



FREE EYRE INVESTOR UPDATE

JANUARY 2013

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FEL AGM

KIMBA HOTEL

22 FEBRUARY 2013



Investor Update: 2013-1

CEO's Message

On behalf of the Directors and staff of FREE Eyre Limited (FEL), I am very pleased to update shareholders and key stakeholders of our company's activities and achievements over the past 6 months.

By its very nature, FREE Eyre is an entrepreneurial business established to investigate value adding and competition building agribusiness opportunities. This invariably means that the company must continually re-evaluate its investments and determine the most appropriate place for its limited resources – both from a capital and human perspective.

EP Grain - Grain Accumulation

In September 2012, the shareholders of EP Grain (FREE Eyre and Emerald) announced a change to the ownership structure of the business.

With FREE Eyre having achieved its objective of creating grain-marketing competition on the Eyre Peninsula, it decided to sell its share in EP Grain to its JV partner Emerald. Emerald Group therefore moved from its previous 50% ownership stake to 100% control.

In its four years of operation, EP Grain has been highly successful, gaining as much as 30% seasonal market share of the grain produced on the Eyre Peninsula and having contracted with over 800 of the 1,000 farming families who produce grain in the region.

FREE Eyre intends to focus its energy, capital and resources in creating other value adding and competition building opportunities for the region. These include up-country grain storage and handling, its nominated position as the "Grain Operator" in the proposed Port Spencer export terminal as well as fertiliser, fibre and energy related pursuits.

FE Energy

FREE Eyre's energy and carbon focused division – FE Energy – with the assistance of Greening Australia SA and carbon offset company, Canopy, are now preparing a submission to the Commonwealth Government's Biodiversity Fund for a significant grant to fund revegetation programs across the Eyre Peninsula.

This Commonwealth grant (a component of the broader Carbon Farming Initiative) is designed to cover the costs of revegetation plantings, fencing and management of degraded land ie, land affected by salt, wind erosion, shelterbelts for stock or the linking of existing remnant vegetation.

It is critical to note that this project is not a 'carbon farming – get rich quick scheme'. The Biodiversity Fund is primarily designed to foster biodiversity and to improve the productivity of degraded farmland.

Whilst strategic revegetation should be the key goal of all landholders involved in this joint submission, it is anticipated that plantings on degraded or non-productive agricultural lands will be conducted where possible in a manner that will allow the landholder to qualify to earn carbon credits, should you wish to, in the future.

We believe that this is a one-off opportunity under the taxpayer funded Biodiversity Fund and FREE Eyre has been thrilled with around 80 EP landholders nominating in excess of 6,000 hectares of land towards the proposed program.

It is now expected that the grant will open early in 2013 and FE Energy and its partners are ready to submit their application. If successful, all landholders who have registered their expression of interest will be notified and invited to a series of both group programs and individual property discussions.





FREE EYRE INVESTOR UPDATE

FE Fertiliser

FEL's partnership with Direct Farm Inputs (DFI) has made strong progress in the first 10 months of business. Thousands of tonnes of fertiliser landed on Eyre Peninsula properties during the 2012 cropping year, via FE Fertiliser, sending a clear signal to our duopolistic competitors that there is certainly room for a third fertiliser supplier with the EP farmer's interest at heart.

We were heartened to see DFI and their 50% equity partner, Ravensdown (the major New Zealand based grower owned fertiliser co-operative) take possession of the former Megafert site at Cleve in August. Fertiliser stocks have already started flowing from Port Adelaide to Cleve so as to ensure a reliable supply of fertiliser will be available between now and seeding time.

To complement the agency agreement to market DFI fertiliser, FE Fertiliser is also in detailed discussions with DFI to contract handle the out-turn of the Cleve based fertiliser to local farmers. It is expected that our EP Storage Taragoro staff will manage this out-turn process enabling us to better utilise our local skills based staff. Those of you who have experienced the Taragoro service will appreciate the strong understanding, flexibility and farmer-focussed approach that this team take to their responsibilities.

Forward planning really is the name of the game when it comes to fertiliser. You will be hearing from us in January 2013 as we seek to understand grower's expected fertiliser needs for the coming season. We believe that if we can get our forward supply planning and grower commitments in place, we will build an extremely efficient, reliable and well priced local fertiliser supply chain.

Whether you end up buying fertiliser via FE Fertiliser or not, we strongly encourage all farmers to have their pre-approved finance limits and accounts established with DFI well in advance. Our FE Fertiliser manager, Allen "Wink" Curtis, can have these forms sent to you immediately and help you fill them out – it's a no-obligation exercise, but like with all businesses, if the account is established then you are ready "to deal" well in advance.

If you are not already receiving the regular FE Fertiliser SMS, please also call Wink on 0437 061 005 to ensure that you don't miss out on any fertiliser offers or other important information.



F·E·FERTILISER

"A Division of F·R·E·E·E Y R E Limited"

EP Storage

Whilst EP Storage has operated through a trying year, I would like to personally commend the staff and management for their commitment to the task and for their efforts to advance the overall performance of our grain storage business. The volume for the 2011/12 harvest receipts at Taragoro were significantly lower than that of the previous bumper year.

In October 2012, the FREE Eyre Board made the decision not to open the EP Storage Taragoro site for new season grain receipts for the 2012 harvest. This decision was principally based upon in-depth research of the expected grain production in the Taragoro catchment zone. FREE Eyre's summation was that due to the poor winter rainfalls and the effects of frost on local crops, production would be down in the order of 50% on the previous year. With this production forecast and being mindful of the volume related nature of the EP Storage business, the financial modelling dictated that it was more economically prudent not to open for grain receipts this harvest.

It is worth noting that it is common industry practice for grain storage and handling companies to undertake this decision process on a regional location basis, prior to each harvest.

The fundamentals of the grain infrastructure industry continue to make it difficult for 'third party operators' like EP Storage to operate, but the importance of maintaining competition in this space has never been so critical. This was hammered home by 30 farmers who attended a post-harvest meeting at Rudall on 13 December where it became clear that should competition be reduced, it will likely have a flow on effect, potentially reducing services offered by other storage and handling providers.

As a Group, we must try even harder in 2013 to make EP Storage a seamless and compelling location to store and buy grain from.

I would like to take this opportunity to thank our shareholder's, staff and Directors for their ongoing support and commitment over the past 12 months.

FE Fibre

It's been pleasing to see EP farmers supporting the FE Fibre initiative, with a steadily increasing number of bales flowing through. The aim of this partnership - with the iconic South Australian wool buyer, processor and exporter, Michell - is to provide the industry's most cost effective direct to market supply chain for EP wool growers.

The business model eliminates unnecessary overheads and traditional wool broker charges. A key feature is that it also allows growers to sell their carding wools directly to the processor who is most likely to purchase them at auction anyway.

Look out for the "Give us a Crack at your Cardings" advertising campaign in January and February – we hope this will be a reminder of the FE Fibre initiative and the "mates rates" that you will receive by selling your cardings wools directly to Michell.

Please note that if there are any individual wool growers or groups that would like to see their wool being processed at Michell's Salisbury plant, please let us know and we will organise a plant visit for you.

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FREE EYRE INVESTOR UPDATE

Port Spencer

FREE Eyre received a welcome early Christmas present from Centrex Metals on 20 December 2012 with the following important announcement;

“PORT SPENCER GRANTED SOUTH AUSTRALIAN GOVERNMENTAL APPROVAL”

South Australia is set to overcome a legacy of industrial transport constraints, following today's announcement that Centrex Metals Ltd major Port Spencer development has been granted approval by the SA Government. Port Spencer is essential to facilitating mineral development on the Eyre Peninsula and has the potential to stimulate multi-billion dollar mining investment in the region.

The 100% privately funded project located north of Port Lincoln, will be the state's first port capable of direct loading Cape class vessels. Port Spencer will be a private, multi-user port of iron ore, grain and other export products.

The jetty will access deep water, 20m at lowest astronomical tide, within 500m of shore. Port Spencer's access to deep water removes the need for dredging during operations, which is a significant environmental impact in other ports.

Port Spencer is capable of handling 20million tonnes per annum, with further expansion possible. At start up the port would handle an estimated 5 Mtpa of magnetite, 2 Mtpa hematite ore as well as 500,000 tonnes of grain per annum with an approximate loading capacity of 5,000 tonnes per hour (p/h) for iron ore and 1,400 t/r for grain.

Source: extracts from Centrex Metals Ltd press release

The proposed Port Spencer development continues to offer the greatest strategic opportunity to bring much needed competition to the grain storage, handling and exporting sector. As Centrex's nominated "Grain Operator" in the Port Spencer Owner's Team, we continue to pursue this project with eagerness.

FEL has spent considerable time during 2012 engaging with major grain industry players and as we enter 2013, we have a shortlist of serious contenders to now negotiate the design, funding and ownership models of the grain terminal precinct within the Port Spencer project.

It is anticipated that the Bankable Feasibility Study into Port Spencer will commence in earnest during the first half of 2013 and on behalf of our shareholders and the Eyre Peninsula farming community in general, we are very much looking forward to the commencement of this next stage.



It is proposed for Port Spencer to have a 2-berth jetty, with separate, fully enclosed belts for delivery of both iron ore and grain. These images have been composed by Centrex as part of their formal Development Application and highlight the 'industrial park' grid nature of the facility. On the right of each photo are 10,000 tonne silo's for grain and a 60,000 tonne shed to demonstrate where the proposed grain terminal will sit within the Port Spencer precinct. On the left of each photo is the proposed hematite storage shed. The magnetite is proposed to be shipped to Port Spencer via slurry pipe, dried and subsequently loaded onto the waiting ship.



FREE EYRE INVESTOR UPDATE

Telstra Store Whyalla and FREE Eyre Shareholder Loyalty Card

It is with great pleasure that we introduce the latest partnership to the FREE Eyre list of ventures. FREE Eyre and the Telstra Store Whyalla have had a long and valuable relationship and we know that many shareholders currently utilise the excellent in store and on farm services provided by the team at the Telstra Store Whyalla.

However, we are proud to announce that we have negotiated an even better deal for FREE Eyre shareholders and their families so as to take the relationship one step further.

In an effort to streamline your telecommunication needs and be rewarded for being a FREE Eyre shareholder, we have introduced a FREE Eyre shareholder "Loyalty Card".

The "Loyalty Card" entitles you to a range of services and discounts, available only through the Telstra Store Whyalla, such as;

- On site signal testing
- Free bill analysis
- 20% discount on all accessories
- Plus a \$10 rebate to FREE Eyre for every sale / purchase made upon the display of the FREE Eyre Shareholder Loyalty Card.

Please note it is imperative you mention you are a FREE Eyre shareholder and your card number if purchasing over the phone. These offers are only available from Telstra Store Whyalla, City Plaza and not if you purchase products or services from any other Telstra Store.

We have included 2 Loyalty Cards per FREE Eyre shareholder – your extended family are most welcome to take advantage of this offer, so don't be shy in handing the card around

One of the most impressive services offered by the Telstra Store Whyalla is their on farm / property visits and all Eyre Peninsula farmers who have experienced this service will agree that this is a rare service to be offered by a telecommunications company.

Simply call the Telstra Store Whyalla team on 8645 8811 (or fax on 8645 8822) to make an appointment for an onsite visit – it will be very much worth your time.



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IN FULL COLOUR

