has entered arrangements with customers and logistics partners to minimise the impact of restrictions on available US import quotas.

Figure 1: US 90 CL cow beef indicator



Source: Meat & Livestock Australia – www.mla.com.au

Corporate Operating Expenses

Corporate operating expenses have decreased by $2.0m compared with the prior corresponding period driven by a reduction in the corporate employee expense. AACo continues to monitor overhead expenses, and drive improvements in operational leverage.

Cattle fair value adjustments

The table below reconciles the cattle fair value adjustments through the Consolidated Income Statement:

	6 months to 30 Sep 2015 $000	6 months to 30 Sep 2014 $000
Unrealised cattle market price movements	115,957	5,641
Other cattle fair value adjustments	63,155	69,138
Total cattle fair value adjustments	**179,112**	**74,779**

Market value adjustments arising from market price changes to the herd values at the close of the period resulted in an unrealised cattle price gain of $116.0m, driven by a significant increase in cattle market prices.

Other cattle fair value adjustments have increased due to the increase in the size of the herd occurring in the context of increasing market prices.

Capital Structure

The Group's gearing ratio has decreased to 32.0% as at 30 September 2015 compared to 32.7% as at 31 March 2015.

	30 Sep 2015 $000	31 Mar 2015 $000
Current interest-bearing loans and borrowings	4,060	4,538
Non-current interest-bearing loans and borrowings		
Obligations under finance leases	7,582	7,667
Bank loan facility[(1)]	300,000	285,000
Convertibles notes[(1)]	80,000	80,000
Bank guarantees	1,454	1,604
Cash	(14,607)	(12,285)
Net debt	**378,489**	**366,524**
Equity employed	812,851	762,298
Value of conversion rights	(6,700)	(6,700)
Net equity	**806,151**	**755,598**
Gearing (net debt / net debt + equity)	**32.0%**	**32.7%**

(1) The gearing ratio is calculated utilising the face value of the bank loan facility and convertible notes.

Net Tangible Assets

The Group's net tangible assets per share was $1.53 as at 30 September 2015, compared to $1.43 as at 31 March 2015. Net tangible assets of the Company include leasehold land assets.

Dividends

There were no dividends declared or paid during the six months to 30 September 2015 and therefore the Company's Dividend Reinvestment Plan (DRP) was inactive throughout the period.

The Company is committed to the reinstatement of dividends and has previously foreshadowed that on a return to sustainable operating earnings (Operating EBITDA less interest costs) and positive operating cashflows, the Directors will review dividend policy and payments.

Recent Industry Awards

The first half of FY16 has been highly successful for AACo's Wagyu beef brands, winning numerous medals across the country in branded beef competitions. These awards demonstrate AACo's ability to market premium quality products into the top end of the market. Our investment in the differentiated branding strategy will look to capitalise on the products superior quality, traceability and unique heritage in order to demand a premium in global markets.

AACo was recognised as a finalist for the Royal Agricultural Society's President's Medal – the country's most prestigious agricultural award recognizing excellence in agricultural production. AACo's Darling Downs Wagyu brand received a number of awards:

- Royal Queensland Food and Wine Show – Gold Medal
- Royal Queensland Food and Wine Show – Grand Champion Beef Brand
- World Wagyu Forum Branded Beef Awards Crossbred Wagyu Class – Silver Medal
- Royal Melbourne Fine Food Awards – Silver Medal
- Royal Agricultural Society of NSW – President's Medal Finalist
- Sydney Royal Fine Food Show – Silver Medal

AACo's full blood and pure blood Wagyu beef has also received a number of awards this year.

- World Wagyu Forum Branded Beef Awards Fullblood Class – Gold Medal
- World Wagyu Forum Branded Beef Awards Fullblood Class – Grand Champion Beef Brand
- Royal Melbourne Fine Food Awards – Gold Medal
- Royal Queensland Food and Wine Show – Silver Medal
- Sydney Royal Fine Food Show – Gold Medal

These awards cement the world-class reputation of AACo's premium Wagyu beef. AACo's premium purebred Wagyu beef is one of the most sought-after and highest-quality beef in the world.

Business Strategies, Likely Developments and Expected Results

The Board reiterates its commitment to increasing shareholder value through incremental improvements to Return on Capital Employed (ROCE) over time.

We expect an increase in corporate overheads in H2 FY16 as we continue to invest in growth projects.

AACo continues to monitor its existing property portfolio and only buys or sells property when such a move is deemed to be core to its strategy. This approach saw the purchase of Thorner Station during the period which is completely enclosed by AACo owned Headingly Station.

Risk Management

The Company is committed to identification, measurement and management of material business risks. The Company's breeding and sales programs to date have produced a herd with the right genetic and age profile to deal with the current and future geographic, weather and market conditions. Day-to-day production risks are managed by frontline staff on the station and overseen by relevant General Managers. Appropriate insurance coverage is maintained in respect of the business, properties and assets.

The Company seeks to further reduce risk through vertical supply chain integration, through the Livingstone Beef facility. Price risks are managed, where possible, through forward sales of branded beef and over-the-counter foreign exchange derivatives.

EVENTS AFTER THE BALANCE SHEET DATE

A payment of $4.1m was made on 4 November 2015 upon settlement for the purchase of Thorner Station, Queensland.

There have been no other significant events after the balance date which require disclosure in the financial report.

Auditor's independence declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Australian Agricultural Company Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 September 2015 there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Simon Crane
Partner

Brisbane
25 November 2015

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ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

Donald McGauchie AO
Chairman

Brisbane
25 November 2015

Consolidated Income Statement
For the half-year ended 30 September 2015

	6 months to 30 Sep 2015 $000	6 months to 30 Sep 2014 $000
Revenue		
Meat and by-product sales	217,619	115,476
Cattle sales	36,375	28,188
Crop income	4,213	7,332
	258,207	150,996
Cattle fair value adjustments	179,112	74,779
	437,319	225,775
Cost of meat sold	(176,380)	(105,898)
Deemed cost of cattle sold	(36,375)	(28,188)
Cattle expenses	(50,021)	(17,744)
Feedlot cattle expenses	(26,511)	(25,320)
Crop costs and fair value adjustments	(3,107)	(7,781)
Gross operating margin	144,925	40,844
Other income	2,714	2,446
Expenses		
Administration and other non-station operating costs	(7,450)	(11,281)
Station operating costs	(10,873)	(11,492)
Employee expenses	(25,559)	(20,675)
Livingstone Beef overheads	(7,283)	-
Lease and property related costs	(4,377)	(4,374)
Depreciation and amortisation	(10,117)	(6,455)
Total Expenses	(65,659)	(54,277)
Profit/(loss) before finance costs and income tax expense	81,980	(10,987)
Net finance costs	(10,753)	(8,378)
Profit/(loss) before income tax	71,227	(19,365)
Income tax (expense)/benefit	(21,400)	5,777
Net profit/(loss) after tax	49,827	(13,588)
	Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the parent		
Basic earnings/(loss) per share	9.35	(0.03)
Diluted earnings/(loss) per share	9.00	(0.03)

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income
For the half-year ended 30 September 2015

	6 months to 30 Sep 2015 $000	6 months to 30 Sep 2014 $000
Profit/(loss) for the period	49,827	(13,588)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Tax adjustment relating to revalued assets	-	-
Items that may be reclassified subsequently to profit or loss:		
Changes in the fair value of cash flow hedges	683	(2,757)
Other comprehensive income/(loss) for the period, net of tax	683	(2,757)
Total comprehensive income/(loss) for the period, net of tax	50,510	(16,345)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 September 2015

	Note	30 Sep 2015 $000	31 Mar 2015 $000
Current assets			
Cash and cash equivalents		14,607	12,285
Trade and other receivables		30,457	29,855
Inventories and consumables		37,581	36,803
Biological assets - livestock		254,810	200,077
Other assets		2,105	1,566
Total current assets		339,560	280,586
Non-current assets			
Biological assets - livestock		295,547	265,109
Property, plant and equipment	3	664,222	668,396
Intangible assets		3,143	-
Total non-current assets		962,912	933,505
Total assets		1,302,472	1,214,091
Current liabilities			
Trade and other payables		35,560	34,205
Provisions		4,057	3,370
Interest bearing loans and borrowings	4	4,060	4,538
Derivative financial instruments	5	14,446	15,519
Total current liabilities		58,123	57,632
Non-current liabilities			
Provisions		1,933	2,075
Interest bearing loans and borrowings	4	380,796	364,902
Deferred tax liabilities		48,769	27,184
Total non-current liabilities		431,498	394,161
Total liabilities		489,621	451,793
Net assets		812,851	762,298
Equity			
Contributed equity	6	461,213	461,213
Reserves		310,780	310,054
(Accumulated losses)/Retained earnings		40,858	(8,969)
Total equity		812,851	762,298

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the half-year ended 30 September 2015

	Note	Contributed equity $000	Reserves $000	Retained Earnings/ (Accumulated losses) $000	Total equity $000
At 1 April 2014		460,510	305,862	(18,592)	747,780
Loss for the period		-	-	(13,588)	(13,588)
Other comprehensive income/(loss)		-	(2,757)	-	(2,757)
Total comprehensive income/(loss) for the period		-	(2,757)	(13,588)	(16,345)
Transactions with owners in their capacity as owners:					
Issue of performance rights from share-based payment reserve	6	234	(234)	-	-
Cost of share-based payment		-	76	-	76
At 30 September 2014		460,744	302,947	(32,180)	731,511
At 1 April 2015		461,213	310,054	(8,969)	762,298
Profit for the period		-	-	49,827	49,827
Other comprehensive income/(loss)		-	683	-	683
Total comprehensive income/(loss) for the period		-	683	49,827	50,510
Transactions with owners in their capacity as owners:					
Issue of performance rights from share-based payment reserve	6	-	-	-	-
Cost of share-based payment		-	43	-	43
At 30 September 2015		461,213	310,780	40,858	812,851

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the half-year ended 30 September 2015

	Note	6 months to 30 Sep 2015 $000	6 months to 30 Sep 2014 $000
Cash flows from operating activities			
Receipts from customers		260,786	147,112
Payments to suppliers, employees and others		(271,249)	(216,037)
Interest received		64	266
Net GST received from ATO		17,862	17,126
Net operating cash flows before interest and finance costs		7,463	(51,533)
Payment of interest and finance costs		(10,491)	(3,842)
Net cash outflow from operating activities	7	(3,028)	(55,375)
Cash flows from investing activities			
Payments for property, plant and equipment and other assets		(9,650)	(52,205)
Proceeds from sale of property, plant and equipment		-	197
Net cash flows outflow from investing activities		(9,650)	(52,008)
Cash flows from financing activities			
Proceeds from borrowings net of transactions costs		25,000	49,829
Repayment of borrowings		(10,000)	-
Net cash inflow from financing activities		15,000	49,829
Net increase/(decrease) in cash and cash equivalents		2,322	(57,554)
Cash and cash equivalents at the beginning of the period		12,285	69,194
Cash and cash equivalents at the end of the period		14,607	11,640

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Basis of preparation and accounting policies

(a) Corporate Information

Australian Agricultural Company Limited is a company limited by shares, incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Securities Exchange (ASX).

(b) Basis of preparation

This general purpose condensed financial report for the half-year ended 30 September 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the financial report for the year ended 31 March 2015 and considered together with any public announcements made by Australian Agricultural Company Limited during the half-year ended 30 September 2015 in accordance with the continuous disclosure obligations of the ASX listing rules.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires us to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. We continually evaluate our judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. We base our judgements and estimates on historical experience and on other various factors we believe are reasonable under the circumstances, the result 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 under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Management's approach to significant judgements, estimates and assumption is consistent with that applied for the 31 March 2015 consolidated financial report.

Biological Assets

Cattle fair value adjustments disclosed in the financial statements result from the valuation of the livestock herd in accordance with AASB 141 Agriculture which requires biological assets to be valued at fair value at all times prior to sale or harvest. Biological assets are measured at fair value less costs to sell, with any change recognised in the income statement. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. If an active or other effective market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. Where we have access to different markets then we use the most relevant one. The relevant one is defined as the market "that access is available to the entity" to be used at the time the fair value is established.

If an active market does not exist then we use one of the following, when available, in determining fair value:

- the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period; or
- market prices, in markets accessible to the entity, for similar assets with adjustments to reflect differences; or
- sector benchmarks.

In the event that market determined prices or values are not available for a biological asset in its present condition we may use the present value of the expected net cashflows from the asset discounted at a current market determined rate in determining fair value.

Derivative financial instruments and hedge accounting

We use derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge our foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

1. Basis of preparation and accounting policies (continued)

For the purpose of hedge accounting, hedges are classified as:

a) Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
b) Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, we formally designate and document the hedge relationship to which we wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how we will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. Segment reporting

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the nature of the product produced and the reporting structure within the Group. Discrete financial information for each of the operating segments is reported to the Managing Director on at least a monthly basis.

Reportable segments

Segment	Product type
Grassfed	The Grassfed segment largely sells cattle live and over the hook to domestic and overseas markets. The segment also sells cattle to the Northern Beef and Grainfed segments. The segment covers production on the Darwin, VRG, Barkly, Channel and Gulf properties.
Grainfed	The Grainfed segment's focus is on supplying premium grain finished beef to international customers. The segment consists of Central South Queensland properties, feedlots, farming operations supplying grain to the feedlots and the marketing arm of Branded Beef.
Northern Beef	Northern Beef processes and sells manufacturing and primal cut meat primarily to overseas customers. Northern Beef contains the Livingstone Beef facility along with selling and purchasing activities.

2. Segment reporting (continued)

Accounting policies and inter-segment transactions
The basis of preparation used by the Group in reporting segments is the same as that contained in the financial report for the year ended 31 March 2015.

The following table presents the revenue, profit and asset information regarding operating segments for the six months to 30 September 2015 and 30 September 2014. Segment liabilities are not reported to the Managing Director and therefore segment liabilities are not disclosed.

6 months to 30 Sep 2015	Grainfed $'000	Grassfed $'000	Nth. Beef $'000	Corporate $'000	Eliminat -ions $'000	Total $'000
Total segmental revenue	196,506	77,540	35,731	-	(51,570)	258,207
Inter-segmental revenue	-	(51,570)	-	-	51,570	-
Segmental revenue	196,506	25,970	35,731	-	-	258,207
Operating EBITDA	**2,672**	**16,866**	**1,263**	**(9,323)**	**-**	**11,478**
Reconciliation to net profit after tax:						
Operating EBITDA	**2,672**	**16,866**	**1,263**	**(9,323)**	**-**	**11,478**
Difference between the movement of inventory valued at standard as opposed to market[1]	41,667	39,336	(384)	-	-	80,619
Statutory EBITDA	**44,339**	**56,202**	**879**	**(9,323)**	**-**	**92,097**
Depreciation	(1,587)	(3,941)	(3,235)	(1,354)	-	(10,117)
Statutory EBIT	**42,752**	**52,261**	**(2,356)**	**(10,677)**	**-**	**81,980**
Net finance costs						(10,753)
Income tax benefit						(21,400)
Net profit after tax						**49,827**

6 months to 30 Sep 2014	Grainfed $'000	Grassfed $'000	Nth. Beef $'000	Corporate $'000	Eliminat -ions $'000	Total $'000
Total segmental revenue	127,132	40,157	-	-	(16,293)	150,996
Inter-segmental revenue	-	(16,293)	-	-	16,293	-
Segmental revenue	127,132	23,864	-	-	-	150,996
Operating EBITDA	**5,082**	**333**	**(3,029)**	**(10,576)**	**-**	**(8,190)**
Reconciliation to net loss after tax:						
Operating EBITDA	**5,082**	**333**	**(3,029)**	**(10,576)**	**-**	**(8,190)**
Difference between the movement of inventory valued at standard as opposed to market[1]	3,873	(215)	-	-	-	3,658
Statutory EBITDA	**8,955**	**118**	**(3,029)**	**(10,576)**	**-**	**(4,532)**
Depreciation	(1,846)	(3,799)	(18)	(792)	-	(6,455)
Statutory EBIT	**7,109**	**(3,681)**	**(3,047)**	**(11,368)**	**-**	**(10,987)**
Net finance costs						(8,378)
Income tax benefit						5,777
Net loss after tax						**(13,588)**
Total segment assets						
30 September 2015 [2]	306,356	835,500	116,935	43,681	-	1,302,472
31 March 2015 [2]	291,667	774,222	111,792	36,410	-	1,214,091

(1) Difference is calculated by replacing the movement of kilograms of cattle held within each vertical at market value by the standard cost as outlined in the definition of Operating EBITDA (refer page 6).

(2) The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

3. Property, plant and equipment

Acquisitions and disposals
During the six months ended 30 September 2015, the Group acquired assets with a cost of $10.0 million (six months to 30 September 2014: $49.3 million). The Livingstone Beef facility accounted for $2.5 million of acquisitions (six months to 30 September 2014: $32.0million). No property acquisitions were made during the period.

Assets with a net book value of $1.2 million were disposed of by the Group during the six months ended 30 September 2015 (six months to 30 September 2014: $0.2 million).No sales of property were made during the period.

During the six-month period ended 30 September 2015, the Directors reviewed the valuation of freehold land, pastoral leases, buildings and improvements recorded at 30 September 2015 and were of the opinion that there were no changes to the fair value of property disclosed in the financial statements at 31 March 2015 (six months to 30 September 2014: $nil).

4. Interest-bearing loans and borrowings

	30 Sep 2015 $000	**31 Mar 2015 $000**
Current		
Obligations under finance leases	4,060	4,538
	4,060	4,538
Non-current		
Obligations under finance leases	7,582	7,667
$400,000,000 bank loan facility	298,618	283,529
Convertible notes	74,596	73,706
	380,796	364,902

The carrying value of the interest-bearing loans and borrowing approximates their fair value.

$400 million bank loan facility - secured
On 12 March 2014 the Group entered into a club financing facility of $400 million that expires on 30 June 2018. This facility was amended in September 2015 and divided into 2 tranches, $250 million of term debt expiring on 30 June 2018 (Facility A) and $150 million of tenor debt with an 18 month term renewable every 6 months to 30 June 2018 (Facility B). It is intended that the loans will be renewed at maturity date. This facility is currently drawn down by $300 million (31 March 2015: $285 million) and is offset in the statement of financial position by a prepaid facility participation fee of $1.7 million (31 March 2015: $1.5 million).

Convertible notes
The company issued 160 subordinated convertible notes to an existing shareholder for $80 million on 16 October 2013. The notes are unsecured and subordinated to the Company’s senior bank debt. The notes expire on 30 September 2023 and the note holder may elect to cause redemption at the fifth anniversary of the issue date and annually thereafter. The coupon rate is the 6 month BBCW rate plus 0.15% subject to a floor of 3.0% per annum, payable semi-annually in arrears. The note holder is entitled to convert the notes into ordinary shares in the Company during the period 1 September 2014 until 15 days prior to maturity at $1.15 per AACo share, with no price payable conversion. The number of underlying ordinary shares per convertible note is 434,783, or 69,565,280 ordinary shares for the full convertible notes issue. The convertible notes are offset in the statement of financial position by the value of conversion at inception and prepaid fees of $5.4 million (31 March 2015: $6.3 million). No convertible notes were converted or redeemed to 30 September 2015 (31 March 2015: $nil).

Loan covenants
The Gearing Ratio financial covenant was replaced by a loan to value (LVR) test in September 2015. The LVR is set at different percentages for Facility A and Facility B and is measured against different asset classes for each facility.

Financing arrangements
$400 million bank loan and $3 million guarantee facility

	30 Sep 2015 $000	**31 Mar 2015 $000**
Total	403,000	403,000
Drawn-down	(301,454)	(286,604)
Unused	101,546	116,396

5. Derivative financial instruments

As at 30 September 2015	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Current Liabilities				
Forward currency contracts – at fair value through the income statement	-	367	-	367
Forward currency contracts – at fair value through other comprehensive income	-	2,441	-	2,441
Interest rate swap contracts	-	9,443	-	9,443
Embedded interest rate derivative in convertible note	-	2,195	-	2,195
	-	14,446	-	14,446

As at 31 March 2015	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Current Liabilities				
Forward currency contracts – at fair value through the income statement	-	110	-	110
Forward currency contracts – at fair value through other comprehensive income	-	2,380	-	2,380
Interest rate swap contracts	-	10,467	-	10,497
Embedded interest rate derivative in convertible note	-	2,562	-	2,562
	-	15,519	-	15,519

The following valuation techniques used to determine fair values:

Level 1: The fair value is calculated using quoted prices in active markets.
Level 2: The fair value is estimated using inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (as price) or indirectly (derived from prices).
Level 3: The fair value is estimated using inputs for the asset of liability that are not based on observable market data.

Forward currency exchange contracts
The Group fair values these contracts by comparing the contracted rate to the market rates for contracts with the same length of maturity. As these contracts are hedge accounted, the effectiveness is assessed in terms of the 80%-125% threshold prescribed by AASB139 with the effective portion of the movement accounted for in Other Comprehensive Income and the ineffective portion posted to profit or loss. Forward currency contracts have maturities between 0 to 12 months. These contracts are in US dollars. The total notional value of these contracts at 30 September 2015 was AUD $44.7 million (31 March 2015: AUD $71 million).

Interest rate swaps
The Group has entered into interest rate swaps which are economic hedges. The swaps have been designated as effective interest rate swaps and therefore satisfy the accounting standard requirements for hedge accounting. The net fair value profit on interest rate swaps during the six months to 30 September 2015 was $9.4 million (30 September 2014 was $5.5 million). The Group fair values these contracts by comparing the contracted rate to the future market rates for contracts with the same length of maturity.

As at 30 September 2015, the notional principal amounts and period of expiry of the interest rate swaps are as follows:

	30 Sep 2015 $000	31 Mar 2015 $000
0-1 years	-	-
1-3 years	200,000	200,000

6. Equity securities issued

	6 months to 30 Sep 2015 Number of shares	6 months to 30 Sep 2014 Number of shares	6 months to 30 Sep 2015 $000	6 months to 30 Sep 2014 $000
Issue of ordinary shares during the period				
Shares issued on exercise of performance rights	111,510	180,317	-	-
Transfer from share based payments reserve	-	-	-	234
	111,510	180,317	-	234

30 September 2015
On 30 April 2015 the Company issued 111,510 shares under the AACo performance rights plan for nil consideration.

30 September 2014
On 30 April 2014 and 26 May 2014 the Company issued 147,964 and 32,353 shares respectively under the AACo performance rights plan for nil consideration.

Dividends
No dividend was declared or paid during the six months to 30 September 2015 (twelve months to 31 March 2015: $nil).

7. Cash flow statement reconciliation

Reconciliation of net profit/(loss) after tax to net cash flows from operations

	6 months to 30 Sep 2015 $'000	6 months to 30 Sep 2014 $'000
Net profit/(loss) after income tax	49,827	(13,588)
Adjustments for:		
Depreciation and amortisation	10,117	6,455
Gain on sale of property, plant and equipment	-	(34)
Amortisation of borrowing costs	980	1,034
Accruals in relation to capital projects	-	(5,369)
Non-cash employee expense	43	76
Change in fair value derivatives through cashflow hedge reserve	683	2,757
(Increment)/decrement in net market value of livestock	(85,171)	(40,248)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(602)	(3,155)
(Increase)/decrease in inventories	(778)	(1,348)
(Increase)/decrease in prepayments and other assets	(539)	(158)
(Decrease)/increase in trade and other payables	1,355	(3,962)
(Decrease)/increase in derivatives	(1,073)	(5,209)
(Decrease)/increase in provisions	545	700
(Decrease)/increase in deferred tax liabilities	21,585	6,674
Net cash used in operating activities	(3,028)	(55,375)

8. Commitments

Capital commitments

At 30 September 2015 the group had a contractual commitment of $4,053,000 (31 March 2015: nil) for the purchase of Thorner Station, Queensland.

Other commitments

At 30 September 2015 the Group had $15,104,000 contractual obligations to purchase cattle (31 March 2015: $8,451,000). Forward purchase contracts for $9,711,105 worth of grain commodities were entered into at 30 September 2015 (31 March 2015: $16,598,000). These contracts are expected to be fulfilled and closed between October 2015 and October 2016.

9. Related party disclosures

On 16 October 2013, 160 subordinated BBSW plus 0.15% (subject to a 3% p.a. floor) convertible notes with a face value of $500,000 each were issued to AA Trust, which is ultimately controlled by Mr Joseph Lewis who is a shareholder through his controlled entity. The notes expire on 30 September 2023 and can be redeemed at the fifth anniversary of the issue date and annually thereafter. The note holder is entitled to convert the notes to ordinary shares from 1 September 2014 until 15 days prior to maturity at $1.15 per AACo share, with no price payable on conversion. The number of underlying ordinary shares per convertible note is 434,783 or 69,565,280 for the 160 convertible notes on issue. The convertible notes carry one vote per convertible note.

The interest paid during the 6 months to 30 September 2015 was $1,316,384 (30 September 2014: $1,323,616).

There were no other related party transactions entered during the period.

10. Events after the balance sheet date

A payment of $4.1m was made on 4 November 2015 upon settlement for the purchase of Thorner Station, Queensland.

There have been no other significant events after the balance date which require disclosure in the financial report.

Directors' declaration

In accordance with a resolution of the Directors of Australian Agricultural Company Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes of Australian Agricultural Company Limited are in accordance with the *Corporations Act 2001*, including:

   (i) Giving a true and fair view of the financial position as at 30 September 2015 and the performance for the half-year ended on that date;

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

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

D. McGauchie AO
Chairman

Brisbane
25 November 2015

Independent auditor's review report to the members of Australian Agricultural Company Limited

We have reviewed the accompanying half-year financial report of Australian Agricultural Company Limited, which comprises the consolidated statement of financial position as at 30 September 2015, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year 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 responsibilpity

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 Group's financial position as at 30 September 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Australian Agricultural Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

KPMG

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Agricultural Company Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 September 2015 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
25 November 2015

Company information

Company Secretary
Bruce Bennett

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Bankers
National Australia Bank
Portfolio Management and Origination
Institutional Banking
Level 20, 100 Creek Street
Brisbane QLD 4000

ANZ
Consumer and Agribusiness
Level 20, 111 Eagle Street
Brisbane QLD 4000

Rabobank
Darling Park Tower 3
Level 16, 201 Sussex Street
Sydney NSW 2000

Commonwealth Bank
Regional and Agribusiness Banking
Level 10, 240 Queen Street
Brisbane QLD 4000

Auditors
KPMG
Level 16
71 Eagle Street
Brisbane QLD 4000