



ABN: 66 127 984 123

HALF YEAR REPORT

31 DECEMBER 2012

ABN: 66 127 984 123

Appendix 4D Half Year report - period ended 31 December 2012

Results for Announcement to the Market

			\$'000
Revenue from ordinary activities	Up	25% to	40,714
Loss from ordinary activities after tax attributable to members	Down	63% to	(1,749)
Loss for the period attributable to members	Down	63% to	(1,749)
Dividends			
The directors have not declared a dividend in respect of the six months ended 31 December 2012.			
Asset backing			
Net tangible asset backing per ordinary share as at 31 December 2012			\$1.11 *
Net tangible asset backing per ordinary share as at 31 December 2011			\$1.23
* The book value of the water rights which are classified as Intangible Assets equates to \$0.31 per share at 31 December 2012 (The value per share at 31 December 2011: \$0.31).			
Net asset backing per ordinary share as at 31 December 2012.			\$1.42
This follows a \$0.15/per ordinary share capital return in October 2012.			
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

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

Peter Francis Young AM

Geoffrey John Hewitt

DIRECTORS REVIEW OF OPERATIONS – 6 months to 31 December 2012

First Half Result

For the half-year ending 31 December 2012, Directors report a pre-tax operating loss of \$2.6M, compared to a \$6.7M loss for the previous corresponding period.

In after tax terms the loss for the half was \$1.7M, compared with a loss of \$4.7m for the previous corresponding period. The company's cropping program is weighted 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 (6,180ha) was completed without issue by early December. Dry winter and spring weather conditions reduced yields. Over 15,600 tonnes of winter crop was produced, a shortfall of 16 % to budget. Quality was slightly impacted with average proteins lower than normal.

PrimeAg's summer crops were well established by the end of December, with 7,033ha of irrigated cotton, 3,014ha of dryland cotton, 345ha of irrigated sorghum and 1787ha of dryland sorghum.

Weak A\$ commodity prices for cotton over the past 6 months, continue to potentially reduce the industry's and PrimeAg's operating performance for FY13. Wheat prices achieved are in-line with budget, with the majority of the crop sold.

Full Year Outlook

Volatile \$A Commodity Prices

The A\$ remains above parity keeping A\$ cotton prices below long term averages. Weather in the northern hemisphere and the A\$ strength will remain key to cotton prices over the next six months. Despite improvements over the past month, cotton prices remain below target.

Strong global grain prices keep A\$ grain prices at reasonable levels.

Directors' Report

Above Average Rainfall Events

After a dry establishment period during October and November good rainfall was received across PrimeAg properties in January, fortunately without the devastating consequences suffered in some areas of Northern NSW and Southern Queensland. Only small areas of crops have been damaged at Warra and Goondiwindi. Dryland crops benefited from the rainfall and water storages were able to be replenished, further supporting water balances. Overall, the impact of the above average rain events was positive and outweighed any flood impacts.

Production and Yields

Production conditions were challenging in the early part of the season and this reduced the total summer area sown by 15% relative to budget. Irrigated crop conditions have since been conducive to achieving target yields and barring any adverse weather conditions for the remainder of the season we expect to achieve target yields. The dry start restricted maximum yield potential on some areas of the dryland crop. The January rains have improved the situation and barring any adverse weather conditions for the remainder of the season we expect to achieve close to target yields on planted areas.

Future Operating Performance

The recent rainfall and river flows have enhanced irrigation water supplies over the short to medium term at all PrimeAg locations. Production has the potential to achieve FY13 target. Dryland winter crop soil moisture profiles are now full, enhancing early yield potential for these crops.

Current A\$ cotton prices remain below the long term average and the full year operating result will depend on movement in the cotton price over the next six months. PAG has reasonable levels of forward sales; however any adverse movement in cash prices over for the remainder of our cotton and sorghum production will reduce expected operating profit. The same effects are likely to be felt by other operators in the sector.

Privatisation Process Update

As announced on 30 August 2012, the Board has decided to implement a process to unlock shareholder value in the company. Consideration has been given to proposals to privatise the Company through a process of public tender managed by an independent qualified party.

As a result of this process, PrimeAg announced on 15 February 2013 that it had agreed to the sale of the Crooble aggregation, the MacIntyre Downs, Mullala and Milchengowrie properties with an option to sell one of either the Lower Box or Warra properties to TIAA-CREF Global Agriculture LLC for approximately \$125 million. The transaction represents a slight premium to book value over approximately 60% of PrimeAg's portfolio of land and water entitlements.

Directors' Report

The transaction is subject to approvals from PrimeAg shareholders and the Foreign Investment Review Board ("FIRB") and is expected to close on 31 July 2013. The PrimeAg board will issue an Explanatory Memorandum and Notice of Meeting for shareholder approval of the sale and the prospective distribution of available excess cash holdings.

PrimeAg remains in discussions with parties in relation to the sale of its remaining assets and the operating company. The sale of these remaining assets may result in significant variations upwards or downwards to the carrying values of land, water and biological assets, the allocation of expenses and the imposition of taxes on the Company. At the date of this report, the Directors are not in a position to forecast the financial outcome of these negotiations.

These assets include the Emerald Hub, the Lakeland Downs and Kurrajong Hills properties, either Lower Box or Warra and the non-property assets.

Costs associated with the sale of these assets, including legal and advisory fees, transition costs and employee entitlements will form part of operating returns for the full year.

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.

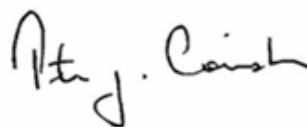
AUDITOR INDEPENDENCE

The Directors have received an independence declaration from the auditor, Ernst & Young. A copy of the declaration is included on page 6 of this report.

Signed in accordance with a resolution of the Directors.



Roger Corbett AO
Chairman



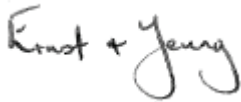
Peter Corish AM
Managing Director / CEO

Date: 28th February, 2013

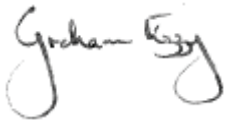
Date: 28th February, 2013

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 2012, 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 handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Graham Ezzy'.

Graham Ezzy
Partner
28 February 2013

Income Statement

For the Half Year ended 31 December 2012

		<i>For the Half Year ended 31 December 2012</i>	<i>For the Half Year ended 31 December 2011</i>
Continuing Operations	<i>Notes</i>	<i>\$'000</i>	<i>\$'000</i>
Sale of goods		37,360	29,638
Other revenue	3	3,354	2,988
Revenue		40,714	32,626
Net operating income derived from biological assets	12	12,373	13,851
Cost of sales		(36,541)	(29,894)
Other income	4	775	357
Employee benefits expense		(2,865)	(2,713)
Depreciation and amortisation expense		(1,290)	(1,224)
Farming costs		(12,465)	(13,792)
Property related costs		(1,646)	(1,028)
Flood damage		(17)	-
Administration and other expenses	5	(1,415)	(1,056)
Finance costs		(241)	(183)
Loss from farming operations before income tax		(2,618)	(3,056)
Fair value movement on land , buildings, improvements and water rights		-	(3,638)
Loss from continuing operations before income tax		(2,618)	(6,694)
Income tax benefit	6	868	2,000
Net Loss for the period after tax		(1,749)	(4,694)
Attributable to:			
Equity holders of the parent entity		(1,749)	(4,694)
Net Loss for the period after tax		(1,749)	(4,694)
Earnings per share for (loss) / profit attributable to ordinary equity holders of the parent:			
Basic earnings per share (cents)		(0.66) ¢	(1.76) ¢
Diluted earnings per share (cents)		(0.66) ¢	(1.76) ¢

Statement of Comprehensive Income

For the Half Year ended 31 December 2012

	<i>For the Half Year ended 31 December 2012</i>	<i>For the Half Year ended 31 December 2011</i>
	<i>\$'000</i>	<i>\$'000</i>
Loss for the period	(1,749)	(4,694)
Asset revaluation of land, buildings and improvements	-	674
Total Comprehensive Income for the Period	(1,749)	(4,020)
Attributable to:		
Equity holders of the parent entity	(1,749)	(4,020)
Total Comprehensive Income for the Period	(1,749)	(4,020)

Statement of Financial Position

As at 31 December 2012

	Notes	31 December 2012 \$'000	30 June 2012 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	140,832	134,625
Trade and other receivables		4,097	7,564
Inventories		2,361	27,358
Biological assets	12	16,104	7,257
Derivatives	10	33	67
Other assets	9	3,404	1,759
Property, plant and equipment held for sale	11	-	49,478
Total Current Assets		166,831	228,108
Non-current Assets			
Available-for-sale financial assets		2	2
Property, plant and equipment	11	139,995	125,898
Intangible assets		83,095	83,095
Deferred tax assets		9,294	6,147
Total Non-current Assets		232,386	215,142
TOTAL ASSETS		399,217	443,250
LIABILITIES			
Current Liabilities			
Trade and other payables		6,350	10,073
Income tax payable		-	44
Provisions		56	107
Derivatives	10	27	30
Interest-bearing loans and borrowings	13	1,252	1,954
Total Current Liabilities		7,685	12,208
Non-current Liabilities			
Provisions		23	24
Interest-bearing loans and borrowings	13	4,988	5,081
Deferred tax liabilities		7,531	5,251
Total Non-current Liabilities		12,542	10,356
TOTAL LIABILITIES		20,227	22,564
NET ASSETS		378,990	420,686
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	13	373,219	413,178
Retained earnings		(484)	1,265
Reserves		6,255	6,243
TOTAL EQUITY		378,990	420,686

Statement of Changes in Equity

For the Half Year ended 31 December 2012

	<i>Attributable to equity holders</i>		<i>Total equity</i>	
	<i>Contributed equity \$'000</i>	<i>Retained earnings \$'000</i>	<i>Reserves \$'000</i>	<i>Total \$'000</i>
At 1 July 2012	413,178	1,265	6,243	420,686
Loss for the period	-	(1,749)	-	(1,749)
Total Comprehensive Income for the Period	-	(1,749)	-	(1,749)
Transactions with owners in their capacity as owners:				
Capital Return	(39,959)	-	-	(39,959)
Cost of share-based payments	-	-	12	12
At 31 December 2012	373,219	(484)	6,255	378,990
At 1 July 2011				
	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
Total Comprehensive Income for the Period	-	(4,694)	674	(4,020)
Transactions with owners in their capacity as owners:				
Issue of additional equity	122,121	-	-	122,121
Payment of dividend	-	(2,664)	-	(2,664)
Cost of share-based payments	-	-	11	11
At 31 December 2011	413,179	(8,420)	4,699	409,458

Statement of Cash Flows

For the Half Year ended 31 December 2012

	<i>For the Half Year ended 31 December 2012 \$'000</i>	<i>For the Half Year ended 31 December 2011 \$'000</i>
Cash flows from operating activities		
Receipts from customers	44,117	33,716
Receipts from insurance proceeds	176	2,859
Payments to suppliers and employees	(35,106)	(29,421)
Interest received	3,915	2,206
Interest paid	(236)	(199)
Income tax paid	(269)	-
Net cash flows from/(used in) operating activities	12,597	9,161
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	37,046	246
Purchase of property, plant and equipment	(2,057)	(1,103)
Net cash flows from/(used in) investing activities	34,989	(857)
Cash flows from financing activities		
Proceeds from issues of ordinary shares	-	121,433
Payment for capital return	(39,959)	-
Payment of dividends on ordinary shares	-	(2,664)
Repayment of finance lease principal	(1,420)	(568)
Net cash flows from/(used in) financing activities	(41,379)	118,201
Net increase in cash and cash equivalents	6,207	126,505
Cash and cash equivalents at 1 July	134,625	10,618
Cash and cash equivalents at end of period	140,832	137,123

Notes to the Financial Statements

For the Half Year ended 31 December 2012

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 2012 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 2012 and considered together with any public announcements made by PrimeAg Australia Limited during the half year ended 31 December 2012 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 2012, 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.

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.

Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2012

	For the Half Year ended 31 December 2012 \$'000	For the Half Year ended 31 December 2011 \$'000
3 REVENUE		
Other Revenue		
Interest received	3,306	2,936
Other revenue	48	52
	<u>3,354</u>	<u>2,988</u>
4 OTHER INCOME		
Other Income		
Gain on forward contracts sold	67	-
Insurance proceeds	708	356
Other income	-	1
	<u>775</u>	<u>357</u>
5 ADMINISTRATIVE AND OTHER EXPENSES		
Net loss on disposal of property, plant and equipment	40	9
Administrative costs	1,053	868
Other expenses	322	179
	<u>1,415</u>	<u>1,056</u>
6 INCOME TAX		
(a) Income tax expense		
Major components of income tax expense are:		
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(868)	(2,000)
Income tax benefit reported in income statement	<u>(868)</u>	<u>(2,000)</u>
(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	(2,618)	(6,694)
At Company's statutory income tax rate of 30%	(785)	(2,008)
Reversal of prior year over provision for tax	(90)	-
Non deductible expenses	7	8
Aggregate income tax (benefit)/expense	<u>(868)</u>	<u>(2,000)</u>

7 DIVIDENDS PAID AND PROPOSED

The directors have not declared a dividend in respect of the six months ended 31 December 2012. During the period no dividend was paid, (31 December 2011: \$0.01 per share).

Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2012

	31 December 2012 \$'000	30 June 2012 \$'000
8 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	5,703	4,398
Short-term deposits	135,129	130,227
	<u>140,832</u>	<u>134,625</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 or 60 day term.

9 OTHER ASSETS

Deposits and incidentals paid	804	160
Prepayments	1,229	228
Prepaid transaction costs relating to the PrimeAg Agricultural Fund	1,371	1,371
	<u>3,404</u>	<u>1,759</u>

10 DERIVATIVES

Current Assets - Other financial assets

Forward commodity contracts - Wheat	33	67
	<u>33</u>	<u>67</u>

Current Liabilities

Forward commodity contracts - Cotton	27	30
	<u>27</u>	<u>30</u>

11 CLASSIFICATION OF PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment held for sale	-	49,478
Property, plant & equipment held for operations	139,995	125,898
	<u>139,995</u>	<u>175,376</u>

During the period, Northstar Aggregation and Inner Downs Aggregation were disposed of, which had a combined value consistent with the sale price of \$36,728,000 at 30 June 2012.

Kurrajong Hills Bunnor and Lakeland Downs were being actively marketed at 30 June 2012 and were held as current assets at this time. At 31 December 2012, their values were reclassified from current to non-current to include properties within the proposed privatisation of the Company.

Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2012

	<i>31 December 2012</i> \$'000	<i>30 June 2012</i> \$'000
12 INTEREST-BEARING LOANS AND BORROWINGS		
Current		
Obligations under finance leases and hire purchase contracts (including residual payments)	1,252	1,954
	<u>1,252</u>	<u>1,954</u>
Non-current		
Obligations under finance leases and hire purchase contracts (including residual payments)	4,988	5,081
	<u>4,988</u>	<u>5,081</u>
	<i>31 December 2012</i> \$'000	<i>30 June 2012</i> \$'000
13 CONTRIBUTED EQUITY		
Ordinary shares, issued and fully paid		
Ordinary shares	386,205	426,164
Share issue costs	(18,054)	(18,054)
Tax effect of share issue costs	5,068	5,068
	<u>373,219</u>	<u>413,178</u>
	<i>No of Shares</i>	
Ordinary shares	<i>31 December 2012</i>	<i>30 June 2012</i>
Opening	266,394,444	150,569,976
Shares issued	-	115,824,468
Closing	<u>266,394,444</u>	<u>266,394,444</u>

During the period PrimeAg Australia undertook a capital return and paid \$39,959,166 on 266,394,444 shares at \$0.15 per share.

Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2012

14 BIOLOGICAL ASSETS

	2012 Winter Crops \$'000	2013 Summer Crops \$'000	2013 Winter Crops \$'000	2014 Crops \$'000	Total Crops \$'000
As at 31 December 2012					
The biological assets consist of crops and cattle.					
Crops					
At 1 July 2012	2,232	3,131	53	72	5,488
Change in fair value of crops less estimated point-of-sale costs	974	10,882	245	214	12,315
Decrease due to harvesting of crops	(3,206)	-	-	-	(3,206)
At 31 December 2012	-	14,013	298	286	14,597
Current	-	14,013	298	-	14,311
Non current	-	-	-	286	286
	-	14,013	298	286	14,597
Cropped hectares	6,150	12,136	*		

2012 Winter crops comprise wheat & chickpeas, while the 2013 summer crops are cotton and sorghum.

During the period the primary crops harvested were 14,558t wheat and 1,012t chickpeas.

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	\$'000
At 1 July 2012	1,769
Increases due to new purchases	2,422
Change in fair value of livestock	58
Decrease due to Sales	(2,742)
At 31 December 2012	1,507

Livestock were mature and have been measured at their fair value less estimated point of sale costs. The number of cattle at balance date was 2,233.

Biological Asset Summary

Crops	14,597
Cattle	1,507
Total Biological Assets	16,104
Net operating income derived from biological assets	
Crops	12,315
Cattle	58
Total Biological Assets	12,373

* Relates to soil preparation costs only, no 2013 winter crops had been planted at 31 December 2012.

Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2012

14 BIOLOGICAL ASSETS (Continued)

	2011 Crops \$'000	2012 Summer Crops \$'000	2012 Winter Crops \$'000	2013 Summer Crops \$'000	2013 Winter Crops \$'000	2014 Crops \$'000	Total Crops \$'000
As at 30 June 2012							
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	1,887	49,340	2,094	3,111	53	72	56,557
Decrease due to harvesting of crops	(3,635)	(52,200)	-	-	-	-	(55,835)
At 30 June 2012	-	-	2,232	3,131	53	72	5,488
Current	-	-	2,232	3,131	53	-	5,416
Non current	-	-	-	-	-	72	72
	-	-	2,232	3,131	53	72	5,488
Cropped hectares at balance date	6,465	14,562	6,150				

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 19,191t wheat, 6,704t of sorghum, 102,026 bales of cotton, and 612t 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.

Cattle	\$'000
At 1 July 2011	1,571
Increases due to new purchases	5,203
Change in fair value of livestock	45
Decrease due to Sales	(5,050)
At 30 June 2012	1,769

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

The number of cattle at balance date was 2,565.

Biological Asset Summary

Crops	5,488
Cattle	1,769
Total Biological Assets	7,257

Notes to the Financial Statements (continued)

For the Half Year ended 31 December 2012

15 COMMITMENTS AND CONTINGENCIES

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

At 31 December 2012 PrimeAg has fixed sales of 10,000 bales of cotton (31 December 2011: 54,500) with fixed prices averaging \$525 per bale (31 December 2011: \$556); and 2,000 bales of sorghum (31 December 2011: nil) with fixed prices averaging \$260 per tonne.

16 SUBSEQUENT EVENTS

- (a) Significant rainfall and widespread flooding occurred in northern New South Wales and Queensland during January and early February 2013, including in the Condamine and Border River valleys where the Company's farms are located (Condamine, Darling Downs and Goondiwindi hubs). No significant damage was sustained by any Company equipment or infrastructure. No significant damage was sustained by the Company's summer crop.
- (b) On the 15th February 2013, an ASX announcement was made stating that PrimeAg had agreed to the sale of the Crooble aggregation, the McIntyre Downs, Mullala and Milchengowrie properties with an option to sell one of either the Lower Box or Warra properties. Assuming the option to sell Lower Box or Warra is exercised prior to 30 April 2013, the transaction price will be \$AUD \$123-\$AUD \$126 million, representing a premium to book value. The Transaction excludes the Emerald hub, the Lakeland Downs and Kurrajong Hills properties and the non-property assets, such as the summer crops across the entire portfolio, its operating plant and equipment and management company. The PrimeAg Board has resolved to distribute available excess cash and the proceeds from the sales as soon as practical and anticipates an initial distribution post shareholder approval in mid April 2013, followed by a subsequent distribution of sale proceeds in early August 2013.
- (c) The Transaction referred to in Note 16(b) ('Transaction') is subject to shareholder approval at a General Meeting to be convened as soon as practicable after the date of these Financial Statements. In addition Directors note that negotiations are continuing in relation to the sale of the Company's remaining assets which may result in significant variations, upwards or downwards, to the carrying values of land, water and biological assets, including the carrying value and allocation of expenses in the balance sheet and the tax implications for the Company. At the date of this report, the Directors are not in a position to forecast the financial outcomes of these negotiations.

Directors' Declaration

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

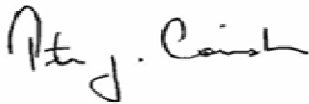
In the opinion of the directors:

- (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 2012 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 AO
Chairman
28 February, 2013



P J Corish AM
Managing Director
28 February, 2013

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 ("the Company"), which comprises the condensed statement of financial position as at 31 December 2012, the condensed income statement, 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 2012 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 half-year Financial Report.

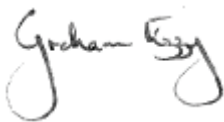
Conclusion

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:

- a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Graham Ezzy'.

Graham Ezzy
Partner
Sydney
28 February 2013

Corporate Information

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

To contact PrimeAg - email 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 17

175 Pitt Street

Sydney, NSW 2000

Bankers

ANZ Bank Limited

Level 20

111 Eagle Street

Brisbane, QLD 4000

Auditors

Ernst & Young

680 George Street

Sydney, NSW 2000