



Monday 9 July 2018

ASX ANNOUNCEMENT

EXTENSION OF QUEENSLAND HORTICULTURE JOINT VENTURE TO SOUTHERN AUSTRALIA

The company announces that it has entered an agreement with Qualipac Farming to extend the current Queensland joint venture to southern Australia. Undertaking the project remains subject to raising further capital (see the company's release dated 6 July 2018).

The object of the extension is to lower the overall farming risks of the joint venture by better managing the weather risks of farming in Australia.

Production in Queensland and southern Australia will permit the joint venture to supply its primary customers with product produced for 12 months of the year.

The weather in southern Queensland has been warmer than the average for the past 3 years including 2018. Not only were temperatures up but traditional summer weather persisted well into March and April. Qualipac had recognised this trend and entered into our joint venture with a view to spreading the risks of its existing operations which are concentrated in the Lockyer Valley in southern Queensland. However, the Darling Downs has also been affected by increased temperatures and an extended summer. Planting of broccoli took place at our farm at Jondaryan in April, instead of our usual target of March because of the late summer heat.

Unfortunately the hot summer had been preceded by a relatively warm spring with temperatures reaching 40C in Jondaryan in September 2017. Unfortunately the first 6 months of 2018 in southern Queensland have again been warm but also very dry.

The Australian Weather Bureau stated that the Queensland winter 2017 and early spring comprised record warm days with much of the State dry.

"Daytime temperatures were record warm for Queensland as a whole; while overnight temperatures were well above average. Queensland had its second-warmest winter on record in terms of mean temperature. Rainfall was well below average on the east coast and in southern Queensland."

Nonetheless the Bureau stated that the long term trend is not so alarming. All current modelling by the Weather Bureau shows Australia's weather patterns as neither wet nor dry nor unusually hot. Indeed the long term modelling for this year indicates increased rain over southern Australia including southern Queensland and slightly increased temperatures, from average.

The above does not indicate a need to radically alter the way we farm in Queensland but it does indicate that there are increased risks with seeking to grow broccoli 9 months of the year in

Queensland. In order to provide Qualipac grown product to customers it does indicate that we need to farm in some other places in order to be able to supply product 12 months of the year. The obvious choices are in the south of the country, either Victoria or Tasmania.



After some further due diligence the joint venture intends to commence operations in southern Australia to complement the existing operations in Queensland. The joint venture will produce broccoli in Queensland March/April to October, and southern Australia from October to April. The weather in southern Australia is consistently wet and cooler during the summer months than other possible target areas.

The initial target is to get one, possibly two 50 hectare properties in southern Australia up and running in 2018, together with a small processing plant. Each farm would be a sub- contracted operating farm supervised and directed by Qualipac.

Qualipac will arrange for plant and equipment at its plant in Gatton in Queensland to be sent to southern Australia in year 1 to support the business. A1 will provide the working capital to an amount not exceeding \$1 million. The project remains subject to A1 raising further capital to support the project.

A1 INVESTMENTS & RESOURCES LTD



Charlie Nakamura
Managing Director

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