

Lowell Capital Limited
(ACN 006 844 588)
(Lowell)

**Great Southern 2008 High
Value Timber Project**
(ARSN 123 529 233)
(Project)

Meeting Booklet

**A meeting of Growers to be
held on 18 November 2011 at
Level 17, Rialto North Tower
525 Collins Street
Melbourne VIC 3000**

at 11:00 am

Important Notices

Meeting Booklet (“Booklet”)

This Booklet contains information about the meeting of Growers called to approve the Land Transaction arising out of the insolvency of the Great Southern Entities and associated matters.

Your vote is important. The meeting of Growers is to be held at 11.00am (Melbourne time) on Friday 18 November 2011 at the offices of Clarendon Lawyers, Level 17, Rialto North Tower, 525 Collins Street, Melbourne. If you cannot attend in person, please complete and return the proxy form enclosed at Part H to Lowell at the address stated on the proxy form by 11am on Wednesday, 16 November 2011, or **no later than 48 hours prior to the Meeting**.

The Booklet has been prepared without reference to Growers’ investment objectives, financial situation or particular needs. Any advice provided in this Booklet is general only and does not take into account your individual objectives, financial situation or needs. Because of this, you should consider whether the advice is appropriate having regard to your objectives, financial situation and needs.

This is an important document. Please read the information in this Booklet very carefully. If you do not understand these documents or are in doubt as to the course you should follow, you should consult your professional adviser immediately.

Not an offer document

This Booklet is not an offer document in relation to the capital raising referred to in this Booklet, the Offer. You should consider the offer documents that will be sent to eligible Growers, subject to various conditions, at a later date before deciding whether to participate in the Offer. Anyone who wishes to subscribe for the Offer will need to complete an application form that will accompany the offer document.

Disclosure about forward-looking statements

Certain statements in this Booklet relate to the future. Such statements are not based on historical fact but reflect the expectations of Lowell. They may be identified by forward looking words such as „aim“, „anticipate“, „believe“, „expect“, „estimate“, „intend“, „plan“, „potential“, „propose“, „should“ or similar words and phrases. These forward looking

statements are not guarantees of future performance and actions.

Independent Forester’s Report

The Independent Forester, Forsci Pty Ltd has provided and is responsible for the information contained in the Independent Forester’s Report. None of Lowell or its directors, officers, employees or advisers assumes any responsibility for the accuracy and completeness of the information contained in the Independent Forester’s Report that accompanies this Booklet. The Independent Forester has consented to the inclusion of the Independent Forester’s Report in Part E of this Booklet.

Update to the Initial Proposal

This Booklet contains an important update regarding a potential amendment to the Initial Proposal. Please refer to Part C, section 1 for more information.

Changes

Growers should be aware that it is possible that Lowell may be required to amend the Land Transaction after the date of this Booklet. Any changes will be communicated to Growers by way of update posted on the Lowell website at www.lowellcapital.com.au.

Growers are strongly encouraged to check the website regularly for any updates.

Glossary

A Glossary of the capitalized terms used in this Booklet is contained at Part D.

Date

This Booklet is dated 21 October 2011.

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A. Chairman's Letter

Dear Grower,

Restructure of the Great Southern 2008 High Value Timber Project

Lowell is calling a meeting of Growers to be held on 18 November 2011. The primary purpose of the meeting is for Growers to consider two resolutions associated with the Land Transaction.

If approval is granted and Lowell is authorised to complete the purchase of the land, Lowell proposes to raise the required capital either through debt or equity or both and make the necessary arrangements for Growers to acquire units in a special purpose land trust that will own the Land.

Background

Lowell was appointed as responsible entity of the Project in June 2010 to replace the previous responsible entity, Great Southern Managers Australia Limited (in liquidation) (**GSMAL**) which is insolvent. If Lowell wasn't appointed as responsible entity, the Project would almost certainly have been wound up. Following Lowell's appointment the majority of Growers elected to continue to support their investment by paying management and maintenance fees. Since then, Lowell has made detailed assessments of the forestry estate and carried out large scale remedial maintenance work to the plantations.

GSMAL, as the initial responsible entity for the 2008 Project, leased land from Great Southern HVT Holdings Pty Ltd (In Liquidation) (**GSHVTPL**) in order to establish the Growers' plantations. The Liquidator of GSHVTPL has been threatening to terminate these leases and sell the Land, claiming that Lowell and GSMAL (before Lowell's appointment) defaulted on some of the terms of the leases. Lowell has disputed such claims but considers that to pursue the dispute through the courts would not be in the best interests of the Growers.

If the leases are terminated, Lowell would have no other option than to wind up the scheme.

Lowell has conducted extensive negotiations with the Liquidator in order to resolve the dispute and to achieve security over the land for the benefit of Growers. Lowell has entered into a conditional agreement with the Liquidator, to achieve these aims.

Under this agreement, Lowell proposes to:

1. set up a special purpose land trust (**HVT Land Scheme**) to buy parcels of land that contain commercially viable plantations of the Project. The HVT Land Scheme will also be able to buy and on-sell the Continuing Land;
2. following approval of the resolutions, issue a product disclosure statement and offer units in the HVT Land Scheme to qualifying Growers;
3. accept the Liquidators' termination of Head Leases over large parcels of land that have been assessed as commercially unviable; and
4. give certain acknowledgments and releases to the Great Southern Entities.

We refer to this proposal and the consequential arrangements set out in this Booklet as the **Land Transaction**.

Land Transaction

The Land Transaction will result in a sizable reduction of the gross area of land leased under the Project; however the net area of potentially profitable plantations will be affected to a much lesser degree. Lowell commissioned an Independent Forester's Report, included in Part E of this Booklet. It explains the basis for categorising the land into commercially "viable" and "unviable". This guided Lowell's negotiations with the Liquidators.

Although the land area will be diminished, we cannot identify the impact of the Land Transaction on each Grower's Land Interest because the Liquidators have been unable to locate records of GSMAL's allocations of land to individual Growers. Lowell proposes to ensure that Growers' proportional interests in the net proceeds of the Project will remain the same. We have checked the proposed arrangements with the Australian Taxation Office and they have confirmed that your previous and future tax deductions are not at risk. Please see section 5 of Part C and Part F of the Booklet for further information from KPMG and the Australian Taxation Office.

Additionally, the Land Transaction is conditional upon both the Liquidators and Receivers relinquishing their liens over the Project assets. The Receivers estimated the value of their lien to be approximately \$430,000.

Grower approval required

Lowell requires Growers to approve the first resolution so that it can commit to certain aspects of the Land Transaction. Under the second resolution, Lowell requires approval for its expenses and indemnity relating to the Land Transaction, and audit expenses in relation to the Project. These resolutions are contained in this Booklet together with a detailed explanation at Part C.

We consider the Land Transaction to be in the best interests of Growers and necessary to facilitate the continuation of the Project. It will also provide greater certainty of tenure over the land to be leased by the Project.

Continuation of the Project

Lowell proposes to set up the HVT Land Scheme and offer Growers who are fully financial in the Project, at 22 December 2011, the opportunity to participate in the ownership of the land assets by investing in the HVT Land Scheme. Full details of that offer will be set out in a detailed product disclosure statement to be sent shortly after the meeting.

Future management of the Project

Once the Land Transaction settles, Lowell intends to put a further proposal to Growers to re-arrange the Project terms to reflect the reduced area of land under management and the changed conditions in relation to the management of the Project. In doing so, Lowell aims to ensure an equitable outcome among stakeholders.

Your vote is important

Lowell considers that the Land Transaction is the only realistic way to continue the Project and represents the opportunity for Growers to acquire an interest in the highly valuable Project land (through the HVT Land Scheme). If the first resolution is not passed at the Meeting, the Land Transaction will not complete, the Liquidators will terminate the leases and the Project is almost certain to be wound up.

It is therefore **vital**, if you would like to see the Project continue and if you are interested in owning an interest in the HVT Land Scheme which owns valuable Project land, that you carefully consider the information in this Booklet and cast your vote.

If you cannot attend the meeting

This Booklet includes a Proxy Form for Growers who do not wish to attend the meeting in person. To be effective, the proxy must be received by Lowell **by 11am on 16 November 2011**.

The Board of Directors of Lowell strongly recommends that you vote in favour of the resolutions.

Yours Sincerely



MICHAEL RAMSDEN

Chairman
Lowell Capital Limited

B. Notice of Meeting

Lowell Capital Limited ACN 006 844 588 (**Lowell**) as responsible entity of the Great Southern 2008 High Value Timber Project ARSN 123 529 233 (**Project**), gives notice pursuant to Section 252A of the *Corporations Act 2001* (Cth) (**Corporations Act**) that a meeting of all members of the Project (**Growers**) will be held on:

Time and Date: Friday, 11am on 18 November 2011
Place: Clarendon Lawyers, Level 17, Rialto North Tower, 525 Collins St, Melbourne
(Meeting).
Chair: Michael Ramsden

The business of the meeting will be to consider, and if thought fit, pass the following:

Resolution 1 – an ordinary resolution to approve Lowell’s commitment to the Land Transaction

“That the Growers approve the Land Transaction described in section 2 of the Explanatory Memorandum.”

Resolution 2 – a special resolution to amend the Constitution

“That Lowell amend the Constitution in accordance with the amendments set out in section 3 of the Explanatory Memorandum.”

Part G of this Booklet contains information about voting procedure and eligibility. Lowell expects that the value of a Grower’s vote will be reduced in proportion to the extent to which it has not made contributions to the Project as at 9am AEDT on the Business Day before the poll is taken.

Part H of this Booklet contains the Proxy Form.

Interdependency

Resolution 1 is interdependent on the approval of an identical resolution which is to be put to members of the Great Southern 2007 High Value Timber Project ARSN 123 528 950 (**Other Project**). Growers who require a copy of the Meeting Booklet for the Other Project can obtain a copy from Lowell’s website at: www.lowellcapital.com.au.

Growers should note that the resolutions relating to the Other Project are identical to those above apart from the reference to the Great Southern 2007 High Value Timber Project or the Great Southern 2008 High Value Timber Project where appropriate.

Further Information

Further information regarding the Land Transaction and the reasons for the proposed Resolutions are provided in Part C of this Booklet.

By order of the Board
Michael Ramsden
Chairman

C. Explanatory Memorandum

The purpose of this Explanatory Memorandum is to provide the Growers with such material information as will fully and fairly inform the Growers of what is to be considered at the Meeting.

Lowell may update this Explanatory Memorandum by placing updates on its website, www.lowellcapital.com.au. Please check the website for updates.

1. The Land Transaction and continuation of the Project

1.1. Purpose of the Meeting

The purpose of calling the Meeting is to seek Grower approval of the Land Transaction and associated matters by passing the resolutions. Grower approval is necessary for Lowell to implement the Land Transaction and keep the Projects operating.

1.2. About the Land Transaction

Lowell has entered into a conditional agreement with the Liquidators, the ASA. It is conditional on a number of things including Grower approval. Fundamentally, this agreement enables Lowell to continue the Project on viable land and enables the Liquidators to sell the unviable land.

Under the ASA, it is proposed that the Land Scheme RE will acquire the Continuing Land. To achieve this, Lowell proposes to register a managed investment scheme, the HVT Land Scheme. Units in the HVT Land Scheme will only be available for those Growers in the Projects who have fully paid their Grower contributions at 22 December 2011.

The Land Scheme RE will have the opportunity to purchase the Land Assets (land containing commercially viable plantations) and, depending on the success of the capital raising, purchase the Option Assets (commercially attractive for other reasons).

The Land Scheme RE intends to on-sell all of the Option Assets and potentially may need to sell other parcels of the Continuing Land to reduce debt. For the sale to be commercially viable, the land must be unencumbered. This means that Lowell will agree to the termination of the relevant Head Leases. The proceeds from the sale of any of the Continuing Land will be used:

- (a) to repay loans;
- (b) pay fees, costs and commissions; and
- (c) where applicable, apportion surplus funds to the Project to provide for maintenance and on-going expenditure.

To allow the Liquidators to sell the unviable land, Lowell will be required to accept the termination of the relevant Head Leases. Lowell will also be required to provide releases and acknowledgments to the Great Southern Entities.

1.3. Reasons for the Land Transaction

The reason for the Land Transaction is to prevent the Liquidators from terminating Head Leases which would result in the winding up of the Project. At the same time, it allows the Project to continue over the Continuing Land with an opportunity for Growers to obtain a return on their investments.

A timeline of the key events prior to the Meeting are as follows:

Date	Event
25 February 2010	The Liquidators issued notices of default to GSMAL (responsible entity of the Project at that time) pursuant to the Head Leases: <ol style="list-style-type: none"> 1. on the basis that GSMAL had allegedly breached certain covenants of the Head Leases; and 2. requiring the alleged breaches to be remedied within 1 month. The Liquidators reserved their right to terminate the Head Leases if these alleged breaches were not rectified within 1 month.
3 June 2010	A meeting of Growers was held at which extraordinary resolutions were passed to replace GSMAL and appoint Lowell as responsible entity of the Project.
20 October 2010	The Liquidators issued further notices of default to Lowell, as responsible entity of the Project, alleging continuing breaches of covenants under the Head Leases. Again, these alleged breaches were required to be remedied within 1 month.
2 March 2011	The Liquidators reserved their right to issue notices of termination of the Head Leases without further notice to Lowell on the basis of the alleged breaches.

Lowell does not accept that certain covenants under the Head Leases have been breached. Despite this, if the Liquidators terminate the Head Leases on the basis of the alleged breaches, Lowell would face considerable difficulties disputing the terminations through the courts. Accordingly, it is likely that the Project would be wound up.

Details of the Land Transaction are set out below in Section 2 of this Booklet.

1.4. Key Dates for the Land Transaction

Date	Proposed Event
18 November 2011	Meeting of Growers to vote on the resolutions outlined in this Booklet.
22 November 2011	Offer to acquire units in the HVT Land Scheme opens.
22 December 2011	Assessment of eligible Growers / Offer closes.
10 January 2012	Purchase of the Land Assets under the ASA completes. HVT Land Scheme may exercise the Option to buy the Option Assets.
24 January 2012	Purchase of selected Option Assets completes.
30 June 2012	Deferred Payment for the Land Assets due.

1.5. Future Management of the Project

Under the Initial Proposal, Lowell proposed that the Manager would generate ongoing income from the use of surplus land leased by the Project. This has not been possible for two reasons. Firstly, the ATO indicated that it would not grant the 2010 product rulings if the land was used for this purpose. Secondly, the Liquidator would not permit such use of the land.

After the Land Transaction, no surplus land will be available. Lowell believes changes are needed to the management arrangements and the funding of the Project to reflect the smaller land area under management, the reduced costs, a reduced opportunity to generate additional income from certain land and lower expected final proceeds. For these reasons, Lowell intends to develop a proposal to put to Growers early in 2012.

This proposal will be designed to re-arrange the ongoing project funding including the sale of surplus equitable interests and the distribution of final proceeds required to ensure the viable operation of the Projects to harvest.

2. Resolution 1 – Approval of the Land Transaction

2.1. Details of the Land Transaction

Under the Land Transaction:

Land purchase

Lowell proposes to facilitate the establishment of a new managed investment scheme (**HVT Land Scheme**) that will raise funds through an Offer to eligible Growers or debt, or both, in order to:

- (a) purchase the Land Assets from GSHVTPL; and
- (b) purchase certain Option Assets (subject to raising sufficient funds).

The HVT Land Scheme will pay the Purchase Price of the Land Assets in two parts; an upfront payment due on completion of the ASA (expected to be 10 January 2012) and the balance payable on 30 June 2012 (**Deferred Payment**). Accordingly, GSHVTPL will hold a charge over the Land Assets until the HVT Land Scheme pays the Deferred Payment. This means that further Head Leases could be terminated if the Land Scheme RE does not make the Deferred Payment. This issue does not arise in relation to the Option Assets because the Option Assets Purchase Price is due in full on completion of the purchase of the Option Assets.

The HVT Land Scheme will be the Lessor and Lowell as responsible entity of the Project will be the Lessee of the Continuing Land.

Please refer to Schedule 1 for a detailed list of the Land that is categorised as Land Assets, Option Assets and Excluded Land according to its commercial viability.

Termination of leases by GSHVTPL

In addition, Lowell in its capacity as responsible entity for the Project and on your behalf:

- (a) will accept notices of termination from the Liquidators for the Excluded Land Head Leases and any Expired Option Assets Head Leases;
- (b) intends to secure a release of the Receivers' Lien subject to Completion occurring, which will be a significant benefit to the Growers because it represents a saving of approximately \$430,000 across the Project (which is in addition to the release of the Liquidator's lien); and
- (c) will give specific acknowledgments and releases on behalf of the Growers.

It is important to note that giving these releases and acknowledgments is likely to preclude the Growers from bringing successful proceedings against GSMAL, GSHVTPL or the Liquidators in the future.

Subject to approval from the Growers, from the date that is 2 Business Days after the Meeting (**Termination Date**), Lowell agrees that, under the relevant Notices of Termination, it will not:

- (a) object to or oppose the termination of the Excluded Land Head Leases; or
- (b) bring any application for relief against forfeiture against GSHVTPL in respect of the termination of the Excluded Land Head Leases.

Similarly, subject to Growers' approval, from the date that is 2 Business Days following the Option Expiry, Lowell agrees that, under the relevant Notices of Termination, it will not:

- (a) object to or oppose the termination of the Expired Option Asset Head Leases; or
- (b) bring any application for relief against forfeiture against GSHVTPL in respect of the termination of the Expired Option Asset Head Leases.

Agreement to terminate Head Leases over Continuing Land

If the resolutions are passed and Lowell is nominated to act as the Land Scheme RE, Lowell will be authorised:

- (a) as Land Scheme RE, to agree to terminate Head Leases over certain parcels of the Continuing Land; and
- (b) as responsible entity of the Project, to agree to such termination,

in the following circumstances:

- (i) if the Offer is undersubscribed or if the Land Scheme RE borrows money to raise funds to purchase the Continuing Land (**Loan**) to repay some or all of the Loan; or
- (ii) in the event that the HVT Land Scheme determines that there is a need to on-sell certain parcels of the Continuing Land in order to realise a higher commercial value or to pay down the Loan; or
- (iii) in the event that there is a cyclone, fire or other natural disaster that destroys a sufficient proportion of the plantation causing it to be determined by an independent forester as „commercially unviable“.

If the Land Scheme RE does terminate the Head Leases in respect of certain parcels of the Continuing Land to sell that land unencumbered, Lowell proposes that the proceeds of the sale will be distributed:

- (a) to repay outstanding Loans;
- (b) to pay fees, costs and commissions; and
- (c) between the Project and the HVT Land Scheme to be apportioned in accordance with an independent valuation of a fair market value of the land and the trees in an „at-arm“s-length“ transaction. It is the intention of Lowell to retain any such proceeds within the Project for ongoing expenses such as maintenance.

Releases and Acknowledgments

Under the Land Transaction, Lowell is required to sign the Deed of Acknowledgment in its capacity as responsible entity of the Project.

Under the Transaction Documents:

- (a) Lowell unconditionally releases and forever discharges the Liquidators from all losses and claims against the Liquidator in relation to the Deed of Acknowledgment, ASA and Option Assets Sale Agreement.
- (b) Lowell acknowledges as responsible entity of the Project and also on the Growers' behalf that:
 - (i) the rights of the Growers under the Land and Management Agreements and Forest Right Agreements in respect of the Excluded Land will terminate and come to an end from the Termination Date pursuant to the relevant Notices of Termination; and
 - (ii) the rights of the Growers under the Land and Management Agreements and Forest Right Agreements for the Expired Option Assets will terminate and come to an end from the Option Expiry pursuant to the relevant Notices of Termination.

These acknowledgments do not affect individual Growers' rights to participate in the Net Proceeds of Sale. This is because the Constitution has been amended to allow for a re-allocation of Woodlots to Growers after the Land Transaction (including any on-sale of Continuing Land) is finalised.

- (c) Lowell in its capacity as responsible entity of the Project and on the Growers behalf:
 - (i) releases and forever discharges GSMAL and GSHVTPL in respect of any obligations, liabilities, actions, proceedings, claims, costs, rights or demands

which the Growers now have or might have or may or would have had, whether existing now or arising in the future but for the execution of the ASA;

- (ii) waives any rights or powers the Growers may have or may have had but for the execution of the ASA;
- (iii) promises not to commence, or threaten to commence, any proceedings or any other action,

under, or in relation to, or in any way connected with:

- (iv) the Excluded Land and the Excluded Land Head Leases on and from the Termination Date;
- (v) the Head Leases over Land Assets, the Land Assets or any of them on and from the date of Completion;
- (vi) if applicable, the Exercised Option Assets, Exercised Option Assets Head Leases or any of them on and from the date of completion of the Option Asset Sale Agreement;
- (vii) if applicable, the Expired Option Assets and the Expired Option Assets Head Leases on and from the receipt of the relevant Notices of Termination by Lowell.

Furthermore, Lowell indemnifies the Great Southern Entities in relation to any claims, proceedings, liabilities or losses brought against the Great Southern Entities or which the Great Southern Entities may incur as a result of Growers commencing any proceedings or any other action in relation to or in any way connected with:

- (i) the Head Leases;
- (ii) the termination of the Excluded Land Head Leases and the Expired Option Assets Head Leases;
- (iii) the Land and Management Agreements and the Forest Rights Agreements;
- (iv) the Land Assets;
- (v) the Option Assets;
- (vi) the Option Assets Head Leases;
- (vii) the Excluded Land; or
- (viii) any of them.

The quantum of the indemnity provided by Lowell in respect of such Grower action is limited to the Purchase Price and the timeframe within which any claims against Lowell under the relevant indemnity can be made is limited to two years from Completion.

If the first resolution is passed, Growers may not be able to take successful legal action against GSMAL, GSHVTPL or the Liquidators. Lowell, or any future responsible entity, will not be able to take action against the Great Southern Entities. If the second resolution is passed and any action is commenced by the Growers, Lowell will be able to call upon the assets of the Project to satisfy its indemnity to the Great Southern Entities.

Having carefully considered the prospects of any claim against the Great Southern Entities, Lowell considers that the releases given under the Transaction Documents are not adverse to Growers. GSHVTPL has no contractual obligations to Growers. As GSMAL is in liquidation, Lowell or a Grower would require leave from the court before it could bring any action against GSMAL. As a former responsible entity of the Project, GSMAL is released from any liability in respect of which it could be indemnified from Project property.

Lowell does not consider that equity would grant it or any Grower relief against forfeiture of the Head Leases as it would be uneconomic to re-establish the plantations and comply with the Head Leases over the Excluded Land. Lowell also considers that any rights the Growers may have subsequent to termination of these Head Leases (such as a profit a prendre, or right to take the trees) would be of no value.

Any claim against the Great Southern Entities would rank in priority behind the secured creditors whose debt has not been satisfied. Accordingly, the prospects of recovery under any claim are remote.

In return for the releases and acknowledgments given by Lowell, Lowell will secure releases from GSHVTPL and GSMAL relating to any claims that GSHVTPL or GSMAL had or may have in relation to:

- (a) the Excluded Land and Excluded Land Head Leases from the Termination Date;
- (b) the Land Assets and Head Leases over Land Assets from Completion;
- (c) any Expired Option Assets and Expired Option Asset Head Leases from the date of receipt of the Notices of Termination of the Expired Option Asset Head Leases; and
- (d) if applicable, the Exercised Option Assets and Exercised Option Asset Head Leases from completion of the Option Asset Sale Agreement.

This means that, if the Land Transaction completes, there will be no action against the Project by the Liquidators for the alleged breaches under the Head Leases.

2.2. Amendments to Agreements

If the first resolution is passed, Lowell intends to make the necessary amendments to each Grower's Land and Management Agreement and Forest Right Agreement to facilitate the proportional re-allocation of land amongst Growers to preserve their right to participate in the Proceeds Fund and to protect the deductibility of past and future contributions.

2.3. Advantages of the Land Transaction

- (a) Lowell considers that Growers should support the Land Transaction because, if completed, it:
 - (i) allows the Project to continue;
 - (ii) provides an opportunity for Growers to participate in owning the Continuing Land by investing in the HVT Land Scheme;
 - (iii) avoids costly and high-risk litigation to re-instate any terminated Head Leases and, if successful, the additional cost of re-establishing plantations on such land which to date has failed;
 - (iv) provides security of tenure over a number of commercially viable plantations;
 - (v) potentially removes the Liquidators' and the Receivers' Lien over the Project assets (subject to the Release Fee);
 - (vi) allows Growers to retain their right to receive proceeds from the harvest (these rights will be enhanced by securing the release of the Liquidator's and the Receiver's Liens);
 - (vii) confirms that Growers will share in the Net Proceeds of Sale regardless of where their Woodlot was located; and
 - (viii) while the releases given by Lowell are of no value, the releases given by the Liquidators are of considerable value to the Project because the risks of a successful claim for damages under the Head Leases are material and the costs would likely be borne by the Project.
- (b) If Growers do not approve the Land Transaction it is likely that the Project will be wound up. If this happens:
 - (i) the prospect of any value being returned to Growers is uncertain; and
 - (ii) the Project's existing liabilities to GSHVTPL under the Head Leases will continue.

2.4. Risks specific to the Land Transaction

There is a risk that the:

- (a) Offer will not raise sufficient funds;
- (b) Land Scheme RE may be forced to terminate the Head Leases over certain parcels of Continuing Land;
- (c) Australian Taxation Office will not issue any product ruling applied for in relation to the Land Transaction;
- (d) Deferred Payment will be secured by a charge in favour of GSHVTPL. If the Land Scheme RE is unable to make this payment, GSHVTPL may exercise its right to sell the Land Assets to recover the Deferred Payment plus interest and other costs; and
- (e) information in this Explanatory Memorandum is incomplete or inaccurate, because despite taking reasonable steps to ascertain all relevant information, Lowell has not been able to obtain a complete set of Project records (e.g. Woodlot locations) from the previous responsible entity, GSMAL.

2.5. Release Fee

Lowell will be entitled to a fee of \$50,000 upon securing the release of the Receiver's Lien, valued at approximately \$430,000 (**Release Fee**).

2.6. Conflicts of interest

Conflicts of interest are likely to arise between Lowell acting as responsible entity for the Project if Lowell becomes the Land Scheme RE. For example, in relation to the on-sale of land. In this circumstance, Lowell proposes to appoint an independent valuer to ensure that the net proceeds of any sale are appropriately and fairly distributed between the Projects and the HVT Land Scheme.

Lowell acknowledges its obligation to have adequate arrangements in place to manage conflicts of interest. Lowell intends to have adequate arrangements in place to accommodate its role as responsible entity of the Project and the HVT Land Scheme to ensure that members of the Projects and the HVT Land Scheme are treated fairly. These will be reflected in the compliance plan for each scheme.

Lowell considers that, at the early stages of the Land Transaction, it acting as responsible entity of these schemes will avoid potentially destabilising disputes and notes that the original parties of the existing Head Leases were related parties (GSHVTPL being a subsidiary of GSMAL). Upon completion of the Land Transaction and the planned sale of the Option Assets, Lowell may retire as the responsible entity of the HVT Land Scheme in favour of a suitably qualified alternative responsible entity.

This information is disclosed in this Booklet to inform Growers and seek their approval of any potential conflict of interest arising out of Lowell's possible dual role as responsible entity for the Project and the HVT Land Scheme.

3. Resolution 2 – Amendments to the Constitution

3.1. The Land Transaction

The Project is governed by various legal documents which are the Constitution, a Land and Management Agreement and a Lease or Forestry Right Agreement (**Grower Agreements**) that have been entered into with each Grower of the Project.

To implement the Land Transaction, Lowell is asking that Growers participating in the Project approve the key changes to the Constitution. This section sets out the proposed amendments and describes their effect on the Projects.

3.2. Definitions

A new definition referring to this Meeting Booklet has been included in the Constitution.

3.3. Proposed amendments to the Constitution

(a) deleting clause 31.3(c) and re-inserting it as a new clause 31.4(c), to read as follows:

“the reasonable fees and expenses of the Auditor in connection with the audit, any inspections or inquiries provided for by clause 35 and the auditing of accounts and the preparation and lodgement of taxation returns in relation to the Project;”

(b) inserting as a new clause 31.4(d) as follows:

“costs and liabilities, including but not limited to legal fees and consultant’s fees associated with the development of the proposal set out in the 2011 Explanatory Memorandum, transactional costs to effect those arrangements, fees and expenses associated with preparing and implementing the relevant agreements and, fees associated with obtaining a ruling or an addendum to a ruling or confirmation from the ATO in relation to Growers’ deductions;”

(c) deleting clause 31.3(d) and re-inserting it as a new clause 31.4(e), to read as follows:

“all costs and expenses incurred in or in connection with the preparation of any amendments, modifications or additions to the provisions of this Constitution, including any costs or expenses reasonably and properly incurred in or in connection with its approval and execution of any deed supplemental hereto, or obtaining any approvals which may be required by law or otherwise in respect of any such supplemental deed, and any costs or expenses reasonably and properly incurred in convening any meeting of Growers for the purpose of obtaining their approval in respect of any such amendments, modifications or addition;”

(d) inserting a new clause 31.4(f) as follows:

“a fee of \$50,000 upon securing the release of the Receiver’s lien referred to in the 2011 Explanatory Memorandum; and”

The proposed changes outlined immediately above will result in the existing clause 31.4(c) becoming clause 31.4(g).

The insertion of the additional powers above may be considered adverse to Growers’ rights. However, Lowell has assessed the Growers’ rights as they exist before the amendments and the impact the amendment will have on those rights. Having compared them, Lowell considers that the proposed Constitutional changes above are in the best interests of Growers but may be adverse to their rights because it increases the extent to which Lowell can recover amounts from the Project.

4. Conditions attaching to the Resolutions

4.1. Interdependency of resolution 1

Resolution 1 is interdependent on the approval of an identical resolution which is to be put to members of the Great Southern 2007 High Value Timber Project ARSN 123 528 950 (**Other Project**). Growers who require a copy of the Meeting Booklet for the Other Project can obtain a copy from Lowell’s website at: www.lowellcapital.com.au.

5. Taxation

5.1. CGT event on termination of interest

Where a Grower's interest in the Project is terminated under the Land Transaction, this will give rise to a Capital Gains Tax (CGT) event.

Ordinarily, where a CGT event occurs within 4 years of Grower having acquired their interest in respect of the Project, these deductions may be denied to the Grower. However, if the CGT event occurred through circumstances beyond the control of the Grower and was not reasonably foreseeable at the time of acquiring the interest, the deductions may still be allowable.

5.2. Australian Taxation Office Interpretative Decision (ATOID)

KPMG has requested the ATO to confirm that Growers will not have their previous deductions denied where their interests in the Project have been terminated under the Land Transaction.

The ATO have confirmed by way of Draft ATO Interpretative Decision (ATO ID) that they will not seek to deny the deductions to Growers in the circumstances of the Land Transaction. The ATO ID will be issued by the ATO in final during November 2011.

While an ATO ID is not legally binding on the Commissioner of Taxation, it will generally be administratively binding. This means that the ATO will follow the decision unless the view is later overturned by legislation or a Court ruling.

5.3. Product Ruling

Lowell Capital Limited will seek a Product Ruling from the ATO to confirm the tax consequences of the Land Transaction on the affected Growers relation to all the affected Growers. A Product Ruling is legally binding on the Commissioner of Taxation provided the scheme is carried out in accordance with the ruling.

5.4. Taxation implications for all Growers

Where a CGT event occurs in relation to all or part of a Growers interest in the Project, the Grower is required to include the market value of their interest in their assessable income.

6. Implementation of the Land Transaction

The Land Transaction will be implemented as follows:

- (a) at 11 am Friday on 18 November 2011, there will be a Meeting of Growers to consider the resolutions;
- (b) as soon as is practicable, Lowell will make the necessary amendments to the Project documents and lodge the amendments to the Constitution with ASIC;
- (c) Lowell will enter into the Deed of Acknowledgment upon approval of the resolution at the Meeting;
- (d) Lowell will enter into the Nomination Deed upon approval of the resolution at the Meeting;
- (e) The Land Scheme RE proposes to issue a product disclosure statement to offer interests in the HVT Land Scheme; and
- (f) Lowell will comply with all of its requirements and obligations under the ASA in the timing contemplated by the ASA.

7. Other conditions

Grower approval will not necessarily result in completion of the Land Transaction. The ASA is highly conditional and successful completion relies on:

- (a) the release of the Receiver's Lien and the Liquidators' Lien;
- (b) all consents necessary for the sale and purchase of Land being granted;
- (c) the registration of the HVT Land Scheme in accordance with Part 5C.1 of the Corporations Act; and
- (d) the capital raising occurring to Lowell and the Land Scheme RE's satisfaction.

D. Glossary

The following terms are used in this Booklet:

ATO	Australian Taxation Office.
ASA	Means the asset sale agreement between Lowell, GSMAL, GSHVTPL and the Liquidators dated 7 October 2011.
ASIC	Australian Securities and Investments Commission.
Booklet	Means this document containing the Notice of Meeting and Explanatory Memorandum.
Completion	Means the completion of the purchase of the Land Assets which will occur 10 Business Days after the first date that all conditions have been fulfilled or waived under the ASA.
Constitution	Means the constitution of the Project, (as amended).
Continuing Land	Means the Land Assets and any of the Option Assets that are purchased by the HVT Land Scheme.
Contributions Fund	Has the meaning given in the Constitution.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Deed of Acknowledgment	Means the deed of acknowledgment to be entered into between Lowell, GSHVTPL, GSMAL and the Liquidators in accordance with the ASA.
Deferred Payment	Balance of the Purchase Price on the Land Assets due on 30 June 2012.
Excluded Land	The land listed as excluded land in Schedule 1.
Excluded Land Head Leases	The Head Leases relating to the Excluded Land.
Exercised Option Assets	The Option Assets over which the Option is exercised and purchased under the Option Asset Sale Agreement.
Exercised Option Assets Head Leases	The Head Leases relating to the Exercised Option Assets.
Expired Option Assets	The Option Assets in respect of which the Option is not exercised.
Expired Option Asset Head Leases	The Head Leases relating to the Expired Option Assets.
Explanatory Memorandum	Means the explanatory memorandum as Part C of this Booklet, as amended by Lowell from time to time.
Forest Right Agreement	Means the forest right agreement for the Project and attached as Schedule 7 to the Constitution.
Great Southern Entities	GSHVTPL and GSMAL.
Growers	Members of the Project.

GSHVTPL	Great Southern HVT Holdings Pty Ltd (In liquidation) ACN 123 433 778.
GSMAL	Great Southern Managers Australia Limited (Receivers and Managers Appointed) (In liquidation) ACN 083 825 405.
Head Leases	Means the initial leases between GSHVTPL and GSMAL of the Land on which the Project operates.
HVT Land Scheme	The managed investment scheme to be registered by Lowell for the purpose of purchasing the Continuing Land in accordance with the ASA.
Independent Forester	Means Forsci Pty Ltd, the forester engaged by Lowell to undertake an assessment of the commercial viability of the Project land.
Initial Proposal	The proposal contained in the Notice of Meeting dated 3 March 2010 and attendant Explanatory Memorandum, as amended by the Replacement Supplementary Explanatory Memorandum dated 28 March 2010.
Land	Means the land used by the Project for the Growers plantations.
Land Assets	The land to be acquired by the Land Scheme RE under the Land Transaction. Schedule 1 contains the land applicable to the Project.
Land and Management Agreement	Means the land and management agreement for the Project and attached as Schedule 2 to the Constitution.
Land Scheme RE	The entity nominated by Lowell to act as responsible entity of the HVT Land Scheme.
Land Transaction	Means the transactions described in Part C of this Booklet.
Liquidators	Martin Bruce Jones, Andrew John Saker, Darren Gordon Weaver and James Henry Stewart in their capacity as liquidators of GSHVTPL and GSMAL.
Liquidators' Lien	The equitable claim over the Assets of the Project to cover the Receivers' costs in maintaining the Project plantations during the term of its appointment.
Loan	Means any loan that the Land Scheme RE intends to enter into in order to complete the purchase of the Land Assets.
Lowell	Lowell Capital Limited ACN 006 844 588 in its capacity as responsible entity for the Project, unless otherwise specified.
Manager	AMA Teak Pty Ltd ACN 141 122 652.
Meeting	Meeting of members of the Project to be held on at 11:00 am on Friday 18 November 2011.
Net Proceeds of Sale	Means the gross proceeds of sale less the various costs defined in the Land and Management Agreement.
Nomination Deed	Means the nomination deed to be entered into between Lowell, the Liquidator and the Great Southern Entities to confirm the nomination of the Land Scheme RE.

Notices of Termination	The notices of termination that the Liquidators intend to serve on GSMAL and Lowell terminating each of the: <ul style="list-style-type: none"> (a) Head Leases over the Excluded Land at 2 Business Days after Grower approval is received; and (b) the Head Leases over the Option Assets that have not been purchased at 2 Business Days after the Option Expiry.
Offer	The offer to eligible Growers to acquire units in the HVT Land Scheme.
Other Project	Great Southern 2007 High Value Timber Project ARSN 123 528 950.
Option	Means the option to purchase the Option Assets.
Option Assets	College Farm, Miltondale and Theyona (with College Farm and Theyona being relevant to this Project).
Option Assets Purchase Price	Means \$6,250,000 which comprises of Theyona valued at \$3,050,000; Miltondale valued at \$2,000,000 and College Farm valued at \$1,200,000.
Option Assets Sale Agreement	The option assets sale agreement between GSHVTPL, GSMAL, HVT Land Scheme, Lowell and the Liquidators.
Option Expiry	Means 5pm (Perth time) 30 days after the day on which Completion under the ASA occurs.
PDS	The product disclosure statement that will be issued by the Land Scheme RE and accompany the Offer.
Proceeds Fund	Means the fund containing the income of the Project as defined in the Constitution.
Project	Great Southern 2008 High Value Timber Project ARSN 123 529 233.
Purchase Price	Means \$2,340,000 for the Land Assets.
Real Management Services	Real Management Services Pty Ltd ACN 121 786 712 as Lowell's agent.
Receivers and Managers	Means James Gerard Thackray, Colin McIntosh Nicol, Anthony Gregory McGrath, Shaun Robert Fraser and Murray Campbell Smith in their capacity as receivers and managers of GSMAL.
Receivers' Lien	The equitable claim over the Assets of the Project to cover the Receivers' costs in maintaining the Project plantations during the term of its appointment.
Release Fee	Means the fee of \$50,000 that Lowell will be entitled to upon securing the release of the Receiver's Lien.
Termination Date	Means the date which is 2 Business Days after the approval of the Land Transaction by Growers at the Meeting.
Transaction Documents	The ASA, Option Assets Sale Agreement and Deed of Acknowledgment.
Woodlot	Means any woodlot that relates to the Project.

E. Independent Forester's Report

October 2011

INSPECTION OF PLANTATIONS IN THE GREAT SOUTHERN 2007 AND 2008 HIGH VALUE TIMBER SCHEMES

NORTHERN TERRITORY MAHOGANY

**John Turner
Forsci Pty Ltd**

The African mahogany (*Khaya senegalensis*) plantations which were part of the Great Southern 2007 and 2008 High Value Timber Schemes ("the Scheme") were inspected in May 2011.

Terms of Reference

The Terms of Reference provided for the inspection were to:

"Ascertain, on a property basis, the commercial viability taking into account the current plantation development and other commercial factors."

It was recognised prior to inspection that the plantations had not normally accepted forest management practices undertaken for at least two growing seasons, specifically in the period since GSP ceased management and when African Mahogany Australia Teak (AMAT) undertook responsibility in June 2010.

Assessment

Several issues were considered during the assessment:

1. Were the current trees' stocking levels sufficient to develop a commercial crop?
2. Was there evidence of active growth on a significant number of the trees?
3. Had the plantation been assessed by the managers and a resulting plan of action developed for undertaking a backlog of treatments?
4. Were there other, older plantations in reasonable proximity demonstrating sound growth and hence, demonstrating the suitability of the area for mahogany?

If these criteria were met, it was concluded that there was a reasonable expectation that the plantation would be viable.

Property Notes

Theyona, Douglas Daly

Of the 773 ha planted to African Mahogany by GSP in 2008, subsequent evaluation found about 400 ha were adequately stocked. Establishment appears to have been with minimal site preparation and few follow up treatments. AMAT has actively undertaken competition control and as well as carrying out some infilling to increase stocking levels on some areas. Growth appears relatively low and this may be attributed to weed levels over two seasons and possibly poor site preparation.

It is expected that with the implementation of the proposed management plan (especially weed suppression and fertilizer treatments) the site adequately stocked areas will develop into an acceptable plantation. Adjacent, older plantations that had similar histories have developed into viable plantations.

Recommendation: The areas with adequately stocked plantation on Theyona should develop into a satisfactory plantation. However, with only 6% of the total land area planted, the property is not considered commercially viable at this time.

Whatfor. Douglas Daly

Approximately 1,566 ha of the Whatfor property were planted to African Mahogany in 2007 and 2008. The 2010 assessment considered about 950 ha of the 2007 age class and 616 ha of the 2008 age class to be fully stocked with about 95% survival (original stocking 1250 stems/ha). There was a very high weed level but this is undergoing inter-row slashing and side spraying and there is evidence of successful control of weeds.

Recommendation: The Whatfor property is considered viable in its present state.

Conclusions

The Theyona property is not considered commercially viable in its present state.
The Whatfor property is considered commercially viable.

References

- African Mahogany (Australia) (2010) Standard Operating Procedure. Pruning of African mahogany (*Khaya senegalensis*) plantations.
- African Mahogany (Australia) (2010). Erosion and Sediment Management Plan. Whatfor and Theyona properties, Douglas Daly Region, NT.
- Reilly, D.F., Robertson, R.M. and Hearnden, M.N. (2004). Results of recent trials of high-value hardwood tree species in the Northern Territory of Australia. Prospects for high value hardwood timber plantation in the „dry“ tropics of Northern Australia, Mareeba, 19th-21st October, 2004.

**Inspection of the Queensland Teak Plantations in the
Great Southern 2007 and 2008 High Value Timber Schemes**

**Dr John Turner
Forsci Pty Ltd**

May 2011 Inspection

The North Queensland teak plantations from the 2007 and 2008 Great Southern High Value Timber Schemes were inspected by Simon Penfold and John Turner on 20th - 22nd September 2011. This was a follow up visit following a previous inspection in May 2011. At the time of the initial visit of the plantations, the immediate impacts of cyclone Yasi and the lack of management inputs (especially weed control) were evident. The AMAT program on weed control had commenced but was being limited by lack of access to some properties because of water logging.

Properties at that time were placed in several categories, specifically very poor stocking, poor performance which should be discontinued, those difficult to assess, and those which need further consideration and maintain. The „maintain“ or commercially viable category involved plans for ongoing management and protection including intensive weed control, nutrition management, boundary protection and pest management.

The basic criteria to determine if the property should be maintained were acceptable stocking levels (high survival) and there was evidence of active growth which would include new leaf production on the stems, or basal re-sprouting if the stand had been damaged.

Site Requirements of Teak

Teak is planted extensively overseas and some key points from that experience are summarised below.

1. It has long been appreciated that teak is very demanding in terms of its site requirements. Typically it grows poorly, or not at all on ridges with shallow soils and on flats with flooded soils. Teak is also very intolerant of competition from weeds and/or other trees.
2. Teak is tolerant of a wide range of climates but grows best in warm, moderately moist tropical conditions characterised by monsoon climates and a 3-5 month dry season.
3. Teak will grow on a wide range of geological formations and soils but grows best on deep, porous, well drained soils. Shallow, waterlogged or compacted soils and hardpans give poor growth as does low availability of calcium, magnesium and phosphorus.

In the evaluation of sites in May 2011, it was recognised that there had been a period between planting and inspection where little management, especially weed management, had been undertaken by Great Southern and hence there was a weed problem in most plantations. It was considered on many sites that trees could be released from weed competition and hence evaluation of those plantations was based on the two criteria mentioned above namely, survival and active growth.

The recent inspection in September 2011 took into account a more factors to assess the potential for plantation success namely:

1. Stocking levels and evidence of lower stocking since the previous inspection - was there evidence of increased mortality?
2. Evidence of significant and extensive growth, that is, were the trees actively growing?
3. Were the weed management programs successful and could the weeds be controlled with reasonable levels of input. That is, what would be the cost of achieving weed control?
4. On visual inspection, were the soils suitable for long term maintenance of teak, that is, were there apparent negative aspects of the soil characteristics which would limit teak growth such as poor drainage, extended periods of inundation, hard setting, or dispersible soils?

A further factor of location and property fragmentation was considered. The cost of maintaining and protecting a small, isolated plot will be very high and hence, has to have other values (for example, very high productivity) to make it commercially viable.

Based on this, the criteria for assessing the viability of a plantation were, hierarchically:

1. Are the stocking levels sufficient to support a plantation and do the stocking levels appear to be stable, that is, is there obvious ongoing significant mortality?
2. Are the trees growing with reasonable vigour and with apical dominance? Does it appear the trees can control the site in the near future (develop crown closure)?
3. Are the weeds under control or appear to be controllable with economic levels of input?
4. Are there site factors which will inhibit future growth or ability to manage the site? A major impediment to management is lack of access due to water-logging and this restricts undertakings such as scheduled weed control, pruning or fertilizer application. These limitations would be identified by evidence of water-logging and other soil characteristics.

September 2011 Inspection

The summary of the results of the September assessment are presented in Table 1 based on planting year and commercial viability. Further detail on properties according to region and stand condition at the May and September inspections are presented in table 2 and 3. The greatest change in recommendations since the May evaluation has occurred in the Innisfail area. Some properties were previously recommended to be maintained, however, a combination of continued mortality, poor growth and problems of access to control weeds due to high soil moisture, results more of the properties as poor management propositions.

The bulk of the properties recommended as commercially viable are in the Abergowrie Region. Several properties are recommended as being commercially unviable but the remainder show active development. There will need to be further weed control efforts and a plan for nutritional management but these sites have the potential to develop into successful plantations

The single property in the Ingham area, Miltondale is considered commercially unviable. Of the 478 ha gross about 127 ha were originally planted. Less than 50 ha appear to be reasonably stocked but these areas are fragmented over the plantation and they are not all readily accessible. The location, declining survival, poor growth and management problems would make this an expensive plantation to maintain and returns would be very low.

If these recommendations are accepted, there would be approximately 2,392 ha gross removed from plantation and 1,710 ha gross accepted which would include 999 ha of plantation to be maintained.

Table 1. Plantation properties grouped according to plantation year and commercial viability.

<i>Plantation Year</i>	<i>Potential commercial viability</i>	<i>Plantation</i>	<i>Planted area (ha)</i>	
			<i>Gross</i>	<i>Net</i>
2007	Unviable	Copley	84.1	54.7
2007	Unviable	Miltondale	478.1	127.0
Total			562.2	181.7
2007	Viable	Cavallo West	16.9	13.2
2007	Viable	Di Giacomo	81.8	53.7
2007	Viable	Sheahan	105.8	82.0
Total			204.5	148.9
2008	Unviable	Astorquia	7.0	0
2008	Unviable	Boscata	47.2	30.7
2008	Unviable	Cassar 1,2,3	166.1	76.0
2008	Unviable	Castellani V	41.2	31.8
2008	Unviable	Castorina	226.8	0
2008	Unviable	Castorina 2009	167.4	74.6
2008	Unviable	Cauchi	53.1	44.9
2008	Unviable	College Farm	241.3	92.0
2008	Unviable	Erkkila 1	126.0	0
2008	Unviable	Fischera	90.3	81.9
2008	Unviable	Glewright	35.6	21.5
2008	Unviable	Grant	96.4	65.0
2008	Unviable	Holdcroft	66.2	48.2
2008	Unviable	Quagliata	52.7	0
2008	Unviable	Riverview	142.2	17.0
2008	Unviable	Russo	37.8	17.0
2008	Unviable	Seres	85.7	0
2008	Unviable	Shegog	28.7	22.6
2008	Unviable	Wilkins	55.8	35.0
Total			1,767.5	658.2

Table 1. Cont.

Plantation Year	Potential commercial viability	Plantation	Planted area (ha)	
			Gross	Net
2008	Viable	Castellani	67.4	51.8
2008	Viable	Cavallo Central	45.0	25.5
2008	Viable	Cavallo East	321.5	163.3
2008	Viable	Coldwater	148.1	68.0
2008	Viable	Erkkila 2	123.2	64.7
2008	Viable	MacDonald	148.0	64.0
2008	Viable	Mahony	94.0	55.1
2008	Viable	Messina	70.0	42.3
2008	Viable	Mombelli 1&2	77.1	67.4
2008	Viable	Quagliotto	204.5	89.0
2008	Viable	Rutherford	44.8	35.2
2008	Viable	Sorbello 1,2,3	89.2	67.0
2008	Viable	Sorbello 4	22.0	13.0
2008	Viable	Vella	50.4	43.7
Total			1505.2	850.0

F. Taxation Information

1. Background and deductions claimed under the Project

All references are to the Income Tax Assessment Act (ITAA) 1936 unless otherwise stated.

Section 82KZMG allows a tax deduction for expenditure is incurred in respect of “seasonally dependent agronomic activities” under an agreement, subject to the relevant services in respect of the expenditure being provided within 12 months.

Product Ruling PR 2007/70 was issued in respect of the original Project and confirmed that tax deductions were available under section 82KZMG for Growers who entered into the Project between 4 July 2007 and 30 June 2008. In addition, Product ruling PR 2010/23 was issued when Lowell Capital Ltd became the replacement responsible entity and also confirmed that the tax deductions claimed would continue to be allowable, including the exercise of the Commissioner’s discretion under Division 35 of the *Income Tax Assessment Act 1997* in respect of the Non-Commercial Loss rules.

2. The “4 year rule”

Section 82KZMGA, known as the “4 year rule”, was introduced to deny a deduction to Growers where:

- the taxpayer holds the taxpayer’s interest in the forestry agreement mentioned in section 82KZMG as an initial participant in the agreement;
- a CGT event happens in relation to that interest within 4 years after the end of the year of income in which the taxpayer first incurred expenditure under the agreement; and
- the expenditure is incurred on or before 30 June 2008.

However, this section does not apply where:

- the CGT event happens because of circumstances outside the taxpayer’s control; and
- when the taxpayer acquired the interest, the taxpayer could not reasonably have foreseen the CGT event happening.

Under the proposed Land Transaction, some or all of the Growers will have their interest in the Project terminated, thus giving rise to a CGT event. Therefore, prima facie, the 4 year rule would apply to these Growers unless the circumstances satisfy the conditions detailed above.

3. KPMG and ATO’s opinion on the operation of the 4 year rule to the Project

KPMG has requested the ATO to confirm that the Growers deductions previously claimed under the Project will not be denied where their interest in the Project have been terminated under the Land Transaction. It is KPMG’s view that, due to the nature of the Land Transaction and surrounding circumstances, this clearly amounts to circumstances beyond the control of the Grower and therefore the “4 year rule” is not applicable.

In particular, the liquidation of the original Responsible Entity, Great Southern Managers Australia Limited, and the forced restructure under the management of the new Responsible Entity, Lowell Capital Limited, were not events that were reasonably foreseeable at the time the Growers entered into the Project.

The ATO have confirmed to KPMG by way of draft ATOID that they will not seek to deny the deductions to the Growers as a consequence of the Land Transaction.

4. Status of an ATOID

An ATOID is a public administrative decision (as opposed to a legally Binding Private Ruling) that sets out the views of the Commissioner of Taxation in respect to a general set of facts. ATO ID’s are generally administratively binding on the ATO.

5. Status of a Product Ruling

Lowell Capital Limited will seek a Product Ruling from the ATO to confirm the tax consequences of the proposed restructure on the affected Growers. A Product Ruling is a public ruling that is legally binding on the Commissioner of Taxation detailing the tax consequences of entering into a “product” such as the Project. A Product Ruling therefore provides binding tax certainty of an arrangement, provided it is carried out in the manner as described in the Ruling.

KPMG expects that a Product Ruling issued in respect of the proposed restructure of the Project will confirm the tax consequences as set out in the Draft ATOID.

6. Taxation implications of disposal or termination of interest in the Project

There are taxation consequences that arise to a Grower in the Project where their interest is terminated as a consequence of the Land Transaction, where:

- The Grower holds an interest in an agreement covered by section 82KZMG as an initial participant in the agreement (i.e. they are a primary interest holder, not a secondary interest holder);
- The Grower can or has deducted an amount in respect of their interest; and
- A CGT event happens in relation to their interest, other than a CGT event that happens in respect of thinning.

Where all these conditions are satisfied, the Grower must include in their assessable income:

- The market value of their interest, where the Grower no longer holds the interest in the Project; or
- The decrease in market value of their interest, where the entire interest is not disposed of.

This is the case regardless of whether an amount is actually received by the Grower in respect of the CGT event happening in relation to their interest.

The ATO have confirmed in the draft ATOID that they will not seek to deny Growers deductions as a result of the Land Transaction.

G. Voting Procedure and eligibility

1. Quorum requirements

The quorum requirement for the Meeting, is in accordance with s252R(2) of the Corporations Act, and requires at least 2 Members to be present at the Meeting.

If a quorum is not present within 30 minutes after the scheduled time for the meeting, the meeting will be adjourned to a date time and place determined in accordance with section 252R(4) of the Corporations Act.

2. Voting and required majority

(a) Ordinary Resolution 1

In accordance with sections 252J and 253J of the Corporations Act, for the Ordinary Resolution 1 to be effective:

- (i) the resolution must be passed at a meeting of which the required days notice specifying the intention to propose the resolution, subject to any amendments, has been given; and
- (ii) the resolution must be passed by at least 50% of votes cast by members entitled to vote on the resolution (whether present in person or by proxy, attorney or representative).

Resolution 1 will be decided on a poll.

(b) Special Resolution 2

In accordance with sections 9, 252J and 253J of the Corporations Act for the Special Resolution 2 to be effective:

- (i) the resolution must be passed at a meeting of which the required days notice specifying the intention to propose the resolution, subject to any amendments, has been given; and
- (ii) the resolution must be passed by at least 75% of the total votes cast by members entitled to vote (whether present in person or by proxy).

Resolution 2 will be decided on a poll.

- (c) Subject to paragraph 4(d), on a poll each Grower has one vote for each Woodlot held in the Project and, on a show of hands every Grower has one vote. You need not exercise all of your votes in the same way, nor need you cast all of your votes.
- (d) If your interests are jointly held, only one of the joint holders is entitled to vote. If both joint holders are present at the meeting, only the vote of the person named first in the register counts.
- (e) If you plan to attend the meeting, we ask you to arrive at the venue at least 15 minutes prior to the time designated for the meeting so that we may check your interests against the Project's register of members and note your attendance.
- (f) In order to vote at the meeting, a corporation that is a Grower may either appoint a proxy or appoint a person to act as its representative. The appointment must comply with section 253B of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment including any authority under which it is signed.

3. Votes

Interests in the Project will be taken to be held by persons registered as members at 5 pm AEDT on Thursday, 17 November 2011 (the **Effective Time**).

For the purpose of voting, the value of an interest will be determined by the responsible entity, in accordance with section 253F(c) of the Corporations Act, as the price that a willing

but not anxious buyer would pay for the interest if it was sold on the Business Day immediately before the day on which the poll is taken.

4. Proxies and Representatives

- (a) All members at the Effective Time who are entitled to attend and vote at the Meeting may appoint a proxy for that purpose.
- (b) A proxy need not be a Grower of the Project.
- (c) The Proxy Form relating to the Meeting accompanying this Notice of Meeting should be used.
- (d) A Grower who is entitled to cast 2 or more votes at the Meeting, may appoint up to 2 proxies and may specify the proportion or number of votes that each proxy is entitled to exercise. If a member **does not** specify the proportion or number of that member's votes each proxy may exercise, each proxy will be entitled to exercise half of the votes. An additional Proxy Form will be supplied by Mr. Jarrod Ryan of Real Management Services on request by phone (08) 8724 2400 or email hvt@napm.com.au.
- (e) Unless a Grower specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.
- (f) In the case of an individual, a proxy must be under the hand of the individual or his or her attorney duly authorised in writing and, in the case of a corporation, a proxy must be under either the common seal of that corporation or under the hand of its duly authorised officer/s or attorney.
- (g) If a meeting of the Project's members has been adjourned, an appointment of any authority received at least 48 hours before the resumption of the meeting are effective for the resumed part of the meeting.
- (h) Any Grower may appoint an attorney to act on the Grower's behalf. The power of attorney, or a certified copy of it, must be received as set out in paragraph (j) below.
- (i) Any corporation which is a Grower of the Project may appoint a representative to attend and vote for that corporation at the Meeting. Appointments of representatives by corporations must be received as specified in paragraph (j) below.
- (j) Proxies and powers of attorney granted by members must be received by Lowell, as responsible entity of the Project, **at least 48 hours before the meeting**:
 - (i) at the registered office:
Real Management Services
PO Box 6121
Mt Gambier South Australia 5290; **or**
 - (ii) by fax to the office of Real Management Services – fax number (08) 8724 7466 (within Australia) and +61 8 8724 7466 (outside Australia); **or**
 - (iii) by email to hvt@napm.com.au.

5. Voting by Proxy

You can vote by completing and returning the Proxy Form (attached at Part H).

Those members that lodge Proxy Forms but later wish to revoke or amend their proxy appointment may do so by submitting another Proxy Form (further copies can be obtained by calling Jarrod Ryan of Real Management Services on 08 8724 2400. Revised Proxy Forms must be submitted **at least 48 hours before the Meeting**, or at least 48 hours before any adjournment of the meeting.

6. Questions

If you have any questions, please contact your adviser or Jarrod Ryan of Real Management Services on (08) 8724 2400.

H. Proxy Form

I/We _____

of _____

being a member of the Great Southern 2008 High Value Timber Project ARSN 123 529 233
(Project) and holding _____ Woodlots hereby appoint/s

of _____

or failing such person, or if no person is named, the Chair of the Meeting,

as my/our proxy to act generally at the Meeting on my/our behalf and to vote for and on my/our behalf at the Meeting of the Project to be held in Victoria at Clarendon Lawyers, Level 17, Rialto North Tower, 525 Collins Street, Melbourne on Friday 18 November 2011 commencing at 11am, and at any adjournment thereof and I/we direct my/our proxy to vote as follows in respect of the following resolutions set out in the Notice of Meeting, subject to any amendment:

	For	Against	Abstain
Business			
Resolution 1: Approval of the Land Transaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2: Amendments to the Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

DATED this _____ day of _____ 2011

*** Please sign below if individuals or joint growers**

.....

Signature of Grower	Signature of Grower
---------------------	---------------------

***Please sign below if a corporate member**

EXECUTED by _____)

_____ Signature of director/sole director and sole secretary (delete as applicable)	_____ Signature of director/company secretary Signature of sole director and sole secretary (delete as applicable)
_____ Name of director/sole director and sole secretary (delete as applicable) (print)	_____ Name of director/company secretary or sole director/sole secretary (delete as applicable) (print)

Schedule 1 – Division of Project land

Great Southern 2008 High Value Timber Project ARSN 123 529 233				
Plantation	Assessment of Commercial Viability	Category	Initial Planted area (ha) Gross	Remaining Planted area (ha) Net
EXCLUDED LAND				
Astorquia	Unviable	Excluded Land	7.0	0
Boscato	Unviable	Excluded Land	47.2	30.7
Cassar 1,2,3	Unviable	Excluded Land	166.1	76.0
Castellani V	Unviable	Excluded Land	41.2	31.8
Castorina	Unviable	Excluded Land	226.8	0
Castorina 2009	Unviable	Excluded Land	167.4	74.6
Cauchi	Unviable	Excluded Land	53.1	44.9
Erkkila 1	Unviable	Land Asset	126.0	0
Fischera	Unviable	Excluded Land	90.3	81.9
Glewright	Unviable	Excluded Land	35.6	21.5
Grant	Unviable	Excluded Land	96.4	65.0
Holdcroft	Unviable	Excluded Land	66.2	48.2
Quagliata	Unviable	Excluded Land	52.7	0
Riverview	Unviable	Excluded Land	142.2	17.0
Russo	Unviable	Excluded Land	37.8	17.0
Seres	Unviable	Excluded Land	85.7	0
Shegog	Unviable	Excluded Land	28.7	22.6
Wilkins	Unviable	Excluded Land	55.8	35.0
Sub-total			1,526.2	566.2
LAND ASSETS				
Castellani	Viable	Land Asset	67.4	51.8
Cavallo Central	Viable	Land Asset	45.0	25.5
Cavallo East	Viable	Land Asset	321.5	163.3
Coldwater	Viable	Land Asset	148.1	68.0
Erkkila 2	Viable	Land Asset	123.2	64.7
MacDonald	Viable	Land Asset	148.0	64.0

Mahony	Viable	Land Asset	94.0	55.1
Messina	Viable	Land Asset	70.0	42.3
Mombelli 1&2	Viable	Land Asset	77.1	67.4
Quagliotto	Viable	Land Asset	204.5	89.0
Rutherford	Viable	Land Asset	44.8	35.2
Sorbello 1,2,3	Viable	Land Asset	89.2	67.0
Sorbello 4	Viable	Land Asset	22.0	13.0
Vella	Viable	Land Asset	50.4	43.7
Whatfor	Viable	Land Asset	616.0	616.0
Sub-total			2,121.2	1,466.0
OPTION ASSETS				
College Farm	Unviable	Option Asset	241.3	92.0
Theyona	Unviable in present state	Option Asset	773.0	400.0
Sub-total			1,014.3	492.0
			Total 4,661.7	Total 2,524.2