



# FREE EYRE INVESTOR UPDATE

**FEBRUARY 2011**

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### CEO's Message

As we begin the New Year, it is with a great sense of pride and achievement that we update you on the activities and achievements of FREE Eyre – your company – through this new look FREE Eyre “Investor Update”.

It has been very rewarding to be a part of the renewed sense of enthusiasm and vigour that our staff and shareholders have brought to many aspects of the FREE Eyre business over the past 12 months. During the most recent harvest, our re-energised company has delivered numerous tangible results to our shareholders and also to the wider EP farming population. Shareholder capital with reinvested profits has enabled FREE Eyre to undertake some exciting projects and there is little doubt that the indirect financial benefits from the competition and services offered by EP Grain and EP Storage have added significant returns to all – these “dividends” from FREE Eyre’s work must not be overlooked.

Imagine for a minute, if you will, where the EP would be without EP Grain – no reintroduction of “Golden Rewards”, no products tailored exclusively to the seasonal and quality parameters of our region’s grain, no re-negotiation of contracts due to weather events and no sharing of the profits by the EP farming community from the grain accumulation process.

Likewise, where would the 200 growers who delivered grain to EP Storage, Taragoro have been this harvest without 120,000+ tonnes of storage capacity available at the peak of harvest when other sites were full; offering the Falling Numbers test to individual loads in an attempt to truly and accurately assess the quality of grower’s grain, longer and more flexible delivery hours and upgrading 27,000 tonnes of FED1 wheat to GPSF (an additional \$10/t).



Despite these tangible financial benefits, we still have a lot more to achieve, should we receive the financial support from new and existing shareholders before the close of the Offer Information Statement on 10 March. FREE Eyre, as the mother ship, operates extremely frugally as your ‘rural investment company’ in assessing, investigating and then ultimately investing shareholder’s capital into commercially driven projects that will bring change, add value, competition and ultimately ensure that growers regain control of elements of their agricultural supply chain.

As an investor in FREE Eyre your capital has contributed to laying the foundations of an extremely successful grower owned and controlled agribusiness. We expect continued growth and increased profits (future potential dividends to shareholders) in our initial two investments. The pace of FREE Eyre’s continued growth will, however, largely rely on the success of raising new capital in the next few weeks. As the CEO of this great company, I urge you to place your own value on the financial impact that FREE Eyre’s investments have had on your farming enterprise and consider investing accordingly.





# FREE EYRE INVESTOR UPDATE

## The History of the Trojan Horse

I'm sure most know the history of the Trojan horse, if not, a refresher may be in order.

In 1200BC a marriage had occurred in ancient Greece and a fight ensued. The prince of Troy, Paris, was elected as the mediator of this fight and in return, was promised the most beautiful woman in the world – Helen. However, Helen was married at the time. Funnily enough, this presented no problem to Paris as he chose to kidnap her.

The Greek's didn't like this, and Helen's husband called together all Helen's old flames to help defend her honour. So, the Greek's along with her lovers, sailed to Troy and after 9 years of war against Troy and its neighbouring regions succeeded in destroying Troy's economy and allowed the Greek's to obtain a large amount of resources and other spoils of war, however the walls of Troy still stood.

Still seeking to break down the walls of Troy and take back what belonged to them, a massive wooden horse was built with its insides left hollow so soldiers could be hidden within. Brave warrior champions climbed inside whilst the remainder of the Greek naval fleet strategically sailed away, leaving one person, Sinon, remaining ashore.

When the Trojan's came to admire this massive wooden horse, Sinon pretended to be angry with the Greeks for leaving him behind, stating that he had been deserted. He assured the Trojan's that the wooden horse was safe and would bring luck to the city of Troy. Believing themselves to be impregnable, the Trojans celebrated what they perceived to be their victory and brought the - unbeknown to them - Greek impregnated horse within their walls.

That night, after most of the Trojans were asleep or drunk, Sinon let the Greek warriors out of the Trojan horse, who then conquered the Trojans, and grabbed Helen and safely returned her to her husband.

The reason for including the history lesson in this update is to compare the story of the Trojan horse with the story of the growers in South Australia, and more specifically on the Eyre Peninsula.

Simply put, the prince of Troy can be related to the non-grower owned companies operating within Australia. The Growers today are like the Greeks who are trying to defeat Troy, feeling powerless alone unless banded together to show strength and commitment. Helen remains the ideal goal of everyone involved.

The Trojan Horse made the difference in this battle with a few courageous Greek champion foot soldiers who finally brought about the defeat of Troy.

The foot soldiers of the Eyre Peninsula have started the construction of the Trojan Horse – FREE Eyre Limited. It is up to you how many champions get aboard the wooden steed.

If you want to help FREE Eyre complete our Trojan horse then invest now!

## Introducing Tom Wardle – FREE Eyre Director

FREE Eyre would also like to belatedly welcome Mr Tom Wardle, as a Director of FREE Eyre. Tom would be known to many of you through his successful WARDLE Co agribusiness but also as a farmer in the Rudall and Crystal Brook areas. Tom brings a strategic, common sense and practical approach to working with farmer shareholders and with a renowned capacity to drive change in conservative agricultural sectors.



## 2009/10 Annual Report

FREE Eyre shareholders would have now received a copy of the company's Annual Report. Within this report you will find details of the company's physical results, financial performance and other regulatory reporting requirements. Additional copies are available by calling the FREE Eyre office or on the company's web site.

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# FREE EYRE INVESTOR UPDATE

## FREE Eyre AGM

This year the AGM will be held at the Ceduna Foreshore Hotel on 10 March at 2pm. This will be followed by presentations by the following speakers:

- Ben Ranford, FREE Eyre - Outcomes of the investigations into the meat project
- Simon McNair, ABA - Bulk handling operations in competitive markets
- Tim Burrow, EP Grain - Three seasons of buying locally and selling globally. Three parts to the success story:- foresight, farmers and the future for EP Grain.
- TMC (The Merino Company) - Regional wool branding - opportunities for the Eyre Peninsula.

Both the AGM and presentations will be open for all shareholders and community members interested in attending. Please RSVP to Andrea by 4 March 2011 at [info@free-eyre.com.au](mailto:info@free-eyre.com.au).

## EP Grain

EP Grain continues to trade strongly and set the pace for new EP tailored grain products and services. You would appreciate that very often EP Grain sets the benchmark on local grain prices and it is extremely pleasing to see the strong market share that the company now commands. EP Grain's team continued to expand in the later part of 2010 with the appointment of Brett Garnaut at Wudinna, ensuring that there was a strong personalised presence to service the company's northern EP clients.

As a result of the record harvest, the EP Grain business is performing extremely well and is set to post another record result and increased grower market share. As always, please contact the EP Grain team on 08 8682 4955 or go to their website at [www.epgrain.com.au](http://www.epgrain.com.au) for their list of EP tailored products and prices.



The Orient Sky - first EP Grain ship to leave Thevenard



Left to right are Bradley Gosling (Emerald), Thomas Wake (EP Grain), Ryosuke 'Roy' Yanagi (Sumitomo), Dominic Viturbo (Emerald), Hiroaki 'Hiro' Nishikawa (Sumitomo)

## EP Storage

EP Storage has had a tremendously busy and successful 12 months. In remembering that construction of the Taragoro site only began in August 2009 (18 months ago) it is a great credit to the EP Storage management, staff and shareholders to see in excess of 100,000 tonnes of grain now securely stored and fumigated at the site.

You may recall that the storage capacity of the site was doubled for the current harvest, with construction work carrying on throughout the majority of the harvest. The EPS team and the hundreds of growers delivering grain to Taragoro worked around the construction operations admirably, ensuring a safe, productive and extremely efficient receival process.

As mentioned in the CEO's message, EP Storage was the only receival site on the EP offering a Falling Numbers (FN) test on any load of grain delivered to the site, at no cost to the farmer. The FN machine was also used extensively by staff to confirm visual assessments thus ensuring accuracy of the individual stacks.



Shareholders would be well aware that as an independent, third party receival site, EP Storage wears any and all liability associated with the quality of the out-turned grain and thus the absolute importance of correctly classifying every truckload.

## GPSF

EP Storage was also proud to be able to upgrade the vast majority of FED1 wheat to the new General Purpose Stock Feed (GPSF) grade. At the time of writing, GPSF is commanding approximately \$10/t premium to the FED1 prices and on the 27,000 tonnes of this grain stored at Taragoro, this effectively is a cheque for \$270,000 to the growers and deliverers of such grain.

Whilst we were pleased to have 5 new grain companies buying from Taragoro, we will work hard to ensure that an even wider suite of buyers is competing for Taragoro stored grain from here on.

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# FREE EYRE INVESTOR UPDATE

## EP Storage (cont.)

### *New Capital purchases*

As well as the addition of the third DOH Stacker and the grain deck that was used for receiving silo bag bound grain (FED1 wheat, lupins, rye, triticale) capital was also allocated to the purchase of another chaser bin, tractors and self propelled units for the four silo bag inloaders. The new EPS silo bag outloader is also being leased out to growers wishing to unload their own silo-bag stored grain – offering both a valuable service to the community and also a revenue stream to the company.

New staff facilities (kitchen, bathrooms, office, store room and bunk rooms) for the 20 site staff and truck drivers



required during the peak harvest period are under construction, as is the machinery shed / workshop. Significant drainage and dam work has been undertaken to

ensure that the majority of water running off the site will be collected and used by the site – particularly to keep dust under control during harvest.

We eagerly await the commencement of sealing the Balumbah-Kinnard Road from Rudall to Pt Neil. We understand that Council funding for the first 5kms has been secured and hopefully additional funding will see the road sealed past the front gate of Taragoro. This will vastly improve the access to



Taragoro by the majority of delivery clients. It will also ensure that the hard won GTA Location Differential (\$1.90 tonne less than Rudall) and granting of a “Mass Movement” permit for the B-K Road (allowing an additional 10% weight / load) will continue to bring about efficiencies and cost savings.

## Premier Food Awards

Both FREE Eyre and EP Storage were finalists in the Premier Food Awards for 2010, FREE Eyre for Fostering the Value Chain, and EP Storage for Creating Sustainability. The Awards night was held on 5 November at the Convention Centre in Adelaide, and although neither company won, it was a huge achievement to reach the finalist level for both award categories.

## FREE Eyre Website

FREE Eyre have recently re-launched our website which we encourage you to visit. It is our intention that a food page with recipes donated by shareholders is uploaded within the next month or so. If you have a recipe that you love that you’re willing to share with the rest of the Eyre Peninsula community, please email or mail a copy to [info@free-eyre.com.au](mailto:info@free-eyre.com.au) for this to be uploaded onto the website. The originator of each recipe will be acknowledged on this page.

## The Future

Focusing on the continued growth, capitalisation and development of EP Grain and EP Storage is paramount to us. There is no doubt that the expansion of an EP Grain style business across the rest of South Australia is eagerly demanded by farmers in these areas.

As announced previously, EP Storage has plans for 2-3 more ‘up country’ sites on the EP – these plans will proceed based on individual support from farmers willing to invest with FREE Eyre in these sites. FREE Eyre remains closely linked to Centrex Metals as the planning approvals for the Sheep Hill port make their way through the Government systems. It is our joint desire for FREE Eyre to have a significant involvement in bringing the right strategic partners together for the planning, funding and development of the grain terminal at Sheep Hill.

As a rural investment company, we continue to talk with a number of non-grain related companies about products and services that could be offered to shareholders and we hope to update you on a number of these at the forthcoming AGM.

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