# AUSTRALIAN NATURAL PROTEINS LIMITED

ACN 095 821 971

# 2016

## ANNUAL REPORT

# AUSTRALIAN NATURAL PROTEINS LIMITED (ACN 095 821 971)

## FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2016

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# AUSTRALIAN NATURAL PROTEINS LTD (ACN 095 821 971)

## CORPORATE DIRECTORY

At 30 June 2016

### Directors

| | |
|---|---|
| Paul Duckett | Executive Chairman |
| Ray Taylor | Non-Executive Director |
| Trevor Kelly | Non-Executive Director |
| Ping Huang | Non-Executive Director |

### Share registry

Board Room Pty Limited
Level 12
225 George Street
Sydney NSW 2000
Investor Enquiries:
Within Australia 1300 737 760
Outside Australia +61 2 9290 9600

### Secretary

Justyn Stedwell

### Auditor

PKF Melbourne Audit & Assurance
Level 12
440 Collins Street
Melbourne VIC 3000
Telephone: (03) 9679 2270
Facsimile: (03) 9679 2288

### Registered office and principal place of business

21 Wells Road
Mordialloc VIC 3195
Telephone: (03) 9653 7338
Facsimile: (03) 9653 9122

### Stock exchange listing

Australian Stock Exchange Ltd
(Home Branch- Melbourne)
ASX Code: AYB

### Website

www.anpdairies.com

### Bankers

Westpac Banking Corporation
203 Boundary Road
Braeside VIC 3195

# AUSTRALIAN NATURAL PROTEINS LTD (ACN 095 821 971)

## DIRECTORS' REPORT

For the year ended 30 June 2016

Your directors present their report, together with the financial statements of Australian Natural Proteins Limited for the year ended 30 June 2016.

### DIRECTORS

The directors at any time during or since the financial year are:

| | |
|---|---|
| Paul Duckett | Executive Chairman |
| Raymond Taylor | Non-Executive Director |
| Ping Huang | Non-Executive Director |
| Trevor Kelly | Non-Executive Director |

### PRINCIPAL ACTIVITIES

Since early 2015, the Company has focussed on capital raising and establishing an initial dairy hub of two dairy farms, growing to five farms by the end of 2016. Additionally, potential exists for an acquisition in Fiji.

### OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

Financial results for the 2016 year was a loss of $681,934.

#### *Operations*

Since early 2015, the Company has focused on capital raising and establishing an initial dairy hub of two dairy farms, growing to five farms by the end of 2016. Due Diligence on the farms has been completed and conditional contracts entered into, and the Board is currently working on funding options for the purchases. All farms have operated profitably over the past three years. With funding complete Directors see the farms continuing to operate in an efficient and profitable manner, with potential for significant expansion.

Lusona Capital have been mandated to act as funding advisor and facilitator. Currently they have identified several funding groups with an interest in supporting the dairy acquisition using a combination of debt and equity. Alternatively, the Board may consider a Bond proposal through an Australian broking firm. The Board will continue to explore both options.

The Board and Lusona are confident of success in the near future. The drop in Milk Prices resulting from recent Murray Goulburn announcements has had a slowing effect on funding completion, however this is expected to be finalised in October 2016. Directors can report that the falls announced by Murray Goulburn have had a minimal effect on the farms identified. Only one of the five farms supplies Murray Goulburn and, the Dairy companies supplied by the other farms have confirmed they will continue to purchase at higher prices.

The Board has continued its day to day activities and is currently seeking to lease up to two cropping farms to generate income and to service the dairy farms when the transaction is completed.

The Board is also conscious of maintaining the Company's working capital during this period.

#### *Sale of Interests in Envy Lamb Pty Ltd*

During 2016, the Company sold its shareholding in its subsidiary Envy Lamb Pty Ltd.

#### *Capital Raising*

Since March 2015, the Company carried out progressive capital raising by way of convertible loan note agreements. At a general meeting held on 13 July 2016, the Company received shareholder approval for the conversion of these notes into shares (and options where applicable). During the year, proceeds of loan notes and shares issued aggregated $945,134. Funds raised are being used for working capital purposes and to fund transaction costs associated with the proposed acquisition of a five farm dairy aggregation and the costs to consider the possible unsecured corporate bond offering.

The general terms of the Convertible Loan raising of up to $1M ratified by shareholders on 13 July 2016 are:

Loan notes are convertible into shares at a conversion price of $0.035 per share. For each share issued upon conversion, the noteholder will receive 1 free attaching option with an exercise price of $0.045 per option with an expiry date of 30 June 2017.

### *Going concern*

The financial information has been prepared on the "going concern" basis, which assumes the continuation of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The continuance of business activities will be dependent on further successful equity and debt funding.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Since the end of the 2015 financial year the Company has focused on a significant reform program to restructure the company and put together a portfolio of agricultural assets and business opportunities for acquisition.

### EVENTS SUBSEQUENT TO REPORTING DATE

As noted above, at a General Meeting of shareholders on 13 July 2016, the Company gained approval for the acquisition of two dairy farms located at 137 and 154 Hendersons Road Strathmerton, Victoria, and 89 Logie Brae Road Finley, New South Wales, for aggregate consideration totalling $13,550,000. The intended acquisition of those farms constitutes a significant change in the nature and scale of the Company's activities and, coupled with the related proposed capital raising (by way of issue of up to 600,000,000 shares at an issue price not less than $0.025 per share, also approved at the meeting) the Company has been required to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules, to be satisfied by the issue of a prospectus. Until the prospectus is complete and the Listing Rules are satisfied, trading in the Company's securities will remain suspended.

The acquisitions of the two 'Initial Dairy Farms' are intended to be funded predominantly by debt finance and, subject to the successful raising of those funds and fulfilling contract conditions to complete the acquisitions, the Company will then finalise its decision whether to proceed with the acquisition of three additional properties over which conditional sales contracts exist.

Should the Company be successful in raising the funding to finance the planned acquisitions, and proceed to acquire the portfolio of five farms, the aggregate consideration payable to the five vendors will be $33,300,000.

Also in July 2016, the Company entered into a binding Heads of Agreement with Asia Pacific Logistics Pty Limited to establish a fresh milk production and distribution venture in Fiji. A feasibility study is currently being planned and a transaction will only be undertaken once funding is confirmed.

### ENVIRONMENTAL ISSUES

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### DIVIDENDS

No dividends were paid during the year and the directors do not recommend the payment of a dividend.

### INFORMATION ON DIRECTORS

| **Paul Duckett** | **Executive Chairman** |
|---|---|
| Qualifications | Mr Duckett holds a BE |
| Interests in Shares and Options | Mr Duckett has a relevant interest in 34,591,480 ordinary shares in Australian Natural Proteins Limited |
| Special Responsibilities | Mr Duckett is a member of the Audit Committee, Nomination Committee and Remuneration Committee |
| Directorships held in other entities | Mr Duckett is currently Chairman of Soil Management Services Limited and Meridian Fertilisers Pty Ltd |
| **Raymond Taylor** | **Non- Executive Director** |
| Qualifications | Mr Taylor holds a BComm, MBA, FCPA. |
| Interests in Shares and Options | Mr Taylor has a relevant interest in 10,792,672 ordinary shares in Australian Natural Proteins Limited |
| Special Responsibilities | Mr Taylor is a member of the Audit Committee and Remuneration Committee |
| Directorships held | Soil Management Services Limited, Access Platform Systems Pty Ltd, Lifetime Environmental Pty Ltd and Cooee Foods Pty Ltd |

## AUSTRALIAN NATURAL PROTEINS LTD (ACN 095 821 971)

## DIRECTORS' REPORT

For the year ended 30 June 2016

### INFORMATION ON DIRECTORS (cont'd)

| **Trevor Kelly** | **Non- Executive Director** |
|---|---|
| Qualifications | Mr Kelly holds a Master of Professional Education and Training and tertiary qualifications in Electronic Engineering. |
| Interests in Shares and Options | Mr Kelly has a relevant interest in 10,205,387 ordinary shares in Australian Natural Proteins Limited. |
| Special Responsibilities | Mr Kelly is a member of the Audit Committee and Remuneration Committee |
| Directorships held | None others |
| **Ping Huang** | **Non- Executive Director** |
| Qualifications | Mr Huang holds a Bachelor of Engineering, Post Graduate training qualification (China), and Graduate Certificate of Business (International Business). |
| Interests in Shares and Options | Mr Huang has a relevant interest in 8,333,334 ordinary shares and 4,166,667 options (at an exercise price of $0.007 with an expiry date of 30 June 2017) in Australian Natural Proteins Limited. |
| Special Responsibilities | Mr Huang is a member of the Audit Committee and Remuneration Committee |
| Directorships held | None others |

Given the current size and complexity of the Company, the Board of Directors currently assumes the responsibilities normally delegated to the audit, risk, remuneration and nomination Committees.

### COMPANY SECRETARY

Mr Justyn Stedwell holds the position of company secretary.

Mr Stedwell is a professional Company Secretary with 8 years' experience acting as a Company Secretary of ASX listed companies. He has completed a Bachelor of Business and Commerce at Monash University, a Graduate Diploma of Accounting at Deakin University and a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia. He is currently the Company Secretary of several ASX listed companies.

### MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2016, including the number of meetings attended by each director were:

| Directors | Directors Meetings | |
|---|---|---|
| | Number held while a director | Number Attended |
| Paul Duckett | 10 | 10 |
| Raymond Taylor | 10 | 10 |
| Trevor Kelly | 10 | 10 |
| Ping Huang | 10 | 10 |

The Audit, Nomination and Remuneration Committees did not meet separately during the year.

### SHARES UNDER OPTION

| Date | Option Movements | Options issued | Exercise Price |
|---|---|---|---|
| 16/11/2015 | Tranche 1 Note Conversion | 24,195,333 | $0.007 |
| 15/04/2016 | Option Exercise | 18,362,000 | $0.007 |
| | **$0.007 Options on issue at 30 June 2016** | **5,833,333** | |
| | | | |
| 29/06/2016 | Loan Note to option conversion | 10,000,000 | $0.045 |
| | **$0.045 Options on issue at 30 June 2016** | **10,000,000** | |
| | **The following options were issued subsequent to the year end:** | | |
| 1/08/2016 | Loan Note to share conversion | 9,757,140 | $0.045 |
| 1/08/2016 | Issued as consideration for Directors fees payable | 6,171,428 | $0.045 |
| | **Total Options on issue at 1/8/16** | | |
| | **$0.007 Options** | **5,833,333** | |
| | **$0.045 Options** | **25,928,568** | |

### INDEMNIFYING OFFICERS

During the financial year, the company paid an insurance premium in respect of an insurance policy insuring the directors, the company secretary and all executive officers of the Company against a liability incurred as a consequence of holding that office in the company to the extent permitted by the Corporations Act 2001. The total amount of premium was $24,250 for all directors and officers for the 2016 year.

### PROCEEDINGS ON BEHALF OF COMPANY

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 273 of the Corporations Act 2001.

### NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to statutory audit duties where the auditor's expertise and experience with the Company are important.

During the year, no amount has been paid to the auditors for any non-audit services.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act set out in page 9.

### REMUNERATION REPORT (audited)

This report is intended to detail the nature and amount of remuneration for each director of Australian Natural Proteins Limited and for any executive occupying a key management personnel role.

The following Directors Fees have been provided for during the year ended 30 June 2016. At the General Meeting of the Company on 13 July 2016, Shareholders have approved the fees and that in lieu of payment the Directors receive shares (at a deemed issue price of $0.035 per share) and options (at a deemed issue price of $nil) as per the table below:

| | | Value of remuneration | Shares in lieu | Options in lieu |
|---|---|---|---|---|
| Paul Duckett | Executive Chairman | $150,000 | 4,285,714 | 4,285,714 |
| Ray Taylor | Non-Executive Director | $ 33,000 | 942,857 | 942,857 |
| Trevor Kelly | Non-Executive Director | $ 33,000 | 942,857 | 942,857 |

**REMUNERATION REPORT (audited) (cont'd)**

The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives providing a fixed remuneration component and, should it be appropriate, specific long-term incentives based on key performance areas affecting the group's financial results. The board of Australian Natural Proteins Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration.
B. Details of remuneration
C. Service agreements
D. Share- based compensation
E. Key management personnel equity and converting loan note holdings

The information provided includes remuneration disclosures that are required by Section 300A (1) of the Corporations Act 2001.

## A Principles used to determine the nature and amount of remuneration

The board assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. In accordance with the best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct. For the year ended 30 June 2016 the Company did not engage remuneration consultants.

### *Non- Executive Directors*

The board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board.

The constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The maximum currently stands at $200,000 per annum.

There is no direct link between remuneration paid to any non-executive directors and corporate performance. There are no termination or retirement benefits for non-executive directors other than statutory superannuation.

### *Short- term incentives*

No bonus payments were made for the year ended 30 June 2016.

### *Long- term incentives*

Long term incentives are designed to reward executive directors, officers and senior management for their role in achieving corporate objectives. These incentives are provided as options issued under the terms and conditions determined at the time of issue by the board.
No such incentives are currently payable.

### *Other remuneration*

There is no other performance- linked remuneration.

## B Details of remuneration

### *Directors*

The following persons were directors of Australian Natural Proteins Limited (and were the only key management personnel) during the financial year.

- Paul Duckett (Executive Chairman)
- Raymond Taylor (Non-Executive Director)
- Trevor Kelly (Non-Executive Director)
- Ping Huang (Non-Executive Director)

Directors Fees were approved at a General Meeting of shareholders on 13 July 2016, the following has been accrued and outstanding at 30 June 2016:

**B Details of remuneration (cont'd)**

| 2016 | Short- term benefits | | | Post- employment | Share- based payment | Total |
|---|---|---|---|---|---|---|
| | Directors' fees $ | Salary and wages $ | Consultancy fee $ | Super contributions $ | Shares $ | $ |
| **Non- Executive Directors** | | | | | | |
| Paul Duckett | 150,000 | | | | | 150,000 |
| Raymond Taylor | 33,000 | | | | | 33,000 |
| Trevor Kelly | 33,000 | | | | | 33,000 |
| Ping Huang | - | | | | | - |
| **Total** | 216,000 | - | - | - | - | 216,000 |

The remuneration of the directors is fixed. There is not a component linked to performance.

| 2015 | Short- term benefits | | | Post- employment | Share- based payment | Total |
|---|---|---|---|---|---|---|
| | Directors' fees $ | Salary and wages $ | Consultancy fee $ | Super contributions $ | Shares $ | $ |
| **Non- Executive Directors** | | | | | | |
| Paul Duckett | 10,000 | | | | | 10,000 |
| Raymond Taylor | - | | | | | - |
| Trevor Kelly | 10,000 | | | | | 10,000 |
| Ping Huang | - | | | | | - |
| Total | 20,000 | - | - | - | | 20,000 |

## C Service Agreements

Currently there is no service agreement with any of the non-executive Directors.

Company Secretarial work is currently performed on a month by month basis with no formal agreement in place. It is expected a formal agreement will be signed on completion of any proposed capital raising. There are no other service contracts in place at the date of this report.

## D Share- based compensation

### Shares

Other than as noted in Section B above there was no Share-based compensation paid during the financial year.

### Options

With the approval of Shareholders at the General Meeting of the Company on 13 July 2016, there were an equal number of options and shares issued to each of the recipient directors, in lieu of the payment of directors' fees. Accordingly, the following options, having an exercise price of $0.045 per option and an expiry date of 30 June 2017, were issued after the reporting date:

| 2016 (number of options) | Balance 13 July 2016 |
|---|---|
| Paul Duckett | 4,285,714 |
| Raymond Taylor | 942,857 |
| Trevor Kelly | 942,857 |

### E Key management personnel equity and converting loan note holdings

| 2016 (number of shares) | Balance 1 July 2015 | Balance 30 June 2016 |
|---|---|---|
| Paul Duckett | 12,787,894 | 34,591,480 |
| Raymond Taylor | 9,994,038 | 10,792,672 |
| Trevor Kelly | 238,719 | 10,205,387 |
| Ping Huang | - | 8,333,334 |

| 2016 (number of converting loan notes) | Balance 1 July 2015 | Balance 30 June 2016 |
|---|---|---|
| Paul Duckett | 42,000 | 17,000 (1) |
| Raymond Taylor | 65,949 | - |
| Trevor Kelly | 47,300 | - |
| Ping Huang | 50,000 | |

(1) At 30 June 2016, the converting loan notes have the following characteristics:
Subject to Shareholder Approval (if applicable) by the Approval Date being no more than 1 year, for each $1 Note the Company will issue 28.571 fully paid ordinary shares (equivalent to an issue price of $0.035 per share) together with 28.571 options. Such options, at the discretion of the holder, are to be converted to fully paid shares at $0.045 per option. These options expire on 30 June 2017.

This Directors Report, incorporating the remuneration report is signed in accordance with a resolution of the directors.

**Paul Duckett**
Chair of Directors

Dated 23 September 2016

**Auditor's Independence Declaration to the Directors of Australian Natural Proteins Limited**

In relation to our audit of the financial report of Australian Natural Proteins Limited for the financial year ended 30 June 2016 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

**PKF Melbourne Audit & Assurance**

**Steven Bradby**

**Partner**

Melbourne, 23 September 2016

PKF Melbourne
Audit & Assurance
ABN 15 503 135 070

Liability limited by a scheme approved under Professional Standards Legislation

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f +61 3 9679 2288

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for Year Ended 30 June 2016

| | *Note* | *2016* *$* | *2015* *$* |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | 3(a) | **2,825** | **68** |
| Financing expenses | | (17,433) | (5,593) |
| Employee benefits expense | | (20,883) | (40,484) |
| Consultant & contractor expenses | | (312,448) | (132,444) |
| Depreciation of plant & equipment | | (14,920) | (15,058) |
| Directors' fees | 3(b) | (216,000) | - |
| Other expenses | 3(b) | (103,075) | (130,760) |
| Loss on disposal of plant & equipment | | - | (6,400) |
| **Total expenses** | | **(684,759)** | **(330,739)** |
| **Loss from operating activities** | | **(681,934)** | **(330,671)** |
| **DISCONTINUED OPERATIONS** | | | |
| Revenue | | - | - |
| Employee benefits expense | | - | (1,682) |
| Other expenses | | - | (2,202) |
| Loan write off due to impairment | 3(c) | - | (2,526,311) |
| **Total expenses** | | - | **(2,530,195)** |
| **Loss from discontinued operations** | | - | **(2,530,195)** |
| **LOSS BEFORE INCOME TAX** | | **(681,934)** | **(2,860,866)** |
| Income tax expense | 4 | - | - |
| **Loss for the year** | | **(681,934)** | **(2,860,866)** |
| Other comprehensive income | | - | - |
| **Total comprehensive income (loss) for the year** | | **(681,934)** | **(2,860,866)** |
| **Earnings per share** | | | |
| Basic earnings per share (cents) | 15 | **(0.28)** | **(1.89)** |
| Diluted earnings per share (cents) | 15 | **(0.28)** | **(1.89)** |

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position
## As at 30 June 2016

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 535,916 | 175,341 |
| **Total Current Assets** | | 535,916 | 177,507 |
| | | | |
| **Non-current Assets** | | | |
| Property, plant and equipment | 6 | 29,756 | 44,676 |
| Property acquisition costs in advance | 2(p) | 69,672 | - |
| **Total Non-current Assets** | | **99,428** | **44,676** |
| **TOTAL ASSETS** | | **635,344** | **222,183** |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 255,547 | 93,309 |
| Borrowings | 7 | 263,792 | 726,468 |
| **Total Current Liabilities** | | **519,339** | **819,777** |
| **TOTAL LIABILITIES** | | **519,339** | **819,777** |
| **NET ASSETS** | | **116,005** | **(597,594)** |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 8 | **19,296,794** | **17,901,261** |
| Accumulated losses | 8 | **(19,180,789)** | **(18,498,855)** |
| **TOTAL EQUITY** | | **116,005** | **(597,594)** |

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

## Consolidated Statement of Changes in Equity for the Year Ended 30 June 2016

| | *Issued capital* | *Accumulated losses* | *Total* |
|---|---|---|---|
| | $ | $ | $ |
| **At 30 June 2014** | 17,901,261 | (15,637,989) | 2,263,272 |
| Net loss for period | - | (2,860,866) | (2,860,866) |
| **At 30 June 2015** | **17,901,261** | **(18,498,855)** | **(597,594)** |
| **At 1 July 2015** | 17,901,261 | (18,498,855) | (597,594) |
| Shares issued during the period | 1,395,533 | - | 1,395,533 |
| Net loss for period | - | (681,934) | (681,934) |
| **At 30 June 2016** | **19,296,794** | **(19,180,789)** | **116,005** |

## Consolidated Statement of Cash Flows for the Year Ended 30 June 2016

| | | *2016* | *2015* |
|---|---|---|---|
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Receipts from customers and others | | 2,500 | - |
| Payments to suppliers, employees and others | | (488,002) | (462,127) |
| Interest received | | 325 | 63 |
| Interest paid | | (17,433) | - |
| **Net cash flows from operating activities** | 5 | **(502,610)** | **(462,064)** |
| **Cash flows from investing activities** | | | |
| Property acquisition costs advanced | | (69,672) | - |
| Proceeds from sale of property, plant and equipment | | - | 27,300 |
| **Net cash flows used in investing activities** | | **(69,672)** | **27,300** |
| **Cash flows from financing activities** | | | |
| Net proceeds of converting note loans and share issues | | 945,134 | 626,577 |
| Payment of hire purchase obligations | | (12,277) | (32,674) |
| **Net cash flows from financing activities** | | **932,857** | **593,903** |
| Net increase in cash and cash equivalents | | 360,575 | 159,139 |
| Cash at beginning of financial period | | 175,341 | 16,202 |
| **Cash and cash equivalents at end of period** | 5 | **535,916** | **175,341** |

The Statements of Changes in Equity and Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements for Year Ended 30 June 2016

## 1 CORPORATE INFORMATION

The financial report includes the financial statements and notes of Australian Natural Proteins Limited. The financial report was authorised for issue in accordance with a resolution of the directors on 21 September 2016.

Australian Natural Proteins Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange. As at the date of this report the Company is suspended from Trading.

The nature of the operations and principal activities of the Group are described in the directors' report.

The registered office of Australian Natural Proteins Limited is located at 21 Wells Road, Mordialloc, Victoria 3185

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and on the basis of historical cost. All amounts are presented in Australian dollars.

### (b) Going Concern

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group reported an operating loss of $687,934, with revenue of $2,825 and expenses on operations of $690,759 (including Directors Fees of $216,000) for the year ended 30 June 2016, and as at that date had net current assets of $16,577 and net equity of $116,005.

Since its appointment in February 2015, the Board has focused on a significant reform program to restructure the Group. The Directors' emphasis has been to raise sufficient converting loan notes to satisfy short term liquidity requirements, and to explore avenues to acquire a portfolio of agricultural business opportunities. The Company raised $945,134 from the proceeds of converting note loans and share issues during the year ended 30 June 2016.

The continuance of business activities will be dependent on further successful fund raising and bond or debt funding.

The Directors have prepared a cash flow forecast for the year subsequent to the date of approval of this financial report, and based on current cash resources together with the anticipated cash flows over that period, the Group will have sufficient cash resources to continue to pay its debts as and when they fall due.

In consideration of the above matters, the Directors have determined that it is reasonably foreseeable that the Group and the Company will continue as going concerns and that it is appropriate that the going concern method of accounting be adopted in the preparation of the financial statements. In the event that the Group and the Company are unable to continue as going concerns (due to an inability to raise future funding requirements), they may be required to realise their assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

The financial statements do not include adjustments relating to the recoverability and classification of asset amounts or to the amounts and classification of liabilities that might be necessary if the Group and the Company were not to continue as going concerns.

### (c) New/Amended Accounting Standards and Interpretations

**(i) Changes in accounting policy and disclosures**

The accounting policies adopted are consistent with those of the previous financial year other than as noted below.

**(ii) New accounting standards for application in future periods**

The following Standards and Interpretations issued or amended are applicable to the Group but are not yet effective and have not been adopted in preparation of the financial statements at the reporting date. The Group's assessment of the impact of these new standards and interpretations is set out below.

*AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces AASB 11 Construction Contracts, AASB 18 Revenue and related Interpretations.

AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This and related standards apply to the Group from 1 July 2018, with early application permitted. It is not anticipated that the Group will apply the standard until the year commencing 1 July 2018. However, its impact will be determined in advance of the year ending 30 June 2017.

*AASB 9 Financial Instruments*

AASB 9 is the final version of a new principal standard that consolidates requirements for the classification and measurement of financial assets and liabilities, hedge accounting and impairment of financial assets. AASB 9 replaces AASB 139 and supersedes all previously issued and amended versions of AASB 9 and applies to the Group from 1 July 2018, with early adoption permitted. It is not anticipated that the Group will apply the standard until the year commencing 1 July 2018. However, its impact will be determined in advance of the year ending 30 June 2017.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) New/Amended Accounting Standards and Interpretations (continued)**

*AASB 16 Leases*

AASB 16 replaces the current guidance in AASB 117 Leases, and will apply to the Group from 1 July 2019. Earlier adoption is permitted, but that cannot be prior to the adoption of AASB 15. The impact of the standard will be determined in advance of the year ending 31 July 2018.
The new standard significantly changes accounting for lessees requiring recognition of all leases, subject to certain exemptions, on the balance sheet, including those currently accounted for as operating leases. A lessee will recognise liabilities reflecting future lease payments and 'right-of-use assets', initially measured at the present value of unavoidable lease payments. Depreciation of leased assets and interest on lease liabilities will be recognised over the lease term.

**(d) Principles of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.
As at the reporting date the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Group during the year, their respective operating results have been included (excluded) from the date control was obtained (ceased).

During the year the Company disposed of its investment in Envy Lamb Ptd Ltd, its only remaining subsidiary.

All inter-group balances and transactions between entities in the Group, including unrealised profits and losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Company.

Investments in subsidiaries are accounted at cost in the individual financial statements of the Company, less any impairment charges.

**(e) Operating segments**

The Company identifies its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the Company's chief operating decision makers) in assessing performance and in determining the allocation of resources.
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

Segment results that are reported for the purpose of management's decisions include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate office assets, head office expenses, and any income tax related balances.

**(f) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position and for the purpose of the statement of cash flows comprise cash at bank and in hand and short-term deposits with an original maturity of two months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as definded above.

**(g) Financial instruments**

*Recognition*

Financial instruments, incorporating financial assets and financial liabilities, are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Receivables are recognised and carried at original invoice amount less provision for any uncollectible debts. An estimate for impaired receivables is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

*Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.
Trade and other payables represent liabilities for goods and services received prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Liabilities for trade and other creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not invoiced.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

*Fair value*

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Unless otherwise disclosed in the notes to the financial statements, the carrying amount of the Company's financial instruments approximates their fair values.

## Notes to the Financial Statements (continued)
## for Year Ended 30 June 2016

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Financial instruments (continued)**

*Impairment*

At each reporting date the Company assesses whether there is objective evidence that any financial asset is impaired. A deemed impairment arises if objective evidence exists of one or more events occurring since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

**(h) Property, plant and equipment**

***Basis of measurement of carrying amount***

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

Asset carrying amounts are reviewed annually by the directors to ensure they are not in excess of the recoverable amount from these assets.

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

***Depreciation***

Items of plant and equipment are depreciated on a straight-line basis using rates reflecting the useful life of the asset to the company, commencing from the time the asset is held ready for use.

The estimated useful life of assets in the plant and equipment class of depreciable asset is: 3 - 7 years.

***Impairment***

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the greater of fair value less costs to sell and value in use.

***Derecognition***

An asset is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the period the asset is derecognised.

**(i) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

*Company as a lessee*

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

**(j) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(k) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax from the proceeds.

**(l) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

**(m) Income tax**

Income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable tax rate, adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are attributable to the temporary differences between the carrying amount of an asset or liability in the financial statements, and its tax base. Temporary differences are either assessable or deductible differences, which respectively increase or decrease income tax payable in the future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses at the tax rates expected to apply when the assets are recovered or liabilities settled, and only if it is probable that future taxable income will be available to utilise those temporary differences and losses.

# Notes to the Financial Statements (continued) for Year Ended 30 June 2016

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(o) *Earnings per share***

***Basic earnings per share***

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

***Diluted earnings per share***

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

**(p) *Significant accounting judgements, estimates and assumptions***

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas that involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes of the particular accounts separately.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that may a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the judgements applied are as follows.

***Property acquisition costs in advance***

Further to gaining shareholders' approval at a meeting on 13 July 2016, the directors are proceeding with plans to acquire five dairy farms in the areas of Cobram in Victoria and Finley in NSW. In respect of one of those properties certain transaction related stamp duty has been settled by the Company, consequent to the obligation arising upon execution of the contract of sale in accordance with the jurisdiction's regulations. On the assumption that the restructuring events will result in acquisition of the property, the costs paid in advance are regarded as being of future economic benefit, having the potential to contribute, indirectly, to the flow of cash to the Company.

***Going concern***

The judgement and related assumptions of higher current significance relate to the preparation of the financial report on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of the Group's liabilities in the ordinary course of business. In forming the view that the financial report be prepared on a going concern basis the directors have considered all matters noted in paragraph (b) of this summary of significant accounting policies.

| | *2016* *$* | *2015* *$* |
|---|---|---|
| **3 REVENUES AND EXPENSES** | | |
| **3 (a) Revenue from operating activities** | | |
| Fees for advisory services | 2,500 | - |
| Interest income | 325 | 68 |
| | 2,825 | 68 |
| **3 (b) Expenses on continuing operations includes:** | | |
| Directors' fees, settled subsequent to the year-end by way of share based payments approved at the general meeting of 13 July 2016 | 216,000 | - |
| Remuneration of the auditor of the Company forcauditing or reviewing the financial report (no other services were provided by the auditor) | 30,555 | 26,500 |
| **3 (c) Expenses on discontinued operations** | | |
| Loan write off due to impairment (i) | - | 2,526,311 |

(i) As of 11 June 2014, the date on which Agline Pastoral Pty Ltd was placed in receivership, it was deconsolidated from the Group. Subsequent to the disposal by the recdiver of Agline Pastoral's assets, the Directors assessed that no part of the loan advances previously provided to Agline Pastoral would be recoverable. Consequently, loan amounts totalling $2,526,311 were fully written off during the year ended 30 June 2015.

On 28 April 2016, the Company disposed of its investment in Envy Lamb Pty Ltd for proceeds of $100. The Directors had previously assessed that no part of the loan advanced to Envy Lamb Pty Ltd would be recoverable. Consequently, the de-consolidation did not have any effect on the statement of profit or loss.

## Notes to the Financial Statements (continued)
## for Year Ended 30 June 2016

| | | 2016 $ | 2015 $ |
|---|---|---|---|
| 4 | **INCOME TAX** | | |
| | A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year is as follows: | | |
| | Accounting (loss) before tax from continuing operations | (681,934) | (330,671) |
| | Accounting (loss) before tax from discontinued operations | - | (2,530,195) |
| | | (681,934) | (2,860,866) |
| | At the statutory income tax rate of 30% | (204,580) | (858,260) |
| | Non-deductible capital losses | - | 759,059 |
| | Effect of non-recognition of losses incurred | 204,580 | 99,201 |
| | Income tax expense reported in statement of profit or loss | - | - |
| | The total value of tax losses unrecognised at 30 June 2016 is estimated to be $565,000. | | |
| 5 | **CASH AND CASH EQUIVALENTS** | | |
| | Cash at banks (i) | 535,916 | 175,341 |
| | (i) Cash earns interest at floating rates based on daily bank deposit rates. | | |
| | **Reconciliation of net loss after tax to net cash flows from operations** | | |
| | Net loss | (681,934) | (2,860,866) |
| | *Adjustments for:* | | |
| | Result on sale of fixed assets | - | 6,400 |
| | Depreciation and amortisation | 14,920 | 15,058 |
| | (Increase)/decrease in trade and other receivables | 2,166 | - |
| | (Decrease)/increase in trade and other payables | 162,238 | 2,495,955 |
| | (Decrease)/increase in employee entitlement provisions | - | (118,611) |
| | Net cash from operating activities | (502,610) | (462,064) |
| 6 | **PROPERTY, PLANT AND EQUIPMENT** | | |
| | **Plant and equipment** | | |
| | Cost | 84,147 | 84,147 |
| | Accumulated depreciation and impairment | (54,391) | (39,471) |
| | | 29,756 | 44,676 |
| | Movement in carrying amounts of plant and equipment between the beginning and the end of the financial year: | | |
| | Balance at 1 July | 44,676 | 90,900 |
| | Disposals & writedowns | - | (31,166) |
| | Depreciation expense | (14,920) | (15,058) |
| | Balance at 30 June | 29,756 | 44,676 |
| 7 | **LOANS AND BORROWINGS** | | |
| | Interest bearing obligations under hire purchase contracts (i) | 49,992 | 62,269 |
| | Converting loan notes (ii) (v) | - | 516,999 |
| | Share subscription loan (iii) (v) | 213,800 | 10,000 |
| | Other loans (iv) | - | 137,200 |
| | | 263,792 | 726,468 |
| | **Terms and conditions:** | | |
| | (i) Assets financed under hire purchase contracts are the security thereon. Hire purchase obligations have a remaining contracted term of approximately 2 years, though the total liability has been classified as current. Interest is charged at a weighted average effective rate of approximately 8%. | 49,992 | 62,269 |
| | (ii) Converting Loan Note Agreements provide the lenders of funds to the Company the following: | | |
| | *Tranche 1 Loan Notes* | | |
| | Subject to Shareholder Approval (if applicable) by the Approval Date being no more than 1 year, for each $1 Note the Company will issue 166.7 fully paid ordinary shares (equivalent to an issue price of $0.006 per share) together with 166.7 options. Such options, at the discretion of the holder, are to be converted to fully paid shares at $0.007 per option. These options expire on 30 June 2017. | - | 145,172 |
| | *Tranche 2 Loan Notes* | | |
| | Subject to Shareholder Approval (if applicable) by the Approval Date being no more than 1 year, for each $1 Note the Company will issue 166.7 fully paid ordinary shares (equivalent to an issue price of $0.006 per share). No free options are attached. | - | 371,827 |
| | | - | 516,999 |

## Notes to the Financial Statements (continued)
## for Year Ended 30 June 2016

| | | 2016 $ | 2015 $ |
|---|---|---|---|
| 7 | **LOANS AND BORROWINGS (continued)** | | |
| | (iii) Share subscription loan | | |
| | Subscription received for shares to be issued at $0.035 per share | 213,800 | 10,000 |
| | (iv) Other loans | | |
| | Payable to Mercer Capital Pty Ltd, a related entity of the former director of the Company, Emily D'Cruz. The loan was settled during the year for the face value, plus interest of $12,800, using the proceeds of the issue of 7,500,000 shares at an issue price of $0.02 per share. | - | 137,200 |
| | (v) For further information on director-related loans refer to Note 13. | | |
| 8 | **CONTRIBUTED EQUITY AND RESERVES** | | |
| | ***Ordinary shares*** | | |
| | Fully paid ordinary shares carry one vote per share and carry the right to dividends. | 19,296,794 | 17,901,261 |
| | ***Accumulated losses*** | | |
| | Balance at the beginning of the financial year | (18,498,855) | (15,637,989) |
| | Net loss after income tax for the financial year | (681,934) | (2,860,866) |
| | Balance at the end of the financial year | (19,180,789) | (18,498,855) |

***Capital Management***

Under current circumstances, when managing capital, the Directors' objective is to ensure the entity continues as a going concern. The current circumstances regarding going concern are described in Note 2(b).

| ***Movement in Share Capital*** | | | No. of shares | $ |
|---|---|---|---|---|
| **As at:** | 1 July 2014 and 2015 | *Opening balance* | 151,836,687 | 17,901,261 |
| | September and December 2015 | *Private placement at $0.006 per share* | 27,500,001 | 165,000 |
| | November 2015 | *Loan note conversions at $0.006 per share* | 100,333,166 | 601,999 |
| | April 2016 | *Exercise of options at $0.007 per share* | 18,362,000 | 128,534 |
| | April 2016 | *Placement issued at $0.02 per share* | 7,500,000 | 150,000 |
| | June 2016 | *Loan note conversions at $0.035 per share* | 10,000,000 | 350,000 |
| | 30 June 2016 | *Closing Balance* | 315,531,854 | 19,296,794 |

### 9 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

During the reporting period the Company's principal financial instruments comprised cash and equivalents, hire purchase finance contracts, and borrowings. The main purpose of these financial instruments was to provide finance for the Company's curtailed operations. The Company has various other financial assets and liabilities such as sundry receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period, the Company's policy that no trading in financial instruments shall be undertaken. The overall risk management program focused on minimising potential adverse effects on the financial performance of the Company. Current circumstances regarding going concern are described in Note 2(b).

The Company's most significant financial risk exposure is liquidity risk which has been monitored through the development of cash flow forecasts.

The Directors will perform financial risk management under policies approved by them, against the objective of supporting the delivery of the Company's financial targets whilst protecting future financial security.

# Notes to the Financial Statements (continued)
# for Year Ended 30 June 2016

## 10 OPERATING SEGMENTS

Prior to the 2014 deconsolidation of Agline Pastoral Pty Ltd, the prime focus of the Group was the fattening of lambs for both Australia and overseas markets (the Meat Marketing segment), along with secondary income from sale of wool and various soft commodity crops including rice, wheat, canola, barley (the Pastoral segment). All operations are located in Australia.

The information in the tables below relates to each of the operating segments, and unallocated amounts typically associated with the operations of the parent entity together with the group's taxation outcomes.

| 2016 | Pastoral (Discontinued) $ | Meat Marketing (Discontinued) $ | Unallocated $ | Total $ |
|---|---|---|---|---|
| Revenue | - | - | 2,825 | 2,825 |
| Share based payments | - | - | (216,000) | (216,000) |
| Depreciation | - | - | (14,920) | (14,920) |
| Interest expense | - | - | (17,433) | (17,433) |
| Segment result before and after tax | - | - | (681,934) | (681,934) |
| Segment assets | - | - | 635,344 | 635,344 |
| Segment liabilities | - | - | 519,339 | 519,339 |
| Cash flow information - net cash flows from / (used in): | | | | |
| Operating activities | - | - | (502,610) | (502,610) |
| Investing activities | - | - | (69,672) | (69,672) |
| Financing activities | - | - | 932,857 | 932,857 |

| 2015 | Pastoral (Discontinued) $ | Meat Marketing (Discontinued) $ | Unallocated $ | Total $ |
|---|---|---|---|---|
| Revenue | - | - | 68 | 68 |
| Depreciation | - | - | (15,058) | (15,058) |
| Interest expense | - | - | (5,593) | (5,593) |
| Loan write off due to impairment | (2,526,311) | - | - | (2,526,311) |
| Segment result before and after tax | (2,526,311) | (3,884) | (330,671) | (2,860,866) |
| Segment assets | - | - | 1,090,442 | 1,090,442 |
| Segment liabilities | - | - | 819,777 | 819,777 |
| Cash flow information - net cash flows from / (used in): | | | | |
| Operating activities | - | - | (462,064) | (462,064) |
| Investing activities | - | - | 27,300 | 27,300 |
| Financing activities | - | - | 593,903 | 593,903 |

## 11 COMMITMENTS AND CONTINGENCIES

**Obligations due under hire purchase contracts**

The Company's hire purchase obligations are detailed in Note 7.

**Contractual commitments**

As disclosed in Note 14, Events after the Reporting Date, the Company has entered into conditional contracts to initially acquire two dairy farms, and possibly an additional three farms subsequently. The acquisitions are subject to the Company successfully raising debt finance and fulfilling contract conditions to complete the intended transactions.

The initial two acquisitions have an aggregate consideration totalling $13,550,000, and should the Company be successful in raising all necessary funding to acquire the portfolio of five farms, the aggregate consideration payable to the five vendors will be $33,300,000.

The Company is being advised in respect of the acquisitions and sourcing of funding by separately engaged independent parties. The level of fees payable will vary, depending on the success of the fund raising,

**Contingent liabilities**

At the reporting date, the Company had no contingent liabilities.

## Notes to the Financial Statements (continued)
## for Year Ended 30 June 2016

| | 2016<br>$ | 2015<br>$ |
|---|---|---|

### 12 KEY MANAGEMENT PERSONNEL DISCLOSURES

**(a) Details of Key Management Personnel (KMP)**

KMP comprise only the directors as at the reporting date:

Paul Duckett
Ray Taylor
Trevor Kelly
Ping Huang

During the previous year, KMP included the above-referred directors, and the following directors who held office for part of the year, up to their resignation on 3 February 2015:

Emily Lee D'Cruz
Wei Ching Lim
Chris Burrell

**(b) Compensation of KMP**

The aggregate compensation made to KMP of the company is set out below:

| | 2016 $ | 2015 $ |
|---|---|---|
| Short-term employment benefits (the 2016 benefits were settled subsequent to the year-end by way of share based payments approved at the general meeting of 13 July 2016) | 216,000 | 20,000 |
| Post-employment benefit | - | - |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payment | - | - |
| | 216,000 | 20,000 |

### 13 RELATED PARTY DISCLOSURE

**(a) Related entities within the Group**

The financial statements include the financial statements of Australian Natural Proteins Limited and Envy Lamb Pty Ltd, until the date of its disposal on 28 April 2016.

**(b) Transactions with directors and director related entities**

As of the reporting date, the following loans were made or remained in place, between the Company and directors or director related entities:

| *Related party* | *Description* | *Amount receivable from / (payable to)* $ | *Amount receivable from / (payable to)* $ |
|---|---|---|---|
| *Directors:* | | | |
| Mr Paul Duckett | Converting Loan Notes - Tranche 1 | - | (30,000) |
| | Converting Loan Notes - Tranche 2 | - | (12,000) |
| | Converting Loan Notes | (17,000) | - |
| Mr Raymond Taylor | Converting Loan Notes - Tranche 1 | - | (12,672) |
| | Converting Loan Notes - Tranche 2 | - | (53,277) |
| Mr Trevor Kelly | Converting Loan Notes - Tranche 1 | - | (37,500) |
| | Converting Loan Notes - Tranche 2 | - | (9,800) |
| Mr Ping Huang | Converting Loan Notes - Tranche 1 | - | (25,000) |
| | Converting Loan Notes - Tranche 2 | - | (25,000) |
| *Director-related entities:* | | | |
| Mercer Capital Pty Ltd | Controlled by former Director Ms Emily D'Cruz. | - | (137,200) |
| | | (17,000) | (342,449) |

**(c) Terms and conditions of transactions with related parties**

Apart from the loan by Mercer Capital Pty Ltd, in respect of which the Company paid $12,800 in interest during the current financial year, neither converting loan notes or other loans from related parties attract interest.

## Notes to the Financial Statements (continued)
## for Year Ended 30 June 2016

**14 EVENTS AFTER THE REPORTING DATE**

At a General Meeting of shareholders on 13 July 2016, the Company gained approval for the acquisition of two dairy farms located at 137 and 154 Hendersons Road Strathmerton, Victoria, and 89 Logie Brae Road Finley, New South Wales, for aggregate consideration totalling $13,550,000. The intended acquisition of those farms constitutes a significant change in the nature and scale of the Company's activities and, coupled with the related proposed capital raising (by way of issue of up to 600,000,000 shares at an issue price not less than $0.025 per share, also approved at the meeting) the Company has been required to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules, to be satisfied by the issue of a prospectus. Until the prospectus is complete and the Listing Rules are satisfied, trading in the Company's securities will remain suspended.

The acquisitions of the two 'Initial Dairy Farms' are intended to be funded predominantly by debt finance and, subject to the successful raising of those funds and fulfilling contract conditions to complete the acquisitions, the Company will then finalise its decision whether to proceed with the acquisition of three additional properties over which conditional sales contracts exist.

Should the Company be successful in raising the funding to finance the planned acquisitions, and proceed to acquire the portfolio of five farms, the aggregate consideration payable to the five vendors will be $33,300,000.

In July 2016, the Company entered into a binding Heads of Agreement with Asia Pacific Logistics Pty Limited to establish a fresh milk production and distribution venture in Fiji. A feasibility study is currently being planned and will be undertaken once funding is confirmed.

In the period subsequent to the reporting date, the Company has sourced further commitments from investors through its convertible loan offering.

| | *2016* *$* | *2015* *$* |
|---|---|---|
| **15 EARNINGS PER SHARE** | | |
| | **cents** | **cents** |
| Basic earnings per share | (0.28) | (1.89) |
| Diluted earnings per share | (0.28) | (1.89) |
| Loss attributable to ordinary equity holders of the company used in calculating earnings per share: | (681,934) | (2,860,866) |
| **Weighted average number of shares used as the denominator** | # | # |
| Weighted average number of shares used as the denominator in calculating basic earnings per share | 240,454,666 | 151,654,899 |
| Adjustments for calculation of diluted earnings per share | - | - |
| **Weighted average number of ordinary shares** | 240,454,666 | 151,654,899 |

**16 PARENT ENTITY DETAILS**

Summarised presentation of the financial statements of the parent entity, Australian Natural Proteins Limited:

| | *COMPANY* | *COMPANY* |
|---|---|---|
| **(a) Summarised statement of financial position** | *2016* | *2015* |
| Assets | $ | $ |
| Current assets | 535,916 | 177,507 |
| Non-current assets | 99,428 | 44,676 |
| Total assets | 635,344 | 222,183 |
| Liabilities | | |
| Current liabilities | 519,339 | 819,777 |
| Net assets | 116,005 | (597,594) |
| Equity | | |
| Share capital | 19,296,794 | 17,901,261 |
| Retained earnings | (19,180,789) | (18,498,855) |
| Total equity | 116,005 | (597,594) |
| **(b) Summarised statement of comprehensive income** | | |
| Loss for the year | (681,934) | (2,860,866) |
| Total comprehensive income for the year | (681,934) | (2,860,866) |

## AUSTRALIAN NATURAL PROTEINS LTD (ACN 095 821 971)

## DIRECTOR'S DECLARATION

For the year ended 30 June 2016

In the opinion of the directors:

1. The financial statements and notes of the company and the additional disclosures included in the Directors' Report designated as audited are in accordance with the Corporations Act 2001, including:

    a. Giving a true and fair view of the consolidated Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

    b. Complying with the Corporations Regulations 2001 and Australian Accounting Standards, which, as stated in accounting policy Note 2(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declaration required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ended 30 June 2016.

This declaration is made in accordance with a resolution of the board of directors and signed in Melbourne on 23 September 2016.

**Paul Duckett**
Chairman

Dated: 23 September 2016

PKF

**Independent Auditor's Report**
**To the Members of Australian Natural Proteins Limited**

## Report on the Financial Report

We have audited the accompanying financial report of Australian Natural Proteins Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2 the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.* We have given to the directors of Australian Natural Proteins Limited a written auditor's independence declaration, a copy of which is referenced in the directors' report.

***Opinion***

In our opinion:

(a) the financial report of Australian Natural Proteins Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

PKF Melbourne
Audit & Assurance
ABN 15 503 135 070

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***Emphasis of Matter Regarding Uncertainty of Continuation as a Going Concern***

Without modification to our opinion, we draw attention to Note 2(b) in the financial report, which comments on the consolidated entity's continuation as a going concern, depending on its success in obtaining additional capital or other funds. These conditions, along with the other matters set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

***Report on the remuneration report***

We have audited the Remuneration Report included in pages 5 – 8 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

***Opinion***

In our opinion, the Remuneration Report of Australian Natural Proteins Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PKF Melbourne Audit & Assurance

**PKF Melbourne Audit & Assurance**

**Steven Bradby**

**Partner**

Melbourne, 23 September 2016

## AUSTRALIAN NATURAL PROTEINS LTD (ACN 095 821 971)

## ADDITIONAL INFORMATION

For the year ended 30 June 2016

The following information was extracted from the Australian Natural Proteins Limited register of shareholders on 03 August 2016

| 20 Top Shareholders | Shares | % |
|---|---|---|
| MR PAUL FREDERICK DUCKETT & MRS DIANE ELIZABETH DUCKETT <DUCKETT SUPER FUND A/C> | 20,564,890 | 6.204% |
| MERIDIAN FERTILISERS PTY LTD | 18,798,018 | 5.671% |
| H HARVEST COMPANY PTY LTD <H HARVEST FAMILY A/C> | 14,780,000 | 4.459% |
| MRS TONI SANDRA TAYLOR | 12,603,889 | 3.803% |
| CITICORP NOMINEES PTY LIMITED | 11,145,179 | 3.362% |
| MR TREVOR JOHN KELLY & MRS JUDITH MARGARET KELLY <T&J KELLY SUPER FUND A/C> | 10,195,387 | 3.076% |
| MR MUSTAFA HASAN & MR MEHMET TAVSANCIOGLU | 10,000,000 | 3.017% |
| MR MUSTAFA HASAN | 9,309,000 | 2.808% |
| SOIL MANAGEMENT SYSTEMS PTY LTD | 8,810,178 | 2.658% |
| ORICAN PTY LTD | 8,333,334 | 2.514% |
| MR ALI OZDEMIR | 7,920,512 | 2.390% |
| SUSAN PARKER | 6,717,255 | 2.027% |
| MR DIMITRIOS PODARIDIS | 6,272,380 | 1.892% |
| WILLIAM JOHN TIMSBURY CLARKE | 6,000,000 | 1.810% |
| RAYMOND TAYLOR <TAYLOR SUPER FUND A/C> | 5,862,292 | 1.769% |
| MR NECMI UYSAL | 5,084,467 | 1.534% |
| MR HARVEY PARKER | 4,869,693 | 1.469% |
| MS WARANYA SUNTHRAKHOM | 4,666,666 | 1.408% |
| MR RAYMOND TAYLOR <THE FOURTAYS A/C> | 4,624,681 | 1.395% |
| MR HARVEY PARKER & MRS SUSAN PARKER <PARKER SUPER FUND A/C> | 4,527,237 | 1.366% |
| | 181,085,058 | 54.632% |
| **Total of Securities** | **331,460,422** | |

**Distribution of Shareholdings**
**Security Classes**
Fully Paid Ordinary Shares

| Holdings Ranges | Holders | Total Units | % |
|---|---|---|---|
| 1-1,000 | 325 | 113,279 | 0.034 |
| 1,001-5,000 | 157 | 410,051 | 0.124 |
| 5,001-10,000 | 212 | 1,990,635 | 0.601 |
| 10,001-100,000 | 348 | 15,601,949 | 4.707 |
| 100,001-9,999,999,999 | 226 | 313,344,508 | 94.535 |
| **Totals** | **1,268** | **331,460,422** | **100.000** |

**Marketable Parcels**
At 03 August 2016, using the last traded share price of $0.029 per share, there were 770 holdings, which were of less than a marketable parcel ($500)

**Voting Rights**
Each shareholder is entitled to receive notice of and attend and vote at general meetings of the company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.