



## Freedom Nutritional Products Limited

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# Freedom Nutritional Products Limited

## Entitlement Offer Document

for a non-renounceable pro-rata offer of five New Shares for every twelve existing shares at \$0.30 per New Share

**3 November 2009**

**This Entitlement Offer closes at 5.00pm (Sydney time) on Friday 4 December 2009.**

This document is an important document that requires your immediate attention. It should be read in its entirety. If after reading this document you have any questions, you should contact your stockbroker, solicitor, accountant or other professional adviser.

<b>Contents</b>		<b>Page</b>
1	Chairman's letter	1
2	Key dates for the Entitlement Offer	3
3	Details of the Entitlement Offer	4
	3.1 Offer timetable	4
	3.2 Offer structure	4
4	Risk disclosure	7
	4.1 Introduction	7
	4.2 Specific risks that affect FNP	7
	(b) Consumer preferences and perceptions	7
	4.3 General risks relating to equity investments and markets	11
5	Action required by Shareholders	12
	5.1 What you may do	12
	5.2 How to apply for New Shares	12
	5.3 Mail	13
6	Important Information	14
	6.1 Offer Booklet	14
	6.2 Taxation	14
	6.3 Rounding of Entitlements	14
	6.4 Applications cannot be withdrawn	14
	6.5 Future performance and forward looking statements	15
	6.6 Past performance	15
	6.7 Governing Law	15
	6.8 Foreign jurisdictions	15
	6.9 Nominees	16
	6.10 Disclaimer of representations	16
7	Glossary	17

## 1 Chairman's letter

Dear Shareholder

### **Freedom Nutritional Products Limited Equity Raising – Entitlement Offer**

On behalf of Freedom Nutritional Products Limited (**FNP**), I am pleased to invite you to participate in a five-for-twelve non-renounceable pro-rata entitlement offer of FNP ordinary shares (**New Shares**) at an offer price of \$0.30 per New Share (the **Entitlement Offer**). New Shares issued under the Entitlement Offer will rank pari passu with existing shares.

It is FNP's intention to raise up to \$6.8 million through the Entitlement Offer.

The proceeds of the Entitlement Offer will be used to fund working capital for Freedom Foods and to refinance a shareholder loan incurred in the acquisition and development of the Freedom Foods manufacturing premises at Leeton, NSW.

The Entitlement Offer is not underwritten, which means that there is no guarantee that any proceeds will be raised.

This Entitlement Offer Booklet contains important information including:

- Key Dates for the Entitlement Offer;
- Details of the Entitlement Offer;
- Instructions on "How to Apply" setting out how to accept all or part of your entitlement or apply for Additional New Shares in the Entitlement Offer if you choose to do so;
- Risks relating to the Entitlement Offer and FNP; and
- Important Information.

This booklet is also accompanied by a personalised Entitlement and Acceptance Form which details your entitlement, to be completed in accordance with the instructions provided on the form and the instructions on "How to Apply" at section 5 of this booklet.

### **The Entitlement Offer closes at 5.00pm (Sydney time) on Friday 4 December 2009.**

To participate, you need to ensure that your completed personalised Entitlement and Acceptance Form, together with your Application Monies, OR your Application Monies paid via BPAY<sup>®</sup>, is received by FNP before this time, according to the instructions that are set out on the personalised Entitlement and Acceptance Form. Please refer to the instructions on "How to Apply" that accompany this letter for further information.

Shareholders with registered addresses outside Australia and New Zealand are not eligible to participate in the Entitlement Offer.

For eligible shareholders, it is important to note that your entitlement is non-renounceable and will not be tradeable on the ASX or otherwise transferable. This means that shareholders who do not take up their entitlement in full will not receive any value in respect of those entitlements they do not take up. **Note that Shareholders are able to apply for more shares than their entitlement.**

You should read this Offer Booklet carefully and consult your stockbroker, accountant or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

For further information regarding the Entitlement Offer, please call the Company Secretary on 02 9526 2555 or visit our website at [www.fnpl.com.au/investorinformation](http://www.fnpl.com.au/investorinformation)

On behalf of the management team and Board of FNP, I invite you to consider this investment opportunity and, as always, thank you for your ongoing support of our Company.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Perry Gunner', with a long horizontal flourish extending to the right.

**Perry Gunner**  
**Non Executive Chairman**

## 2 Key dates for the Entitlement Offer

Event	Date
Announcement of the Offer and lodgement of Appendix 3B with ASX	Thursday 29 October 2009
Offer Booklet and section 708AA cleansing notice lodged with ASX	Tuesday 3 November 2009
Ex Date (date from which securities commence trading without the entitlement to participate in the Entitlement Offer)	Friday 6 November 2009
Record Date for the Entitlement Offer (date for determining entitlements of eligible shareholders to participate in the Entitlement Offer)	7.00pm, Thursday 12 November 2009
Entitlement Offer opens	Tuesday 17 November 2009
Mailing of Entitlement and Acceptance Form to Eligible Shareholders	Completed by Tuesday 17 November 2009
Entitlement Offer closes	5.00pm, Friday 4 December 2009
Issue of New Shares under the Entitlement Offer	Thursday 10 December 2009
Despatch of holding statements and confirmation notices	Thursday 10 December 2009
Normal trading of New Shares issued under the Entitlement Offer expected to commence on ASX	Friday 11 December 2009

### Note:

Dates and times are indicative only and subject to change. All times and dates refer to Sydney time.

There will be no deferred settlement trading for the New Shares.

Applicants are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Entitlement Offer opens. FNP reserves the right, subject to the *Corporations Act 2001* (Cth) (the **Corporations Act**), ASX Listing Rules and other applicable laws to vary the dates of the Entitlement Offer, including extending the Entitlement Offer or accepting late applications, either generally or in particular cases, without notice.

### Enquiries

If you have any questions, please call the Company Secretary on 02 9526 2555 at any time from 8:30am to 5:30pm (Sydney time) Monday to Friday during the Entitlement Offer period, or consult your stockbroker, accountant or other independent professional adviser.

Website: [www.fnpl.com.au](http://www.fnpl.com.au)

### 3 Details of the Entitlement Offer

#### 3.1 Offer timetable

See section 2 (at page 3) for key dates of the Entitlement Offer timetable.

#### 3.2 Offer structure

The Entitlement Offer is non-renounceable. Entitlements cannot be traded on the ASX nor otherwise transferred. This means that FNP shareholders who do not take up their Entitlement to participate in the offer will not receive any value for those Entitlements and their equity interest in FNP will be diluted.

Each Eligible Shareholder is entitled to subscribe for five new FNP ordinary shares (**New Share**) for every twelve existing FNP ordinary shares (**Share**) held on the Record Date. The price for each New Share is \$0.30 (**Offer Price**), representing a 14.3% discount to the closing price of Shares on 29 October 2009, being the date of announcement of the Entitlement Offer.

##### (a) Eligible Shareholders

"Eligible Shareholders" are those holders of Shares who:

- are registered as a holder of Shares as at 7.00pm on Wednesday 11 November 2009 (**Record Date**);
- have a registered address in Australia or New Zealand;
- are not in the United States or US Persons or acting for the account or benefit of such persons; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

The Entitlement Offer is not being extended to any shareholder outside Australia and New Zealand.

##### (b) Entitlements

The number of New Shares for which you are entitled to apply is set out in the accompanying Entitlement and Acceptance Form. Eligible Shareholders may also apply for Additional New Shares as set out below.

##### (c) Additional shares

The Entitlement Offer is not underwritten, which means that there is no guarantee that any proceeds will be raised or that the intended raising of \$6.8 million will be achieved.

**New Shares equal in number to those not taken up by Eligible Shareholders will be offered for subscription to Eligible Shareholders who indicate that they wish to apply for New Shares in excess of their Entitlement (Additional New Shares).**

Please note that Additional New Shares in excess of Entitlements will be issued to Eligible Shareholders as determined by the Company in its absolute discretion. The issue of any New Shares in excess of Entitlements will be limited to the extent that there are sufficient New Shares from Eligible Shareholders who do not take up their full Entitlements or from New Shares that would have been offered to ineligible shareholders if they had been entitled to participate in the

Entitlement Offer. FNP may apply any scale-back in its absolute discretion. The Company reserves the right to issue any New Shares not taken up under this Entitlement Offer within three months after the close of the Entitlement Offer to such persons as the Company determines in its absolute discretion. If any such New Shares are issued, they will be issued at not less than the Offer Price.

**(d) Opening and Closing Dates**

The Entitlement Offer opens on Tuesday 17 November 2009. Eligible Shareholders can choose to take up or not take up all or part of their Entitlements. Entitlement and Acceptance Forms and Application Monies, or BPAY® payments, must be received by FNP by no later than 5.00pm (Sydney time) Friday 4 December 2009. Refer to section 5 for further details on how to apply for New Shares.

**(e) Use of proceeds**

The proceeds of the Entitlement Offer will be used to fund working capital for Freedom Foods and to refinance a shareholder loan incurred in the acquisition and development of the Freedom Foods manufacturing premises at Leeton, NSW.

**(f) Effect of the Entitlement Offer on control of FNP**

The potential effect of the Entitlement Offer on the control of FNP and the consequences of that effect are dependent on a number of factors, including whether or not the major shareholders take up their Entitlements and demand from other shareholders.

Arrovest Pty Limited (**Arrovest**) and Telunapa Pty Ltd (**Telunapa**) (together, **Major Shareholders**) hold 66.16% and 16.47% of the Shares respectively. Arrovest will not apply for any Additional New Shares. Therefore, the potential effect of the issue of New Shares on the control of FNP is illustrated below:

If the offer is fully subscribed by shareholders.	No effect on control.
If the Major Shareholders subscribe for their full entitlement and 50% of the remaining rights offered are subscribed for by the shareholders other than the Major Shareholders.	<p>Arrovest's shareholding would increase from 66.16% to 67.9%.</p> <p>Telunapa's shareholding would increase from 16.47% to 16.9%.</p> <p>Shareholding of minority shareholders would be reduced from 17.37% to 15.20%.</p>
If the rights offer is subscribed by no shareholders other than the Major Shareholders.	<p>Arrovest's shareholding would increase from 66.16% to 69.72%.</p> <p>Telunapa's shareholding would increase from 16.47% to 17.35%.</p> <p>Shareholding of minority shareholders would be reduced from 17.37% to 12.92%.</p>

If the rights offer is subscribed by no shareholders other than Arrovest.	Arrovest's shareholding would increase from 66.16% to 73.47%.  Telunapa's shareholding would be reduced from 16.47% to 12.91%.  Shareholding of minority shareholders would be reduced from 17.37% to 13.62%.
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Telunapa may also apply for Additional New Shares. As a result of the Corporations Act, the maximum permitted increase in Telunapa's shareholding as a result of applying for Additional New Shares is to 19.9%. Additional New Shares will be allocated as set out in section 3.2(c).

**(g) Ranking**

The New Shares will rank equally in all respects with existing Shares.

**(h) ASX Listing**

FNP has made an application to ASX for quotation of the New Shares. New Shares will only be issued under this Entitlement Offer after approval for quotation on ASX has been granted.

**(i) Overseas Shareholders**

The Entitlement Offer is not being made to shareholders with registered addresses outside Australia and New Zealand. The Company has determined that it would be unreasonable to make the Entitlement Offer of New Shares to shareholders in jurisdictions outside Australia and New Zealand having regard to the number of such shareholders, the number and value of the New Zealand Shares that would otherwise be offered and the costs in complying with the legal and regulatory requirements of those jurisdictions. No action has been taken to comply with legal and regulatory requirements of jurisdictions outside Australian and New Zealand to permit an offer of the New Shares in any jurisdiction outside Australia and New Zealand.

## 4 Risk disclosure

### 4.1 Introduction

A number of risks and uncertainties, which are both specific to FNP and of a more general nature, may affect the future operating and financial performance of FNP and the value of FNP shares. You should carefully consider the following risk factors, as well as the other information provided by FNP in connection with the Entitlement Offer, and consult your financial and legal advisers before deciding whether to invest in the New Shares. The risks and uncertainties described below are not the only ones facing FNP. Additional risks and uncertainties that FNP is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect FNP's operating and financial performance.

### 4.2 Specific risks that affect FNP

Investors should be aware of the risks associated with an investment in the Company. The following list of risks is not intended to be exhaustive. In particular, prospective investors should consider the following:

#### (a) Competition

The Company and its associate entities operate in a competitive market environment. There can be no guarantees that the competitive environment in which FNP and its associate entities currently operate will remain the same. New entrants, a material adverse change to the competitive environment or new initiatives implemented by competitors may have a material impact on the operating and financial performance of the Company and its associate entities.

#### (b) Consumer preferences and perceptions

The Company and its associate entities' business may be affected by changes in consumer tastes, international, national, regional and local economic conditions and demographic trends. There could be a material adverse impact on the operating and financial performance of the Company and its associate entities if health or dietary preferences cause consumers to avoid the Company and its associate entities' products in favour of alternative products.

#### (c) De ranging of a significant number of product lines by a major customer

The Company and its associate entities have relationships with major retail customers that make it unlikely that they will be delisted entirely as a supplier. There is a risk that certain of the product lines may be delisted due to retailer strategy, competitive pressure or perceived underperformance. Any or all of these matters may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

#### (d) Intellectual property

The Company and its associate entities maintain trade mark registrations in more than four jurisdictions around the world, which provide the legal underpinning for the Company and its associate entities' brands. The Company and its associate entities' trademarks and other intellectual property rights including rights to patents by A2 Dairy Products Australia in relation to the marketing and distribution of A2 milk are important to the Company and its associate entities' ongoing success and competitive position. If the actions taken to establish and protect the Company and its associate entities' trademarks and other intellectual property rights are not adequate to prevent product imitation or to prevent others from seeking to block sales of the Company and its associate entities' products, it may be necessary for the Company and its associate entities to initiate or enter into litigation in the future to enforce the Company and its associate entities' trade mark rights or to defend against claims of infringement. Any legal

proceedings could result in an adverse determination, which may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

**(e) Reputation and brand names**

The success of the Company and its associate entities is highly reliant on its reputation and branding. Any factors or unforeseen issues or events that diminish the Company and its associate entities' reputation or brand names may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

**(f) New products and innovations**

Some of the new products or brands which the Company and its associate entities intend to launch and upon which the Company proposes to develop its business, may not be successful. This may have a material adverse impact on the operating and financial performance of the Company and its associate entities. There is also a risk that certain new products that the Company and its associate entities intend to introduce will be competitively inferior to similar products manufactured and sold by competitors. In addition, these may be technological or product innovations in the future which may impact on the perceived benefits of the Company and its associate entities' products which may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

**(g) Production**

The Company and its associate entities' primary manufacturing sites are at Leeton in regional NSW and in Taren Point, Sydney, NSW. Production at the Leeton plant will account for approximately 90% of the total manufacturing of the Company's products by February 2010. There is a risk that either manufacturing site may not be able to maintain required production levels or may be shut down entirely or in part due to natural disaster, industrial action, contamination, an industrial accident, fire, a serious power failure or explosion. If this occurred, there is a risk that production could not be sourced from an alternative manufacturer, or the sourced product may not meet FNP's required standards. This could mean that the Company and its associate entities are not able to supply their customers or supply the required amounts. It could also mean the Company and its associate entities may have quality control difficulties or may incur damage to the Company's reputation or brand names. Any or all of these matters may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

**(h) Company's growth strategies may not achieve their objectives**

The Company has identified a number of growth strategies to continue to drive margin improvements and sales growth. There is a risk that the implementation of the Company's growth strategies could be subject to delays or cost overruns and there is no guarantee that these initiatives and strategies will generate the full benefits anticipated or result in sales growth. Any delay in implementation, failure to successfully implement, or unintended consequences or implementing any or all of the Company's turnaround initiatives and growth strategies may have an adverse effect on the Company's future financial performance.

**(i) Relationships with suppliers**

The Company and its associate entities have a number of important arrangements with key suppliers, including co manufacturers for supply of seafood, A2 dairy milk and certain Freedom Foods products not able to be produced at Leeton. If the Company and its associate entities' relationships with any of these suppliers deteriorates or the supplier ceases trading for any reason and the Company and its associate entities' inventory is depleted, the Company and its associate entities may not be able to source alternative products or raw materials immediately or only on less favourable terms. Any event that results in the Company and its associate entities incurring higher costs from suppliers that cannot be passed on to the consumer may have a

material adverse impact on the operating and financial performance of the Company and its associate entities.

**(j) Finished goods and raw material price changes**

The Company and its associate entities purchase a number of key raw materials, including dairy milk, soy, rice, salmon and sardines for use in a number of the Company and its associate entities' products. A material increase in the prices for these products (e.g. as a result of drought, a major outbreak of disease and other international or domestic supply factors) may have a material adverse impact on the operating and financial performance of the Company and its associate entities, if it is unable to pass higher costs onto the consumer.

**(k) Product liability and compliance**

The Company and its associate entities have procedures and policies in place to ensure compliance with the Australian and New Zealand Food Standards and to ensure the Company's products are free from contamination. Contamination, or an extortion threat on the basis of an alleged or actual contamination, of one of the Company and its associate entities' products, may lead to business interruption, product recalls or liabilities to consumers. While the Company maintains insurance cover with respect to a certain number of these risks, the Company and its associate entities may not be able to enforce its rights in respect of these policies. If the Company and its associate entities do recover an amount under their insurance policies for loss suffered, it may not be sufficient to offset any damage to the financial condition, reputation or prospects of the Company and its associate entities caused by the contamination or extortion threat. Product contamination or an extortion threat may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

Failure to comply with Australian and New Zealand Food Standards or other laws and regulations governing the manufacturing and sale of food could result in revocation of licences or registrations the Company and its associate entities require in order to conduct their business. This may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

**(l) Insurance**

The Company and its associate entities have in place insurance which it considers appropriate to its circumstances. However, not all material risks associates with the Company and its associate entities' business have been insured, as the relevant insurance may not be available or on terms which the Directors consider appropriate. In addition, no assurance can be given that the Company and its associate entities' insurance will be available in the future on reasonable terms or will provide adequate coverage against claims made. If the Company and its associate entities incur uninsured losses or liabilities, this may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

**(m) Environment**

The Company and its associate entities' operations are subject to environmental laws and regulations. The Company and its associate entities could incur material costs in order to comply with those laws and regulations, or as a consequence of a breach of those laws and regulations. Such costs could arise due to the historic operations and activities of others conducted on a site owned or operated by the Company and its associate entities. Those costs may have a material adverse impact on the operating and financial performance of the Company and its associate entities. In addition, changes to environmental laws and regulations may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

**(n) Banking facilities**

There are certain conditions attaching to the Company and its associate entities' existing bank facility which will determine the extent of the facility available to the Company and its associate entities. If those conditions are not met, the Company and its associate entities may not have available funds sufficient to enable it to conduct business in the manner envisaged. The Company and its associate entities have established bank facilities with BankWest, NAB and Westpac. The Company's primary banking facility with BankWest comprises term facilities and multi option facilities inclusive of bank overdraft facilities, secured by a first registered mortgage over all the group's property, excluding items discharged under an equipment finance arrangement with NAB. The multi option and bank overdraft facilities are subject to annual review including compliance with covenants. The Company and its associate entities have established their working capital facilities based on the Company's view of the working capital requirements of the business and the ongoing provision of credit terms provided by its suppliers. In the event that there is a material change in the credit terms from these suppliers, the Company and its associate entities may not have sufficient working capital to operate the business, which may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

**(o) Management**

The Company and its associate entities' business are in part reliant upon the continued performance and expertise of its key personnel. The Company and its associate entities are committed to providing an attractive employment environment, conditions and prospects to assist in retaining key personnel and developing internal candidates for these roles. There can be no assurance that the Company and its associate entities will be able to retain or adequately replace these key personnel. A loss of key members of the senior management team may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

**(p) Concentration of ownership and impact on liquidity of company's shares and ability to raise capital**

The Company has two major shareholders that currently hold 66.16% and 16.47% of the Shares respectively. In the event that the shareholdings remain at the current level or are increased in the future, this may have an impact on the ongoing liquidity of the shares of the Company listed on the ASX. The shareholdings and the liquidity collectively may limit the interest of third party investors and potentially the ability of the company to raise capital. In the event that the Company is not able to raise capital in the future, this may have a material adverse impact on the operating and financial performance of the Company and its associate entities.

**(q) Taxation implications**

Future changes in taxation law in Australia, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect taxation treatment of an investment in FNP securities, or the holding or disposal of those securities. Further, changes in taxation law, or to the way taxation law is interpreted in the various jurisdictions in which FNP operates, may impact FNP's future tax liabilities.

**(r) Credit Risks**

Credit market conditions and the operating performance of FNP will affect borrowing costs as well as FNP's capacity to repay, refinance and increase its debt.

### 4.3 General risks relating to equity investments and markets

Investors should be aware that there are risks associated with any investment listed on the ASX. The value of FNP shares may rise above or fall below the Offer Price, depending on the financial condition and operating performance of FNP. Further, the price at which FNP shares trade on ASX may be affected by a number of factors unrelated to the financial and operating performance of FNP and over which FNP and its directors have no control. These external factors include:

- economic conditions in Australia and overseas;
- investor sentiment in the domestic and international stock markets;
- changes in fiscal, monetary, regulatory and other government policies; and
- geo-political conditions such as acts or threats of terrorism or military conflicts.

Investors should note that the historic share price performance of FNP shares provides no guidance as to its future share price performance.

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## 5 Action required by Shareholders

### 5.1 What you may do

The number of New Shares to which Eligible Shareholders are entitled is shown on the accompanying Entitlement and Acceptance Form. Eligible Shareholders may:

- take up all of the Entitlement in full; or
- take up part of the Entitlement and allow the balance to lapse;
- allow all of the Entitlement to lapse; AND
- apply for Additional New Shares if they subscribe for their maximum Entitlement.

### 5.2 How to apply for New Shares

#### (a) Complete and return the accompanying Entitlement and Acceptance Form with your Application Monies or make a payment by BPAY®

If you decide to take up all or part of your Entitlement, or apply for Additional New Shares, please complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies or pay your Application Monies via BPAY® by following the instructions set out on the personalised Entitlement and Acceptance Form.

Your Acceptance Form and your Application Monies, or your BPAY® payment, must be received by 5.00pm (Sydney time) on Friday 4 December 2009.

FNP will treat you as applying for as many New Shares as your payment will pay for in full. Amounts received by FNP in excess of your Entitlement (**Excess Amount**) may be treated as an application to apply for as many Additional New Shares as your Excess Amount will pay for in full.

If you take no action you will not be allocated New Shares and your Entitlement will lapse. Your Entitlement to participate in the Entitlement Offer is non-renounceable and will not be tradeable or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.

If you take up and pay for all or part of your Entitlement before the close of the Entitlement Offer you will be allotted your New Shares on or about Thursday 10 December 2009. If you apply for and are allocated Additional New Shares, you will be issued these on or about Thursday 10 December 2009. FNP's decision on the number of New Shares to be allocated to you will be final.

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

By completing an Entitlement and Acceptance Form or paying your Application Monies through BPAY®, shareholders will be deemed to have made the representations, warranties and agreements set out in the Entitlement and Acceptance Form.

#### (b) Payment by BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

**It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5.00pm on Friday 4 December 2009** (subject to variation). You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares will be refunded on or around Friday 11 December 2009. No interest will be paid on any Application Monies received or refunded.

### **(c) Payment by cheque, bank draft or money order**

For payment by cheque, bank draft or money order, you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the Form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to "FNP Entitlement Offer" and crossed "Not Negotiable".

Your cheque, bank draft or money order must be:

- for an amount equal to \$0.30 multiplied by the number of New Shares and Additional New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in relevant accounts to cover the Application Monies as your cheques will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form). Alternatively, your application will not be accepted.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares will be refunded on or around Friday 11 December 2009. No interest will be paid on any Application Monies received or refunded.

Cash payments will not be accepted. Receipts for payment will not be issued.

### **5.3 Mail**

To participate in the Entitlement Offer, your payment must be received no later than the close of the Entitlement Offer at 5.00pm on Friday 4 December 2009. Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with Application Monies using the reply paid or self-addressed envelope provided with this booklet, or mail to:

FNP Entitlements Issue  
Registries Limited  
Level 7, 207 Kent Street, Sydney NSW 2000 Australia

## 6 Important Information

This booklet and enclosed personalised Entitlement and Acceptance Form (**Offer Booklet**) have been prepared by FNP. This Offer Booklet is dated Monday 2 November 2009.

No party other than FNP has authorised or caused the issue of this Offer Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in this Offer Booklet.

### **THIS OFFER BOOKLET IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

You should read this Offer Booklet carefully and in its entirety before deciding whether to invest in New Shares or Additional New Shares. In particular, you should consider the risk disclosure outlined at section 4 of this booklet which could affect the operating and financial performance of FNP or the value of an investment in FNP.

You should consult your stockbroker, accountant or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

FNP has applied for the grant by ASX of official quotation of the New Shares.

#### **6.1 Offer Booklet**

This Offer Booklet contains an offer of New Shares to Eligible Shareholders in Australia and New Zealand and has been prepared in accordance with section 708AA of the Corporations Act as notionally modified by ASIC Class Order 08/35.

The Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. FNP is not licensed to provide financial product advice in respect of the New Shares or Additional New Shares. The Offer Booklet does not purport to contain all the information that you may require to evaluate a possible application for New Shares or Additional New Shares.

Before deciding whether to apply for New Shares or Additional New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the Offer Booklet, you have any questions about the Entitlement Offer, you should contact your stockbroker, accountant or other independent professional adviser.

#### **6.2 Taxation**

The taxation consequences of any investment in New Shares will depend on the investor's particular circumstances. It is the responsibility of Eligible Shareholders to make their own enquiries concerning the taxation consequences of an investment in FNP. If you are in doubt as to the course you should follow, you should seek professional advice from your accountant, financial adviser, lawyer or other professional adviser. For further information in relation to the tax treatment of your investment, you should seek professional advice.

#### **6.3 Rounding of Entitlements**

Where fractions arise in the calculation of Entitlements, they will be rounded to the nearest whole number of New Shares, with fractions of 0.5 being rounded up.

#### **6.4 Applications cannot be withdrawn**

Eligible Shareholders cannot withdraw the application once it has been lodged.

## 6.5 Future performance and forward looking statements

Neither FNP nor any other person warrants or guarantees the future performance of the New Shares, Additional New Shares or any return on any investment made pursuant to this Offer Booklet. Forward looking statements, opinions and estimates provided in the Offer Booklet or other public announcements by the Company are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Any forward looking statements including projections, guidance on future revenues, earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of FNP and the Board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Offer Booklet or other public announcements by the Company.

## 6.6 Past performance

Investors should note that the past share performance of FNP Shares provides no guidance as to future price performance.

## 6.7 Governing Law

This Offer Booklet, the Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in New South Wales, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

## 6.8 Foreign jurisdictions

This Offer Booklet has been prepared to comply with the requirements of the securities laws of Australia and New Zealand.

The New Shares being offered under this Offer Booklet are being offered to Eligible Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This Offer Booklet is not an investment statement or prospectus under New Zealand law, and may not contain all the Offer Booklet that an investment statement or prospectus under New Zealand law is required to contain.

This Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Offer Booklet (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of this Offer Booklet, you should observe such restrictions and should seek your own advice on such restrictions.

Any non-compliance with these restrictions may contravene applicable securities laws.

The Entitlements and the New Shares (and Additional New Shares) have not been, nor will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by persons in the United States and the New Shares (and Additional New Shares) may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

## **6.9 Nominees**

The Entitlement Offer is being made to all shareholders on the register of FNP at the Record Date with an address in Australia or New Zealand. FNP is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of Shares. Where any holder is acting as a nominee for a foreign person that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Entitlement Offer is compatible with applicable foreign laws. Any person in the United States with a holding through a nominee may not participate in the Entitlement Offer and the nominee must not send any materials into the United States.

## **6.10 Disclaimer of representations**

No person is authorised to give any information, or to make any representation, in connection with the Entitlement Offer that is not contained in this Offer Booklet.

Any information or representation that is not in this Offer Booklet may not be relied on as having been authorised by FNP, or its related bodies corporate in connection with the Entitlement Offer. Except as required by law, and only to the extent so required, neither FNP, nor any other person, warrants or guarantees the future performance of FNP or any return on any investment made pursuant to this Offer Booklet.

## 7 Glossary

**Additional New Share** means an additional New Share issued pursuant to any shortfall in the Entitlement Offer.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited ABN 98 008 624 691.

**Closing Date** means 5pm on Friday 4 December 2009.

**Eligible Shareholder** means a holder of Shares who:

- (a) is registered as a holder of Shares as at the Record Date;
- (b) has a registered address in Australia or New Zealand;
- (c) is not in the United States or a US Person or acting for the account or benefit of such persons; and
- (d) is eligible under all applicable securities laws to receive an offer under the Entitlement Offer.

**Entitlement** means the opportunity to subscribe for five New Shares for every twelve Shares held as at the Record Date.

**Entitlement and Acceptance Form** means the form accompanying this Entitlement Offer Document and which details the entitlement of Eligible Shareholders.

**Entitlement Offer** means the five-for-twelve non-renounceable pro-rata entitlement offer of New Shares at an offer price of \$0.30 per New Share, as announced on Thursday 29 October 2009 on the terms and conditions set out in this booklet.

**FNP** means Freedom Nutritional Products Limited ABN 41 002 814 235.

**Listing Rules** means the listing rules of the ASX.

**New Share** means a new share issued pursuant to the five-for-twelve non-renounceable pro-rata entitlement offer of Shares.

**Offer Booklet** means this booklet and the personalised Entitlement and Acceptance Forms.

**Offer Price** means the price of \$0.30 offered per New Share pursuant to the Entitlement Offer.

**Record Date** means 7.00pm on Thursday 12 November 2009.

**Share** means an FNP ordinary share.