



QUESTIONS AND ANSWERS

Q. Why has FREE Eyre (FEL) sold its share in EP Grain?

A. FREE Eyre formed EP Grain with Emerald in 2008, following the deregulation of the Australian wheat market. At the time, the Eyre Peninsula was poorly serviced from a grain marketing perspective. EP Grain acted as a catalyst for significantly increasing the competition for Eyre Peninsula grain with grain growers now having over a dozen grain companies to market their grain to.

FREE Eyre's philosophy has always been to investigate and incubate new businesses that increase competition and add value to its shareholders and the Eyre Peninsula farming community. To that end, FEL believes that it has achieved its objectives in creating grain marketing competition for the EP's farmers.

The directors of FEL believe that the capital from the sale of its share in the EP Grain business can be better utilised in incubating and operating other competition building and value adding businesses.

Q. What specifically will FREE Eyre do with this capital?

A. Grain Storage and Handling continues to be a key strategic focus for FREE Eyre. Having been selected as the "Grain Operator" for Centrex Metal's proposed multi-commodity export terminal, Port Spencer, the company maintains that export terminal competition on the Eyre Peninsula is of great priority.

The EP Storage Taragoro grain handling facility as well as the recently launched F.E Fibre, F.E Fertiliser and F.E Energy divisions will continue to be actively driven to increase competition and local services.

Q. Has the sale of FEL's share in EP Grain anything to do with the perception that EP Grain Pools have not performed well.

A. Pools have been lower than cash because of a declining market so no, not at all is this about opportunity. FEL believes that EP Grain has achieved its objective in bringing greater grain marketing competition to the EP and has provided a great number of opportunities to growers over the last four years. FEL has been successful in what it set out to achieve and can now better allocate its resources to incubate other value adding businesses.

Q. Did FEL make a profit from its investment?

A. FEL invested \$1 million in EP Grain and it received this capital plus a substantial premium on this amount for selling its shares. FEL also received close to \$4 million in dividends over the four years. It is clearly FEL's most successful investment and a stellar return by any measure.

Q. I have grain contracted to EP Grain for the forthcoming harvest. With the change of EP Grain's ownership, is my contract still valid?

A. Yes. All existing contracts remain exactly the same. Emerald will assume all of the existing responsibilities of EP Grain, and continue ongoing management of its grain pools and cash contracts

Q. Will EP Grain continue to operate as an Eyre Peninsula focused grain accumulation business?

A. Yes. You will still continue to speak directly to EP Grain staff and its Port Lincoln based office in the same way that you always have. EP Grain will continue to offer its grain accumulation products and conduct its marketing activities throughout the Eyre Peninsula region.

Q. Will FREE Eyre look at other grain accumulation / trading / exporting opportunities in the future?

A. The Directors of FREE Eyre have carefully considered the decision to sell its shareholding in EP Grain and given the maturity now in the market, believe it is the optimal outcome for its shareholders to focus resources elsewhere. The company considers numerous grain and non-grain business opportunities for the Eyre Peninsula on a regular basis. We do not envisage re-entering the grain marketing activities at this point of time and any future grain business opportunity would have to meet FEL's business hurdles (competition building and value adding) as well as return on investment benchmarks.