

Appendix 4E

Preliminary Final Report

Name of Entity: **Australia New Agribusiness & Chemical Group Ltd**

ABN 74 142 976 065

1. Details of the reporting period

Current Period: 1 January - 31 December 2015

Previous Corresponding Period: 1 January - 31 December 2014

2. Results for announcement to the market

| | | | | | <u>\$'000</u> |
|--|------|------|----|--|---------------|
| Revenue from continuing operations | up | 613% | to | | 2,260 |
| Loss from ordinary activities after income tax attributable to members | down | 61% | to | | 5,769 |
| Net loss attributable to members | down | 52% | to | | 5,648 |

Explanation of revenue

Revenue from continuing operations mainly comprises of sales revenue of \$2,404,140 (2014: \$122,296) and interest revenue of \$224,876 (2014: \$107,744). The sales revenue of \$2.4 million was generated from its compound fertiliser business in 2015 (2014: \$122k).

Explanation of Net Loss after Tax

The Company incurred a loss of \$5,989,758 in 2015 from its continued operation, compared to a loss of \$14,874,601 from its continued operation in 2014.

The decreased loss in 2015 is mainly due a combination of the following factors:

- in 2014 the Group incurred a loss on disposal of two properties amounting to \$2,354,898;
- in 2014 a provision was raised for \$7,452,000 owed from the disposal the Group's 49% interest in U&D Mining Industry (Australia) Pty Ltd (U&D). This was one off impairment expense in 2014;
- in 2015 Australian Taxation Office granted the tax credit of \$2,226,785 arising from \$7,452,000 provision provided in 2014;
- in 2015 a loss of \$2,441,475 was incurred on reducing the Group's equity holding interests in its subsidiary, Australia Venus Phosphate Fertiliser Pty ('Venus'). Venus became the Group's associate after the transaction.

Dividend

No dividend for the year ended 31 December 2015 has been declared or paid to shareholders.

3. Consolidated Statement of Profit and Loss and Other Comprehensive Income For the Year Ended 31 December 2015

| | 12 Months Ended | |
|---|---------------------|---------------------|
| | 31 December 2015 | 31 December 2014 |
| | \$ | \$ |
| Revenue from continuing operations | 2,629,016 | 368,863 |
| Cost of sales | (3,023,648) | (306,786) |
| Gross (loss)/profit | (394,632) | 62,077 |
| Other income | - | 417,801 |
| Distribution expenses | (74,300) | (20,212) |
| Marketing expenses | (208,252) | (109,667) |
| Administration expenses | (3,563,316) | (3,567,642) |
| Occupancy expenses | (1,363,165) | (1,134,987) |
| Finance costs | (158,811) | (404,758) |
| Other expenses | (2,442,376) | (2,378,188) |
| Impairment of assets | - | (7,797,317) |
| Share of loss of associate accounted for using the equity method | (11,691) | - |
| Loss before income tax expense | (8,216,543) | (14,932,893) |
| Income tax benefit | 2,226,785 | 58,292 |
| Loss from continuing operations | (5,989,758) | (14,874,601) |
| Profit/(loss) from discontinued operations | 120,771 | (88,651) |
| Loss for the year | (5,868,987) | (14,963,252) |
| Total comprehensive loss for the year | (5,868,987) | (14,963,252) |
| Loss is attributable to | | |
| Owners of Australia New Agribusiness & Chemical Group Ltd | (5,648,465) | (14,963,252) |
| Non-controlling Interest | (220,522) | - |
| | (5,868,987) | (14,963,252) |
| Total comprehensive loss for the year is attributable to | | |
| Owners of Australia New Agribusiness & Chemical Group Ltd | (5,648,465) | (14,963,252) |
| Non-controlling Interest | (220,522) | - |
| | (5,868,987) | (14,963,252) |
| Loss from ordinary operations after income tax attributes to members | (5,868,987) | (14,963,252) |

3. Consolidated Statement of Profit and Loss and Other Comprehensive Income (continued)

For the Year Ended 31 December 2015

| | 12 Months Ended | |
|------------------------------------|---------------------|---------------------|
| | 31 December 2015 | 31 December 2014 |
| <i>Loss per share for the year</i> | Cents | Cents |
| <i>Overall operations</i> | | |
| Basic loss per share | (2.68) | (7.09) |
| Diluted loss per share | (2.68) | (7.09) |
| <i>Continuing operations</i> | | |
| Basic loss per share | (2.73) | (7.09) |
| Diluted loss per share | (2.73) | (7.09) |
| <i>Discontinued operations</i> | | |
| Basic earnings per share | 0.06 | - |
| Diluted earnings per share | 0.06 | - |

4. Consolidated Statement of Financial Position

As At 31 December 2015

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 526,176 | 1,043,095 |
| Short-term deposits with maturity over three months | 39,524 | 422,673 |
| Trade and other receivables | 702,601 | 1,991,247 |
| Inventories | 1,794,975 | 3,958,286 |
| Income tax credit | 2,224,675 | - |
| Other assets | 70,344 | 244,099 |
| Assets classified as held for sale | 2,984,964 | - |
| Total current assets | 8,343,259 | 7,659,400 |
| Non-current assets | | |
| Property, plant and equipment | 4,599,420 | 6,341,285 |
| Guarantee deposits | 1,511,561 | 1,407,969 |
| Other assets | 142,500 | 57,357 |
| Exploration and evaluation assets | - | 13,840,345 |
| Investments in associates accounted for using the equity method | 11,990,860 | - |
| Total non-current assets | 18,244,341 | 21,646,956 |
| Total assets | 26,587,600 | 29,306,356 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 5,263,622 | 2,206,821 |
| Borrowings | 7,254,508 | 5,008,599 |
| Current tax liabilities | - | 1,779,085 |
| Other liabilities | 37,400 | 32,652 |
| Liabilities directly associated with assets held for sale | 633,819 | - |
| Total current liabilities | 13,189,349 | 9,027,157 |
| Non-current liabilities | | |
| Borrowings | - | 62,926 |
| Non-current tax liabilities | - | 331,914 |
| Total non-current liabilities | - | 394,840 |
| Total liabilities | 13,189,349 | 9,421,997 |
| Net assets | 13,398,251 | 19,884,359 |

4. Consolidated Statement of Financial Position (continued)

As At 31 December 2015

| | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| | \$ | \$ |
| EQUITY | | |
| Contributed equity | 36,615,244 | 36,615,244 |
| Reserves | - | 1,840,000 |
| Accumulated losses | (23,216,993) | (18,730,885) |
| Capital and reserves attributable to owners of Australia New Agribusiness & Chemical Group Ltd | 13,398,251 | 19,724,359 |
| Non-controlling interest | - | 160,000 |
| Total equity | 13,398,251 | 19,884,359 |

5. Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2015

| | Attributable to owners of Australia New Agribusiness & Chemical Group Ltd | | | | | Non-controlling Interests | Total Entity |
|---|--|--|-------------------------|---|---------------------|----------------------------------|---------------------|
| | Contributed Equity | Retained Earnings/ (Accumulated losses) | Surplus Reserves | Foreign Currency Translation Reserve | Total Parent | | |
| CONSOLIDATED | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| At 1 January 2014 | 36,615,244 | (3,767,633) | - | - | 32,847,611 | - | 32,847,611 |
| Total comprehensive income for the year | | | | | | | |
| Loss for the year | - | (14,963,252) | - | - | (14,963,252) | - | (14,963,252) |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | (14,963,252) | - | - | (14,963,252) | - | (14,963,252) |
| Transactions with owners in their capacity as owners | - | - | 1,840,000 | - | 1,840,000 | 160,000 | 2,000,000 |
| At 31 December 2014 | 36,615,244 | 1,840,000 | (18,730,885) | - | 19,724,359 | 160,000 | 19,884,359 |

5. Consolidated Statement of Changes in Equity (continued)

For the Period Ended 31 December 2015

| | Attributable to owners of Australia New Agribusiness & Chemical Group Ltd | | | | | Non-controlling Interests | Total Entity |
|---|---|--|----------------|--------------------------------------|--------------|---------------------------|--------------|
| | Contributed Equity | Retained Earnings/ (Accumulated losses) | Other Reserves | Foreign Currency Translation Reserve | Total Parent | | |
| CONSOLIDATED | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| At 1 January 2015 | 36,615,244 | (18,730,885) | 1,840,000 | - | 19,724,359 | 160,000 | 19,884,359 |
| Total comprehensive income for the year | | | | | | | |
| Loss for the year | - | (5,648,465) | - | - | (5,648,465) | (220,522) | (5,868,987) |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive loss for the year | - | (5,648,465) | - | - | (5,648,465) | (220,522) | (5,868,987) |
| Transactions with non-controlling interests | - | - | (677,643) | - | (677,643) | 5,677,643 | 5,000,000 |
| Non-controlling interest in subsidiary disposed | - | 1,162,357 | (1,162,357) | - | - | (5,617,121) | (5,617,121) |
| Transactions with owners in their capacity as owners | - | 1,162,357 | (1,840,000) | - | (677,643) | 60,522 | (617,121) |
| At 31 December 2015 | 36,615,244 | (23,216,993) | - | - | 13,398,251 | - | 13,398,251 |

6. Consolidated Statement of Cash Flows

For the Period Ended 31 December 2015

| | 12 Months Ended | |
|--|---------------------|---------------------|
| | 31 December 2015 | 31 December 2014 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 6,319,062 | 3,012,808 |
| Payments to suppliers and employees | (9,741,585) | (8,737,093) |
| Interest received | 195,184 | 116,941 |
| Interest paid | (25,258) | (71,173) |
| Income tax paid | (2,108,889) | (1,324,343) |
| R&D tax incentive received | - | 48,903 |
| NET CASH USED IN OPERATING ACTIVITIES | (5,361,486) | (6,953,957) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant & equipment | (530,612) | (1,644,698) |
| Proceeds from sale of property, plant & equipment | 181 | 7,297,954 |
| Increase in term deposits with maturity over three months | 137,556 | (9,226,324) |
| Payments for exploration and evaluation assets | (3,550,633) | (44,099) |
| Loan (to)/repaid by third parties | (58,081) | 1,000,000 |
| NET CASH USED IN BY INVESTING ACTIVITIES | (4,001,589) | (2,617,167) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 9,902,050 | 73,790 |
| Repayment of borrowings | (2,700,000) | (180,813) |
| Payment of finance lease liabilities | (13,587) | - |
| Transactions with non-controlling interests | 6,330,000 | 670,000 |
| Loan from related parties | - | 250,000 |
| Loan repaid to related parties | (4,555,000) | - |
| Repayment of loan from related parties | - | (1,058,122) |
| Cash outflow on loss control of subsidiary | (1,196) | - |
| NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES | 8,962,267 | (245,145) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (400,808) | (9,816,269) |
| Cash and cash equivalents at beginning of the year | 1,043,095 | 10,859,364 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 642,287 | 1,043,095 |

7. Net tangible assets per ordinary share

| | Current Period | Previous corresponding period |
|---|----------------|-------------------------------|
| Net tangible asset backing per ordinary security (excluding minority interest)* | \$0.06 | \$0.09 |

8. Dividends

No dividend for the year ended 31 December 2015 has been declared or paid to shareholders.

9. Dividend/distribution reinvestment plan

No dividend/distribution reinvestment plan for the financial year ended 31 December 2015.

10. Details of controlled entities

| | |
|--|--|
| 10.1 Name of entity (or group of entities) over which control was gained | N/A |
| 10.2 Name of entity (or group of entities) over which control was lost | Australia Venus Resource Pty Ltd ('Venus') |
| 10.3 Date control was lost | 9 December 2015 |
| 10.4 The contribution of such entities to the reporting entity's profit from ordinary activities during the period | Loss of \$787,578 |
| The profit or loss of such entities during the whole of the previous corresponding period | Loss of \$1,282 |

11. Details of associates and joint venture entities

| | |
|---|--|
| 11.1 Name of the entity. | Australia Venus Phosphate Fertiliser Pty Ltd ('Venus') |
| 11.2 The date of the gain or loss of control. | Became an associate on 9 December 2015 |
| 11.3 Where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period. | Not material |

12. Accountings standards

AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Interpretations have been used in compiling the information in this Appendix 4E.

13. Auditing Status

This report is based on accounts which are in the process of being audited.

14. Other significant information

Refer to commentary on result below.

15. Audit disputes or qualifications

This report is based on accounts which are in the process of being audited.

16. Review of operations

In 2015 Venus became an associate of the Group to continue the phosphorus exploration project in North Queensland. In December 2015, all tenement rights have been applied to transfer from head office to Venus. It is expected the transfer process will be completed in March 2016. Venus has also completed a 30,000 tonne mining trial, and has obtained a permit for 600,000 tonnes of annual production.

Apollo Fertiliser has continued production during 2015 and has expanded on its line of fertilisers, in order to better cover a variety of agricultural products in a larger area. The company has taken on two more consultants in its sales team, in order to widen its customer base. The company's sales network now span from Rockhampton in Queensland to Armidale, NSW.

The product line has been well-received by the market, with a large volume of sales of its NuTrio™ Complete product, as well as its range of broadacre fertilisers. Changes made to the formula – such as materials used for binding agents – has greatly improved the product's performance.

Mercury Glass had a successful year in 2015, with a significant increase in sales and its scale of production. It achieved \$4.1 million in sales over the year. As part of the Group restructure, the Group has to dispose of its non-fertiliser subsidiaries before April 2016. Therefore, Mercury Glass was classified as asset held for sale in the financial statements.

The Group received \$5m loan from Kaizen Global Investment Ltd. The Group's 49% shareholdings in Venus was pledged as security for this borrowing.

17. Outlook and Prospects for 2016

2016 is an important year for New Agri Group. Our managerial team is well aware of the difficulties currently facing the company, and in order to recoup the losses in the past year, we will tackle the year ahead with a new strategy. We hope this will increase our profits and provide better returns for our shareholders.

Following interest from Baina Enterprises Pty Ltd, Apollo Fertiliser has entered into conditional share restructure agreement with the Company, which will open up more channels for the sale of fertiliser. In addition to the existing infrastructure, the Company intends to establish warehousing in North Queensland, as well as expand its product lines from its existing compound fertiliser to include traditional granular formulas and common blends. It is expected sales volume will increase in 2016 from its 2015 levels.

It is anticipated full production will begin for Venus by May of 2016. The sale of phosphate rock is expected to begin in the same period, with an estimated volume of 50,000 tonnes per month.

The Company is expect to see steady returns on its investments during 2016 and through to 2017.