



FREE EYRE LIMITED

ACN 124 308 041

2011 ANNUAL REPORT

CORPORATE DIRECTORY

Company Secretary

Robert Paterson
20 Payneham Road
STEPNEY SA 5069

Auditors

BDO
Level 7, BDO Centre
420 King William Street
ADELAIDE SA 5000

Solicitors

Piper Alderman
167 Flinders Street
ADELAIDE SA 5000

Share Register

Company office
20 Payneham Road
STEPNEY SA 5069

Bank

Bendigo Bank
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CUMMINS SA 5631

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FREE EYRE LIMITED & CONTROLLED ENTITIES

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CHAIRMAN'S REPORT

It is with great pride that I present this 2010-2011 Annual Report to you, our valued shareholders. This past year will be long remembered as a defining year in the growth and development of our agribusiness development and investment company, FREE Eyre.

Financial Results

FREE Eyre is pleased to report a consolidated net profit of \$973,120.

On 23 November 2011, the FREE Eyre Board declared its first dividend to shareholders of 10 cents per ordinary share.

FREE Eyre completed its third capital-raising program in March 2011. The Board of Directors were very pleased with the results that saw 176 Eyre Peninsula farming entities contribute around \$900,000 of new capital to the business. It is extremely important to note that during this program, FREE Eyre welcomed 107 new shareholders to the company, lifting our collective shareholder register to over 470 farming and agribusiness entities. As a Company, we now have well over half of the Eyre Peninsula farming families as direct owners of FREE Eyre. This is a powerful statement and a fact that is not missed on the many companies who regularly approach us with business ideas.

Our EP Storage business has developed beyond even our own lofty ambitions over the past year. Few would have thought that the operations of the business, with particular reference to the use of the Falling Numbers machine for any farmer who requested a test, would become the new benchmark for all South Australian storage and handling companies.

The staff and management of EP Storage must be commended for their outstanding efforts this year. Receiving and professionally handling 108,000 tonnes of grain in bunkers and silo bags is an excellent result for a business in only its second year. Shareholders who have visited the Taragoro site recently will note the significant expansion in facilities, amenities, road works and drainage that have occurred since the previous harvest.

The number of grain buyers pricing grain warehoused at Taragoro continues to rise. We gratefully acknowledge and appreciate the support shown by the grain trading community to EP Storage and its grower clients. It is well known that as a third party grain storage business, our grain attracts additional costs in accessing the Peninsula's export terminals. EP Storage works tirelessly to offer additional value-add services to grain buyers in an effort to mitigate these costs and the developing relationship and understanding between all parties is very pleasing to see.

ABA (Australian Bulk Alliance) were contracted to provide the 'back office system' support for EP Storage this year. The ABA team provided a sterling service to many elements of the business and this was greatly appreciated. ABA launched their new Grain System during the year and this leading edge, client focused system has been warmly welcomed by EP Storage growers and customers alike.

EP Grain again performed admirably during 2010/11, purchasing 28% of Eyre Peninsula produced grain. Whilst global grain markets receded throughout the year, values remained above long term averages and strong production (despite the effects of weather at harvest time) have, until more recently, combined to create a positive financial result for the majority of EP farmers. The local and active presence of the EP Grain team continues to add significant competition and value to the Eyre Peninsula and we are proud of their contribution both to the farming community and also to FREE Eyre.

During the year, FREE Eyre launched a new division – FE Energy. This division of FREE Eyre was established to work with leading energy companies to introduce a number of different energy-based and carbon abatement initiatives to the Eyre Peninsula farming community.

With the expected growth of energy intensive industries on the Eyre Peninsula, our goal in launching FE Energy was twofold - to ensure the energy self-sufficiency of the rural industry and to clearly develop new sources of income for farmers.

FE Energy's first initiative was to partner with Australia's leading solar company – the Solar Shop – to present a series of information workshops throughout the Eyre Peninsula. The State Government's generous feed-in tariffs provided a rare incentive for consumers to install solar systems to mitigate their risk of inevitable future electricity price rises. Over 50 FREE Eyre shareholders invested in solar solutions for their properties, which was an excellent result. Unexpectedly, the Solar Shop was placed into receivership shortly after this process. I commend FREE Eyre and Solar Shop management for working with

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the receivers to ensure that the block of FREE Eyre shareholders had their solar systems installed in the manner in which they had agreed.

Whilst on the topic of solar, the FREE Eyre Board of Directors agreed to fund a significant ground mounted solar system for the Eyre Peninsula Field Days site at Cleve. This investment will provide a long term financial 'sponsorship' for the EP Field Days ensuring that the cost of electricity for the site will be effectively cancelled out.

Port Spencer

August 31 was an extremely important day for FREE Eyre and the EP farming community. FREE Eyre was announced as the Grain Operator for Centrex Metals Limited proposed Sheep Hill Owner's Team (shortly thereafter, Sheep Hill was renamed, Port Spencer).

Port Spencer was declared "an infrastructure proposal warranting Major Project Status" by the South Australian Premier and the Development and Resources Minister on 6 January 2011. Port Spencer is proposed to be a dedicated, multi-user bulk commodity export facility for minerals and agricultural products - grain in particular.

FREE Eyre, as a member of the Port Spencer Owner's Team, will advise on the planning, design and structure as well as ownership of the Port Spencer Grain Terminal precinct. The company will engage with relevant grain industry participants to assess the most suitable and cost effective grain handling and exporting facilities to co-exist with Centrex's mineral export needs. It is intended that the Port Spencer Grain Terminal will be an independently owned and operated facility, available to all users, ensuring maximum competition.

Development of a Deep Water Marine Port at the proposed Port Spencer site is expected to facilitate significant economic growth and competition for the whole Eyre Peninsula and has long been a key goal of FREE Eyre shareholders and Directors.

At the time of writing, FREE Eyre is negotiating with a number of significant domestic and multinational grain companies in an effort to determine the most appropriate mix of partners to develop the grain terminal and up-country network. It is envisaged that the EP Storage business will form an integral on-going part of this up-country network and that FREE Eyre will be an equity participant in the overall grain handling operations and infrastructure.

In order to allow appropriate assessment of EP Storage by future partners, a formal Information Memorandum had to be produced and this triggered the mandatory Accounting Standards requirement that EP Storage had to be disclosed as a "discontinued operation". This is an Accounting Standards requirement only and I assure shareholders that EP Storage and the Taragoro facilities are an important on-going part of providing competition on the Eyre Peninsula, whether operated in the future solely by FREE Eyre or as part of a new structure of partners in Port Spencer and supporting facilities.

Following FREE Eyre's last AGM, our Deputy Chairperson, Sue Chase, retired following 4 years of significant contribution to the FREE Eyre Board. We thank Sue for her incredible support and stability through the formation years of the company.

In replacing Sue's position, we were very pleased to welcome Ian Bampton as a Director of the company. Ian has spent a significant portion of his life in senior grain handling, storage and logistics roles with SACBH, ABB and more recently as the Port Lincoln Terminal manager for Viterro. Ian's transition to manage Gypsum Resource Australia's business operations at Thevenard provided the opportunity for Ian to join the FREE Eyre Board. With the developments of the Port Spencer project, Ian's expertise and knowledge of multi-commodity port operations will be readily called upon and greatly appreciated.

The Future

As shareholders will note in the financial results of this Annual Report, the past year has seen FREE Eyre become a financially sound and well resourced company for the scope of its current and future operations. It has been the Board's desire to consolidate its existing investments whilst carefully planning its next series of value adding investment opportunities.

Clearly, the Port Spencer developments offer the greatest medium to long-term opportunity to bring competition to the grain storage and handling arena on the Eyre Peninsula, and capital and resources will be allocated to this project accordingly.

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There are, however many other grain and non-grain opportunities that Management is investigating. Should these opportunities pass FREE Eyre's investment return, strategic and value-adding guidelines, they will be enacted. The FREE Eyre model and successes to date are well known across the rest of South Australia and FREE Eyre continues to engage with other like-minded groups to ascertain the potential of working together. We firmly believe in the old saying of 'strength in numbers' and the desire of farmers from across the state to rebuild serious grower owned service business remains. FREE Eyre is comfortable and willing to take a leadership role in this pursuit.

I would like to thank my fellow Directors and the management and staff of FREE Eyre and its related entities for their tireless efforts over the past year. We operate in challenging times in a challenging industry, but collectively, FREE Eyre and its shareholders have built an extremely promising, energetic and enthusiastic business that has and will continue to take control and add value to the rural community.



Michael D Tilley
Chairman

20 December 2011

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2011

Your directors present their report on the Group for the financial year ended 30 September 2011.

The names and details of the directors of the Group in office at any time during the financial year are:

| Director | Qualifications | FREE Eyre | EP Storage | Special Responsibilities |
|---------------------------|---|------------------------------------|------------------------------------|--|
| Michael Douglas Tilley | BA (Accountancy), FCA, FCPA, registered Tax Agent, registered Company Auditor, Director Vision Superannuation Fund (formally Chairman), Member Advisory Board (IAB) of Industry Fund Management Pty Ltd, Director, South Australian Tourism Commission, Director, Hawkesbridge Capital Ltd, Director Yarra Valley Water, Pres. Globalscope Partners Ltd | Chair | Chair | |
| Susan Mary Chase | Business Certificate in Accounting, Registered Tax Agent, FNIA, FAICD. | Director (Resigned 18 April 2011) | Director (Resigned 9 March 2011) | Chair, R&AC (Resigned 18 April 2011) |
| Benjamin John Ranford | BAppSc (Agric), Member of the Eyre Peninsula Agricultural Research Foundation, SA No Till Farmers Association. | Director | | |
| Thomas Michael Wake | DipAg (Roseworthy), former member of the Association of Financial Advisors, former Fellow of the Life Underwriters Association, former Certified Financial Planner. | Director | Director (Resigned 1 July 2011) | Director, EP Grain (Resigned 1 July 2011) |
| Robert Page Paterson | BEc (Hons), CA, MAICD, GCM | Director Company Secretary | Company Secretary | Director, EP Grain (Appointed 1 July 2011) Chair, R&AC |
| Thomas Ray Wardle | Certificate in Real Estate Sales, Director - Combined Independent Agents Pty Ltd | Director | | Director, EP Grain (Appointed 1 July 2011) Member, R&AC (Appointed 18 April 2011) |
| Ian Trevor Cliff | Director - Kimba Community Hotel, Secretary - Liberal Party, Kimba Branch, life member of Apex | | Director | |
| Lionel (Ted) Ian Stringer | Director - Kevandale Pty Ltd, President - Port Lincoln Clay Target Club, Executive Council Member - South Australian Clay Target Association | | Director | |
| Thomas Ian Bampton | | Director (Appointed 18 April 2011) | Director (Appointed 18 April 2011) | |
| Mark Andrew Rodda | BAGBus (Marketing & International Trade), Masters Degree (Innovation and Service Management) | | Director (Appointed 2 June 2011) | Director, EP Grain (Appointed 1 July 2011) |

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

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Directors' Meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director.

| Director | FREE Eyre Board Meetings | | Audit & Risk Committee Meetings | | EP Storage Board Meetings | |
|---|--------------------------|----------|---------------------------------|----------|---------------------------|----------|
| | Eligible to Attend | Attended | Eligible to Attend | Attended | Eligible to Attend | Attended |
| Michael Douglas Tilley | 9 | 9 | - | - | 5 | 5 |
| Susan Mary Chase (Resigned 18 April 2011) | 6 | 4 | 1 | 1 | 2 | 2 |
| Benjamin John Ranford | 9 | 7 | - | - | - | - |
| Thomas Michael Wake | 9 | 9 | - | - | 3 | 3 |
| Robert Page Paterson | 9 | 9 | 2 | 2 | - | - |
| Thomas Ray Wardle | 9 | 7 | 1 | 1 | - | - |
| Ian Trevor Cliff | - | - | - | - | 5 | 5 |
| Lionel Ian Stringer | - | - | - | - | 5 | 4 |
| Thomas Ian Bampton (Appointed 18 April 2011) | 3 | 3 | - | - | 1 | 1 |
| Mark Andrew Rodda (Appointed 2 June 2011) | - | - | - | - | 3 | 3 |

Principal Activities of the Group

The principal objectives of the Group during the period was to continue to introduce competition and to restore economic balance and long term viability to farming communities in the Eyre Peninsula. The principal operating activities are EP Grain – a grain marketing joint venture – and EP Storage – a grain storage joint venture with local farmers and businesses. FREE Eyre announced its intention to sell a portion of its interest in EP Storage as part of the negotiations with a number of significant domestic and multinational grain companies with whom FREE Eyre is seeking to partner in the development of the proposed new port terminal at Port Spencer together with an up-country network including EP Storage Taragoro. It is anticipated that an overall deal including the sale of a portion of EP Storage will be concluded during the next financial year.

Trading Results

The profit of the Group for the financial period after providing for income tax amounted to \$973,120 (2010: \$260,888).

Review of Operations

The period ended 30 September 2011 shows an improvement on the previous financial period due to the success of the joint venture entity EP Grain. EP Storage Pty Ltd had an extensive site upgrade to service the large crop harvested during 2010.

Distributions to Shareholders

The Board declared a dividend in respect of the 2011 financial year to be paid out at \$0.10 per share.

Share Options

No options over issued shares or interests in the Group were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

Directors Benefits

No director of the Group has since the end of the financial period received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts) by reason of a contract entered into by the Group with:

- A director, or
- A firm of which a director is a member, or
- An entity in which a director has a substantial financial interest.

Environmental Issues

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

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Matters Arisen

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Likely Developments

The Group consolidated its activities in both EP Grain and EP Storage during the year. There was further investigation into the Port Spencer deep water port, which is proposed to be a dedicated, multi-user bulk commodity export facility for minerals and agricultural products (in particular grain), with FREE Eyre announced as the Grain Operator in August. FREE Eyre will advise on the planning, design and structure of the grain terminal.

Indemnification and Insurance of Directors and Officers

During the financial period, FREE Eyre Limited paid a premium in respect of a contract insuring directors and officers of the Group and its controlled entities against a liability incurred as director or officer of the Group to the extent permitted by the Corporations Act 2001.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on Behalf of the Group

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under Section 237 of the Corporations Act 2001.

Remuneration Report - Audited

The remuneration policy of FREE Eyre Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component. The Board of FREE Eyre Limited believes the remuneration policy to be appropriate and effective in the Group's ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

(a) Principles used to determine the nature and amount of remuneration

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

At the outset, the remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the Board after seeking professional advice from independent external consultants. Since then the Board has used that original advice as the basis for new commercial negotiations.

The Board policy is to remunerate non-executive directors at rates for time, commitment and responsibilities appropriate to the size and objectives of the Group. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group.

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The following fees have applied from March 2011:

| | Annual Base Fee | |
|---|-------------------|--------------------|
| | FREE Eyre Limited | EP Storage Pty Ltd |
| | \$ | \$ |
| Chairman | 37,500 | - |
| Other non-executive directors | 25,000 | 10,000 |
| Chair of Risk & Audit Committee (R & AC) - additional | 5,000 | - |

Executive Pay

The executive pay and reward framework consists of base pay and superannuation as well as any capital raising incentives. Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market for companies of similar size.

Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Group can terminate employment at any time. Options, if any, not exercised before or on the date of the termination will lapse.

(b) Details of remuneration

Details of the remuneration and non-cash benefits of the directors and key management personnel of the Group are set out in the following table.

| Key personnel of the Group – 2011 | Short-term employee benefits | | Post-employment benefits | Total |
|--|------------------------------|-----------------------|--------------------------|----------------|
| | Salaries and fees | Non-monetary benefits | Superannuation | |
| Name | \$ | \$ | \$ | \$ |
| Non-Executive Directors | | | | |
| Michael Douglas Tilley | 33,125 | - | - | 33,125 |
| Susan Mary Chase | 11,667 | - | - | 11,667 |
| Benjamin John Ranford | 22,083 | - | - | 22,083 |
| Thomas Michael Wake | 22,083 | - | - | 22,083 |
| Robert Page Paterson | 22,083 | - | - | 22,083 |
| Thomas Ray Wardle | 22,083 | - | - | 22,083 |
| Ian Trevor Cliff | 8,340 | - | 751 | 9,091 |
| Lionel (Ted) Ian Stringer | 8,340 | - | 751 | 9,091 |
| Thomas Ian Bampton | 10,417 | - | 938 | 11,355 |
| Sub Total Non-Executive Directors | 160,221 | - | 2,440 | 162,661 |
| Executives | | | | |
| Mark Rodda | 170,177 | 50,000 | 15,162 | 235,339 |
| Total Key Management Personnel | 330,398 | 50,000 | 17,602 | 398,000 |

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| Key personnel of the Group – 2010 | Short-term employee benefits | | Post-employment | Total |
|--|------------------------------|-----------------------|-------------------------|----------------|
| | Salaries and fees | Non-monetary benefits | benefits Superannuation | |
| Name | \$ | \$ | \$ | \$ |
| Non-Executive Directors | | | | |
| Michael Douglas Tilley | 33,010 | - | - | 33,010 |
| Susan Mary Chase | 22,340 | - | - | 22,340 |
| Benjamin John Ranford | 14,000 | - | - | 14,000 |
| Thomas Michael Wake | 22,340 | - | - | 22,340 |
| Jarrold Matthew Phelps | 4,167 | - | 375 | 4,542 |
| Robert Page Paterson | 14,000 | - | - | 14,000 |
| Thomas Ray Wardle | 9,000 | - | 810 | 9,810 |
| Ian Trevor Cliff | 8,340 | - | 751 | 9,091 |
| Lionel (Ted) Ian Stringer | 8,340 | - | 751 | 9,091 |
| Sub Total Non-Executive Directors | 135,537 | - | 2,687 | 138,224 |
| Executives | | | | |
| Susanne Tegen | 4,094 | - | 353 | 4,447 |
| Mark Rodda | 91,743 | - | 8,257 | 100,000 |
| Total Key Management Personnel | 231,374 | - | 11,297 | 242,671 |

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits. Directors rendering an invoice for fees are not paid a superannuation guarantee contribution.

(c) Group performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. A method applied in achieving this aim in earlier years has been the issue of shares in lieu of director fees for the majority of directors and executives to encourage the alignment of personal and shareholder interests.

(d) Trading Summary

The following table shows the gross revenue, profits and dividends for the financial year ended 30 September 2011.

| | 2011 | 2010 |
|---|-----------|---------|
| Revenue (including discontinued operations) | 2,148,132 | 609,485 |
| Profit for the year (including discontinued operations) | 973,120 | 260,888 |
| Dividend | 206,408 | - |

The Directors have declared a dividend of \$0.10 per share (2010: nil).

End of Audited Remuneration Report

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out below.

Signed in accordance with a resolution of the Board of Directors:



Michael D Tilley
Chairman

Dated this 20 day of December 2011

AUDITOR'S INDEPENDENCE DECLARATION



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AUDITOR'S INDEPENDENCE DECLARATION
BY GREGORY R WIESE
TO THE DIRECTORS OF FREE EYRE LIMITED

As lead auditor for the audit of FREE Eyre Limited for the year ended 30 September 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- a) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- b) Any applicable code of professional conduct in relation to the audit.

This declaration is in respect of FREE Eyre Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Gregory R Wiese'.

Gregory R Wiese
Partner

BDO (SA)

16 December 2011

BDO (SA) ABN 68 506 530 045 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO (SA) and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

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FINANCIAL REPORT TO SHAREHOLDERS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2011

| | | Consolidated | |
|--|----------|------------------|------------------|
| | Note | 2011 \$ | 2010 \$ |
| Revenue from continuing operations | 1, 3 | 70,398 | 53,274 |
| Share of net profits of EP Grain joint venture | 14 | 1,707,474 | 1,367,736 |
| Total Income | | 1,777,872 | 1,421,010 |
| Expenses | 4 | | |
| Administration expenses | | (253,308) | (159,615) |
| Employee expenses | | (301,269) | (206,656) |
| Travel and accommodation | | (35,721) | (20,962) |
| Directors fees | | (154,152) | (96,713) |
| Depreciation expense | | (11,388) | (13,416) |
| Finance costs | | (6,162) | (3,623) |
| Other expenses | | (8,791) | (8,569) |
| Total expenses | | (770,791) | (509,554) |
| Profit from continuing operations before income tax expense | | 1,007,081 | 911,456 |
| Income tax expense | 5 | (325,245) | - |
| Profit from continuing operations | | 681,836 | 911,456 |
| Profit / (loss) from discontinued operations | 7 | 291,284 | (650,568) |
| Profit for the year | | 973,120 | 260,888 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | 973,120 | 260,888 |
| Profit / (loss) for the year is attributable to: | | | |
| Owners of FREE Eyre Limited | | 922,122 | 610,550 |
| Non-controlling interest in EP Storage | | 50,998 | (349,662) |
| | | 973,120 | 260,888 |
| Total comprehensive income for the year is attributable to: | | | |
| Owners of FREE Eyre Limited | | 922,122 | 610,550 |
| Non-controlling interest in EP Storage | | 50,998 | (349,662) |
| | | 973,120 | 260,888 |

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

| | Note | Consolidated 2011 \$ | 2010 \$ |
|---|------|----------------------------|------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9 | 1,012,027 | 46,135 |
| Trade and other receivables | 10 | 976,394 | 60,077 |
| Other assets | 11 | 5,075 | 4,437 |
| Assets classified as held for sale | 7 | 2,959,478 | - |
| TOTAL CURRENT ASSETS | | 4,952,974 | 110,649 |
| NON-CURRENT ASSETS | | | |
| Deferred tax assets | 12 | 95,060 | - |
| Property, plant and equipment | 13 | 21,882 | 1,852,952 |
| Available for sale financial assets | | 10,630 | - |
| Investment in joint venture entity | 14 | 1,000,459 | 1,918,263 |
| TOTAL NON-CURRENT ASSETS | | 1,128,031 | 3,771,215 |
| TOTAL ASSETS | | 6,081,005 | 3,881,864 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | 152,810 | 696,418 |
| Borrowings | 16 | - | 179,533 |
| Current tax liabilities | | 410,619 | - |
| Provisions | 17 | 215,084 | 5,158 |
| Liabilities directly associated with assets classified as held for sale | 7 | 1,716,096 | - |
| TOTAL CURRENT LIABILITIES | | 2,494,609 | 881,109 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 16 | - | 960,672 |
| TOTAL NON-CURRENT LIABILITIES | | - | 960,672 |
| TOTAL LIABILITIES | | 2,494,609 | 1,841,781 |
| NET ASSETS | | 3,586,396 | 2,040,083 |
| EQUITY | | | |
| Contributed equity | 18 | 2,967,946 | 2,212,946 |
| Retained earnings | | 515,267 | (200,447) |
| Capital and reserves attributable to owners of FREE Eyre Limited | | 3,483,213 | 2,012,499 |
| Non-controlling interest | 19 | 103,183 | 27,584 |
| TOTAL EQUITY | | 3,586,396 | 2,040,083 |

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

FREE EYRE LIMITED & CONTROLLED ENTITIES

ACN 124 308 041

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2011

| | Note | Consolidated 2011 \$ | 2010 \$ |
|--|-----------|----------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers including GST | | 1,872,695 | 642,939 |
| Payments to suppliers and employees including GST | | (2,108,518) | (953,084) |
| Interest received | | 30,481 | 2,681 |
| Interest paid | | (111,698) | (84,257) |
| Income tax paid | | (9,685) | - |
| | | <u> </u> | <u> </u> |
| Net cash inflow / (outflow) from operating activities | 22 | <u>(326,725)</u> | <u>(391,721)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payment for investment in unlisted public company | | (10,630) | - |
| Distributions received from investment in joint venture entity | | 1,677,418 | 500,000 |
| Purchase of property, plant and equipment | | (532,065) | (774,945) |
| Cash attributable to discontinued operation | | (178,938) | - |
| Repayment of loan to related parties | | - | 133,244 |
| | | <u> </u> | <u> </u> |
| Net cash inflow / (outflow) from investing activities | | <u>955,785</u> | <u>(141,701)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of securities | | 548,592 | 521,246 |
| Proceeds from issues of units to non-controlling interest | | 24,601 | - |
| Proceeds from borrowings | | 103,500 | 16,441 |
| Payment of finance lease liabilities | | (339,861) | (158,062) |
| Repayment of borrowings | | - | (62,295) |
| | | <u> </u> | <u> </u> |
| Net cash inflow / (outflow) from financing activities | | <u>336,832</u> | <u>317,330</u> |
| Net increase / (decrease) in cash and cash equivalents | | 965,892 | (216,092) |
| Cash and cash equivalents at beginning of period | | 46,135 | 262,227 |
| Cash and cash equivalents at end of period | 9 | <u>1,012,027</u> | <u>46,135</u> |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

FREE EYRE LIMITED & CONTROLLED ENTITIES

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2011

| | Contributed equity | Retained earnings | Total | Non- controlling interest | Total Equity |
|---|-----------------------|----------------------|------------------|---------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| CONSOLIDATED ENTITY | | | | | |
| At 1 October 2009 | 2,068,946 | (810,997) | 1,257,949 | - | 1,257,949 |
| Total comprehensive income for the year | | | | | |
| Profit / (loss) for the year | - | 610,550 | 610,550 | (349,662) | 260,888 |
| Total comprehensive income for the year | - | 610,550 | 610,550 | (349,662) | 260,888 |
| Transactions with owners in their capacity as owners | | | | | |
| Contributions of equity, net of transaction costs | 144,000 | - | 144,000 | 377,246 | 521,,246 |
| At 30 September 2010 | 2,212,946 | (200,447) | 2,012,499 | 27,584 | 2,040,083 |
| Total comprehensive income for the year | | | | | |
| Profit / (loss) for the year | - | 922,122 | 922,122 | 50,998 | 973,120 |
| Total comprehensive income for the year | - | 922,122 | 992,122 | 50,998 | 973,120 |
| Transactions with owners in their capacity as owners | | | | | |
| Contributions of equity, net of transaction costs | 755,000 | - | 755,000 | 24,601 | 779,601 |
| Dividend paid | - | (206,408) | (206,408) | - | (206,408) |
| At 30 September 2011 | 2,967,946 | 515,267 | 3,483,213 | 103,183 | 3,586,396 |

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

NOTE 1 CORPORATE INFORMATION

The financial statements of FREE Eyre Limited for the year ended 30 September 2011 covers the consolidated entity consisting of FREE Eyre Limited and its subsidiary as required by the Corporations Act 2001. Separate financial statements for FREE Eyre Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001. However, limited financial information for FREE Eyre Limited as an individual entity is included in Note 27.

FREE Eyre announced its intention to sell a portion of its interest in EP Storage as part of the negotiations with a number of significant domestic and multinational grain companies with whom FREE Eyre is seeking to partner in the development of the proposed new port terminal at Port Spencer together with an up-country network including EP Storage Taragoro. It is anticipated that an overall deal including the sale of a portion of EP Storage will be concluded during the next financial year. Further information is included in Notes 2(s) and 7.

FREE Eyre Limited is a public company limited by shares, incorporated and domiciled in Australia.

The address of the registered office and principal place of business is 20 Payneham Road, Stepney SA 5069.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on a historical cost basis. Non-current assets are measured at the lower of carrying amounts and fair value less costs to sell. The financial statements are prepared on a going concern basis as sufficient funds are available to enable the entity to realise its assets and discharge its liabilities in the normal course of business.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(b) Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of FREE Eyre Limited and its subsidiaries at 30 September each year ("the Group"). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests' in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to owners of FREE Eyre Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

Subsidiaries are accounted for in the parent entity financial statements at cost.

FREE EYRE LIMITED & CONTROLLED ENTITIES

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Joint Venture Entities

Interests in joint venture entities are accounted for in the consolidated financial statements using the equity method. Under the equity method of accounting, the Group's share of profits or losses of the joint venture entity are recognised in consolidated profit or loss. Details of joint venture entities are set out in Note 14.

(c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services

Revenue from services is recognised when the service is provided.

Interest

Interest income is recognised on a time proportion basis using the effective interest method.

Grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

(d) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(e) Impairment of Assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the assets carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(f) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(g) Trade Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed continuously. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

(h) Financial Instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

FREE EYRE LIMITED & CONTROLLED ENTITIES

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below:

Loans and receivables

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

(i) Property, Plant and Equipment

All plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

Depreciation is calculated on a diminishing value basis over the estimated useful life as follows:

| | |
|-------------------------------------|------------|
| - Site works | 10 years |
| - Furniture, fittings and equipment | 2-15 years |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

(j) Leases

Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(k) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

(l) Interest-Bearing Liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated.

Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

FREE EYRE LIMITED & CONTROLLED ENTITIES

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(n) Employee Benefits

Provision is made for the entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(o) Grain Shrinkage

Any expense associated with shrinkage of grain stored in excess of the normal terms of trade is only recognised when it can be measured reliably.

(p) GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) Accounting Standards Issued But Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2011 reporting periods. The entity's assessment is that these new standards and interpretations will have no material impact on future financial statements.

(r) Critical Accounting Estimates and Assumptions

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

Impairment

The Group assesses impairment at each reporting date by evaluation of conditions and events specific to the Group that may be indicative of impairment triggers. Plant and equipment associated with the grain storage operations is brought to account at cost. In accordance with projections, the results for the first year of these operations have not substantiated their viability. The carrying value of the plant and equipment is assessed on the reasonable expectations that the grain storage business will continue to be viable.

(s) Current Assets Classified as Held for Sale

Current assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These assets are stated at the lower of their carrying amount and fair value less costs to sell. Interest expense continues to be recognised on liabilities of a disposal group classified as held for sale.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in profit or loss. Details of discontinued operations are set out in Note 7.

FREE EYRE LIMITED & CONTROLLED ENTITIES

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| | Consolidated | |
|--|---------------|---------------|
| | 2011 | 2010 |
| | \$ | \$ |
| NOTE 3 REVENUE | | |
| Grants | - | 7,283 |
| Interest | 30,481 | 2,681 |
| Sponsorship | 2,000 | 18,000 |
| Sub-lease rentals | 33,417 | 25,310 |
| Other income | 4,500 | - |
| Total Revenue | 70,398 | 53,274 |
| From discontinuing operations (refer Note 7) | | |
| Receival fees | 1,321,090 | 512,726 |
| Storage fees | 740,076 | 40,785 |
| Other income | 16,568 | 2,700 |
| | 2,077,734 | 556,211 |
| NOTE 4 EXPENSES | | |
| Profit (loss) before income tax includes the following specific expenses: | | |
| Depreciation expense – plant and equipment | 11,388 | 13,416 |
| Finance costs – Interest paid / payable | 6,162 | 3,623 |
| <i>Rental expenses relating to operating leases</i> | | |
| Minimum lease payments | 30,406 | 30,170 |
| Defined contribution superannuation expense | 21,327 | 13,558 |

FREE EYRE LIMITED & CONTROLLED ENTITIES

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| NOTE 5 | INCOME TAX EXPENSE | Consolidated | |
|---|--|----------------|----------------|
| | | 2011 | 2010 |
| | | \$ | \$ |
| Reconciliation of the effective tax rate | | | |
| | Profit from continuing operations before income tax expense | 1,007,081 | 911,456 |
| | Profit from discontinuing operations before income tax expense | 291,284 | (650,568) |
| | | 1,298,365 | 260,888 |
| | Tax at the Australian tax rate of 30% (2010: 30%) | 389,510 | 78,266 |
| | Non-deductible expenses: | | |
| | Entertainment | 1,667 | 222 |
| | Legal fees | - | 5,717 |
| | Utilisation of previously unrecognised tax losses | (59,219) | (274,383) |
| | Temporary differences not brought to account | 30,297 | (6,003) |
| | Recognition of temporary differences previously not brought to account | (37,010) | - |
| | Subsidiary tax losses not recognised as own asset | - | 196,181 |
| | Income tax expense attributable to the Group | 325,245 | - |
| Unrecognised deferred tax assets | | | |
| | Deferred tax assets have not been recognised in the statement of financial position for the following items: | | |
| | Unused tax losses relating to continuing operations | - | 16,163 |
| | Unused tax losses relating to discontinued operations | 551,564 | 656,806 |
| | | 551,564 | 672,969 |
| | Deductible temporary differences relating to continuing operations | - | 117,714 |
| | Deductible temporary differences relating to discontinuing operations | 8,463 | 83,393 |
| | | 8,463 | 201,107 |
| | | 560,027 | 874,076 |
| | Potential benefit at 30% (2010: 30%) | 168,008 | 262,223 |

In determining that deferred tax assets should not be brought to account, consideration has been given to the potential tax status of future income and the prospects of changes that may not facilitate the recovery of accumulated tax losses or temporary differences.

There is no expiry date on the future deductibility of unused tax losses.

NOTE 6 AUDITOR'S REMUNERATION

Audit Services

Amounts paid / payable to BDO (SA) for audit or review of the financial statements for the entity or any entity in the Group

| | | |
|--|--------|--------|
| | 36,000 | 33,200 |
| | 36,000 | 33,200 |

Taxation services

Amounts paid / payable to a related practice of BDO (SA) for non-audit tax compliance services performed for the entity or any entity in the Group

| | | |
|--|-------|---|
| | 6,400 | - |
| | 6,400 | - |

FREE EYRE LIMITED & CONTROLLED ENTITIES

ACN 124 308 041

Consolidated
2011 2010
\$ \$

NOTE 7 DISCONTINUED OPERATIONS

FREE Eyre announced its intention to sell a portion of its interest in EP Storage as part of the negotiations with a number of significant domestic and multinational grain companies with whom FREE Eyre is seeking to partner in the development of the proposed new port terminal at Port Spencer together with an up-country network including EP Storage Taragoro. It is anticipated that an overall deal including the sale of a portion of EP Storage will be concluded during the next financial year.

Financial information relating to the discontinued operation for the year ended 30 September 2011 net of any intercompany transactions and balances are set out below.

| | | |
|--|--------------------|--------------------|
| Revenue | 2,077,734 | 556,211 |
| Expenses | <u>(1,786,450)</u> | <u>(1,206,779)</u> |
| Profit / (loss) from discontinued operations | <u>291,284</u> | <u>(650,568)</u> |
| | | |
| Profit attributable to owners of FREE Eyre Limited relates to: | | |
| Profit from continuing operations | 681,836 | 911,456 |
| Profit from discontinued operations | <u>240,286</u> | <u>(300,906)</u> |
| | <u>922,122</u> | <u>610,550</u> |
| | | |
| Net cash inflow (outflow) from operating activities | 230,322 | 13,408 |
| Net cash inflow (outflow) from investing activities | (530,965) | (756,506) |
| Net cash inflow (outflow) from financing activities | <u>467,162</u> | <u>755,517</u> |
| | <u>166,519</u> | <u>12,419</u> |

The assets and liabilities of the subsidiary offered for sale as at 30 September 2011 and 30 September 2010 are as follows.

| | | |
|-------------------------------|-------------------------|-------------------------|
| Cash and cash equivalents | 178,938 | 12,419 |
| Trade and other receivables | 430,061 | 45,238 |
| Property, plant and equipment | 2,350,479 | 1,820,782 |
| Total assets | <u>2,959,478</u> | <u>1,878,439</u> |
| | | |
| Trade and other payables | 455,975 | 486,025 |
| Borrowings | 1,256,251 | 1,125,098 |
| Provisions | 3,870 | 1,877 |
| Total liabilities | <u>1,716,096</u> | <u>1,613,000</u> |
| | | |
| Net assets | <u>1,243,382</u> | <u>265,439</u> |

NOTE 8 DIVIDENDS

Distributions paid

Declared fully franked dividend of 10c (2010: nil) per share in respect of the 2011 financial year franked at the tax rate of 30% (2010: 30%)

| | | |
|---|----------------|----------|
| | <u>206,408</u> | <u>-</u> |
| | | |
| Balance of franking account at year end: | | |
| - Payment of provision for income tax | - | - |
| - Dividends recognised as receivables | - | - |
| - Franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years | <u>331,843</u> | <u>-</u> |

FREE EYRE LIMITED & CONTROLLED ENTITIES

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| NOTE 9 | CASH AND CASH EQUIVALENTS | Consolidated | |
|--------|---------------------------|--------------|--------|
| | | 2011 | 2010 |
| | | \$ | \$ |
| | Cash at bank | 92,718 | 27,027 |
| | Short term deposits | 919,309 | 19,108 |
| | | 1,012,027 | 46,135 |

Short term deposits bear interest rates between 4 and 6% (2010: 4 and 6%). These deposits have an average maturity of 90 days.

Reconciliation of Cash

Cash at the end of the financial period as shown in the cash flow statement is as disclosed in the balance sheet.

NOTE 10 TRADE AND OTHER RECEIVABLES

| | | |
|-------------------------|---------|--------|
| Trade receivables | 5,466 | 9,154 |
| GST receivables | 6,870 | 50,923 |
| Distribution receivable | 947,860 | - |
| Other receivables | 16,198 | - |
| | 976,394 | 60,077 |

No trade receivables are considered past due date or impaired. Other receivables consist of GST which is refundable to the Group and other sundry receivables. All current trade and other receivables are non-interest bearing.

NOTE 11 OTHER ASSETS

| | | |
|-------------|-------|-------|
| Prepayments | 5,075 | 4,437 |
| | 5,075 | 4,437 |

NOTE 12 DEFERRED TAX ASSETS

Deferred tax assets comprise temporary differences attributable to:

Amounts recognised in profit or loss

| | | |
|---------------------------|---------|---|
| Employee benefits | 2,602 | - |
| Accrued expenditure | 23,323 | - |
| Accrued income | (4,859) | - |
| Other | 28,991 | - |
| Black hole expenditure | 45,003 | - |
| Total deferred tax assets | 95,060 | - |

Movements in deferred tax assets

| | Opening balance at 1 Oct 2010 | Previously unrecognised amounts | (Charged) / credited to profit or loss | Closing balance at 30 Sep 2011 |
|---|-------------------------------------|---------------------------------------|--|--------------------------------------|
| <i>Amounts recognised in profit or loss</i> | | | | |
| Employee benefits | - | 984 | 1,618 | 2,602 |
| Accrued expenditure | - | 21,136 | 2,187 | 23,323 |
| Accrued income | - | - | (4,859) | (4,859) |
| Other | - | (12,127) | 41,118 | 28,991 |
| Black hole expenditure | - | 24,575 | 20,428 | 45,003 |
| | - | 34,568 | 19,74 | 95,060 |

FREE EYRE LIMITED & CONTROLLED ENTITIES

ACN 124 308 041

| | Consolidated | |
|---|--------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| NOTE 13 PROPERTY, PLANT AND EQUIPMENT | | |
| <i>Site works</i> | | |
| At cost | - | 192,432 |
| Accumulated amortisation | - | (17,556) |
| Total Site works | - | 174,876 |
| <i>Plant and Equipment</i> | | |
| At cost | 59,539 | 1,904,339 |
| Accumulated depreciation | (37,657) | (226,263) |
| Total Plant and Equipment | 21,882 | 1,678,076 |
| Total non-current property, plant and equipment | 21,882 | 1,852,952 |

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

Plant and Equipment

| | | |
|--|-------------|-----------|
| Carrying amount at beginning of financial year | 1,678,076 | 27,147 |
| Additions | 1,100 | 1,864,339 |
| Disposals | - | - |
| Assets classified as held for sale | (1,338,609) | - |
| Depreciation | (318,685) | (213,410) |
| Carrying amount at end of financial year | 21,882 | 1,678,076 |

Site Works

| | | |
|--|-----------|----------|
| Carrying amount at beginning of financial year | 174,876 | - |
| Additions | 440,535 | 192,432 |
| Disposals | - | - |
| Assets classified as held for sale | (569,035) | - |
| Depreciation | (46,378) | (17,556) |
| Carrying amount at end of financial year | - | 174,876 |

FREE EYRE LIMITED & CONTROLLED ENTITIES

ACN 124 308 041

| | Consolidated | |
|---|--------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| NOTE 14 INVESTMENTS IN JOINT VENTURES | | |
| Joint venture entity | | |
| FREE Eyre Limited has a 50% interest in the joint venture EP Grain Pty Ltd. EP Grain has a 30 June 2011 year end, resides in Australia and the principal activity is the provision of a range of grain marketing solutions for wheat, barley and canola farmers. The interest in EP Grain is accounted for using the equity method of accounting. Information relating to the joint venture is set out below. | | |
| Opening investment in joint venture entity | 1,918,263 | 1,050,527 |
| Distributions received from joint venture entity | (2,625,278) | (500,000) |
| Share of profit before income tax | 1,707,474 | 1,367,736 |
| Closing investment in joint venture entity | 1,000,459 | 1,918,263 |
| Share of joint venture entity's assets and liabilities | | |
| Current assets | 1,993,816 | 1,901,586 |
| Non-current assets | 50,660 | 41,848 |
| Total assets | 2,044,476 | 1,943,434 |
| Current liabilities | 1,037,210 | 24,444 |
| Non-current liabilities | 6,807 | 727 |
| Total liabilities | 1,044,017 | 25,171 |
| Net assets | 1,000,459 | 1,918,263 |
| Share of joint venture entity's revenues, expenses and results | | |
| Revenues | 2,426,430 | 1,852,355 |
| Expenses | (718,956) | (484,619) |
| Profit before income tax | 1,707,474 | 1,367,736 |
| NOTE 15 TRADE AND OTHER PAYABLES | | |
| Trade payables | 37,481 | 540,877 |
| Other payables | 115,329 | 155,541 |
| | 152,810 | 696,418 |

FREE EYRE LIMITED & CONTROLLED ENTITIES

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| | Consolidated | |
|---|--------------|---------|
| | 2011 | 2010 |
| | \$ | \$ |
| NOTE 16 BORROWINGS | | |
| CURRENT | | |
| Loans from related parties – unsecured | - | 16,441 |
| Lease liabilities – secured | - | 163,092 |
| Total current interest-bearing liabilities | - | 179,533 |
| NON-CURRENT | | |
| Secured | | |
| Lease liabilities | - | 960,672 |

Assets pledged as security

Lease liabilities are secured over the rights to the leased assets discussed below which will revert to the lessor if the Group defaults. In addition, FREE Eyre Limited have a guarantee over the lease liabilities totalling \$1,338,000.

The carrying amount of assets pledged as security for current and non-current lease liabilities is:

| | | |
|---|-----------|-----------|
| Plant and equipment classified as held for sale | 1,689,399 | 1,159,036 |
|---|-----------|-----------|

NOTE 17 PROVISIONS

CURRENT

| | | |
|-------------------|---------|-------|
| Employee benefits | 8,676 | 5,158 |
| Dividend declared | 206,408 | - |
| | 215,084 | 5,158 |

NOTE 18 CONTRIBUTED EQUITY

| | 2011 | 2010 | 2011 | 2010 |
|--|-----------|-----------|-----------|-----------|
| | Shares | Shares | \$ | \$ |
| Share capital | | | | |
| Beginning of the financial year | 1,657,931 | 1,572,582 | 2,212,946 | 2,296,126 |
| Shares issued through a prospectus | 377,500 | 72,000 | 755,000 | 144,000 |
| Shares issued to Directors | - | 13,349 | - | 26,698 |
| Shares issued through an employee share scheme | 25,000 | - | 50,000 | - |
| Non-cash employee benefit | - | - | (50,000) | - |
| Less transaction costs | - | - | - | (253,878) |
| End of the financial year | 2,060,431 | 1,657,931 | 2,967,946 | 2,212,946 |

All shares issued are fully paid ordinary shares with no par value.

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

Capital Risk Management

The Group considers its capital to comprise its ordinary share capital and accumulated retained earnings.

In managing its capital, the Group's primary objective is to maintain a good debt to equity ratio and ensure that the Group can fund its operations and continue as a going concern. This is performed by assessing the Group's financial risks and maintaining a capital structure that minimises these risks by ensuring sufficient cash flows for continuing operations while avoiding a reliance on interest bearing debt.

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| | Consolidated | |
|---|--------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| NOTE 19 NON-CONTROLLED INTEREST | | |
| Non-controlling interests in: | | |
| Share capital | 401,847 | 377,246 |
| Retained earnings | (298,664) | (349,662) |
| | 103,183 | 27,584 |

NOTE 20 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

Financial Assets

Loans and receivables (including cash and cash equivalents)

| | | |
|-------------------------------|-----------|--------|
| - Cash and cash equivalents | 1,012,027 | 46,135 |
| - Trade and other receivables | 976,394 | 60,077 |

Financial Liabilities

Financial liabilities at amortised cost

| | | |
|----------------------------|---------|-----------|
| - Trade and other payables | 152,810 | 696,418 |
| - Borrowings | - | 1,140,205 |

NOTE 21 FINANCIAL RISK MANAGEMENT

(a) General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this Note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Group's risk management policies and objectives are designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives financial reports from the Group Chief Executive Officer at each Board meeting through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's flexibility. Further details regarding these policies are set out below.

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Group.

The Group has exposure to credit risk through its receivables unpaid at balance sheet date. The maximum exposure to credit risk in current receivables at balance date is \$28,534 (2010: \$60,077). Sales are only made to customers that are credit worthy.

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NOTE 21 FINANCIAL RISK MANAGEMENT (cont.)

(c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, eg borrowing repayments. The Group has funds available in unrestricted bank accounts which can be drawn upon to pay creditors as they fall due. The Directors monitor the Group to ensure sufficient funds are available to pay creditors within commercially acceptable terms.

Similarly cash held by the joint venture exceeds any commitments at balance date.

Maturity Analysis – Group 2011

| Financial Liabilities | Less than 1 year \$ | 1 to 2 years \$ | 2 to 5 years \$ | Total \$ |
|--|---------------------------|-----------------------|-----------------------|-------------|
| Trade payables | 37,481 | - | - | 37,481 |
| Other payables | 115,329 | - | - | 115,329 |
| Hire purchase liabilities (refer Note 7) | - | - | - | - |
| Loans to related parties | - | - | - | - |
| | 152,810 | - | - | 152,810 |

Maturity Analysis – Group 2010

| Financial Liabilities | Less than 1 year \$ | 1 to 2 years \$ | 2 to 5 years \$ | Total \$ |
|---------------------------|---------------------------|-----------------------|-----------------------|-------------|
| Trade payables | 540,877 | - | - | 540,877 |
| Other payables | 155,541 | - | - | 155,541 |
| Hire purchase liabilities | 163,092 | 176,947 | 783,725 | 1,123,764 |
| Loans to related parties | 16,441 | - | - | 16,441 |
| | 875,951 | 176,947 | 783,725 | 1,836,623 |

(d) Market risk

Market risk arises from the use of interest bearing and tradeable financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors (other price risk).

(i) Interest rate risk

Interest rate risk is the risk that changes in interest rate will affect the entity's income or the value of its obligations and arises on floating rate debt.

The Group's only financial asset subject to floating interest rate risk is cash at bank held both directly and indirectly by way of equity interest in a joint venture entity. The Group has fixed rate borrowings and does not have any variable rate interest bearing obligations. Interest rate risk is minimal.

Sensitivity Analysis

(a) Price Risk

The Group does not have any financial assets which would be subject to price risk.

(b) Interest Rate Risk

This sensitivity analysis has assumed that the issuers credit risk rating remains unchanged.

At 30 September 2011 investment in Cash, Fixed Interest and Floating Interest amounted to \$3,908,598 inclusive of a share of cash assets in the joint venture entity of \$1,948,711. All else remaining equal, a 1% increase or decrease in interest rates during the year ended 30 September 2011 would result in a increase or decrease in net profit of \$39,086.

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| | 2011 | 2010 |
|---|-------------|-------------|
| | \$ | \$ |
| NOTE 22 CASH FLOW INFORMATION | | |
| Reconciliation of profit after income tax to net cash flow from operating activities | | |
| Profit for the year from continuing operations | 681,836 | - |
| Profit for the year | | 260,888 |
| Non-cash flows in profit | | |
| Depreciation and amortisation | 11,388 | 230,966 |
| Non cash flows attributable to held for sale asset | 674,743 | - |
| Share of (profits) from joint venture entity accounted for using the equity method | (1,707,474) | (1,367,736) |
| Change in operating assets | | |
| - (Increase) / decrease in trade debtors | 31,543 | 5,373 |
| - (Increase) / decrease in other assets | (638) | (116) |
| - Increase / (decrease) in trade creditors | (543,608) | 479,005 |
| - Increase / (decrease) in other provisions | 209,926 | (101) |
| - Increase / (decrease) in income tax payable | 315,559 | - |
| Net cash inflow / (outflow) from operating activities | (326,725) | (391,721) |
| Non-cash financing and investing activities | | |
| Acquisition of plant and equipment by means of finance leases | 352,407 | 1,281,826 |

NOTE 23 RELATED PARTY TRANSACTIONS

Parent entity

FREE Eyre Limited has a 51% share of EP Storage (2010: 52%). Being a majority holding, EP Storage has been deemed a subsidiary of FREE Eyre Limited.

(a) Key management personnel compensation

The following persons were key management personnel of FREE Eyre Limited during the period.

| Name | Appointment | Resignation |
|---------------------------|---------------|---------------|
| Michael Douglas Tilley | | |
| Susan Mary Chase | | 18 April 2011 |
| Benjamin John Ranford | | |
| Thomas Michael Wake | | |
| Robert Page Paterson | | |
| Thomas Ray Wardle | | |
| Ian Trevor Cliff | | |
| Lionel (Ted) Ian Stringer | | |
| Thomas Ian Bampton | 18 April 2011 | |
| Mark Andrew Rodda | | |

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NOTE 23 RELATED PARTY TRANSACTIONS (cont.)

(b) Group Compensation

| 2011 Name | Short-term employee benefits | | Post-employment benefits | Total |
|--|------------------------------|-----------------------|--------------------------|----------------|
| | Salaries and fees | Non-monetary benefits | Superannuation | |
| | \$ | \$ | \$ | \$ |
| Non-Executive Directors | | | | |
| Michael Douglas Tilley | 33,125 | - | - | 33,125 |
| Susan Mary Chase | 11,667 | - | - | 11,667 |
| Benjamin John Ranford | 22,083 | - | - | 22,083 |
| Thomas Michael Wake | 22,083 | - | - | 22,083 |
| Robert Page Paterson | 22,083 | - | - | 22,083 |
| Thomas Ray Wardle | 22,083 | - | - | 22,083 |
| Ian Trevor Cliff | 8,340 | - | 751 | 9,091 |
| Lionel (Ted) Ian Stringer | 8,340 | - | 751 | 9,091 |
| Thomas Ian Bampton | 10,417 | - | 938 | 11,355 |
| Sub Total Non-Executive Directors | 160,221 | - | 2,440 | 162,661 |
| Executives | | | | |
| Mark Rodda | 170,177 | 50,000 | 15,162 | 235,339 |
| Total Key Management Personnel | 330,398 | 50,000 | 17,602 | 398,000 |

| 2010 Name | Short-term employee benefits | | Post-employment benefits | Total |
|--|------------------------------|-----------------------|--------------------------|----------------|
| | Salaries and fees | Non-monetary benefits | Superannuation | |
| | \$ | \$ | \$ | \$ |
| Non-Executive Directors | | | | |
| Michael Douglas Tilley | 33,010 | - | - | 33,010 |
| Susan Mary Chase | 22,340 | - | - | 22,340 |
| Benjamin John Ranford | 14,000 | - | - | 14,000 |
| Thomas Michael Wake | 22,340 | - | - | 22,340 |
| Jarrold Matthew Phelps | 4,167 | - | 375 | 4,542 |
| Robert Page Paterson | 14,000 | - | - | 14,000 |
| Thomas Ray Wardle | 9,000 | - | 810 | 9,810 |
| Ian Trevor Cliff | 8,340 | - | 751 | 9,091 |
| Lionel (Ted) Ian Stringer | 8,340 | - | 751 | 9,091 |
| Sub Total Non-Executive Directors | 135,537 | - | 2,687 | 138,224 |
| Executives | | | | |
| Susanne Tegen | 4,094 | - | 353 | 4,447 |
| Mark Rodda | 91,743 | - | 8,257 | 100,000 |
| Total Key Management Personnel | 231,374 | - | 11,297 | 242,671 |

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits. Directors rendering an invoice for fees are not paid a superannuation guarantee contribution.

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NOTE 23 RELATED PARTY TRANSACTIONS (cont.)

(c) Group Shareholding

Details of shares held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

| Name | Balance at 1 Oct 09 | Shares purchased 2010 | Shares Balance at 30 Sep 10 | Shares purchased 2011 | Shares issued 2011 | Balance 30 Sep 11 |
|------------------------|------------------------|-----------------------------|-----------------------------------|-----------------------------|--------------------------|----------------------|
| Michael Douglas Tilley | 5,688 | - | 5,688 | - | - | 5,688 |
| Susan Mary Chase | 26,420 | 5,000 | 31,420 | - | - | 31,420 |
| Benjamin John Ranford | 9,421 | - | 9,421 | 5,000 | - | 14,421 |
| Thomas Michael Wake | 162,921 | - | 162,921 | - | - | 162,921 |
| Jarrold Matthew Phelps | 9,500 | - | 9,500 | - | - | 9,500 |
| Robert Page Paterson | - | - | - | - | - | - |
| Thomas Ray Wardle | 8,000 | - | 8,000 | 1,500 | - | 9,500 |
| Ian Trevor Cliff | 4,500 | 4,500 | 9,000 | 7,500 | - | 16,500 |
| Lionel Ian Stringer | 2,500 | - | 2,500 | 25,000 | - | 27,500 |
| Thomas Ian Bampton | - | - | - | - | - | - |
| Mark Andrew Rodda | - | - | - | - | 25,000 | 25,000 |

(d) Other transactions and balances

Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | |
|---|--------------|------------|
| | 2011 \$ | 2010 \$ |
| Sale of goods and services | | |
| Provision of grain storage services to key management personnel | | |
| Sugarloaf View Pty Ltd, a company in which Thomas Michael Wake is a shareholder | 18,003 | 3,522 |
| | 18,003 | 3,522 |

During the financial year, the Group provided grain storage services to Sugarloaf View Pty Ltd, a company in which Thomas Michael Wake is a shareholder. The services were provided at arm's length under normal commercial terms available to other customers of the Group.

Consulting Services

Consulting services provided by directors and related parties, recognised as an expense during the period:

| | | |
|--|--------|--------|
| David Jericho (FREE Eyre representative on EP Grain Pty Ltd Board) | - | 10,000 |
| Thomas Michael Wake (FREE Eyre representative on EP Grain Pty Ltd Board) | - | 7,500 |
| Robert Page Paterson | 14,178 | 47,500 |
| | 14,178 | 65,000 |

Operating Lease

Lease of land from related parties recognised as an expense during the period:

| | | |
|--|-------|-------|
| Director related entity – Sugarloaf View Pty Ltd | 4,000 | 6,500 |
| | 4,000 | 6,500 |

Loans from key management personnel

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | | |
|--|-------|--------|
| Current receivables (sale of goods and services) | | |
| Director related entity – Sugarloaf View Pty Ltd | 2,965 | 2,700 |
| Current payables (loans from related parties) | | |
| Director related entity – Sugarloaf View Pty Ltd | - | 15,107 |

During the prior financial year, FREE Eyre Limited borrowed funds from Sugarloaf View Pty Ltd, a company in which Thomas Michael Wake is a shareholder. This loan was interest free and was repaid within the year.

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| | Consolidated | |
|---|--------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| NOTE 24 COMMITMENTS | | |
| Lease commitments | | |
| <i>Non-cancellable operating leases – future minimum lease payments</i> | | |
| Payable: | | |
| Within one year | 4,000 | 34,406 |
| Later than one year but not later than 5 years | 16,000 | 16,000 |
| Later than 5 years | 16,000 | 20,000 |
| | 36,000 | 70,406 |
| | | |
| Within the Group, there is one long term lease commitment. The lease is for EP Storage and commenced on 1 September 2009 and is a 10 year lease with a further 10 year lease option. The lease for EP Storage is held by Sugarloaf View Pty Ltd, a company in which Thomas Michael Wake is a shareholder. | | |
| | | |
| Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases | - | 25,805 |
| | | |
| <i>Finance lease – non-cancellable (refer Note 7)</i> | | |
| Payable: | | |
| Within one year | - | 246,792 |
| Later than one year but not later than 5 years | - | 1,126,649 |
| Later than 5 years | - | - |
| Total future minimum lease payments | - | 1,373,441 |
| Total future finance charges | - | (249,677) |
| Lease liabilities | - | 1,123,764 |
| | | |
| Lease liabilities are represented in the financial statements as follows: | | |
| Current (Note 16) | - | 163,092 |
| Non-current (Note 16) | - | 960,672 |
| | - | 1,123,764 |

NOTE 25 EVENTS AFTER THE REPORTING PERIOD

After the reporting period the Board resolved to pay out the declared dividend on 12 December 2011.

NOTE 26 SEGMENT INFORMATION

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

FREE EYRE LIMITED & CONTROLLED ENTITIES

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| | Consolidated | |
|---|------------------|------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| NOTE 27 PARENT ENTITY INFORMATION | | |
| <p>The following information relates to the parent entity, FREE Eyre Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 2.</p> | | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | 1,959,887 | 33,715 |
| Trade and other receivables | 1,093,144 | 207,004 |
| Other assets | 5,075 | 4,437 |
| Total current assets | 3,058,106 | 245,156 |
| Non-current assets | | |
| Deferred tax assets | 95,060 | - |
| Property, plant and equipment | 21,882 | 32,170 |
| Available for sale financial assets | 10,630 | - |
| Investment in controlled entity | 418,251 | 418,251 |
| Investment in joint venture entity | 1,000,459 | 1,918,263 |
| Total non-current assets | 1,546,282 | 2,368,684 |
| TOTAL ASSETS | 4,604,388 | 2,613,840 |
| LIABILITIES | | |
| Current Liabilities | | |
| Trade and other payables | 152,812 | 210,391 |
| Borrowings | - | - |
| Current tax liabilities | 410,619 | - |
| Provisions | 215,083 | 3,281 |
| Total current liabilities | 778,514 | 213,672 |
| TOTAL LIABILITIES | 778,514 | 213,672 |
| NET ASSETS | 3,825,874 | 2,400,168 |
| EQUITY | | |
| Contributed equity | 2,761,538 | 2,212,946 |
| Retained earnings | 1,064,336 | 187,222 |
| TOTAL EQUITY | 3,825,874 | 2,400,168 |
| Profit for the year | 877,114 | 998,219 |
| Other comprehensive income for the year | - | - |
| Total comprehensive income | 877,114 | 998,219 |

DIRECTORS DECLARATION

The Directors of the Group declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes as set out on pages 13 – 34, are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) Give a true and fair view of the consolidated entity's financial position as at 30 September 2011 and of its performance for the year ended on that date.
2. The Group has included in the notes to the financial statement as explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included on pages 8 to 10 of the Directors' Report (as part of audited Remuneration Report) for the year ended 30 September 2011, comply with section 300A of the Corporations Act 2001.

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

Dated 20 December 2011

FREE EYRE LIMITED & CONTROLLED ENTITIES

ACN 124 308 041



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AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FREE EYRE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of FREE Eyre Limited, which comprises the consolidated statement of financial position as at 30 September 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

BDO (SA) ABN 68 506 530 045 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO (SA) and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of FREE Eyre Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) The financial report of FREE Eyre Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 30 September 2011 and of its performance for the year ended on that date
 - (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*
- (b) The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year ended 30 September 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of FREE Eyre Limited for the year ended 30 September 2011 complies with section 300A of the *Corporations Act 2001*.

BDO (SA)

Gregory Wiese
Partner

20 December 2011

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