

FREE Eyre Limited & Controlled Entities

ACN 124 308 041

Interim Financial Report

For the Half-Year Ended 31 December 2017

FREE Eyre Limited & Controlled Entities

ACN 124 308 041

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For the Half-Year Ended 31 December 2017

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Directors' Report

31 December 2017

The directors submit the financial report of the consolidated group for the half-year ended 31 December 2017.

General information

Information on directors

The names of each person who has been a director during the half-year and to the date of this report are:

John Crosby (Chairman)

Anthony Hull

David Giddings

Julian Speed

Trevor Gilmore

Matthew Foster

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

Operating results and review of operations for the half-year

Review of operations

The entity recorded a net loss after tax of \$224,073 for the half-year ended 31 December 2017 (2016: Loss after tax \$95,392).

A summary of consolidated revenues and net loss before tax from continuing operations for the half-year by business segment follows:

Revenue

Revenue of \$139,473 for the half-year ended 31 December 2017 (2016: \$176,393) comprises primarily of brokerage fees for grain sales in Free Eyre Grain. Free Eyre's remaining revenue is attributed to bank interest. Other income of \$105,000 for the half-year ended 31 December 2017 (2016: \$4,870) relates entirely to a farmer group grant received from Southern Cross University to assist with the new Port Spencer development project.

Net Loss

The net loss after tax of \$224,073 for the half-year ended 31 December 2017 (2016: \$95,392) has increased compared to the previous half-year period due to significant expenditure incurred on the new Port Spencer development project.

Balance Sheet

The net assets of \$802,446 have decreased during the half-year primarily due to a decrease in cash at bank required to cover operating expenses.

Cash Flow

Operating activities used net cash of \$340,140 for the half-year ended 31 December 2017 reflecting the excess of payments to suppliers, contractors and employees over cash received.

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Directors' Report

31 December 2017

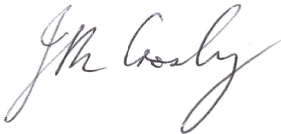
Rounding of amounts

The consolidated group is not of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and therefore cannot 'round off' any amounts in the half-year Financial Report and Director's Report to the nearest thousand dollars. The consolidated group must show the amounts in the Director's Report and half-year Financial Report at the nearest whole dollar amount.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2017 has been received and can be found on page 3 of the financial report.

This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'John Crosby', is positioned above the printed name of the director.

Director:

John Crosby

Dated this 24th day of January 2019

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FREE EYRE LTD

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2017 there have been:

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

William Buck

William Buck

ABN: 38 280 203 274



M.D. King

Partner

Dated this 24th day of January, 2019

**CHARTERED ACCOUNTANTS
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**Consolidated Statement of Profit or Loss and Other
Comprehensive Income**

For the Half-Year Ended 31 December 2017

	2017	2016
	\$	\$
Revenue	139,473	176,393
Other Income	105,000	4,870
Administration expenses	(96,185)	(119,091)
Port development expenses	(180,030)	-
Employee expenses	(188,805)	(133,015)
Travel and accommodation	(23,056)	(24,221)
Depreciation expense	(10,567)	(11,905)
Directors fees	(6,023)	(12,593)
Loss on financial assets	(50,000)	-
Other expenses	(8,064)	(8,829)
Interest expenses	(7,890)	-
Loss before income tax	(326,147)	(128,391)
Income tax benefit	102,074	32,999
Loss for the half-year	(224,073)	(95,392)
Other comprehensive income, net of income tax	-	-
Total comprehensive income for the half-year	(224,073)	(95,392)
Loss for the half-year attributable to:		
Members of the parent entity	(224,073)	(95,392)
Total comprehensive income for the half- year attributable to:		
Members of the parent entity	(224,073)	(95,392)

The accompanying notes form part of these financial statements.

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Consolidated Statement of Financial Position

As at 31 December 2017

	31 December 2017	30 June 2017
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	140,087	480,227
Trade and other receivables	136,391	126,202
Financial assets	-	50,000
Other assets	17,013	11,922
TOTAL CURRENT ASSETS	293,491	668,351
NON-CURRENT ASSETS		
Property, plant and equipment	167,437	178,003
Deferred tax assets	597,336	524,285
TOTAL NON-CURRENT ASSETS	764,773	702,288
TOTAL ASSETS	1,058,264	1,370,639
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	205,395	279,628
Employee benefits	49,727	16,679
TOTAL CURRENT LIABILITIES	255,122	296,307
NON-CURRENT LIABILITIES		
Deferred tax liabilities	530	29,553
Employee benefits	166	18,260
TOTAL NON-CURRENT LIABILITIES	696	47,813
TOTAL LIABILITIES	255,818	344,120
NET ASSETS	802,446	1,026,519
EQUITY		
Issued capital	3,463,409	3,463,409
Retained earnings	(2,660,963)	(2,436,890)
TOTAL EQUITY	802,446	1,026,519

The accompanying notes form part of these financial statements.

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**Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2017**

2017

	Issued Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2017	3,463,409	(2,436,890)	1,026,519
Loss for the half-year attributable to members of the entity	-	(224,073)	(224,073)
Other comprehensive income	-	-	-
Balance at 31 December 2017	3,463,409	(2,660,963)	802,446

2016

	Issued Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2016	3,463,409	(2,195,869)	1,267,540
Loss for the half-year attributable to members of the entity	-	(95,392)	(95,392)
Other comprehensive income	-	-	-
Balance at 31 December 2016	3,463,409	(2,291,261)	1,172,148

The accompanying notes form part of these financial statements.

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Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2017

	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	141,559	42,788
Payments to suppliers and employees	(474,462)	(273,677)
Interest received	653	4,861
Interest paid	(7,890)	-
Net cash used in operating activities	<u>(340,140)</u>	<u>(226,028)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	-	4,220
Net cash provided by investing activities	<u>-</u>	<u>4,220</u>
Net decrease in cash and cash equivalents held	(340,140)	(221,808)
Cash and cash equivalents at beginning of year	<u>480,227</u>	<u>635,891</u>
Cash and cash equivalents at end of the half-year	<u><u>140,087</u></u>	<u><u>414,083</u></u>

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements For the Half-Year Ended 31 December 2017

The financial report covers Free Eyre Limited and its controlled entities ('the Group'). FREE Eyre Limited & Controlled Entities is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The address of the registered office and principal place of business is Level 1, 33 Hutt Street, Adelaide SA 5000.

1 Basis of Preparation

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2017.

The general purpose interim financial statements for the half-year reporting period ending 31 December 2017 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial statements is intended to provide users with an update on the latest annual financial statements of FREE Eyre Limited & Controlled Entities. The interim financial statements do not include all the notes normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial statements. It is therefore recommended that the interim financial statements be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made by FREE Eyre Limited during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

The financial statements have been prepared on an accruals basis and are based on historical costs.

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Notes to the Financial Statements For the Half-Year Ended 31 December 2017

2 Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred a loss before tax of \$326,147 and a decrease of cash and cash equivalents of \$340,140 for the period ended 31 December 2017. Cash and cash equivalents at 31 December 2017 are \$140,087. The loss for the period was largely a result of the expenditure incurred in the research, planning and due diligence associated with the Port Spencer deep sea multi-user port proposal.

Subsequent to period end the Group continues to progress the business case and funding for the port development at Port Spencer. A wholly owned subsidiary, Peninsula Ports Pty Ltd, has been incorporated for the purpose of the port development. At the date of signing this report Peninsula Ports Pty Ltd has contracted to receive \$300,000 in debt funding. The funding will be used to progress the port development proposal. Key terms of the finance are as follows:

- Interest rate of 25%; and
- Repayment date at the discretion of the Directors of Peninsula Ports Pty Ltd.

In addition the Group is progressing with the following funding opportunities for the port development which are expected to be completed and realised within the next six month period:

- Additional short term debt funding with third parties for \$1.7m. Terms of this funding are expected to be in line with the above;
- An application for Federal Government funding for \$10m will be lodged in late January 2019;
- An application for South Australian State Government funding for \$10m will be lodged in late January 2019;
- Discussions with third parties including banks for a finance facility of \$5m to \$10m for the purpose of completing a definitive feasibility study of the port proposal;
- A capital raising and / or a rights issue to existing Free Eyre Limited shareholders; and
- The securing of institutional investor funding for the construction of the port;

The Directors continue to monitor cashflow of the group regularly and continue to reduce the ongoing operating costs of the Group.

If the above funding opportunities are not successful there is a material uncertainty that the Group will continue as a going concern.

The Directors believe the Group will be successful in the above and accordingly have prepared the financial report on a going concern basis. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

FREE Eyre Limited & Controlled Entities

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Notes to the Financial Statements For the Half-Year Ended 31 December 2017

3 Key estimates - Deferred Tax Asset

The Group has recognised a deferred tax asset of \$597,336 at 31 December 2017. Of this, \$467,059 relates to carried forward tax losses. Deferred tax assets are recognised only to the extent it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Having regard to the recognition criteria contained in AASB 112 Income Taxes, the Directors are of the view that it is probable that the applications for Federal and State Government grants will be successful, refer Note 2, and thereby enable the benefit of the deferred tax asset to be utilised.

4 Segment information

The Group operated in a single business segment of supporting farming communities and within a single geographical region being South Australia.

5 Commitments

There has been no change in commitments since the last annual reporting period, 30 June 2017.

6 Contingencies

There has been no change in contingent liabilities since the last annual reporting period, 30 June 2017.

7 Events after the End of the Interim Period

The Group has secured \$300,000 in short term debt funding subsequent to period end. Key terms of the finance are as follows:

- Interest rate of 25%; and
- Repayment date at the discretion of the Directors of Peninsula Ports Pty Ltd.

Mr Trevor Gilmore, Director, has provided \$150,000 of the above funding.

The Group also continues to progress the Port Spencer port development however at the date of signing the financial report no other contracts have been entered into.

Except for the above, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

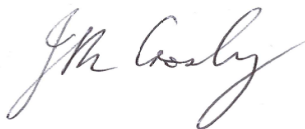
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Directors' Declaration

In accordance with a resolution of the directors of the Free Eyre Limited & Controlled Entities, the directors of the Group declare that:

1. The financial statements and notes, as set out on pages 4 to 10 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Director
John Crosby

Dated this 24th day of January 2019

Free Eyre Ltd

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Free Eyre Ltd (the company) and the entities it controlled at the half-year's end or from time to time during the half-year (the consolidated entity) on pages 4 to 11, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Free Eyre Ltd on pages 4 to 11 is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter – Recoverability of Deferred Tax Asset

We draw attention to Note 3 of the financial report, which describes the assumptions on which the deferred tax asset recognised in the Statement of Financial Position is recoverable. Our opinion is not modified in respect of this matter.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the half-year financial report, which indicates the Group incurred a loss before tax of \$326,147, a decrease of cash and cash equivalents of \$140,087 for the half-year ended 31 December 2017. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

CHARTERED ACCOUNTANTS & ADVISORS

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Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Free Eyre Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

William Buck

William Buck Entity

ABN: 38 280 203 274

M.D. King

M.D. King

Partner

Adelaide, 24th January 2019