

*Great Southern 2008
High Value Timber Project*

ARSN 123 529 233

Annual Report 2011

Financial Report

For the Year Ended 30 June 2011

	Page Number
Directors' Report	2
Auditor's Independence Declaration	10
Auditor's Report	11
Directors' Declaration	14
Statement of Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Net Assets Attributable to Growers	17
Statement of Cash Flows	18
Notes to the Financial Statements	19

DIRECTORS' REPORT

The directors of Lowell Capital Limited ('the Responsible Entity') submit herewith the annual financial report for Great Southern 2008 High Value Timber Project (the Scheme) for the year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the Responsible Entity during or since the end of the year are:

M.A. Ramsden	
D.B. Worth	resigned 31 August 2010
D. Carroll	
Mr O.R. Carton	appointed 22 October 2010

Directors were in office for this entire period unless otherwise stated.

Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia. The principle activity of the Scheme during the year is commercial growing of the tropical hardwood timbers, Teak (*Tectona Grandis*) and African Mahogany (*Khaya Senegalensis*) for use in the manufacturing of high value wood products.

Review of Operations and Results

Net loss attributable to Growers for the year ended 30 June 2011 was \$19,826 (2010: \$-476,442).

Distributions

Distributions payable to Growers at 30 June 2011 were \$nil (2010: \$nil). Distributions will be payable from the Scheme following harvesting and sale of the timber. Clearfell is expected to commence within 12 months of the trees reaching maturity, which is expected to be approximately 17-19 years from planting, or approximately 2025-2027.

Interests in the Scheme held by the Responsible Entity and its Associates in the Scheme

As at 12 July 2012, Lowell Capital Limited holds 250 Class 'A' interests. Each Class A interest entitles the holder to an interest equal to an interest in a Non-Contribution Additional Fee.

Fees paid to the Responsible Entity

No fees were paid to the Responsible Entity for the financial year ended 30 June 2011 (2010: \$nil).

McGrathNicol (MN) incurred costs in their role of Receivers and Managers of Great Southern Managers Australia Limited (GSMAL), the former Responsible Entity. These costs were subject to a lien which gave them a priority to commercial proceeds. The undiscounted liability against the Scheme as at 30 June 2011 was estimated to be \$570,562 for the period from 18 May 2009 to 2 March 2010, as disclosed in a lien consolidation file prepared by MN dated 19 July 2011. The Responsible Entity entered into an Asset Sale Agreement with the Receivers and Managers and on the 12 July 2012, the Contract Settled and the Lien fee was formally waived.

Interests in the Scheme and Scheme Assets

	Number of woodlots under lease and management agreements
Interests issued during the financial year	Nil
Withdrawals from the Scheme during the financial year	Nil
Woodlots under lease and Management Agreements as at 30 June 2011	6,641
Net liabilities attributable to Growers as at 30 June 2011	(496,268)

State of affairs

a) Additional contribution and increased contribution

The Constitution and Land and Management Agreements were amended to include the following:

- additional contribution of \$100 per woodlot held by the Grower each year for the five year period starting 2010 to establish the Contribution Fund;
- a Grower may pay \$400 per woodlot in satisfaction of all additional contributions for the five year period if such an amount is paid under the terms of the first invoice;
- for any woodlot in respect of which a Grower does not pay the additional contribution in any three years of the five year period, the Grower will be required to pay a non-contribution additional fee to the RE representing the following cumulative portions of the net proceeds of sale relating to that woodlot:
 - o first year – 20%;
 - o second year – 40%; and
 - o third year – 100%.
- Woodlots in respect of which a Grower is required to pay 100% of the portion of the net proceeds of sale as a non-contribution additional fee will be removed from the Grower agreement at the end of 5 year period; and
- A Grower may choose to make Increased Contributions in addition to their Additional Contributions in \$100 lots or \$400 lots in relation to which they will receive a 20% discount. The Responsible Entity may accept Increased Contributions to the extent that the sum of the total Increased Contributions and the total Additional Contributions received by the Responsible Entity from all Growers does not exceed the amount invoiced to Growers in any one year, this amount being the 'Contributions Cap'. The Grower making Increased Contributions will have an entitlement to Non-Contribution Additional Fees to the value of 20% of the Net Proceeds of Sale relating to each Woodlot in respect of which an Increased Contribution was made. Growers who choose to make an Increased Contribution in \$400 lots will be entitled to a Non-Contribution Additional Fee in relation to five forfeited Woodlots.

The Land and Management Agreements are individual contractual arrangements that the Responsible Entity enters into with members of the Scheme. All additional contributions and increased contributions are paid to the Responsible Entity for which it is obliged to incur various expenditures and provide various services. As such, these contributions do not belong to the Scheme.

b) Lien Payable

Great Southern Managers Australia Limited (GSMAL) was the Responsible Entity of the Scheme for the period from inception to 4 June 2010. Representatives of McGrathNicol (MN) were appointed as Receiver and Manager of GSMAL on 18 May 2009. Representatives of Ferrier Hodgson (FH) were appointed liquidators of GSMAL on 19 November 2009. LCL was appointed the Responsible Entity on 4 June 2010 and has acted in that capacity since that date.

Between 18 May 2009 and 2 March 2010, MN incurred expenses in the care, preservation, protection and realisation of Scheme property in relation to the Scheme. MN has an entitlement to a lien over the Scheme's property and the product thereof, for their reasonable expenses. A lien is a security right conferred by operation of law that is granted over an item of property to secure the repayment of expenses incurred in the care and preservation of that property.

As at the date of this report, the undiscounted liability against the Scheme was estimated to be \$570,562 as disclosed in a lien consolidation file prepared by MN, dated 19 July 2011. The Responsible Entity entered into an Asset Sale Agreement with the Receivers and Managers and on 12 July 2012 the contract settled and the lien was formally waived as an outcome of the transaction.

c) Leases

On 25 February 2010, McGrathNicol as Receivers and Managers of Great Southern HVT Holdings Pty Ltd, (in liquidation), the lessor of the scheme's land, issued default notices under the head leases requiring remedy within 30 days. A request was made for the default notice to be withdrawn or extended, which were neither refused nor accepted. Land negotiations were conducted and settled as detailed in 'Events subsequent to balance date'.

d) Insurance

LCL is obligated to obtain insurance cover if commercially viable. Lowell sourced an offer and communicated it to growers. Many growers elected to insure their woodlots through Agricola and paid premiums direct. LCL holds the policy on their behalf. In the event of loss, insured growers will have the right to claim against the policy and the position of uninsured growers will be determined in accordance with the terms of the constitution.

e) Cyclone Yasi

Cyclone Yasi crossed the Queensland coast on 3 February 2011. The full teak estate was inspected during the week of 12 February 2011 with little apparent damage to the estate however more damage to plantations, evidenced by retarded growth and poor form, has been observed in some plantations. An insurance claim, on behalf of insured Growers, claiming losses as a result of damage incurred from Cyclone Yasi was submitted to and subsequently rejected by the Insurer after inspection.

In the opinion of the Responsible Entity, and to the best of its knowledge and understanding, there were no other significant changes in the state of affairs of the project that occurred during the financial period under review otherwise than detailed in this report.

Events subsequent to balance date

Lease and land negotiations

The previous responsible entity of the Project, Great Southern Managers Australia Limited (in Liquidation) (Receivers and Managers appointed) (GSMAL) leased land from Great Southern HVT Holdings Pty Ltd (In Liquidation) (GSHVTPL) to establish the Members' plantations in the Project. The Liquidator of GSHVTPL issued default notices and threatened to terminate the leases and sell the Land on the basis that the Responsible Entity defaulted on some of the terms of the leases.

A plantation assessment was complete in September 2011 recommending some plantations cease to be maintained due to poor stocking, declining survival, poor growth and those that that would be expensive to maintain and where returns would be very low. The Responsible Entity negotiated a conditional Asset Sale Agreement (ASA) with the Liquidator, to resolve the dispute and protect the land containing viable plantations. At a meeting of Members on 6 December 2011, Members approved the Responsible Entity entering into the ASA to buy parcels of land with commercially viable plantations (Continuing Land). As a condition of the Responsible Entity entering into the agreement the Receivers and Managers Liens have been waived. Conditions precedent for the ASA were been satisfied and the contract was settled on 12 July 2012.

The Responsible Entity set up a special purpose land trust, Lowell Capital-HVT Land Scheme (Land Scheme) to buy the Continuing Land from the Liquidator. A Product Disclosure Statement dated 29 May 2012 and offered members of the Scheme, a preferential opportunity to subscribe for interests in the Land Scheme.

Lowell Capital Limited in its capacity as Responsible Entity of the Land Scheme entered into a Debt Facility to assist in raising funds to complete the Land Transaction. Balanced Securities Limited (The Lender) required that the members of the projects specifically approve the finance arrangements at meetings of members. The Responsible Entity called a meeting of members to specifically approve the finance arrangements. A Meeting Booklet including a Notice of Meeting for 26 June 2012 and Explanatory Memorandum was issued on 1 June 2012. The members approved the arrangements at a meeting held on 10 July 2012 and the transaction settled on 12 July 2012.

Lowell has withdrawn the Product Disclosure Statement dated 29 May and advised an intention to issue a new Offer to Growers to subscribe for interests in the Land Scheme.

Lowell arranged the sale of some properties contemporaneously with their purchase and has contracted the future sale of further properties. Proceeds from these sales are to be used to pay for the costs of the ASA transaction, the costs of arranging debt finance, obtaining grower approval, the land sales and to reduce borrowings. Lowell has advised an intention sell additional properties to enable re-payment of all borrowings and to undertake a review of the future operations of the schemes based upon a smaller land area.

Great Southern 2008 High Value Timber Project

Plantation Area

The Liquidator has terminated and the Responsible Entity has accepted the termination of the relevant Head Leases on the unviable lands. The land area is diminished. The Responsible Entity cannot identify the impact on each Grower's land interest because the Liquidators have been unable to locate records of GSMAL's allocations of land to individual Growers. The Responsible Entity proposes to ensure that Grower's proportional interests in the net harvest proceeds of the Scheme will remain the same, the land areas of Scheme will be determined and the available land will be re-allocated proportionately to the continuing Growers in accordance with the original Scheme objectives.

Lowell has been authorised by the members to sell further properties in order to reduce debt, if it is deemed to be in the best interests of the Scheme.

A schedule setting out the Continuing Scheme Land and the Land with Terminated leases is set out below.

Great Southern 2008 High Value Timber Project ARSN 123 529 233		
Plantation	Category	Initial Planted area (ha)
CONTINUING LAND		
Cavallo Central	Continuing Land	19.5
Cavallo East	Continuing Land	20.4
Coldwater	Continuing Land	77.0
Di Giacomo	Continuing Land	38.8
Erkkila 2	Continuing Land	64.7
MacDonald	Continuing Land	39.3
Mahony	Continuing Land	55.1
Messina	Continuing Land	42.3
Quagliotto	Continuing Land	38.9
Sorbello 1	Continuing Land	17.2
Vella	Continuing Land	43.7
Whatfor	Continuing Land	878.8
Sub-total		1335.7
SOLD LAND		
Castellani	Sold Land	51.8
Mombelli 1 & 2	Sold Land	67.4
Rutherford	Sold Land	35.2
Sorbello 2, 3 & 4	Sold Land	63.3
College Farm	Sold Land	152.1
Sub-total		369.8

Great Southern 2008 High Value Timber Project

Great Southern 2008 High Value Timber Project ARSN 123 529 233		
Plantation	Category	Initial Planted area (ha)
CANCELLED LAND		
Astorquia	Cancelled Land	7.0
Boscato	Cancelled Land	30.7
Cassar 1,2,3	Cancelled Land	129.9
Castellani V	Cancelled Land	31.8
Castorina	Cancelled Land	74.6
Castorina 2009	Cancelled Land	167.4
Cauchi	Cancelled Land	44.9
Erkkila 1	Cancelled Land	64.7
Fischera	Cancelled Land	81.9
Glewright	Cancelled Land	21.5
Grant	Cancelled Land	70.9
Holdcroft	Cancelled Land	48.2
Quagliata	Cancelled Land	37.6
Riverview	Cancelled Land	57.8
Russo	Cancelled Land	28.6
Seres	Cancelled Land	22.4
Shegog	Cancelled Land	22.6
Wilkins	Cancelled Land	43
Theyona	Cancelled Land	773.0
Sub-total		1,758.5
Total		3,464

Properties On-Sold

The following properties were acquired by the Fund, as a result of the Land Transaction and on-sold concurrently with the completion of the Land Transaction on 12 July 2012.

Property	Location	Project Year	Total Area (Ha)	Planted Area (Ha)	Tree crop
Sorbello Lot 107 on CPCWL1996 Lot 89 on CPCWL2321	Abergowie, QLD	2008	59.44	40.9	Teak

Great Southern 2008 High Value Timber Project

Contracted Properties

The following properties acquired by the Fund, as a result of the Land Transaction are contracted to be on-sold and settled by 12 October 2012.

Property	Location	Project Year	Total Area (Ha)	Planted Area (Ha)	Tree crop
Sorbello Lot 4 on RP 908281	Abergowie, QLD	2008	27.0	23.8	Teak

Sale of College Farm

College Farm, which Lowell elected as an Option Property under the terms of the ASA, was purchased by the Land Scheme and on-sold. Subsequently the lease over the property was cancelled by the Purchaser.

Other than as discussed above, no matters or circumstances have arisen since 30 June 2011 that have significantly affected, or may significantly affect:

- the operation of the Scheme in future financial years; or
- the results of those operations in future financial years; or
- the state of affairs of the Scheme in future financial years.

Likely developments

As at the date of this report, there are no significant likely developments or proposed changes to the usual operations of the Scheme, other than as discussed in the "Events subsequent to balance date".

Environmental regulation

The operations of the Scheme are subject to environmental regulation to the extent that the land used for plantations is subject to local shire planning and environmental approvals. No breaches have been identified

Indemnification

Great Southern Managers Australia Limited

Access and indemnity deeds have been executed by the parent company of GSMAL with each of the directors of the parent company and GSMAL that held office at any time during the financial year. The deeds require the parent company to indemnify each director or former director against any legal proceedings and any claims of any kind made against, suffered, paid or incurred by the officer pursuant to, arising from, or in any way connected with the officer being an officer of the company, the employment of the officer by the company and any act or omission by the officer, directly or indirectly, connected therewith, or a breach by the company of its obligations under the deed. The deeds stipulated that the parent entity will meet the full amount of such liabilities, including costs and expenses. Further, under the deed, the parent company irrevocably and unconditionally guarantees the performance by any controlled entity (including GSMAL) of all obligations under the deed.

Lowell Capital Limited

The Responsible Entity is indemnified out of the net proceeds of sale for any cost or liabilities incurred by it in performing its duties and acting in accordance with the Constitution of the relevant Scheme and the Growers Agreements and any liabilities incurred by a prior Responsible Entity which are assumed by the current Responsible Entity or for which becomes responsible

The Scheme has not indemnified any auditor of the Scheme.

Insurance Premiums

Great Southern Managers Australia Limited

During the period, GSMAL was the Responsible Entity for the Scheme, GSMAL's parent company paid premiums to insure all officers of the parent company and its controlled entities. The officers of GSMAL covered by the insurance policy include directors (as named earlier in this report), former directors and all employees including all executive officers. The insurance contract specifically prohibits disclosure of the nature of insured liabilities, the limit of the aggregate liability and the premiums paid.

Lowell Capital Limited

During the period, LCL's parent entity paid premiums to insure all officers of the parent company and its controlled entities. The officers covered by the insurance policy include directors (as named earlier in this report), former directors and all employees including all executive officers. The insurance contract specifically prohibits disclosure of the nature of insured liabilities, the limit of the aggregate liability and the premiums paid.

Great Southern 2008 High Value Timber Project

Independence Declaration by Auditor

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.298 (2) of the *Corporations Act 2001*.

Auditor's Independence Declaration to the Directors of Lowell Capital Limited, as Responsible Entity for the Great Southern 2008 High Value Timber Project

In relation to our audit of the financial report of Great Southern 2008 High Value Timber Project for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Robert A Kirkby
Partner

22 November 2012

Independent auditor's report to the Growers of Great Southern 2008 High Value Timber Project

Report on the Financial Report

We have audited the accompanying financial report of Great Southern 2008 High Value Timber Project ("the Scheme"), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in net assets attributable to growers and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Lowell Capital Limited ("LCL"), the Responsible Entity of the Scheme are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Basis for Qualified Auditor's Opinion

Limitations to the scope of our work exist for the reasons described below:

1. As disclosed in Note 5 to the accounts, Great Southern Managers Australia Limited ("GSMAL") was the Responsible Entity of the Scheme until 4 June 2010. McGrathNicol ("MN") was appointed as Receiver and Manager of GSMAL on 18 May 2009 and performed the roles of the Responsible Entity on behalf of GSMAL. MN ceased to be the Receiver and Manager of GSMAL on 2 March 2010 and Ferrier Hodgson assumed the role until 4 June 2010.

Between 18 May 2009 and 2 March 2010, MN incurred expenses in the care, preservation, protection and realisation of Scheme property. MN claims an entitlement to a lien over the Scheme's property and the product thereof, for their reasonable expenses.

As at 30 June 2011, the amount of expenses for which MN claims a lien against the Scheme is \$570,562. The amount has not been formally confirmed by MN or a court decision.

2. LCL, as Responsible Entity, has not been able to source and provide to ourselves certain source documentation relating to number of woodlots issued and/or withdrawn during the financial year. Furthermore, LCL does not have a current woodlot map by growers. Without access to this documentation, we are unable to determine the accuracy of the Scheme's grower register as at 30 June 2011.
3. We audited the financial statements of the Scheme for the financial year ended 30 June 2010, for which we were unable to and did not express an opinion as to the truth and fairness of the financial position of the Scheme as at 30 June 2010 and of its performance for the year ended on that date due to the existence of the limitation of the scope of our work as detailed in our disclaimer of auditor's opinion dated 20 January 2012. Certain balances as at 30 June 2010 enter into the determination of financial performance for the year ended 30 June 2011.

Qualified Audit Opinion

Because of the existence of the limitations on the scope of our work, as described in the preceding paragraphs, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitations not existed, we are unable to and do not express an opinion as to whether, based on our audit, the statement of comprehensive income, statement of cash flows, statement of changes in net assets attributable to growers and associated disclosures in the financial report of Great Southern 2008 High Value Timber Project for the year ended 30 June 2011 complies with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Furthermore, we are unable to and do not express an opinion on the statements of financial position as at 30 June 2010, or the statements of comprehensive income, statements of cash flows and statements of changes in net assets attributable to growers for the year the ended and the associated disclosures, which are shown for the purpose of comparison.

In our opinion, except for the matters described above, the statement of financial position of Great Southern 2008 High Value Timber Project as 30 June 2012 is in accordance with the *Corporations Act 2001*, including:


1. giving a true and fair view of Scheme's financial position as at 30 June 2012;
2. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
3. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying our audit opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 8 - Going concern to the financial report, there is significant uncertainty whether the Scheme will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Scheme not continue as a going concern.



Ernst & Young



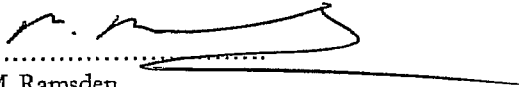
Robert A Kirkby
Partner
Perth
22 November 2012

DIRECTORS' DECLARATION

In the opinion of the directors of Lowell Capital Ltd, the Responsible Entity of Great Southern 2008 High Value Timber Project (the Scheme):

1. The financial statements and notes set out on pages 15 to 33, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of financial position of the Scheme as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as discussed in Note 1(a).
3. Subject to the achievement of matters described in note 8, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of Lowell Capital Ltd made pursuant to s.295 (4) of the Corporations Act 2001.


.....
M. Ramsden
Director

MELBOURNE

Dated: 22nd November 2012

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	2011 \$	2010 (restated) \$
ASSETS			
Current Assets			
Cash and cash equivalents		-	-
Total Current Assets		-	-
Total Non-current Assets		-	-
Total Assets		-	-
LIABILITIES			
Current Liabilities			
Trade and other payables		-	-
Total Current Liabilities		-	-
Non Current Liabilities			
Provisions	5	496,268	476,442
Total Non Current Liabilities		496,268	476,442
Total Liabilities (excluding net assets attributable to Growers)		496,268	476,442
Deficit attributable to Growers	9	(496,268)	(476,442)

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the Year ended 30 June 2011

	Notes	2011 \$ Inflows (Outflows)	2010 (restated) \$ Inflows (Outflows)
Cash flows from Operating Activities			
Interest received		-	-
Net Cash used in operating activities		-	-
Net increase(decrease) in cash and cash equivalents held		-	-
Cash and cash equivalents at beginning of the year		-	-
Cash and cash equivalents at end of the year		-	-
Reconciliation of the Changes in Net Assets Attributable to Growers to the net cash flows from operating activities:			
Changes in net assets attributable to Growers		(19,826)	(476,442)
Change in operating assets and liabilities			
Movement in trade and other payables		-	-
Movement in provision		19,826	476,442
Net cash flows from operating activities		-	-

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies

Great Southern 2008 High Value Timber Project ("the Scheme") is a registered investment scheme under the Corporations Act 2001.

The financial statements of the Scheme for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 22nd November 2012.

The registered office of the Responsible Entity, Lowell Capital Limited ("LCL") is located at 8 Chapel Street, Richmond, Victoria. LCL, the Responsible Entity of the Scheme, is incorporated and domiciled in Australia.

The investment objective of the Scheme is the sale of timber produced from tropical hardwood timbers, Teak (*Tectona Grandis*) and African Mahogany (*Khaya Senegalensis*) for use in the manufacturing of high value wood products. The plantations are managed by the Responsible Entity of the Scheme, LCL and, through a Plantation Management Agreement, by AMA Teak Pty Ltd.

The principal accounting policies adopted in the preparation of the financial report for the Scheme are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

Obligations of the Responsible Entity

The Responsible Entity has obligations to operate the Scheme and perform functions conferred on it by the relevant Scheme constitution. In addition, the Responsible Entity has separately entered into individual contractual arrangements with members of the Scheme under which the Responsible Entity has other obligations directly with the individual members of the Scheme.

This financial report relates only to the Scheme and therefore only considers the obligations of the Responsible Entity to the Scheme pursuant to the constitution. Other than as noted below, the financial report does not consider obligations of the Responsible Entity in respect of obligations to members of the Scheme pursuant to the separate contractual relationships between the Responsible Entity and those members.

Other Obligations to Members of the Scheme

Separately, the Responsible Entity has entered into individual contractual arrangements with members of each relevant Scheme under which the Responsible Entity is obliged to incur various expenditures and provide various services. The members either have paid or will make payments to the Responsible Entity to perform these obligations. The costs incurred by the Responsible Entity in discharging its contractual obligations with members are specific financial obligations of the Responsible Entity and in some cases are reimbursable to the Responsible Entity out of the Growers' gross proceeds of sale and are not financial obligations of the Scheme, and are therefore not directly relevant to this financial report.

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Continued)

Under The Scheme's Constitution, the Responsible Entity issues each Grower an invoice for an Additional Contribution of \$100 per Woodlot held by the Grower each year of a five year period. A Grower may pay \$400 per Woodlot in satisfaction of all Additional Contributions for the five year period if such an amount is paid under the terms of the first invoice issued by the Responsible Entity. A Grower may also choose to make Increased Contributions in addition to their Additional Contributions in \$100 lots or \$400 lots in relation to which they will receive a 20% discount. The Grower making Increased Contributions will have an entitlement to Non-Contribution Additional Fees to the value of 20% of the Net Proceeds of Sale relating to each Woodlot in respect of which an Increased Contribution was made.

Additional Contributions and Increased Contributions are placed into a Contributions Fund.

The Responsible Entity is entitled to be reimbursed from the Contributions Fund for the following:

- (a) costs and liabilities associated with the provision of the Ongoing Services including any reasonable future operational costs;
- (b) costs and liabilities associated with the development of the proposal set out in the Explanatory Memorandum, transactional costs to effect the change of Responsible Entity, fees associated with obtaining a ruling or an addendum to a ruling or confirmation from the ATO in relation to Growers' deductions, and any costs associated with any action taken by the Responsible Entity in relation to the default notices issued by the liquidators appointed to the land owning entity; and
- (c) any costs or liabilities incurred by the Responsible Entity in performing its duties and acting in accordance with the Constitution and the Agreements in connection with any liabilities incurred by a prior responsible entity which are assumed by the Responsible Entity or for which it becomes responsible, all legal and litigation costs incurred in dealing with any legal action that relates to the Project including relating to the actions of any prior responsible entity.

Statement of compliance

The financial statements comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented in these financial statements.

New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. From 1 July 2010, the Scheme has adopted all the standards and interpretations mandatory for annual periods beginning on or after 1 July 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Scheme. The Scheme has not elected to early adopt any new standards or amendments.

The following table lists all applicable Standards and Interpretations issued but not yet effective for the year ended 30 June 2011 for which the Scheme has elected not to early adopt.

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Continued)

AASB 9	Financial Instruments		
<i>Summary</i>	<p>AASB 9 includes requirements for the classification and measurement of financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> - The change attributable to changes in credit risk are presented in other comprehensive income (OCI). - The remaining change is presented in profit or loss. <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>		
<i>Impact on Scheme Financial Report</i>	The Scheme is still assessing the impact of these Amendments.		
<i>Application date of Standard</i>	1 January 2013	<i>Application date for Scheme</i>	1 July 2013
AASB 1053 AASB 2010-2 AASB2011-2	Application of Tiers of Australian Accounting Standards		
<i>Summary</i>	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards; and</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and</p> <p>(b) the Australian Government and State, Territory and Local Governments.</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) for-profit private sector entities that do not have public accountability;</p> <p>(b) all not-for-profit private sector entities; and</p> <p>(c) public sector entities other than the Australian Government and State, Territory and Local Governments.</p>		
<i>Impact on Scheme Financial Report</i>	The Scheme is still assessing the impact of this Standard.		
<i>Application date of Standard</i>	1 July 2013	<i>Application date for Scheme</i>	1 July 2013

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Continued)

AASB 2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project		
<i>Summary</i>	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions</p> <p>Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>		
<i>Impact on Scheme Financial Report</i>	The Scheme is still assessing the potential impact on the Scheme.		
<i>Application date of Standard</i>	1 January 2011	<i>Application date for Scheme</i>	1 July 2011

AASB 124 (Revised)	Related Party Disclosures (December 2009)		
<i>Summary</i>	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>		
<i>Impact on Scheme Financial Report</i>	The Scheme is still assessing the potential impact on the Scheme.		
<i>Application date of Standard</i>	1 January 2011	<i>Application date for Scheme</i>	1 July 2011

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Continued)

AASB 1054 AASB 2011-1	Australian Additional Disclosures		
<i>Summary</i>	<p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <ul style="list-style-type: none"> (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits 		
<i>Impact on Scheme Financial Report</i>	The Scheme is still assessing the potential impact on the Scheme.		
<i>Application date of Standard</i>	1 July 2011	<i>Application date for Scheme</i>	1 July 2011
AASB 2011-4	Remove Individual Key Management Personnel Disclosure Requirements		
<i>Summary</i>	This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.		
<i>Impact on Scheme Financial Report</i>	The Scheme is still assessing the potential impact on the Scheme.		
<i>Application date of Standard</i>	1 July 2013	<i>Application date for Scheme</i>	1 July 2013
AASB 13	Fair Value Measurement		
<i>Summary</i>	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined..</p>		
<i>Impact on Scheme Financial Report</i>	The Scheme is still assessing the potential impact on the Scheme.		
<i>Application date of Standard</i>	1 January 2013	<i>Application date for Scheme</i>	1 July 2013

b) Interest revenue

Interest revenue is recognised in the income statement as it accrues, on an effective interest rate basis.

c) Sale and cost of agricultural produce

Revenue from the sale of agricultural produce is recognised when the produce has been delivered to the customer, the customer has accepted the produce and collectability of the related receivable is probable. The cost of wood produced represents the shared cost of all Growers and mainly relates to the wood production, transportation and storage.

d) Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or any other purposes

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Continued)

e) Biological assets

As the trees from which the wood is produced are the assets of the Growers, they are not recorded in the Scheme accounts.

f) Trade and other receivables

Receivables are recognised and carried at original amount, less an allowance for any uncollectible debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Bad debts are written off when identified.

Amounts are generally received within 30 days of being recorded as receivables.

g) Trade and other payables

Liabilities for creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Scheme.

The carrying period of the trade payables is dictated by market conditions and is generally 30 days.

h) Provisions

Provisions are recognised when the scheme has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

i) Distribution to Growers

Distributions payable to Growers at 30 June 2011 were \$Nil (2010: \$Nil).

In accordance with the Scheme's Constitution, the Scheme distributes its profits from the sale of timber. Distributions are payable subsequent to the end of each financial year. Such distributions are determined by reference to the net profits received by the Scheme in the financial year. Distributions to Growers are recognised in the Statement of Comprehensive Income as finance costs.

j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC) except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.
- The net amount of GST recoverable from the Australian Taxation Office is included in receivables in the Statement of Financial Position.

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Continued)

k) Terms and conditions on interests

Each Grower enters into a Lease and Management Agreement ("LMA") under which they contract with the Responsible Entity to take a lease of one or more woodlots, for the Responsible Entity to carry on the plantation establishment, future management and maintenance of those woodlots for the duration of the project.

Leased areas totalled 0.5 hectares each consisting of 0.25 hectares of African Mahogany and 0.25 hectares of Teak. On Grower approval of final negotiations, as detailed under the heading 'Lease and Land Negotiations', leased areas will be redetermined.

The Responsible Entity will arrange for the harvest of the timber produce on behalf of Growers. The timber produce from all woodlots in the project will be aggregated with Growers receiving their proportionate share of the proceeds of the sale of timber produce from the project as arranged by the Responsible Entity.

l) Significant accounting judgements and estimates

In the application of the Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions used to determine the liability related to expenses incurred by McGrathNicol (MN) during the period between 18 May 2009 and 2 March 2010 are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The preparation of the Scheme's financial statements did not require management to make any other significant estimates, judgements or assumptions that affect the amounts recognised in the financial statements.

m) Recognition of assets

The recognition of biological assets on the Statement of Financial Position of a Managed Investment Scheme is an area of continuing interpretation and will be reassessed in future accounting periods having regard to developments in the relevant Accounting Standards. Currently, the trees from which the wood is produced are considered to be the assets of the Growers and as such are not recorded in the Scheme financial statements.

The plantation is managed by the Responsible Entity on behalf of the Growers for the duration of the Scheme. The plantation timber is expected to be harvested approximately 17-19 years from planting unless the Responsible Entity reasonably believes that it will be in the best interest of the Grower for the harvesting to be deferred to a later date.

If recognised on the Statement of Financial Position, the biological assets would be measured at fair value less estimated point-of-sale costs, and be offset by a corresponding liability to the Growers of the Scheme and the Responsible Entity.

Note 2 Income tax

All Scheme assets and any income of the Scheme are held on behalf of either the Growers or the Responsible Entity. The Scheme does not derive any taxable income on its own account and accordingly is not subject to income tax.

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 3 Correction of a prior year error

In the prior year, the Responsible Entity incurred legal fees of \$58,066 in relation to the development of the proposal set out in the Explanatory Memorandum, transactional costs to effect the change of Responsible Entity, obtaining a ruling from the ATO in relation to Growers' deductions. The cost was recoverable from the future contributions (the Contribution Fund) from growers and was recognised as the Scheme's expenses.

During the current financial year, the Responsible Entity concluded that the Contribution Fund and its associated cash outflows are between members of the Scheme and the Responsible Entity, not between the Scheme and the Responsible Entity. Because this financial report relates only to the Scheme, the financial report does not consider obligations of the Responsible Entity in respect of obligations to members of the Scheme pursuant to the separate contractual relationships between the Responsible Entity and those members. Therefore, the legal expenses should not have been recognised in the 2010 statement of comprehensive income.

For the financial year ended 30 June 2010, the error has the effect of

- Overstating the legal expenses by \$58,066;
- Overstating net loss before and after tax by \$58,066;
- Overstating trade and other payables by \$58,066; and
- Overstating deficit attributable to growers by \$58,066.

The error has been corrected by restating each of the affected financial statement line items for the year in which the error occurred, as described above. There were no changes required for the statement of financial position as at 1 July 2009.

Note 4 Capital management

Quantitative information about the Scheme's net assets attributable to Growers is provided in the Statement of Changes in Net Assets Attributable to Growers. Net assets attributable to Growers are payable once the criteria for distribution in the Scheme's Constitution has been met, which may include preparation of the Scheme's statement of financial position and performance. Growers have various rights under the Scheme's constitution and the Grower Agreement which contains arrangements for the lease of the Woodlot and maintenance and harvesting of the trees.

The Responsible Entity manages the net assets attributable to Growers as capital. The amount of net assets attributable to Growers can change as the Scheme receives and distributes profits from the sale of timber. The Scheme is not subject to any externally imposed capital requirements.

Note 5 Provisions, Commitments and Contingencies

a) Lien payable

Great Southern Managers Australia Limited (GSMAL) was the Responsible Entity of the Scheme for the period from inception to 4 June 2010. Representatives of McGrathNicol (MN) were appointed as Receiver and Manager of GSMAL on 18 May 2009. Representatives of Ferrier Hodgson (FH) were appointed liquidators of GSMAL on 19 November 2009. LCL was appointed the Responsible Entity on 4 June 2010 and has acted in that capacity since that date.

Between 18 May 2009 and 2 March 2010, MN incurred expenses in the care, preservation, protection and realisation of Scheme property in relation to the Scheme. MN has an entitlement to a lien over the Scheme's property and the product thereof, for their reasonable expenses. A lien is a security right conferred by operation of law that is granted over an item of property to secure the repayment of expenses incurred in the care and preservation of that property.

As at the date of this report, the undiscounted liability against the Scheme was estimated to be \$570,562 as disclosed in a lien consolidation file prepared by MN, dated 19 July 2011. The Responsible Entity entered into an Asset Sale Agreement with the Receivers and Managers and on 12 July 2012 the contract settled and the lien was formally waived as an outcome of the transaction.

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 5 Provisions, Commitments and Contingencies

In accordance with AASB 137, a provision is equal to the present value of the cash outflows required to settle the obligation. The discount rate used to determine the present value is the relevant risk adjusted rate over the period from 30 June 2011 to the estimated payment date. Management has estimate that this period of time is approximately three years and the discount rate used is 4.76%. At 30 June 2011, the provision is estimated to be \$496,268 (30 June 2010: \$476,442). The movement of the balance during the financial year is as follow:

	2011	2010
Opening balance	\$ 476,442	\$ -
Incurred during the year	-	476,442
Unwinding of the discount	19,826	-
Ending balance	<u>\$496,268</u>	<u>\$476,442</u>

b) Fee Structure

The revision to the fee structure in the Scheme's revised constitution increases the overall lease and management fee by 31.7% to 44.2% plus GST of net harvest proceeds. The total net harvest proceeds are split to include 2.75% lease fee, 48.625% Responsible Entity, 48.625% Growers (post GST). Of the amount received by the RE, 95% is payable to the manager under a Management Services Agreement.

The Responsible Entity is entitled to receive, on the date on which Lowell Capital Limited is appointed as the Responsible Entity of the Scheme, an amount equal to 20% of the RE's share of net harvest proceeds. Five calendar years after the date on which Lowell Capital Limited is appointed as the Responsible Entity of the Scheme, an amount equal to 30% of the proceeds; and the remaining 50% of the proceeds accrues on a pro rata basis over the period commencing five calendar years after the date on which Lowell Capital Limited is appointed as the Responsible Entity and ending on the date on which the Responsible Entity commences harvesting of the forest produce.

The Responsible Entity will also receive 10% of additional contributions made by Growers for the first five years of becoming the Responsible Entity and \$40,000 plus GST annually thereafter index in line with the Consumer Price Index. This annual fee is a drawdown of the revised fee discussed above.

The Responsible Entity becomes entitled to receive the non-contribution additional fee at the conclusion of the Five Year Period.

There are no other commitments or contingencies at 30 June 2011.

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 6 Events after the balance date

a) Lease and land negotiations

The previous responsible entity of the Project, Great Southern Managers Australia Limited (in Liquidation) (Receivers and Managers appointed) (GSMAL) leased land from Great Southern HVT Holdings Pty Ltd (In Liquidation) (GSHVTPL) to establish the Members' plantations in the Project. The Liquidator of GSHVTPL issued default notices and threatened to terminate the leases and sell the Land on the basis that the Responsible Entity defaulted on some of the terms of the leases.

A plantation assessment was complete in September 2011 recommending some plantations cease to be maintained due to poor stocking, declining survival, poor growth and those that that would be expensive to maintain and where returns would be very low. The Responsible Entity negotiated a conditional Asset Sale Agreement (ASA) with the Liquidator, to resolve the dispute and protect the land containing viable plantations. At a meeting of Members on 6 December 2011, Members approved the Responsible Entity entering into the ASA to buy parcels of land with commercially viable plantations (Continuing Land). As a condition of the Responsible Entity entering into the agreement the Receivers and Managers Liens have been waived. Conditions precedent for the ASA were been satisfied and the contract was settled on 12 July 2012.

The Responsible Entity set up a special purpose land trust, Lowell Capital-HVT Land Scheme (Land Scheme) to buy the Continuing Land from the Liquidator. A Product Disclosure Statement dated 29 May 2012 and offered members of the Scheme, a preferential opportunity to subscribe for interests in the Land Scheme.

Lowell Capital Limited in its capacity as Responsible Entity of the Land Scheme entered into a Debt Facility to assist in raising funds to complete the Land Transaction. Balanced Securities Limited (The Lender) required that the members of the projects specifically approve the finance arrangements at meetings of members. The Responsible Entity called a meeting of members to specifically approve the finance arrangements. A Meeting Booklet including a Notice of Meeting for 26 June 2012 and Explanatory Memorandum was issued on 1 June 2012. The members approved the arrangements at a meeting held on 10 July 2012 and the transaction settled on 12 July 2012.

Lowell has withdrawn the Product Disclosure Statement dated 29 May 2012 and advised an intention to issue a new Offer to Growers to subscribe for interests in the Land Scheme.

Lowell arranged the sale of some properties contemporaneously with their purchase and has contracted the future sale of further properties. Proceeds from these sales are to be used to pay for the costs of the ASA transaction, the costs of arranging debt finance, obtaining grower approval, the land sales and to reduce borrowings. Lowell has advised an intention sell additional properties to enable re-payment of all borrowings and to undertake a review of the future operations of the schemes based upon a smaller land area.

b) Plantation Area

The Liquidator has terminated and the Responsible Entity has accepted the termination of the relevant Head Leases on the unviable lands. The land area is diminished. The Responsible Entity cannot identify the impact on each Grower's land interest because the Liquidators have been unable to locate records of GSMAL's allocations of land to individual Growers. The Responsible Entity proposes to ensure that Grower's proportional interests in the net harvest proceeds of the Scheme will remain the same, the land areas of Scheme will be determined and the available land will be re-allocated proportionately to the continuing Growers in accordance with the original Scheme objectives.

Lowell has been authorised by the members to sell further properties in order to reduce debt, if it is deemed to be in the best interests of the Scheme.

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 6 Events after the balance date (continued)

A schedule setting out the Continuing Scheme Land and the Land with Terminated leases is set out below.

Great Southern 2008 High Value Timber Project ARSN 123 529 233		
Plantation	Category	Initial Planted area (ha)
CONTINUING LAND		
Cavallo Central	Continuing Land	19.5
Cavallo East	Continuing Land	20.4
Coldwater	Continuing Land	77.0
Di Giacomo	Continuing Land	38.8
Erkkila 2	Continuing Land	64.7
MacDonald	Continuing Land	39.3
Mahony	Continuing Land	55.1
Messina	Continuing Land	42.3
Quagliotto	Continuing Land	38.9
Sorbello 1	Continuing Land	17.2
Vella	Continuing Land	43.7
Whatfor	Continuing Land	878.8
Sub-total		1335.7
SOLD LAND		
Castellani	Sold Land	51.8
Mombelli 1 & 2	Sold Land	67.4
Rutherford	Sold Land	35.2
Sorbello 2, 3 & 4	Sold Land	63.3
College Farm	Sold Land	152.1
Sub-total		369.8

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 6 Events after the balance date (continued)

Great Southern 2008 High Value Timber Project ARSN 123 529 233		
Plantation	Category	Initial Planted area (ha)
CANCELLED LAND		
Astorquia	Cancelled Land	7.0
Boscato	Cancelled Land	30.7
Cassar 1,2,3	Cancelled Land	129.9
Castellani V	Cancelled Land	31.8
Castorina	Cancelled Land	74.6
Castorina 2009	Cancelled Land	167.4
Cauchi	Cancelled Land	44.9
Erkkila 1	Cancelled Land	64.7
Fischera	Cancelled Land	81.9
Glewright	Cancelled Land	21.5
Grant	Cancelled Land	70.9
Holdcroft	Cancelled Land	48.2
Quagliata	Cancelled Land	37.6
Riverview	Cancelled Land	57.8
Russo	Cancelled Land	28.6
Seres	Cancelled Land	22.4
Shegog	Cancelled Land	22.6
Wilkins	Cancelled Land	43
Theyona	Cancelled Land	773.0
Sub-total		1,758.5
Total		3,464

Properties On-Sold

The following properties were acquired by the Fund, as a result of the Land Transaction and on-sold concurrently with the completion of the Land Transaction on 12 July 2012.

Property	Location	Project Year	Total Area (Ha)	Planted Area (Ha)	Tree crop
Sorbello Lot 107 on CPCWL1996 Lot 89 on CPCWL2321	Abergowie, QLD	2008	59.44	40.9	Teak

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 6 Events after the balance date (continued)

Contracted Properties

The following properties acquired by the Fund, as a result of the Land Transaction are contracted to be on-sold and settled by 12 October 2012.

Property	Location	Project Year	Total Area (Ha)	Planted Area (Ha)	Tree crop
Sorbello Lot 4 on RP 908281	Abergowie, QLD	2008	27.0	23.8	Teak

Sale of College Farm

College Farm, which Lowell elected as an Option Property under the terms of the ASA, was purchased by the Land Scheme and on-sold. Subsequently the lease over the property was cancelled by the Purchaser.

Other than as discussed above, no matters or circumstances have arisen since 30 June 2011 that have significantly affected, or may significantly affect

- the operation of the Scheme in future financial years; or
- the results of those operations in future financial years; or
- the state of affairs of the Scheme in future financial years.

Note 7 Financial Risk Management Objectives and Policies

a) Financial risk management objectives, policies and processes inconvenience

Financial instruments of the Scheme may comprise cash and cash equivalents, net assets attributable to Growers, and other financial instruments such as trade debtors and creditors, which arise directly from its operations. The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty. In order to avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels.

b) Credit risk

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk arising from the financial assets of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Scheme holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

Credit risk is not considered to be significant to the Scheme

Note 7 Financial Risk Management Objectives and Policies (continued)

c) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled as the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

Under the terms of its Constitution, the Scheme has the ability to manage liquidity risk by delaying distributions to Growers, if necessary, until the funds are available to pay them.

Distributions payable and net assets attributable to Growers are payable once the criteria for distributable profit in the Scheme's Constitution has been met, which include lodgement of the Scheme's financial statements.

Maturity analysis for financial liabilities

Financial liabilities of the Scheme comprise trade and other payables, distributions and net assets attributable to Growers. Trade and other payables have no contractual maturities but are typically settled within 30 days.

c) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variable such as interest rates, foreign exchange rates, and equity prices. Market risk is not considered to be significant to the Scheme.

d) Fair Values

The Scheme's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value or at amounts approximate to their fair values.

Note 8 Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. In preparing the financial report, the RE assumes the following:

- The Growers will continue to make sufficient additional contributions of \$100 per woodlot to meet on-going administration, care and maintenance expenses of the plantation;

Should the RE not achieve the matter set out above, there is significant uncertainty whether the Scheme will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments to assets and liabilities that may be necessary if the Scheme is unable to continue as a going concern.

Note 9 Net liabilities

The net liability balance in the Statement of Financial Position is the result of expenses incurred in the care, preservation, protection and realisation of Scheme property as described in note 5 Provisions, Commitments and Contingencies. The Responsible Entity entered into an Asset Sale Agreement with the Receivers and Managers and on the 12 July 2012, the Contract Settled and the Lien fee was formally waived.

Subject to the achievement of matters described in note 8 above, the Directors of LCL have reasonable grounds to believe that, despite this net liability, the Scheme will be able to pay its debts as and when they become due and payable.

Great Southern 2008 High Value Timber Project

Notes to and forming part of the Financial Statements
for the Financial Year Ended 30 June 2011

Note 10 Related Party Disclosures

Lowell Capital Limited appointed AMA Teak Pty Ltd project manager of the Scheme via a management agreement. Terrain Capital Markets Limited was the underwriter for the collection of maintenance contributions. Michael Ramsden is a director of Lowell Capital Limited, AMA Teak Pty Ltd and Terrain Capital Markets Limited.

a) Details of Key Management Personnel

M.A. Ramsden

D.B. Worth

resigned 31 August 2010

D. Carroll

Mr O.R. Carton

appointed 22 October 2010

(i) Compensation of Key Management Personnel

No amount is paid by the Scheme directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Scheme to the Directors as Key Management Personnel.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in part (b) of this note.

b) Fees paid to the Responsible Entity

No fees were paid to the Responsible Entity for the financial year ended 30 June 2011 (2010: \$nil).

c) Interest in Scheme held by the Responsible Entity and its Associates

At the date of this report, the Responsible Entity, its associates and directors hold no interests in the Scheme.

Note 11 Audit Fees

The Responsible entity bears the cost of the audit of the scheme and the compliance plan.

Note 12 Statement of Changes in Net Assets

AASB 101.80 requires entities without share capital to disclose equivalent information about changes during the period. Consistent with that requirement and the approach adopted for the Statement of Comprehensive Income and the Statement of Financial Position under the alternative presentation in AASB 132 Example 7, we believe that presenting a Statement of Changes in Net Assets Attributable to Growers with equivalent information to a Statement of Changes in Equity is best practice and more appropriate to the needs of users than a Statement of Changes in Equity with zero balances.