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FRESH RARE ENTICING EYRE

Half-Year Report

For the Half-Year
Ended 31 March 2009

FREE Eyre Limited
ACN 124 308 041

FREE EYRE LIMITED
ACN 124 308 041

CORPORATE DIRECTORY

Company Secretary

Robert Paterson
20 Payneham Road
Stepney SA 5000

Registered Office

20 Payneham Road
Stepney SA 5000

Auditors

BDO Kendalls
248 Flinders Street
Adelaide SA 5000

Solicitor

Donaldson Walsh
Kings Chambers
320 King William Street
Adelaide SA 5000

Bank

Bendigo Bank
18 Railway Terrace
Cummins SA 5631

Share Register

Company office
20 Payneham Road
Stepney SA 5000

Website Address

www.free-eyre.com.au

Directors Report

The directors of FREE Eyre Limited (FREE Eyre) submit herewith the half-year review for the period ending 31 March 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

Directors

Below are the names of persons who were directors of FREE Eyre Limited during the whole of the half-year and up to the date of this report.

Michael Douglas Tilley
Chairman

Susanne Tegen
Managing Director

Susan Mary Chase
Chairman Finance, Audit and Risk Committee

Robert Page Paterson
Director / Company Secretary / Finance, Audit and Risk Committee

Jarrod Matthew Phelps
Director

Ben Ranford
Director

Thomas Michael Wake
Director

Review of Operations

The entity recorded a net profit after tax of \$90,178 for the half-year ended 31 March 2009.

EP Grain Ltd, FREE Eyre's first capitalised business (a joint venture with Emerald) has outperformed its projection of grain signed up in its first year. Marketing more than 200,000 ton of grain from the Eyre Peninsula (EP), EP Grain has signed up approximately 15% of the EP's grain in its first year mainly through its grain pools.

In the first half-year, shareholder funds increased by \$220,324 as a result of 4 new shareholders joining and a number of existing shareholders increasing their investment. FREE Eyre's total number of shareholders increased from 247 to 349 shareholders in the period since the prospectus opened in April 2008 until 31 March 2009.

Continuing drought conditions and the subsequent economic downturn has severely affected the ability of further share purchases by existing shareholders as well as prospective investors in and outside of the Eyre Peninsula community.

This has resulted in the company down scaling its research and development activities and focusing on EP Grain, the EP Meat project and the Oil Mallee trial which has been carried out in conjunction with Forestry SA, Greening Australia and the Eyre Natural Resource Management Board.

Future activities will be limited by the amount of additional capital raised by the end of the prospectus as at 27 May 2009.

The global economic upheaval has also affected Australian Government and global carbon policy. This has influenced the price for carbon and any commercial gain farmers may have in the shorter term. FREE Eyre may continue to monitor policy and the feasibility of a carbon and / or Mallee based business venture.

Funding partnerships have been developed with; Primary Industry SA (PIRSA) and Meat and Livestock Australia (MLA) for the development of a FREE Eyre sheep meat business. Several options which improve efficiency and profit of FREE Eyre sheep meat producers and the FREE Eyre Company are currently being considered.

Alternative storage options and competitive access to port facilities continue to be relevant with plans in place to be implemented when deemed feasible.

A summary of consolidated revenues and net profit before tax for the half-year by business segment follows.

Revenue

Revenue of \$383,024 for the half-year ended 31 March 2009 is largely comprised of profit from its investment in EP Grain.

Net Profit

Net profit after income tax of \$90,178 for the half-year ended 31 March 2009 reflects income from grants and sponsorships and the interest in EP Grain.

Balance sheet

The net assets value of \$1,343,816 principally reflects FREE Eyre's interest in EP Grain.

The current assets and liabilities principally reflect working capital increases and the investment into research, development and commercialisation options for additional business ventures.

Cash flows

Operating activities used net cash of \$284,680 for the half-year ended 31 March 2009 reflecting the seasonal investment in working capital, payments to contractors and employees and receipts from grants (customers). This amount is principally due to feasibility research on sheep meat, alternative storage and carbon offset opportunities.

Future Activities

With the investigation of the sheep meat project well underway, FREE Eyre will soon have a better understanding of commercialisation opportunities that may exist for FREE Eyre and its shareholders.

The prospectus sought to raise \$5 million to achieve its goals. Strong support has raised almost \$1.4 million to date. Due to the global economic downturn and continued drought and its effects on potential shareholders, FREE Eyre will have a considerable shortfall in investments.

The directors have assessed FREE Eyre's achievements and determined options for the future depending on the total capital raised by the close of the Prospectus 27 May 2009.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is on page 4.

This report is signed in accordance with a resolution of directors made pursuant to s.306(c) of the Corporations Act 2001 and on behalf of the directors.

A handwritten signature in black ink, appearing to read 'M D Tilley', written in a cursive style.

Michael D Tilley
Chairman

Adelaide
28 May 2009

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF FREE EYRE LIMITED**

As lead auditor of FREE Eyre Limited for the first half-year ended 31 March 2009, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



Gregory R Wiese
Partner

BDO Kendalls (SA)
Chartered Accountants

27 May 2009

FREE EYRE LIMITED
ACN 124 308 041

INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 MARCH 2009

	Half Year 31 March 2009 \$	Half Year 31 March 2008 \$
Revenue		
Interest and sponsorships	17,108	14,882
Share of net profits of joint venture	365,916	-
Total revenue	<u>383,024</u>	<u>14,882</u>
Expenses		
Administration expenses	(79,612)	(41,158)
Company establishment costs	-	(3,645)
Employee expenses	(118,203)	(108,895)
Project costs	(28,606)	(88,887)
Travel and accommodation	(15,256)	(14,640)
Other expenses	(23,806)	(17,982)
Depreciation expense	(11,929)	(640)
Directors Fees	(15,334)	(8,400)
Total expenses	<u>(292,746)</u>	<u>(284,247)</u>
Profit/(loss) before income tax	<u>90,278</u>	<u>(269,365)</u>
Income tax expense	-	-
Profit/(loss) attributable to members of the entity	<u>90,278</u>	<u>(269,365)</u>

The above Income Statement should be read in conjunction with the accompanying notes.

FREE EYRE LIMITED
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BALANCE SHEET
AS AT 31 MARCH 2009

	Note	31 March 2009 \$	30 September 2008 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		22,673	122,535
Trade and other receivables		12,525	9,149
Other assets		2,445	-
TOTAL CURRENT ASSETS		37,643	131,684
NON-CURRENT ASSETS			
Plant and equipment		28,799	5,222
Interest in joint venture entity	7	1,335,106	968,690
TOTAL NON-CURRENT ASSETS		1,363,905	973,912
TOTAL ASSETS		1,401,548	1,105,596
CURRENT LIABILITIES			
Trade and other payables		57,732	72,382
TOTAL CURRENT LIABILITIES		57,732	72,382
TOTAL LIABILITIES		57,732	72,382
NET ASSETS		1,343,816	1,033,214
EQUITY			
Contributed equity		1,896,826	1,676,502
Accumulated losses		(553,010)	(643,288)
TOTAL EQUITY		1,343,816	1,033,214

The above Balance Sheet should be read in conjunction with the accompanying notes.

FREE EYRE LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 MARCH 2009

	Issued Capital \$	Accumulated Losses \$	Total \$
Half-year ended 31 March 2009			
Equity as at 1 October 2008	1,676,502	(643,288)	1,033,214
Profit/(loss) attributable to members of the company	-	90,278	90,278
Total income and expense for the period	-	90,278	90,278
Issue of shares	220,324	-	220,324
Equity as at 31 March 2009	<u>1,896,826</u>	<u>(553,010)</u>	<u>1,343,816</u>
Half-year ended 31 March 2008			
Equity as at 1 October 2007	(773,231)	(264,296)	(1,037,527)
Profit/(loss) attributable to members of the company	-	(269,365)	(269,365)
Total income and expense for the period	-	(269,365)	(269,365)
Issue of shares	-	-	-
Equity as at 31 March 2008	<u>(773,231)</u>	<u>(533,661)</u>	<u>(1,306,892)</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 MARCH 2009

	Half Year 31 March 2009 \$	Half Year 31 March 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers including GST	25,702	16,504
Payments to suppliers and employees including GST	(314,832)	(291,319)
Interest received	4,450	14,882
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(284,680)	(259,933)
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in joint venture company	-	-
Payment for plant and equipment	(35,506)	(7,267)
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	(35,506)	(7,267)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	220,324	-
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	220,324	-
Net decrease in cash held	(99,862)	(267,200)
Cash at beginning of period	122,535	505,907
Cash at end of period	<u>22,673</u>	<u>238,707</u>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

FREE EYRE LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 MARCH 2009

Note 1 Basis of Preparation of Half-Year Financial Statements

This general purpose financial report for the interim half-year reporting period ended 31 March 2009 has been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Act 2001.

The financial report has been prepared on an accrual basis and is based on historical costs.

This interim report does not include all the notes of the type normally included in an 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. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 September 2008 and any public announcements made by FREE Eyre Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this interim financial report as compared with the most recent annual financial report.

	Half Year 31 March 2009 Shares	Half Year 31 March 2008 Shares	Half Year 31 March 2009 \$	Half Year 31 March 2008 \$
Note 2 Equity Securities Issued				
Issue of ordinary shares	110,162	-	220,324	-

Note 3 Dividends paid or provided

No dividends have been paid or declared during the period.

Note 4 Segment Information

The business operated in a single business segment of supporting farming communities and within a single geographical region being the Eyre Peninsula.

Note 5 Contingent Liabilities

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 30 September 2008.

Note 6 Events After the Balance Sheet Date

No events have occurred since balance date that will affect the information disclosed in this financial report.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 MARCH 2009

Note 7 Interest in Joint Venture

FREE Eyre has a 50% interest in the initial assets of the joint venture entity EP Grain subject to its share of income earned to 30 June 2009 being limited to 37.5%. The interest in the joint venture entity is accounted for in the financial statements using the equity method of accounting.

	31 March 2009	30 September 2008
	\$	\$
Opening value investment in joint venture entity	968,690	-
Investments made during the period	500	1,000,000
Current period share of profit/(loss) in joint venture entity	365,916	(31,310)
Closing investment in joint venture entity	1,335,106	968,690
 Share of joint venture entity's assets and liabilities		
FREE Eyre's share of assets employed in the joint venture is;		
CURRENT ASSETS		
Cash	1,312,784	968,230
Trade receivables	9,881	23,280
TOTAL CURRENT ASSETS	1,322,665	991,510
NON-CURRENT ASSETS		
Property, plant and equipment	26,092	-
TOTAL NON-CURRENT ASSETS	26,092	-
TOTAL ASSETS	1,348,757	991,510
CURRENT LIABILITIES		
Trade and other payables	13,651	22,820
TOTAL CURRENT LIABILITIES	13,651	22,820
TOTAL LIABILITIES	13,651	22,820
NET ASSETS	1,335,106	968,690

FREE EYRE LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 MARCH 2009

Note 7 Interest in Joint Venture (continued)

	31 March 2009 \$	30 September 2008 \$
Share of joint venture entity's revenue, expenses and results		
Revenues	509,518	8,112
Expenses	(143,602)	(39,422)
Profit/(loss) before tax	<u>365,916</u>	<u>(31,310)</u>

FREE EYRE LIMITED
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DIRECTORS DECLARATION

The directors of the company declare that:

- 1 the financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - b. give a true and fair view of the company's financial position as at 31 March 2009 and of its performance for the half-year ended on that date.
- 2 In the directors' opinion 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 is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Michael D Tilley
Chairman

Adelaide
28 May 2009



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GPO Box 2018, Adelaide SA 5001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of FREE Eyre Limited

We have reviewed the accompanying half-year financial report of FREE Eyre Limited, which comprises the balance sheet as at 31 March 2009, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 disclosing entity's financial position as at 31 March 2009 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 FREE Eyre 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 confirm that the independence declaration required by the *Corporations Act 2001*, would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

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 FREE Eyre Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Kendalls (SA)
Chartered Accountants



Gregory R Wiese
Partner

12 June 2009