

SOUTHERN
Agventure
Empowering Farmers



Annual Report 2010

ABN 62 139 814 592





SOUTHERN AGVENTURE LIMITED
ABN 62 139 814 592

ANNUAL REPORT
FINANCIAL STATEMENTS
AS AT 30 JUNE 2010

CHAIRMAN'S REPORT

I am pleased to present the Annual Report and Financial Statements for Southern Agventure Limited for 2009/10, our first Financial Year of operations.



The year continued to be an extremely difficult one for farmers in southern New South Wales. The ten year drought has placed much stress not only on farmers and their families but also local businesses and regional communities. The establishment of Southern Agventure and the associated commitment by its 160 farmer shareholders during these difficult times is testimony to the collective will of all those involved to make a difference. They believed the time had come to take charge of their future destiny by gaining some control over their agriculture industries, by adding increased value to the commodities they produce and to not only maintain, but develop the communities within which they live. They and the Steering Committee which brought the company to fruition and undertook the initial negotiations to establish the joint venture with the Emerald Group, are to be congratulated on their courage, foresight and commitment.

A catalyst to the establishment of the Company on 5 October 2009 was the deregulation of grain marketing via the abolition of Australia's single desk. With this clearly in mind the Southern Agventure Board moved ahead quickly with the establishment of Southern Ag Grain Pty Ltd, the 50/50 joint venture with the Emerald Group to not only provide effective competition in grain accumulation and marketing, but to also have a stake in that part of the supply chain to the consumer. Southern Ag Grain commenced operations in late October 2009 and has already established an effective grower customer base and recognition as a competitive trader with effective products and a high standard of customer service. For the period to 30 June 2010, Southern Ag Grain returned a Net Profit of \$285,065. It had dealings with some 400 grain growers, many of them Southern Agventure shareholders and processed almost 900 individual grain contracts.

In relation to Southern Agventure I am pleased to announce a Net Profit After Tax of \$75,673 from ordinary activities.

These funds will be used to continue to meet the capital requirements of Southern Ag Grain Pty Ltd, hopefully earlier than initially considered and to provide funds to investigate and assess other opportunities in accordance with the Company's Vision, Mission and Initial Objectives. No dividend will be paid.

Subsequent to the end of the Financial Year, widespread drought-breaking rains across southern New South Wales has provided the potential for a bumper harvest in 2010 and improvements in other farming production. With this in mind the Board moved ahead with plans to expand the geographic coverage of the Company and increase the shareholder base during the 2010/2011 Financial Year. We also moved forward with appointing an Executive Officer to assist with day to day management of the company and in its strategic development.

May I thank the Directors: Andrew Bouffler; Brent Alexander; David Hodge; Richard Carn; Bill Thompson and Nick Taylor for their ongoing efforts. They are a very positive and dedicated group who work extremely well as a Board.

A handwritten signature in black ink, appearing to be 'R W Thompson', written over a white background.

R W Thompson
Chairman

SOUTHERN AGVENTURE LIMITED
ACN 139 814 592

DIRECTORS' REPORT

The Directors present the report together with the accounts of Southern Agventure Limited for the period ended 30 June 2010 and the auditors' report thereon.

DIRECTORS

The Directors of the Company in office at the date of this report are:

R W Thompson	D W Hodge	A J W Bouffler	W J Thompson
B W Alexander	R S Carn	N S Taylor	



Pictured L to R: Dick Thompson (Chairman); Geoff Breust (Executive Officer – appointed August 2010); Andrew Bouffler (Deputy Chairman); Directors; Richard Carn, Bill Thompson, David Hodge and Nick Taylor; and Brent Alexander (Secretary/Director).

PRINCIPAL ACTIVITIES

Southern Agventure (SAV) commenced operations on 5 October 2009. A Prospectus was issued and \$852,000 in Share Capital was raised in December 2009. Its primary activity since then has been as a shareholder in the 50 / 50 joint venture with the Emerald Group, Southern Ag Grain Pty Limited (SAG) which commenced 27 October 2009.

SAV came to reality following some four years of research, investigation and consideration by a group of farmers and growers in the region to the south west of Wagga Wagga, New South Wales. The group began because of a desire to retain some control over the agriculture industry, to add value to the commodities they produce and to not only maintain, but develop the communities within which they live.

Our Vision:

Enhanced farm profitability leading to highly sustainable regional communities.

Our Mission:

To establish a leading organisation owned, managed and operated by regional people which focuses on generating real, long term value and benefit to its stakeholders, in:

- agricultural product marketing and trading services;
- products and services to assist stakeholders in maximising their potential;
- innovative approaches to primary industry and support services for the industry; and
- counter potential threats.

RESULT

The profit of the company for the financial period after providing for income tax was \$75,673

REVIEW OF OPERATIONS

SAG, the 50/50 joint venture with Emerald Group, is a farm gate service provider, utilising the grain accumulation and marketing skills, systems, knowledge and contacts of the Emerald Group. The capital provided by the joint venture partners is held in the Southern Ag Grain Unit Trust. Southern Ag Grain Pty Ltd is trustee of the Southern Ag Grain Unit Trust.

The capital in SAG is used for the day to day operations of the business including wages, motor vehicle, IT, communications, rent and related office expenses. Emerald is the principal of the grain purchased and provides finance, grower payments services, marketing and export and back office administration.

SAG staff have received extensive training in pricing and the various products available to growers as part of grain accumulation and marketing. They offer effective farm gate services for growers, have developed effective relationships with logistics suppliers and with regional grain customers and have the authority to make pricing decisions within the bounds of the Emerald trading books.

At this point, SAV has paid in capital to the SAG joint venture as follows:

- \$600,000, to acquire 600,000 \$1 Units in the Southern Ag Grain Unit Trust; and
- \$500, to acquire 500 \$1 Shares in Southern Ag Grain Pty Ltd

In March 2010, the world-wide, Japanese conglomerate, Sumitomo, acquired a 50 percent shareholding in the Emerald Group thereby adding further substance and market penetration for Emerald and consequently SAG.

No other major opportunity has been taken up by SAV during 2009/10. Getting SAG up and running in readiness for the forthcoming harvest has been a priority. With that completed, the SAV Board of Directors is now keen to investigate the opportunities highlighted by interested farmers and activities are planned to achieve this over the forthcoming financial year.



DIVIDENDS

No dividends have been paid or recommended.

STATE OF AFFAIRS

SAV completed its first Financial Year of operations in line with its objectives, particularly the successful capitalisation of the company through the share offer and the establishment of SAG.



SAV is now ready to examine other opportunities as identified by its shareholders and regional community stakeholders. This includes the potential of wider geographic coverage, increased shareholders and capital funding.

SHORT AND LONG TERM OBJECTIVES

SAV's initial objectives are as follows.

- Increase our farmer and stakeholder shareholding and geographic coverage.
- Increase market and community awareness of SAV and its joint venture activities.
- Establish viable, quality stakeholder value-add opportunities consistent with our Vision and Mission with particular emphasis on:
 - *storage and distribution;*
 - *stakeholder services – QA and Testing;*
 - *alternate grower products – lamb feedlot;*
 - *production input assistance – group purchasing and input cost discounts; and*
 - *grain cleaning / screening services.*

Strategy for achieving objectives

Our strategies for achieving the objectives set out above involve:

- engaging potential stakeholders in assessing opportunities;
- undertaking robust assessments to determine the commercial viability of such opportunities;
- maintaining a watching brief across the agriculture industry and regional communities to ascertain opportunities to provide stakeholder benefit;
- entering into joint venture or other appropriate arrangements to facilitate the desired activity; and
- constantly reviewing and analysing the performance of such activities.

Key Performance Indicators (KPIs)

SAV's KPIs used to measure performance include:

- profitability;
- return on funds deployed;
- the performance of its joint venture activities; and
- SAV's value to its stakeholders in terms of subjective assessment through stakeholder feedback.

EVENTS SUBSEQUENT TO BALANCE DATE

In August, SAV appointed Mr Geoff Breust as Executive Officer on a part time, contract basis. Mr Breust is providing day to day management and strategic advice to the Board for the future development of the company in accordance with its Vision, Mission and Immediate Objectives.

The wide-spread drought-breaking rain in southern NSW has resulted in a potentially bumper harvest and significantly increased production in other farm activities including prime lambs, beef cattle and other produce. This should flow through to increased tonnages for SAG and other potential opportunities for SAV to explore.

SAV has planned a program of farmer information presentations in October 2010 across a wide area of southern NSW to explain its activities and generate further farmer interest.

LIKELY DEVELOPMENTS

There are no developments which could adversely affect the performance of SAV other than the normal and identified risks associated with its operations.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration required under section 307C of the Corporations Act 2001 is set out on the following page.

Dated at Wagga Wagga this 28th day of September 2010.

Signed in accordance with a resolution of the directors:



Director



AUDITORS INDEPENDENCE DECLARATION

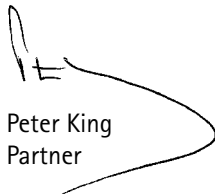
As lead auditor for the audit of Southern Agventure Limited for the period ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) No contraventions of any applicable code of professional conduct in relation to the audit.

John L Bush & Campbell

JOHN L BUSH & CAMPBELL

Chartered Accountants



Peter King
Partner

Wagga Wagga
28th September 2010

SOUTHERN AGVENTURE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2010

	Note	2010 \$
Revenue	2	143,754
Administrative expenses		<u>(27,466)</u>
Profit /(loss) from ordinary activities before income tax		116,288
Income tax expense		<u>(40,615)</u>
Net profit/(loss) from ordinary activities after income tax		<u>75,673</u>
Total comprehensive income for the year		<u>75,673</u>
Earnings per share		8.8 cents

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements.



SOUTHERN AGVENTURE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	2010 \$
CURRENT ASSETS		
Cash and cash equivalents	4	186,048
Trade and other receivables	5	143,032
Financial assets	6	600,500
Other assets	7	2,975
Deferred tax asset	8	1,200
TOTAL CURRENT ASSETS		<u>933,755</u>
TOTAL ASSETS		<u>933,755</u>
CURRENT LIABILITIES		
Trade and other payables	9	6,600
Tax liabilities	10	41,815
TOTAL CURRENT LIABILITIES		<u>48,415</u>
TOTAL LIABILITIES		<u>48,415</u>
NET ASSETS		<u>885,340</u>
EQUITY		
Contributed equity	11	809,667
Retained earnings	12	75,673
TOTAL EQUITY		<u>885,340</u>

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements.

SOUTHERN AGVENTURE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010

	Issued Capital \$	Retained Earnings \$	Total \$
Balance as at 1 July 2009	0	0	0
Profit for period		75,673	75,673
Shares issued	852,000		852,000
Net Capital Raising Loss	(42,333)		(42,333)
Balance at 30 June 2010	809,667	75,673	885,340

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements.



SOUTHERN AGVENTURE LIMITED
STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 30 JUNE 2010

	Note	2010 \$
CASHFLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers		(24,340)
Interest received		<u>1,221</u>
Net Cash Flows From/(Used In) Operating Activities	15(b)	<u><u>(23,119)</u></u>
CASHFLOWS FROM FINANCIAL ACTIVITIES		
Purchase of shares and units		(600,500)
Proceeds from issue of shares		852,000
Payment relating to issue of shares		<u>(42,333)</u>
Net Cash Flows From Financial Activities		<u><u>209,167</u></u>
Cash at Beginning of the Year		-
Net Increase/(Decrease) in Cash and Cash Equivalents		186,048
Cash and Cash Equivalents at End of Year	15(a)	186,048

The Statement of Cashflows is to be read in conjunction with the notes to and forming part of the financial statements.

**SOUTHERN AGVENTURE LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED 30 JUNE 2010**

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is for Southern Agventure Limited as an individual entity, incorporated and domiciled in Australia. Southern Agventure Limited is a company limited by shares.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs. It does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting Policies

(a) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue and distribution income from investments is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(b) Income Tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense is based on profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a deferred tax asset.

Deferred tax assets are not brought to account unless it is probable that the benefit will be realised.

(c) Financial instruments recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

SOUTHERN AGVENTURE LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED 30 JUNE 2010 Cont'd

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.

Held-to-maturity investments

These investments have fixed maturities, and it is the entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the entity are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(d) Receivables

Accounts receivable include amounts due from members and other services. Accounts receivables are recognised at the amounts receivable as they are due for settlement. Accounts receivables do not carry any interest and are stated at their nominal value.

(e) Payables

Trade creditors represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(g) Comparative information

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

SOUTHERN AGVENTURE LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED 30 JUNE 2010 Cont'd

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(i) Amendments to Australian Accounting Standards

The directors have considered the application of AASB108 "Accounting Policies, Changes in Accounting Estimates and Errors" and are of the opinion that the standard does not result in a material impact on the entity's financial report.



SOUTHERN AGVENTURE LIMITED
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE PERIOD ENDED 30 JUNE 2010 Cont'd

	2010 \$
NOTE 2 - REVENUE	
Unit Trust Distribution	142,533
Interest received	1,221
	<u>143,754</u>
NOTE 3 - INCOME TAX EXPENSE	
The prime facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:	
Prime facie tax payable on profit from ordinary activities before income tax at 30%	34,886
Add the tax effect of permanent differences	5,729
	<u>40,615</u>
NOTE 4 - CASH AND CASH EQUIVALENTS	
Cash at bank	36,048
Term deposit	150,000
	<u>186,048</u>
NOTE 5- TRADE AND OTHER RECEIVABLES	
Trade debtors	500
Loan - Southern Ag Trade Unit Trust	142,532
	<u>143,032</u>
NOTE 6 - FINANCIAL ASSETS	
Shares - Southern Ag Trade Pty Limited	500
Units - Southern Ag Trade Unit Trust	600,000
	<u>600,500</u>
NOTE 7 - OTHER ASSETS	
Formation Costs	507
Prepayments	2,468
	<u>2,975</u>

SOUTHERN AGVENTURE LIMITED
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE PERIOD ENDED 30 JUNE 2010 Cont'd

	2010
	\$
NOTE 8 - DEFERRED TAX	
Deferred tax asset	<u>1,200</u>
NOTE 9 - TRADE AND OTHER PAYABLES	
Current	
Trade creditors	4,312
GST Payable	<u>2,288</u>
	<u>6,600</u>
NOTE 10 - TAX LIABILITIES	
Tax provision	<u>41,815</u>
NOTE 11 - CONTRIBUTED EQUITY	
Paid Up Capital	
830,000 fully paid 'A' Class Shares	830,000
22,000 fully paid 'B' Class Shares	22,000
Less: Net Costs in initial capital raising	<u>(43,333)</u>
	<u>809,667</u>

All classes of shares participate in dividends and the distribution of surplus assets on the winding up of the Company.

'A' class shareholders also have the right to vote at all meetings of the Company

NOTE 12 - RETAINED EARNINGS

Opening retained earnings	-
Net profit / (loss) from ordinary activities	<u>75,673</u>
Closing retained earnings	<u>75,673</u>

NOTE 13 - SEGMENT REPORTING

The Directors have considered the appropriateness of the application of AASB 114 Segment Reporting and believe it is not relevant to the operations of Southern Agventure Limited

SOUTHERN AGVENTURE LIMITED
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE PERIOD ENDED 30 JUNE 2010 Cont'd

2010
 \$

NOTE 14 - CORPORATE INFORMATION

Southern Agventure Limited was incorporated on 5 October 2010 and has its registered office at:

HMA Twomey Patterson
 Level 1, 185 Morgan Street
 Wagga Wagga NSW 2650

NOTE 15 - OPERATING CASHFLOW RECONCILIATION

(a) Cash and Cash Equivalents	<u>186,048</u>
(b) Reconciliation of Cash Flow from Operations with Profit from ordinary activities after Income tax:	
Profit from ordinary activities after income tax	75,673
Changes in assets and liabilities	
(Increase) / Decrease in Trade and Other Receivables	(143,032)
(Increase) / Decrease in Other Assets	(2,975)
(Increase) / Decrease in Trade and Other Payables	6,600
(Increase) / Decrease in Tax Liabilities	41,815
(Increase) / Decrease in Deferred Tax	<u>1,200</u>
Cash Flows from Operations	<u>(23,119)</u>

NOTE 16 - KEY MANAGEMENT PERSONNEL DISCLOSURES

The following persons were Directors of Southern Agventure Limited for the period:

R W Thompson	D W Hodge	W J Thompson
A J W Bouffler	B W Alexander	R S Carn
N S Taylor		

Compensation

The aggregate compensation made to directors of the company are set out below:

Short term employee benefits	<u>3,920</u>
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SOUTHERN AGVENTURE LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE PERIOD ENDED 30 JUNE 2010 Cont'd

NOTE 17 - CAPITAL COMMITMENTS

As part of the Company's joint venture business, Southern Ag Grain Pty Ltd, a Unitholders Deed has been signed by the board committing the company to further capital funding. Under the terms of this agreement, each partner in the joint venture is committed to contributing \$1,000,000 capital each in total by 30 June 2013. To date Southern Agventure limited had provided \$600,000 of this, with the remainder able to be provided from Profit distributions from the 2010 to 2013 financial years. The deed requires that 80% of each year's after tax profits from Southern Ag Grain Pty Ltd will be retained by the joint venture and this amount for 2010 for Southern Agventure's contribution will be \$80,000, It is expected this capitalisation will occur in October of each year, with balance of profit paid to each joint venture partner. The Board believes there will be no problems meeting this commitment over the ensuing 3 financial years.

NOTE 18 - CONTINGENT LIABILITIES

The Board is unaware of any contingent liabilities

NOTE 19 - EVENTS AFTER BALANCE DATE

There have been no significant events after reporting date

NOTE 20 - FINANCIAL INSTRUMENTS

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit, interest rate and liquidity risks. The Company does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risks. Further, due to the nature of the Company's investments and other financial instruments it is not exposed to significant price lists.

Fair Values

The carrying amounts and estimated fair values of financial assets and financial liabilities held at balance date are the same.

Market Risk - Sensitivity Analysis

The Company's financial assets which are subject to interest rate risk comprise cash on hand, at bank and on call, and term deposits which are generally short term and are held to maturity. Therefore the Company does not consider that a change in risk variable (interest) would have a significant effect on profit or equity.

SOUTHERN AGVENTURE LIMITED
 NOTES TO AND FORMING PART OF THE ACCOUNTS
 FOR THE PERIOD ENDED 30 JUNE 2010 Cont'd

NOTE 20: FINANCIAL INSTRUMENTS (continued)

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the entity.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash or credit facilities to meet the operating requirements of the Company. This is managed through committed undrawn facilities and prudent cash flow management.

The exposure to interest rate risk, which is the risk that a financial instruments will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of consolidated financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate	Within 1 Year	Greater Than 1 Year	Total
Financial assets – 2010				
Cash and Cash Equivalents	4.65%	186,048	---	186,048
Trade and Other Receivables	0%	143,072	600,500	143,072
Financial Assets	0%	---	---	600,500
		329,120	600,500	929,620
Financial liabilities – 2010				
Payables	0%	6,600	---	6,600
		6,600	---	6,600

All financial assets and financial liabilities in the statement of financial position are being carried at net fair value.

SOUTHERN AGVENTURE LIMITED
DIRECTORS DECLARATION

1. In the opinion of the directors of Southern Agventure Limited:
 - (a) the financial statements of the company are drawn up so as to give a true and fair view of the result of the period ended 30 June 2010, and the state of affairs at 30 June 2010 of the company; and
 - (b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.
2. The financial statements of the company have been made out in accordance with applicable Australian Accounting Standards.

Signed at Wagga Wagga this 28th day of September 2010

Signed in accordance with a resolution of the directors:



Director



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
SOUTHERN AGVENTURE LIMITED

John L
**BUSH &
CAMPBELL**

CHARTERED ACCOUNTANTS

A.B.N. 33 225 395 249

Report on the Financial Report

We have audited the accompanying financial report of Southern Agventure Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income and the statement of changes in equity for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report


The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 and fair presentation of the financial report 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.

 Liability limited by a
scheme approved under
Professional Standards Legislation
other than for the acts or omissions
of financial services licensees

WAGGA WAGGA 2650
30 Blake Street
PO Box 98
Tel (02) 6921 5222
Fax (02) 6921 7539

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, provided to the directors of Southern Agventure Limited on 28th September 2010 would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the financial statements of the Southern Agventure Limited are in accordance with:

(a) the Corporations Act 2001, including:

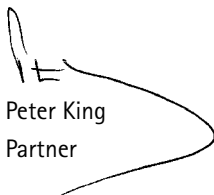
- (i) giving a true and fair view of the company's financial position as at 30 June 2010, and of its performance for the period ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations 2001 in Australia; and

(b) other mandatory professional reporting requirements in Australia.

John L Bush & Campbell

JOHN L BUSH & CAMPBELL

Chartered Accountants



Peter King
Partner

Wagga Wagga

28th September 2010







