



GREAT SOUTHERN
LIMITED



COMPANY ANNOUNCEMENT

Tuesday, 26 August 2008

PROPOSED MAJOR RESTRUCTURE OF GREAT SOUTHERN

Following a comprehensive strategic review, Great Southern Limited (ASX:GTP) is today pleased to announce a major business restructure program ("Project Transform") which aims to create a more sustainable, transparent and valuable business for shareholders that can become less susceptible to regulatory uncertainty.

The major components of Project Transform include:

1. A significant restructure of Great Southern to create a company with three business streams of forestry, agricultural investment services and cattle. This restructure will be facilitated through a series of proposed transactions to acquire the interests of investors in eight selected Great Southern pulpwood and cattle managed investment projects in exchange for new shares to be issued in the company.
2. A reorientation of Great Southern's agricultural investment services business to focus both on forestry MIS projects with less capital intensity and on agricultural sector funds management.
3. Rationalisation and increased operational efficiencies to achieve reduction in costs of up to \$30 million from 2008 levels, including the reduction in approximately 50 FTEs already implemented during the review process.

The central component of Project Transform is a series of proposed transactions whereby project investors in Great Southern's 1998 to 2003 pulpwood projects and 2006 and 2007 Beef Cattle projects will be offered shares in the company in exchange for their MIS project interests.

The number of shares to be offered is based on the total current value of the MIS project interests, calculated at \$438.1 million at a share issue price of \$1.10. The issue price has been determined having regard for a number of factors, including the current and historical share price of the company, the net tangible asset value at 30 June 2008 of \$2.13 per share, the estimated net tangible asset value if all proposals are successful of \$1.46 per share and the benefits of the proposed transactions which are expected to flow to Great Southern. If the Company is successful in acquiring all project interests for which offers are made, a total of 398.3 million shares will be issued at this issue price, representing approximately 55% of the issued capital of the restructured company.

The proposed transactions will be subject to approval by shareholders and relevant project investors.

The independent directors of the Responsible Entity of each scheme have unanimously recommended that, in the absence of superior proposals, investors approve each of the proposals, based on the conclusion of the Independent Expert, KPMG, that each of the proposals is in the best interests of the relevant Project Investors.

Restructure Benefits

The proposed transactions will, if all successful, bring together the company's key asset – high value agricultural land – with the tree and cattle assets of investors in selected forestry and cattle managed investment scheme projects. This will:

1. Create Australia's largest hardwood plantation forestry business, which owns or manages 238,000 hectares of plantation land (with an unencumbered value of approximately \$1.1 billion) with rights to an estimated 7.4 million green metric tonnes of woodchips to be harvested over the next 5 years, worth approximately \$800 million (gross) at today's woodchip prices.
2. Improve Great Southern's earnings and cashflow predictability, with revenues being driven by plantation fibre supply rather than being dominated by sales of MIS products, reducing the company's exposure to regulatory risk and uncertainty.
3. Improve balance sheet strength, flexibility and scale, increasing Great Southern's market capitalisation to approximately \$800 million if Great Southern trades at the issue price of \$1.10 and reducing total debt to total assets to approximately 33%.
4. Improve returns through operational efficiencies associated with the removal of obligations and restrictions contained within the particular MIS project structures.
5. Create a cattle business owning 217,000 head of cattle and 1.4 million hectares of pastoral leases or freehold land across 7 properties, although the company will review the opportunity to sell selected cattle assets to further reduce gearing.
6. Enable Great Southern to maximise the value of its significant land bank, as the removal of MIS project leases provides the flexibility to use the land and assets in the most value accretive way for shareholders.
7. Enhance the potential to capture the benefits of carbon emissions trading, through the large plantation forestry land and tree estate owned by the company.

The impact on Great Southern revenues, margins, cashflow and balance sheet will vary significantly between the various projects and the extent to which each of the offers to project investors are accepted.

The benefits to project investors in accepting the offers include:

- increased liquidity by exchanging relatively illiquid investment in a managed investment scheme for shares in Great Southern which can be readily traded on the ASX;
- improved investment diversification that potentially increases the returns that project investors may otherwise receive.

There is no current intention to make offers in respect of any other MIS projects managed by Great Southern.

Cameron Rhodes, Managing Director, said "These proposals, if approved, will transform our company. We will be an integrated forestry business and have additional revenue and cash flows from both forestry and cattle to complement our existing tax effective MIS business. This addresses many of the issues which we currently face and meets the strategic objectives that we have set.

"We are very confident that if all 8 proposals are supported this transaction will add significant value to all stakeholders at a number of levels" he said.

Further details in respect of the proposed transactions and strategic review are included in the investor presentation and annexure attached to this announcement. It is currently expected that the relevant explanatory memorandum for each project will be available from the end of September, with shareholder and grower meetings to consider the proposed transactions scheduled for mid to late October 2008.

For further information see www.great-southern.com.au or call:

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