



29<sup>th</sup> February, 2012

The Manager  
Company Announcements  
Australian Securities Exchange – ASX Limited  
Exchange Centre  
Level 6, 20 Bridge Street  
Sydney NSW 2000

Via E-Lodgement

Dear Sir / Madam,

**PrimeAg Australia Limited**

Attached for the market's information the Appendix 4D Half Year Report – period ended 31 December 2011.

Samantha Macansh

Company Secretary



ABN: 66 127 984 123

HALF YEAR REPORT

31 DECEMBER 2011

# PrimeAg Australia Limited

ABN: 66 127 984 123

## Appendix 4D Half Year report - period ended 31 December 2011 Results for Announcement to the Market

			\$'000
Revenue from ordinary activities	up	112% to	32,626
Loss from ordinary activities after tax attributable to members	Down	7% to	(4,694)
Loss for the period attributable to members	Down	7% to	(4,694)
<b>Dividends</b>			
The directors have not declared a dividend in respect of the six months ended 31 December 2011.			
<b>Asset backing</b>			
Net tangible asset backing per ordinary share as at 31 December 2011			\$1.23 *
Net tangible asset backing per ordinary share as at 31 December 2010			\$1.27
* The value of the water rights which are classified as Intangible Assets equates to \$0.31 per share at 31 December 2011 (The value per share at 31 December 2010 \$0.59) (The value of water rights during the period reduced from \$88.9M to \$83.1M and the number of shares on issue increased by 115,824,468 during the period ).			
Net asset backing per ordinary share as at 31 December 2011			\$1.54
The information contained in this report is to be read in conjunction with the last annual report and any announcements to the market by PrimeAg Australia Limited during the period.			



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## Directors' Report

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### DIRECTORS' REPORT

#### DIRECTORS

The following Directors held office throughout the period, and hold office at the date of this report:

Roger Campbell Corbett AO (Chairman)

Peter James Corish AM (CEO and Managing Director)

David Bruce Trebeck

Stephen Andrew Williams

Stephen Ray Williams

The following were appointed Directors of the company on 26<sup>th</sup> September, 2011:

Peter Francis Young AM

Geoffrey John Hewitt

### DIRECTORS REVIEW OF OPERATIONS – 6 months to 31 December 2011

#### First Half Result

For the half-year ending 31 December 2011, Directors report a pre-tax loss of \$6.7M. This result includes an operating loss of \$3.1M and a \$3.6M net impairment charge.

In after tax terms the loss for the half was \$4.7M, compared with a loss of \$5.0M for the previous corresponding period. The company's cropping program is slanted more toward higher value summer crops and accordingly the half year operating loss is not indicative of the expected full year outcome.

Harvest of PrimeAg's winter crop (nearly 6,500 ha) was largely completed before the heavy rainfall of mid November. Despite some lost production due to water logging at our Gunnedah hub, nearly 20,000 tonnes of wheat were produced, in line with expectations.

Our summer crops were well established by early November, with 7,400ha of irrigated cotton, 5,200 ha of dryland cotton and 1,400ha of dryland sorghum. This represents the largest irrigated cotton crop in our history.

Volatility is a continuing feature of world commodity markets. World cotton and wheat prices have been soft in recent months due to increased stocks and uncertain demand. The strengthening of the \$A has further reduced prices in local currency terms. PrimeAg is fortunate in having forward sales for approximately 55% of anticipated cotton production at about \$550 / bale, well above the current spot price of \$460 / bale.

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## Directors' Report

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At 31<sup>st</sup> December, the company had no long-term debt, reflecting the board's continuing policy. It held \$137M in cash, \$121.4m of which were the net proceeds raised through the August 2011 rights issue. The net cash flows from operating activities, excluding interest, increased by \$7.0M from the previous corresponding period.

During the half-year, valuations of PrimeAg's Emerald aggregation of properties and Lakeland Downs at Condamine were completed. These valuations were held over from the FY11 year due to flood reparations in progress at the time. The Lakeland Downs property was valued at \$7.2M, in line with its Balance Sheet value. The Emerald aggregation was valued at \$50M, compared with the Balance Sheet valuation of \$52.7M. This represents an increase in the land value of \$3.1M and a reduction in water entitlement value of \$5.8M. This shift in relative values is in response to current high availability of irrigation water in the Emerald region, which may vary in the future. In line with accounting standards, a net \$3.6M impairment in these values is reflected in the loss for the half. The value of Emerald land increased by \$3.1M of which \$0.9M was taken to the revaluation reserve and \$2.2M to the Income Statement as a reversal of a previous impairment.

### Significant Event – Establishment of the PrimeAg Unlisted Agricultural Fund

The successful establishment of the PrimeAg unlisted agricultural fund (PAF) in H1 FY12 is a significant step forward for PrimeAg, providing the opportunity of enhancing return on capital and diversifying its activities and revenue streams. The strategy is complementary to PrimeAg's core farm operating activities and is intended to grow shareholder value through generating incremental operating earnings plus capital returns on invested funds. PrimeAg and the Future Fund as the seed investors in PAF have committed \$125M each with the objective of growing funds under management to \$600M. The Future Fund will contribute a further \$75M, matching the next \$75M investment from third party investors. PAF is well positioned to capitalise on the increasing investor interest in the sector once it achieves proof of concept through securing quality seed assets that satisfy the PAF target investment criteria.

PrimeAg undertook a rights issue in August 2011 to raise its contribution of \$125M to PAF and issued a total of 115,824,468 shares at a value of \$1.08 per share.

PrimeAg is in the process of evaluating a number of acquisition opportunities for PAF against PAF investment criteria. PAF will continue to take a disciplined and patient approach to building the appropriate portfolio of land and water assets.

Discussions with a number of parties interested in investing in the agricultural sector have been encouraging and fund raising discussions will continue through the next quarter.

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## Directors' Report

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The Board firmly believes that the scope to create value by managing a larger pool of properties and diversifying the company's earnings streams will improve the value proposition of PrimeAg and this should be reflected in its share price over time. Management will continue to take steps to implement the PAF strategy and actively grow funds under management.

### Full Year Outlook

#### Weak A\$ Commodity Prices:

Significant falls in A\$ cotton and wheat prices over the past 12 months, are undermining the industry's and PrimeAg's operating performance for FY12. The price achieved for the unsold portion of our wheat stocks, and our uncommitted cotton following harvest in April /May will determine PAG's operating profits for the full year. At the 2011 Annual General Meeting the CEO's presentation contained a sensitivity matrix, an expanded version of which is included below. This table outlines the sensitivities surrounding PAG's Net Profit Before Tax, excluding any benefits derived from investment in PAF and impacts from property valuations. A comment was included in the presentation that commodity prices at that time were trading around 10% below the forecast price of \$566 / bale. A\$ cotton and grain cash prices have deteriorated by around 30% over the past year with the continued strength of the A\$ relative to the \$US explaining a major component of this impact.

#### Above Average Rainfall Events:

As reported to the market on 7<sup>th</sup> February 2012, all PAG's hubs have experienced above average rainfall events in either late January or early February, fortunately without the devastating consequences of the late 2010/early 2011 Queensland floods. PAG's investment in additional flood protection infrastructure has been amply rewarded with almost all crops and infrastructure escaping material damage. Only small areas of crops have been damaged at our Garah properties west of Moree where floods were major. By contrast crops valued at approximately \$4.3M were safeguarded by our levee bank systems.

#### Production & Yields:

Prolonged cloudy and wet weather has slowed the growth of our irrigated cotton crops. Dry sunny weather is required over the next few weeks for these crops to achieve their potential. Conversely, the rainfall was beneficial to dryland cotton crops and we expect these to achieve, if not exceed, forecast yields.

#### Revised Outlook:

The substantially lower cash prices currently available for the remainder of our cotton production and unsold wheat stocks will reduce our forecast operating profit. The same effects are likely to be felt by other operators in the sector, depending upon their pattern of forward sales commitments. PrimeAg has revised down its operating profit guidance range for FY 12 from \$20-30M to \$6-16M.

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## Directors' Report

The assumptions used for the revised FY12 operating profit guidance are:

At the lower end of the range – the unsold portion of our cotton production is sold at \$470 / bale, wheat stocks are sold at current prices and cotton yields are 5 to 10% below forecast.

At the upper end of the range – the unsold portion of our cotton production is sold at a price of \$540 / bale, wheat stocks are sold at current prices and cotton yields are 5% above forecast.

The FY12 Operating Profit table below provides an indication of sensitivities should the determining variables move other than assumed in the guidance.

Table FY12 Operating Profit– sensitivity analysis

	Prices					
Yields		20%	10%	Base	-10%	-20%
	20%	\$49m	\$41m	\$32m	\$24m	\$15m
	10%	\$42m	\$33m	\$26m	\$19m	\$10.2m
	Base	\$34m	\$26m	\$20m	\$13m	\$6m
	-10%	\$27m	\$20m	\$18m	\$8m	\$1m
	-20%	\$19m	\$14m	\$8m	\$2m	(\$4m)

### Valuation

In line with established policy, PAG will be valuing approximately half its land and water assets during the second half. With improved water availability for future years, Directors anticipate the overall value of our land and water entitlements will be maintained, despite a localised reduction in water values at Emerald.

### Future Operating Performance

The recent rainfall and river flows have enhanced irrigation water supplies over the medium term at all PrimeAg locations. Our farms at Emerald, Goondiwindi and Moree now have full water allocations from regulated entitlements for the next two seasons. Gunnedah has full water allocation for 2012/13. On farm reservoirs at all locations, with the exception of the Darling Downs, are at full capacity. As a result, increased summer crop plantings are planned for the 2012 / 13 crop year.

Dryland winter crop soil moisture profiles are now full, providing full early yield potential for these crops.

The secure water supplies will allow the company to take advantage of any spikes in commodity prices over the next year, in line with established policies guiding forward selling. Unfortunately, the continuing strength of the A\$ continues to cap prices in A\$ terms.



## Directors' Report

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### Proposed Divestment of part of the PrimeAg direct investment portfolio:

After an extensive review of its direct investment portfolio, the Board has resolved to optimise its hub structure and divest a portion of the PrimeAg direct investment portfolio. A number of properties, representing \$40M in value are currently on the market. PrimeAg will seek to improve operating returns on the optimised portfolio structure.

### Capital Management:

Any proceeds from the divestment of the PrimeAg direct investment portfolio will be returned to shareholders through a combination of capital management initiatives. Subject to the successful divestment of the properties currently on the market, the Board intends to progress an initial on market buy-back for up to 10% of the PrimeAg shares on issue. Following this initial buy-back and the divestment of the remainder of the target properties, the Board will consider further appropriate capital management initiatives.

### DIVIDENDS

No interim Dividend has been declared.

### ROUNDING

The amounts stated in this report and in the financial report have been rounded to the nearest \$1,000 where applicable under the option available to the company pursuant to ASIC Class Order 98/0100.

### AUDITOR INDEPENDENCE

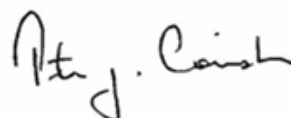
The Directors have received an independence declaration from the auditor, Ernst & Young. A copy of the declaration is included on page 9 of this report.

Signed in accordance with a resolution of the Directors.



Roger Corbett AO  
Chairman

Date: 29.2.12

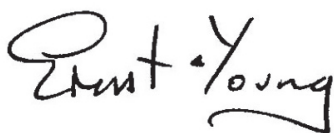


Peter Corish AM  
Managing Director / CEO

Date: 29.2.12

## Auditor's Independence Declaration to the Directors of PrimeAg Australia Limited

In relation to our review of the financial report of PrimeAg Australia Limited for the half-year ended 31 December 2011, 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.

A stylized, handwritten signature of the Ernst & Young firm.

Ernst & Young

A handwritten signature of Gregory J Logue.

Gregory J Logue  
Partner  
29 February 2012

# Income Statement

For the Half Year ended 31 December 2011

		<i>For the Half Year ended 31 December 2011</i>	<i>For the Half Year ended 31 December 2010</i>
<b>Continuing Operations</b>	<i>Notes</i>	<i>\$'000</i>	<i>\$'000</i>
Sale of goods		29,638	14,930
Other revenue	3	2,988	467
<b>Revenue</b>		<b>32,626</b>	<b>15,397</b>
Net operating income derived from biological assets	13	13,851	10,368
Cost of sales		(29,894)	(13,530)
Other income	4	357	34
Employee benefits expense		(2,713)	(2,113)
Depreciation and amortisation expense		(1,224)	(1,052)
Farming costs		(13,792)	(12,011)
Property related costs		(1,028)	(888)
Flood Damage		-	(1,677)
Administration costs		(1,056)	(811)
Other expenses	5	-	(621)
Finance costs		(183)	(263)
<b>Profit from farming operations before income tax</b>		<b>(3,056)</b>	<b>(7,167)</b>
Fair value on land, buildings and improvements movement and water rights gain		(3,638)	-
<b>Loss from continuing operations before income tax</b>		<b>(6,694)</b>	<b>(7,167)</b>
Income tax benefit	6	2,000	2,142
<b>Net Loss for the period after tax</b>		<b>(4,694)</b>	<b>(5,025)</b>
<b>Attributable to:</b>			
Equity holders of the parent entity		(4,694)	(5,025)
<b>Net Loss for the period after tax</b>		<b>(4,694)</b>	<b>(5,025)</b>
<b>Earnings per share for (loss) / profit attributable to ordinary equity holders of the parent:</b>			
Basic earnings per share (cents)		(1.76) ¢	(3.34) ¢
Diluted earnings per share (cents)		(1.76) ¢	(3.34) ¢

# Statement of Comprehensive Income

**For the Half Year ended 31 December 2011**

	<i>For the Half Year ended 31 December 2011</i>	<i>For the Half Year ended 31 December 2010</i>
<i>Notes</i>	<i>\$'000</i>	<i>\$'000</i>
Loss for the period	(4,694)	(5,025)
<b>Total Comprehensive Income for the Period</b>	<b>(4,694)</b>	<b>(5,025)</b>
<b>Attributable to:</b>		
Equity holders of the parent entity	(4,694)	(5,025)
<b>Total Comprehensive Income for the Period</b>	<b>(4,694)</b>	<b>(5,025)</b>

# Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 \$'000	30 June 2011 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	137,123	10,618
Trade and other receivables		3,399	7,812
Inventories		4,112	26,876
Biological assets	13	16,303	6,337
Derivatives	10	135	124
Other assets	9	3,021	1,738
<b>Total Current Assets</b>		<b>164,093</b>	<b>53,505</b>
<b>Non-current Assets</b>			
Available-for-sale financial assets		2	2
Property, plant and equipment		171,956	166,314
Intangible assets		83,094	88,885
Deferred tax assets		13,188	7,293
<b>Total Non-current Assets</b>		<b>268,240</b>	<b>262,494</b>
<b>TOTAL ASSETS</b>		<b>432,333</b>	<b>315,999</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		9,322	12,125
Provisions		50	204
Interest-bearing loans and borrowings	11	1,907	920
<b>Total Current Liabilities</b>		<b>11,279</b>	<b>13,249</b>
<b>Non-current Liabilities</b>			
Provisions		7	5
Interest-bearing loans and borrowings	11	4,066	4,123
Deferred tax liabilities		7,523	4,612
<b>Total Non-current Liabilities</b>		<b>11,596</b>	<b>8,740</b>
<b>TOTAL LIABILITIES</b>		<b>22,875</b>	<b>21,989</b>
<b>NET ASSETS</b>		<b>409,458</b>	<b>294,010</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	12	413,179	291,058
Retained earnings		(8,420)	(1,062)
Reserves		4,699	4,014
<b>TOTAL EQUITY</b>		<b>409,458</b>	<b>294,010</b>

# Statement of Changes in Equity

For the Half Year ended 31 December 2011

	<i>Attributable to equity holders</i>		<i>Total equity</i>	
	<i>Contributed equity</i>	<i>Retained earnings</i>	<i>Reserves</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>At 1 July 2011</b>	291,058	(1,062)	4,014	294,010
Loss for the period	-	(4,694)	-	(4,694)
Asset revaluation of land, buildings and improvements	-	-	674	674
<b>Total Comprehensive Income for the Period</b>	-	(4,694)	674	(4,020)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of additional equity	122,121	-	-	122,121
Issue of share capital under Employee Share Plan	-	-	-	-
Payment of dividend	-	(2,664)	-	(2,664)
Cost of share-based payments	-	-	11	11
<b>At 31 December 2011</b>	<b>413,179</b>	<b>(8,420)</b>	<b>4,699</b>	<b>409,458</b>
<b>At 1 July 2010</b>	291,058	(8,095)	1,914	284,877
Loss for the period	-	(5,025)	-	(5,025)
<b>Total Comprehensive Income for the Period</b>	-	(5,025)	-	(5,025)
<b>Transactions with owners in their capacity as owners:</b>				
<b>Issue of share capital under Employee Share Plan</b>	-	-	-	-
Cost of share-based payments	-	-	17	17
<b>At 31 December 2010</b>	<b>291,058</b>	<b>(13,120)</b>	<b>1,931</b>	<b>279,869</b>

# Statement of Cash Flows

For the Half Year ended 31 December 2011

	<i>For the Half Year ended 31 December 2011 \$'000</i>	<i>For the Half Year ended 31 December 2010 \$'000</i>
<i>Notes</i>		
<b>Cash flows from operating activities</b>		
Receipts from customers	36,575	18,066
Payments to suppliers and employees	(29,421)	(17,914)
Interest received	2,206	425
Interest paid	(199)	(263)
<b>Net cash flows from/(used in) operating activities</b>	<b>9,161</b>	<b>314</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	246	7
Purchase of property, plant and equipment	(1,103)	(345)
Deposits and incidentals	-	4
<b>Net cash flows used in investing activities</b>	<b>(857)</b>	<b>(334)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of ordinary shares	121,433	17
Payment of dividends on ordinary shares	(2,664)	-
Repayment of finance lease principal	(568)	(303)
<b>Net cash flows used in financing activities</b>	<b>118,201</b>	<b>(286)</b>
Net increase in cash and cash equivalents	126,505	(306)
Cash and cash equivalents at beginning of period	10,618	13,824
<b>Cash and cash equivalents at end of period</b>	<b>137,123</b>	<b>13,518</b>
8		

# Notes to the Financial Statements

## For the Half Year ended 31 December 2011

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### **1 BASIS OF PREPARATION AND ACCOUNTING POLICIES OF THE HALF-YEAR FINANCIAL REPORT**

This general purpose condensed financial report for the half year ended 31 December 2011 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

The half yearly 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 Entity as the full financial report.

It is recommended that the half yearly financial report be read in conjunction with PrimeAg Australia Limited's Annual Financial Report for 2011 and considered together with any public announcements made by PrimeAg Australia Limited during the half year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'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.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### **(a) Significant Accounting Policies**

The half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2011, apart from changes noted below.

#### **(b) Changes in accounting policy**

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Entity.



## Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2011

### 2 SEGMENT REPORTING

PrimeAg Australia Limited has a single reportable segment, being agriculture. The Board (the chief operating decision makers) receive regular discreet financial information for the single segment to assess performance and determine the allocation of resources. The content and format of this information is consistent with the statement of financial position, statement of financial performance and statement of cash flows presented in the annual report.

	<i>For the Half Year ended 31 December 2011 \$'000</i>	<i>For the Half Year ended 31 December 2010 \$'000</i>
<b>3 REVENUE</b>		
<b>Other Revenue</b>		
Interest received	2,936	409
Other revenue	52	58
	<u>2,988</u>	<u>467</u>
<b>4 OTHER INCOME</b>		
Other income	357	34
	<u>357</u>	<u>34</u>
<b>5 OTHER EXPENSES</b>		
Unrealised loss on forward contracts	-	621
	<u>-</u>	<u>621</u>
<b>6 INCOME TAX</b>		
<b>Income tax expense</b>		
Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate:		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Accounting profit before income tax from continuing operations		
Total accounting profit before income tax	(6,694)	(7,167)
At Company's statutory income tax rate of 30%	(2,008)	(2,150)
Non deductible expenses	8	8
Aggregate income tax (benefit)/expense	<u>(2,000)</u>	<u>(2,142)</u>

### 7 DIVIDENDS PAID AND PROPOSED

The directors have not declared a dividend in respect of the six months ended 31 December 2011. During the period a dividend of \$2,663,944 was paid, relating to and declared during the prior period.

## Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2011

	31 December 2011 \$'000	30 June 2011 \$'000
<b>8 CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	9,434	3,618
Short-term deposits	127,689	7,000
	<u>137,123</u>	<u>10,618</u>
Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value. Term deposits earn interest at a rate set for a 30 day term.		
<b>9 OTHER ASSETS</b>		
Deposits and incidentals paid	988	134
Prepayments	2,033	1,604
	<u>3,021</u>	<u>1,738</u>
<b>10 DERIVATIVES</b>		
<b>Current Assets - Other financial assets</b>		
CBOT Wheat Swap	135	124
	<u>135</u>	<u>124</u>
<b>11 INTEREST-BEARING LOANS AND BORROWINGS</b>		
<b>Current</b>		
Obligations under finance leases and hire purchase contracts (including residual payments)	1,907	920
	<u>1,907</u>	<u>920</u>
<b>Non-current</b>		
Obligations under finance leases and hire purchase contracts (including residual payments)	4,066	4,123
	<u>4,066</u>	<u>4,123</u>
<b>12 CONTRIBUTED EQUITY</b>		
<b>Ordinary shares, issued and fully paid</b>		
Ordinary shares	426,164	301,074
Share issue costs	(18,053)	(13,811)
Tax effect of share issue costs	5,068	3,795
	<u>413,179</u>	<u>291,058</u>
<b>Ordinary shares</b>	<i>'000</i>	<i>'000</i>
Opening	150,570	150,554
Shares issued	115,824	16
Closing	<u>266,394</u>	<u>150,570</u>

During the period PrimeAg Australia undertook a rights issue and issued 115,824,468 shares at \$1.08 per share.

# Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2011

## 13 BIOLOGICAL ASSETS

	2011 Winter Crops \$'000	2012 Summer Crops \$'000	2012 Winter Crops \$'000	2013 Crops \$'000	Total Crops \$'000
As at 31 December 2011					

The biological assets consist of crops and cattle.

### Crops

At 1 July 2011	1,748	2,860	138	20	4,766
Change in fair value of crops less estimated point-of-sale costs	2,073	10,417	813	325	13,628
Decrease due to harvesting of crops	(3,821)	-	-	-	(3,821)
At 31 December 2011	-	13,277	951	345	14,573
<b>Current</b>	-	13,277	951	-	14,228
<b>Non current</b>	-	-	-	345	345
	-	13,277	951	345	14,573
Cropped hectares	6,421	16,051	5,520		

The 2012 summer crops are primarily cotton and sorghum, while the 2012 winter crops are expected to be wheat and chickpeas.

During the period the primary crop harvested was 19,653t wheat.

Crops in ground at balance date are measured at their fair value less estimated costs to sell. Immediately prior to harvest the fair value is determined on an estimated yield per hectare basis at the commodity's quoted spot price in the market place. At balance date if the crop is immature (i.e. it is too early to reliably predict yield), then fair value equates to the costs incurred on the crop to balance date. The value is only brought to account when it can be reliably measured and its probable that the future economic benefits will be received by the Company.

### Cattle

At 1 July 2011	\$'000
Increases due to new purchases	1,571
Change in fair value of livestock	1,987
Decrease due to Sales	223
At 31 December 2011	(2,051)
	1,730

Livestock were mature so have been measured at their fair value less estimated point of sale costs.

The number of cattle at balance date was 2,180

### Biological Asset Summary

Crops	14,573
Cattle	1,730
<b>Total Biological Assets</b>	<b>16,303</b>

### Net operating income derived from biological assets

Crops	13,628
Cattle	223
<b>Total Biological Assets</b>	<b>13,851</b>

## Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2011

### 13 BIOLOGICAL ASSETS

	2010 Crops	2011 Summer Crops	2011 Winter Crops	2012 Summer Crops	2012 Winter Crops	2013 Crops	Total Crops
As at 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The biological assets consist of crops and cattle.							
<b>Crops</b>							
At 1 July 2010	2,768	1,572	53	58	1	-	4,452
Change in fair value of crops less estimated point-of-sale costs	2,022	44,822	1,695	2,802	137	20	51,498
Decrease due to harvesting of crops	(4,790)	(46,394)	-	-	-	-	(51,184)
At 30 June 2011	-	-	1,748	2,860	138	20	4,766
<b>Current</b>	-	-	1,748	2,860	138	-	4,746
<b>Non current</b>	-	-	-	-	-	20	20
	-	-	1,748	2,860	138	20	4,766
Cropped hectares at balance date	14,807	15,002	6,322				

2011 Winter crops mainly comprise wheat and chickpeas, while the 2012 summer crops are expected to be cotton and sorghum.

During the period the primary crops harvested were 18,043t wheat, 1,526t chickpea, 2,656t of sorghum, 77,907 bales of cotton, and 102t mungbeans.

Crops in ground at balance date are measured at their fair value less estimated point of sale costs. Immediately prior to harvest the fair value is determined on an estimated yield per hectare basis at the commodity's quoted spot price in the market place. At balance date if the crop is immature (i.e. it is too early to reliably predict yield), then fair value equates to the costs incurred on the crop to balance date. The value is only brought to account when it can be reliably measured and its probable that the future economic benefits will be received by the Company.

<b>Cattle</b>	\$'000
At 1 July 2010	1,833
Increases due to new purchases	5,627
Change in fair value of livestock	(86)
Decrease due to Sales	(5,803)
At 30 June 2011	1,571

Livestock were mature so have been measured at their fair value less estimated point of sale costs.

The number of cattle at balance date was 2,334

#### Biological Asset Summary

Crops	4,766
Cattle	1,571
<b>Total Biological Assets</b>	<b>6,337</b>

## Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2011

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### 14 COMMITMENTS AND CONTINGENCIES

Changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below.

At 31 December 2011 PrimeAg has fixed sales of 54,500 bales of cotton (31 December 2010: 59,800) with fixed prices averaging \$556 per bale (31 December 2010: \$536).

### 15 SUBSEQUENT EVENTS

Significant rainfall and widespread flooding occurred in northern New South Wales and southern Queensland during January and early February 2012, including in the Gwydir and Namoi River valleys and Emerald where the Company's farms are located (Gunnedah, Moree and Emerald hubs). No significant damage was sustained by any Company equipment or infrastructure. No significant damage was sustained by the Company's summer crop.

## Directors' Declaration

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In accordance with a resolution of the directors of PrimeAg Australia Limited, I state that:

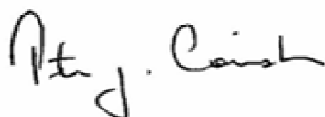
In the opinion of the directors:

- (a) the financial statements and notes of the entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the entity's financial position as at 31 December 2011 and the performance for the half year ended on that date of the entity; and
  - (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



R C Corbett  
Chairman  
29 February, 2012



P J Corish  
Managing Director  
29 February, 2012

To the members of PrimeAg Australia Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PrimeAg Australia Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed income statement, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### 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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PrimeAg Australia 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.

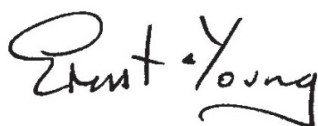
### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## 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 PrimeAg Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of the Ernst & Young firm.

Ernst & Young

A handwritten signature of Gregory J Logue.

Gregory J Logue  
Partner  
Sydney  
29 February 2012



## Corporate Information

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**ABN 66 127 984 123**

**Directors at the date of the report.**

Roger Campbell Corbett AO (*Chairman*)

Peter James Corish AM (*Chief Executive Officer and Managing Director*)

Geoffrey John Hewitt

David Bruce Trebeck

Stephen Andrew Williams

Stephen Ray Williams

Peter Young AM

**Company Secretary**

Samantha Macansh

**Registered Office**

78 West Street

Toowoomba QLD 4350

Phone 61 7 4688 4588

**Principal place of business**

78 West Street

Toowoomba QLD 4350

Web: [www.primeag.com.au](http://www.primeag.com.au)

To contact PrimeAg - email [info@primeag.com.au](mailto:info@primeag.com.au).

The principal activities of the company during the year were investment in Australian rural properties and water entitlements and undertaking cropping activities.

**Share Register**

Link Market Services

12, 680 George Street

Sydney, NSW 2000

PrimeAg Australia Limited is a company limited by shares incorporated in Australia on 12 October 2007, whose securities were admitted to trading on the Australian Securities Exchange on 24 December 2007.

**Solicitors**

Kemp Strang

Level 16

55 Hunter Street

Sydney, NSW 2000

**Bankers**

ANZ Bank Limited

324 Queen Street

Brisbane, QLD 4000

**Auditors**

Ernst & Young

680 George Street

Sydney, NSW 2000