

22 October 2009

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Dear Investor,

**GREAT SOUTHERN 2008 FORESTRY LAND TRUST UPDATE**

**Background**

The purpose of this letter is to provide you with an update on the Great Southern 2008 Forestry Land Trust.

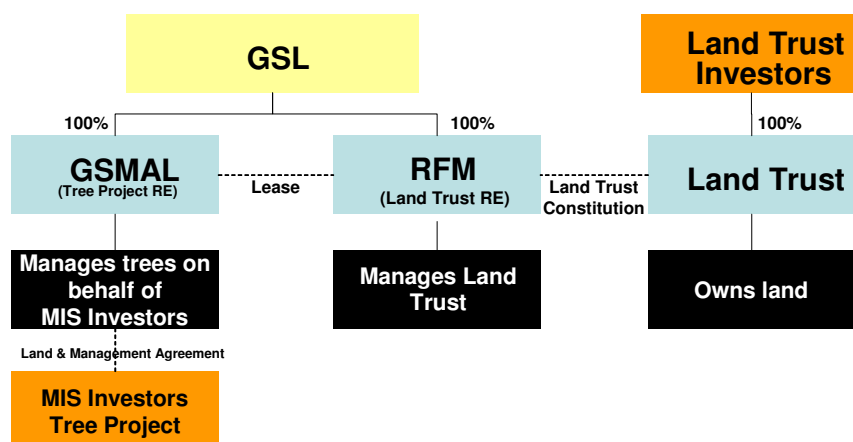
Great Southern Limited (Administrators appointed) (Receivers & Managers appointed) (“**GSL**”) offered two separate investment products under the “Great Southern 2008 Future Forestry Investment” Product Disclosure Statement dated 13 December 2007, being:

- + Great Southern 2008 Renewable Fibre Project (“**Tree Project**”); and
- + Great Southern 2008 Forestry Land Trust (“**Land Trust**”)

Great Southern Managers Australia Limited (Administrators appointed) (Receivers & Managers appointed) (“**GSMAL**”) is the responsible entity (“**RE**”) for the Tree Project.

Rural Funds Management Limited (“**RFM**”), formerly Great Southern Funds Management Limited, is the RE for the Land Trust.

The relationship between GSMAL and RFM is shown in the diagram below.



**GSL Receivership**

On 16 May 2009 Ferrier Hodgson were appointed as **Administrators** to GSL and GSMAL and its subsidiaries; and subsequently on 18 May 2009 McGrathNicol were appointed as Receiver and Managers (“**Receivers**”) by a group of secured creditors to a number of GSL group entities including GSL and GSMAL. The latest Circular (dated 29 September 2009) to investors in the Tree Project from the Receivers is attached hereto (Appendix 1) for your reference.

RFM is currently a wholly owned subsidiary of GSL. However, RFM is not in administration or receivership. RFM remains solvent and continues to operate as normal.

**Project / Leases**

From the information provided by the Receivers on the Great Southern web site, we understand that the Receivers are still assessing the future viability of the Tree Project, which includes seeking expressions of interest from parties wishing to replace GSMAL as the RE for the Tree Project, and the Receivers will advise investors of the outcome in due course. The lease(s) from RFM as RE of the Land Trust to GSMAL currently remain in place. Should the Receivers determine that the Tree Project is not viable, then it is expected that the lease(s) to the Tree Project would be terminated and RFM would be able to deal with the properties on an unencumbered basis.

The lease(s) require that GSMAL establish, tend and manage the trees in accordance with sound forestry practices. RFM’s strategy to date has been to work with the Receivers to determine the viability of the schemes and whether a replacement RE for GSMAL can be found. The Receivers are expected, but not certain, to conclude their process within the next four weeks.

**Financial**

The Land Trust raised \$11.442m from 2,179 investors; with 22,884 units issued. From the subscriptions raised, the Land Trust purchased 23 properties (encumbered by leases) for a total of \$10.113m including acquisition costs and stamp duty. As at 30 June 2009, the balance of \$1.889m remains held as cash within the Land Trust. The 2009 Annual Report for the Land Trust is now available on the RFM website. A summary of the Land Trust’s financial position is provided below.

<b><u>BALANCE SHEET as at 30 June 2009</u></b>	
Cash at Bank	1,889,271
Receivables	2,298
<b>Total Current Assets</b>	<b>1,891,569</b>
Property (encumbered)	5,342,968
<b>Total Non Current Assets</b>	<b>5,342,968</b>
<b>TOTAL ASSETS</b>	<b>7,234,537</b>
Trade and other payables	698,083
Current tax liabilities	1,692
<b>Total Current Liabilities</b>	<b>699,755</b>
<b>TOTAL LIABILITIES</b>	<b>699,755</b>
<b>NET ASSETS</b>	<b>6,534,762</b>
Issued Units	11,442,000
Retained Earnings	(4,907,238)
<b>TOTAL EQUITY</b>	<b>6,534,762</b>

The main reasons for the decrease in valuation of the encumbered properties are:

- Reduction in the independent valuation on some properties.
- Increase in the discount rate used for the purpose of director’s valuation to reflect additional risk.
- Rental received from harvest proceeds has been removed for those areas that were not planted.

## **Properties**

A summary of the properties purchased by the Land Trust, including planted areas, is attached as Appendix 1. Following the purchase of the properties, the transfer of ownership to RFM as RE for the Land Trust remains technically incomplete for most properties. The transfers of land are currently awaiting stamp duty assessment in Victoria, South Australia and Western Australia, and Caveats have been lodged over the properties to protect the investor's interests. RFM is seeking to have stamp duty levied on the lower encumbered values rather than the unencumbered values.

In relation to the Victorian and South Australian properties, the estimated amount of stamp duty payable on the lower encumbered values has been paid to the respective state revenue offices; which totals \$190,294. However until the stamp duty assessment has been completed by the state revenue offices, it is uncertain whether further stamp duty may be payable. Should the state revenue offices determine that the stamp duty is payable on the higher unencumbered values, the additional stamp duty may amount to as much as a further \$253,000.

The estimated stamp duty of \$278,923 for the Western Australian properties has not yet been paid; however has been accrued in the financial statements. The stamp duty will become payable once the assessment has been finalised.

Reports provided by the Great Southern personnel managing the properties indicates that there are no immediate capital requirements to maintain the health of the trees that have been planted.

Based on the legal advice received, RFM is confident that the Land Trust has full title to the properties and RFM has no reason to believe that the circumstances of the GSL receivership will affect the property transactions.

## **Going Forward**

Depending on the outcome of the Receivers assessments referred to earlier, and should a replacement RE for the Tree Project not be found, RFM will appoint an independent forestry consultant to conduct a property by property review and provide recommendations as to the long term feasibility of each property.

Depending on the outcome of the independent review, RFM expects that the future plans for the Land Trust may include some or all of the following:

1. Planting trees on the properties which have not been planted to date.
2. Selling the planted properties in their current state.
3. Selling the properties that do not have trees planted to date, as grazing and cropping properties.
4. Assessing the suitability for all or part of the forestry area or properties to be subject to a new structure with RFM or another party acting as RE.

RFM expects that the independent review will take approx 4-6 weeks to complete. Upon completion, RFM will provide you with a further update on the status of the property leases and the also the recommendations contained within the independent review.

If you have any queries in relation to the Land Trust, please contact RFM Investor Services on 1800 026 665 or via email [investorservices@ruralfunds.com.au](mailto:investorservices@ruralfunds.com.au).

Yours sincerely



**David Bryant**  
Managing Director & General Manager

**Properties**

A summary of the properties purchased by the Land Trust, including planted areas, is provided below.

Property Name	State	Land Area (ha)	Proposed Planted Area (ha)	Planting Stage / Date Planted	Actual Area Planted to date (ha)
1 Fahey	VIC	57.9	36.8	All clean up & spraying completed.	Not planted
2 Woolcock	VIC	99.9	56	All clean up & spraying complete	Not planted
3 Hennig	VIC	91.3	53.5	Ripped and mounded	Not planted
4 Henry	VIC	121.0	81.3	Ripped & mounded	Not planted
5 Finlay	VIC	93.9	56.5	Ripped & mounded	Not planted
6 Riverleas	SA	579.8	384	All works except planting	Not planted
7 Riggs	SA	846.9	466.5	All works except planting	Not planted
8 Talara	SA	1131.0	111.8	Ripped & mounded	Not planted
9 Bennys	SA	519.8	130.7	All works except planting	Not planted
10 Dondy Downs	WA	455.6	305.8	Coppice 2008	305.8
11 Matilda	WA	420.5	90.7	Coppice 2009	90.7
12 Oriole	WA	538.1	280.8	Coppice 2009	280.8
13 Crystal Brook	WA	219.1	190.3	Coppice 2008	190.3
14 Kathleen	WA	306.3	239.5	Coppice 2009	239.5
15 Kent River	WA	448.9	233.4	Coppice 2009	233.4
16 McGregor 2	WA	438.0	332.8	Coppice 2009	332.8
17 Ridgeway	WA	1057.0	237.2 577.4	Not Started Coppice 2009	Not planted 577.4
18 Shepherd	WA	463.0	303.3	Coppice 2009	303.3
19 Shepherd 2	WA	344.8	224.4	Coppice 2009	224.4
20 Woodbridge 1	WA	316.2	153.2 26.6	Not Started Coppice 2008	Not planted 26.6
21 Woodbridge 2	WA	95.3	49.4	Coppice 2008	49.4
22 Lake Unicorn	WA	516.3	269.3	Coppice 2009	269.3
23 Nabowla	TAS	142.2	63.8 42	Site prep completed Coppice	Not planted 42
		<b>9,303.0</b>	<b>4,997.0</b>		<b>3,165.7</b>

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CORPORATE RECOVERY

**Great Southern Managers Australia Limited  
(Administrators Appointed)  
(Receivers and Managers Appointed)  
("GSMAL")  
ACN 083 825 405**

**Great Southern 2008 Renewable Fibre Project (ARSN 124 053 274)  
(the "Scheme")**

**Circular to investors**

At the date of appointment of Receivers and Managers on 18 May 2009 some woodlots in the Scheme had not been planted. GSMAL (the Responsible Entity) has no funding and consequently it was not possible to plant trees on these woodlots.

There may be tax implications for investors whose woodlots were not planted. We are unable to provide investors with advice in this regard, however we recommend you seek independent taxation advice regarding your individual circumstances. The ATO have indicated they may release some advice for affected investors shortly.

A list of Woodlots which have not been planted has been posted on the investor portal (<http://investors.great-southern.com.au>). If you have not registered for the portal, please refer to the Great Southern website (<http://www.great-southern.com.au/investoronlineaccess.aspx>) which details how to register.

Should you have any questions please email [gsp@great-southern.com.au](mailto:gsp@great-southern.com.au) or [fm-gs@mcgrathnicol.com](mailto:fm-gs@mcgrathnicol.com) or call the Investor Hotline on 1800 258 348.

Yours faithfully



Simon Read  
Receiver and Manager  
29 September 2009