

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR URGENT ATTENTION. YOU SHOULD READ ALL OF IT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISOR IMMEDIATELY.



GREAT SOUTHERN
MANAGERS AUSTRALIA LIMITED

ACN 083 825 405

Great Southern Managers Australia Limited

EXPLANATORY MEMORANDUM

GREAT SOUTHERN PLANTATIONS 1998
ARSN 092 780 204

The GSMAL Independent Directors **UNANIMOUSLY RECOMMEND** that, in the absence of a superior proposal, you **VOTE IN FAVOUR** of Your Scheme Proposal.

The Independent Expert has concluded that Your Scheme Proposal is in the **BEST INTERESTS** of Project Investors as a whole.

If you have any queries in relation to Your Scheme Proposal, this Explanatory Memorandum or the Notice of Meeting, the Project Investor Information Line may be able to assist - please call 1300 652 672 (toll free) from within Australia or +61 3 9415 4884 from outside Australia during office hours and select "option 1".

Important notices

Purpose of this Explanatory Memorandum

This Explanatory Memorandum is the explanatory statement to accompany the Notice of Meeting to Project Investors in the 1998 Project and contains the recommendation of the GSMAL Independent Directors in relation to Your Scheme Proposal. Annexure 4 to this Explanatory Memorandum is the Notice of Meeting. Annexure 3 to this Explanatory Memorandum is a Prospectus issued by GSL under Chapter 6D of the Corporations Act which is dated 23 October 2008..

This Explanatory Memorandum is dated 23 October 2008.

You should read this Explanatory Memorandum and each of the Annexures in their entirety before making a decision on how to vote on the Resolutions to be considered at the Meeting. You should read the entire Prospectus for GSL Shares to fully understand the nature of the Scheme Proposals (including Your Scheme Proposal) and the Individual Offers (including Your Individual Offer).

The Resolutions will be considered at the Meeting to be held at the Parmelia Hilton, Perth on 1 December 2008 at 9.00 am (WDT).

Responsibility for information

All information under the heading "About GSL" on page v of this Explanatory Memorandum, all information in the GSL Chairman's letter on page x of this Explanatory Memorandum, in Sections 2 ("Why Have the 8 Projects been chosen?" only), 4, 6, 7.3, 7.8, 7.9, 7.10, 8.4, 9.5, 9.6(b) and 9.10 of this Explanatory Memorandum, and in the Prospectus appearing at Annexure 3 to this Explanatory Memorandum (including, without limitation, financial information, information on Your Individual Offer and information as to the views of GSL and its directors), (**GSL Information**) has been prepared and provided by GSL and its directors and is the responsibility of GSL. None of GSMAL, its directors nor its advisers assume any responsibility for the accuracy or completeness of the GSL Information.

KPMG Corporate Finance (Aust) Pty Ltd has prepared the Independent Expert Report (as set out in Annexure 1 to this Explanatory Memorandum) and takes responsibility for that report.

KPMG has prepared the Independent Taxation Opinion (as set out in Annexure 2 to this Explanatory Memorandum) and takes responsibility for that report.

The information concerning GSMAL and the 1998 Project contained in this Explanatory Memorandum (being all information other than GSL Information, the Independent Expert Report and the Independent Taxation Opinion) has been prepared by GSMAL and GSMAL's directors and is the responsibility of GSMAL.

No person is authorised to give any information or to make any representation in connection with the Scheme Proposals (including Your Scheme Proposal) or the Individual Offers (including Your Individual Offer) which is not contained in this Explanatory Memorandum or the Prospectus, respectively. Any information or representation not so contained may not be relied on as having been authorised by GSMAL or GSL in connection with the Scheme Proposals or the Individual Offers. No person, firm or corporation associated with this Explanatory Memorandum, the Prospectus or the Notice of Meeting guarantees, warrants, or underwrites the performance of the GSL Shares or any particular investment return from GSL.

No investment advice

The information contained in this Explanatory Memorandum and the recommendation made by the GSMAL Independent Directors have been provided without reference to your particular investment objectives, financial situation, taxation position and needs. It is important that you read the Explanatory Memorandum (including each Annexure) in its entirety before making any investment decision, and any decision on how to vote on the Resolutions. If you are in doubt in relation to these matters you should consult your investment, financial, taxation or other professional advisor.

The GSMAL Independent Directors are not giving or providing, and shall not be taken to be giving or providing, any recommendation or statement of opinion in relation to the acceptance or otherwise of Your Individual Offer by way of this Explanatory Memorandum or otherwise.

Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future, including forward looking statements relating to the strategy of GSL. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from expected future results, performance or achievements expressed or implied by those statements. These statements reflect only views held at the date of this Explanatory Memorandum.

None of GSMAL or GSL, the directors of those companies nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

Notice to Foreign Project Investors

This Explanatory Memorandum does not constitute, nor is it intended to constitute, an offer to any person with a registered address outside Australia and New Zealand.

Project Investors with a registered address outside of Australia or New Zealand should refer to Section 7.8 of this Explanatory Memorandum.

Information

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Explanatory Memorandum. All references to time are to the time in Perth, Western Australia. Where appropriate in the context, numbers have been rounded.

Defined terms

Capitalised Terms used in this Explanatory Memorandum are defined in the Glossary in Section 10.

Project Investor Information Line

If you have any queries in relation to Your Scheme Proposal, this Explanatory Memorandum or the Notice of Meeting, the Project Investor Information Line may be able to assist - 1300 652 672 (toll free) from within Australia or +61 3 9415 4884 from outside Australia during office hours, and select "option 1".

Independent Expert Report

A copy of the concise Independent Expert Report is included as Annexure 1 to this Explanatory Memorandum. A copy of the full Independent Expert Report (including the Technical Report) is available to Project Investors free of charge by contacting the Project Investor Information Line during office hours - 1300 652 672 (toll free) from within Australia or +61 3 9415 4884 from outside Australia or from the GSL website at www.great-southern.com.au/Projectinvestors.aspx.

Privacy

GSMAL may collect personal information in the process of implementing Your Proposals. Such information may include the name, contact details and interests of Project Investors and the name of persons appointed by those persons to act as a proxy, corporate representative or attorney at the Meeting. The primary purpose of the collection of personal information is to assist GSMAL to conduct the Meeting and implementing Your Proposals. Personal information of the type described above may be disclosed to the Project Investor registry, print and mail service providers, authorised securities brokers, and related bodies corporate of GSMAL.

The main consequence of not collecting the personal information outlined above would be that GSMAL may be hindered in, or prevented from, conducting the Meeting and implementing Your Scheme Proposal.

Project Investors and persons appointed to act as a proxy, corporate representative or attorney at the Meeting have certain rights to access personal information that has been collected, and should contact the Project Investor registry in the first instance if they wish to access their personal information.

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Summary of Your Scheme Proposal

Summary of the Scheme Proposals and the Individual Offers

- As part of Your Scheme Proposal, GSL is offering Project Investors in the 1998 Project the opportunity to collectively decide to exchange their Woodlots in the 1998 Project for GSL Shares. GSL is also offering project investors in the 7 Other Projects a similar opportunity to exchange their project interests for GSL Shares. The number of GSL Shares being offered to investors in all Projects (including investors in the 1998 Project) depends on the volume-weighted average price of GSL Shares traded on ASX during a 5 day period prior to the Meeting on 1 December 2008.
- Concurrently, GSL is also offering project investors in all Projects (including you) the opportunity to individually exchange their droves and woodlots for GSL Shares irrespective of the outcome of the Scheme Proposals.
- If all of the 8 Scheme Proposals are implemented, project investors in all 8 Projects between them will be entitled to hold between 55% and 71% of GSL, with the balance held by existing GSL Shareholders.
- If Your Scheme Proposal is not implemented and you do not accept Your Individual Offer, you will remain a Project Investor in the 1998 Project.
- A snap-shot of all of the Scheme Proposals (including Your Scheme Proposal) is set out below which illustrates the assessed collective post tax value of growers'/graziers' interests in each of the Projects (including Your Project)¹ on a per woodlot or drove basis, and the number of GSL Shares being offered to investors in each of the Projects (including you) on a per woodlot or drove basis:

Project	Assessed Value per woodlot/drove interest (after-tax) ¹	Number of GSL Shares per woodlot/drove (at \$0.50 VWAP) ²	Number of GSL Shares per woodlot/drove (at \$1.00 VWAP) ²
Great Southern Plantations 1998³	\$1,299 to \$1,300¹	4,606²	2,303²
Great Southern Plantations 1999	\$1,617 to \$1,665 ¹	5,466 ²	2,733 ²
Great Southern Plantations 2000	\$1,371 to \$1,454 ¹	4,958 ²	2,479 ²
Great Southern Plantations 2001	\$979 to \$1,074 ¹	3,520 ²	1,760 ²
Great Southern Plantations 2002	\$976 to \$1,102 ¹	3,464 ²	1,732 ²
Great Southern Plantations 2003	\$1,094 to \$1,295 ¹	3,806 ²	1,903 ²
Great Southern Beef Cattle 2006 ³	\$1,635 to \$1,782 ¹	5,910 ²	2,955 ²
Great Southern Beef Cattle 2007	\$1,351 to \$1,517 ¹	5,602 ²	2,801 ²

1. The Independent Expert has assessed the ranges of values for growers'/graziers' interests in woodlots/droves and other rights in the Projects on an after-tax basis (assuming the top marginal tax rate (including Medicare levy) of 46.5%), after giving consideration to tax, other financial and commercial implications, and assuming individual growers/graziers hold their interests in the Project through to completion. For further information on the valuation methodology applied and the effect of other marginal rates of tax, refer to the Concise Independent Expert Report at Annexure 1.

2. The number of GSL Shares to be issued to growers/graziers depends on the VWAP of GSL Shares during the Reference Period. This VWAP, and the resulting number of GSL Shares that will be issued to growers/graziers if the Scheme Proposals are implemented, will be announced by GSL on 25 November 2008. Refer to Section 7.4 of this Explanatory Memorandum for details.

3. The consideration under the Scheme Proposals and the values assessed by the Independent Expert exclude distributions paid to project investors in August/September in respect of the year ended 30 June 2008. Such distributions have been paid regardless of the outcomes of the Scheme Proposals.

- A snap-shot of all of the Scheme Proposals (including Your Scheme Proposal) is set out below which illustrates the GSL Shares being offered to investors in each of the Projects on a whole-of-Project basis and assumes that all Scheme Proposals are implemented:

	Total GSL Shares being offered	Minimum total interest in GSL (\$1.00 issue price) ^{1, 2}	Maximum total interest in GSL (\$0.50 issue price) ^{1, 3}
Great Southern Plantations 1998	23,499,812 to 46,999,624	3%	4%
Great Southern Plantations 1999	34,351,077 to 68,702,154	5%	6%
Great Southern Plantations 2000	105,605,400 to 211,210,800	14%	18%
Great Southern Plantations 2001	24,645,280 to 49,290,560	3%	4%
Great Southern Plantations 2002	31,709,456 to 63,418,912	4%	6%
Great Southern Plantations 2003	100,012,165 to 200,024,330	14%	17%
Great Southern Beef Cattle 2006	44,496,390 to 88,992,780	6%	8%
Great Southern Beef Cattle 2007	43,695,600 to 87,391,200	6%	8%
Total all Scheme Proposals	408,015,180 to 816,030,360	55%	71%
Existing GSL Shareholders	329,290,129 ⁴	45%	29%
TOTAL	737,305,309 to 1,145,320,489	100%	100%

1. The total number of GSL Shares being offered to investors in all of the Projects, and the resulting interest of investors in each of the Projects, depends on the VWAP of GSL Shares during the Reference Period. This VWAP, and the resulting number of GSL Shares that will be issued to investors in the Projects if the Scheme Proposals are implemented, will be announced by GSL on 25 November 2008. Refer to Section 7.4 of this Explanatory Memorandum for details.

2. Assuming the VWAP of GSL Shares during the Reference Period is \$1.00 or more.

3. Assuming the VWAP of GSL Shares during the Reference Period is \$0.50 or less.

4. As at the date immediately prior to the date of this Explanatory Memorandum.

7. It is important for Project Investors to appreciate that if:

- Your Scheme Proposal is implemented but one or more other Scheme Proposals are not so implemented; or
- Your Scheme Proposal is not implemented but you accept Your Individual Offer,

then GSL will not realise (and therefore Project Investors that have received GSL Shares pursuant to a Proposal will not realise) all, or any (depending on the degree of take up of the Scheme Proposals) of the perceived benefits that are anticipated to otherwise accrue as a result of implementation of the Scheme Proposals. Project Investors should refer to Sections 4.4, 4.5, 5.4 and 5.5 of this Explanatory Memorandum.

8. The results of the Scheme Proposals and current acceptance levels for the Individual Offers will be announced shortly after the Meeting on 1 December 2008. You may accept Your Individual Offer, or withdraw an earlier acceptance of Your Individual Offer by notice in writing to GSL, at any time until 5.00 pm (WDT) on 11 December 2008.

9. The GSMAL Independent Directors strongly encourage you to:

- **READ** this Explanatory Memorandum and the Annexures (including the Prospectus) in their entirety, including Section 1 (which details some important matters relevant to considering Your Proposals) Section 2 (which provides summary answers to some of the questions you may have in relation to Your Proposals, the choices you have, the actions you should take and the taxation implications), and Section 5 (which outlines some of the considerations you may take into account in deciding whether to vote for or against Your Scheme Proposal);
- **SEEK** independent legal, financial and tax advice, as appropriate, before making a decision in respect of Your Proposals; and
- **VOTE** at the Meeting on 1 December 2008 in person or otherwise by completing and returning the accompanying green Proxy Form.

10. With respect to Your Proposals:

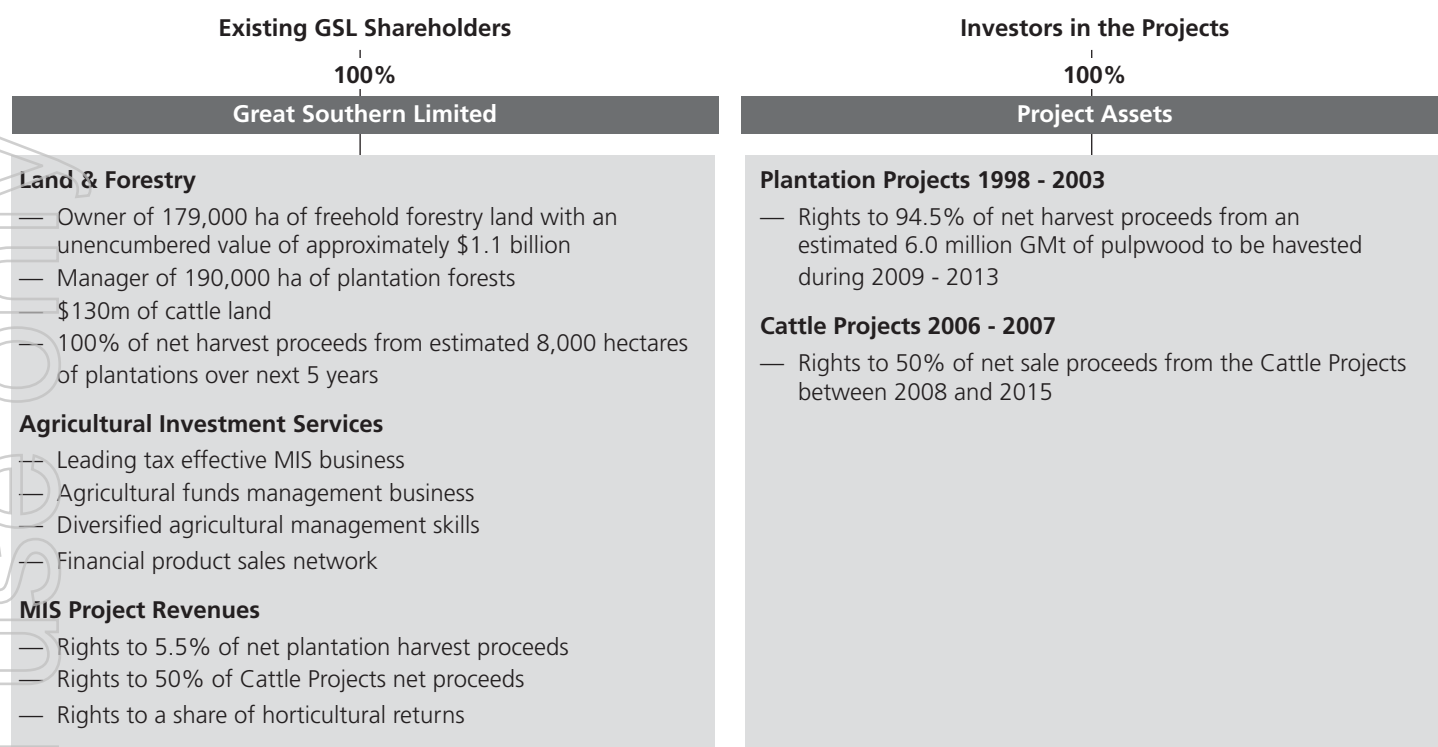
For the reasons discussed in Section 5 of this Explanatory Memorandum, the GSMAL Independent Directors **UNANIMOUSLY RECOMMEND** that, in the absence of a superior proposal, you **VOTE IN FAVOUR** of Your Scheme Proposal at the Meeting on 1 December 2008

The GSMAL Independent Directors recommend that you **GIVE DUE CONSIDERATION TO** Your Individual Offer which closes at 5.00 pm (WDT) on 11 December 2008.

The Independent Expert has concluded that Your Scheme Proposal is in the **BEST INTERESTS** of Project Investors as a whole.

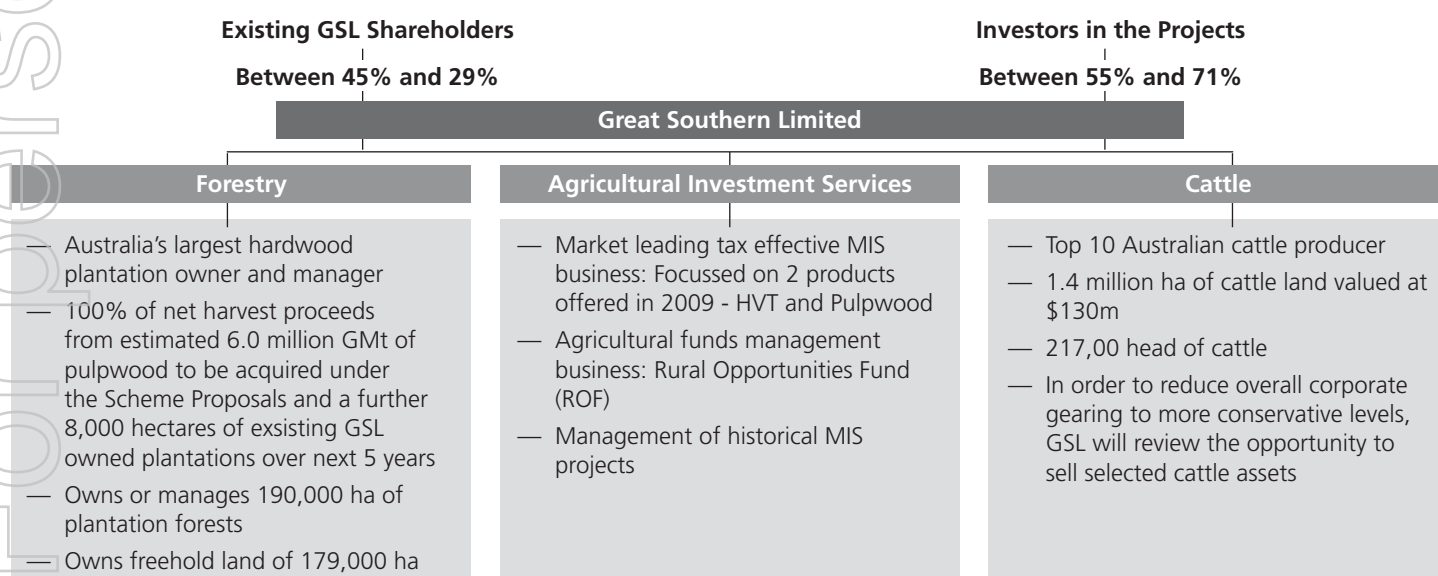
About GSL

1. The Scheme Proposals aim to bring together GSL's key assets - high quality agricultural land and agricultural management skills - with assets and rights of investors in the Plantation Projects and the Cattle Projects.



2. If all of the Scheme Proposals (including Your Scheme Proposal) are implemented, you will exchange your existing Woodlots for GSL Shares and will become a shareholder in one of Australia's largest agricultural companies with 3 significant businesses:

- **Forestry** – Australia's largest hardwood plantation forestry business controlling 23% of the Australian market.
- **Agricultural Investment Services** – the dominant market position in the tax effective MIS market.
- **Cattle** – 1.4 million ha of owned cattle land, managing 217,000 head of cattle, although GSL will review the opportunity to sell selected cattle assets in order to reduce gearing.



3. If all 8 Scheme Proposals are approved and implemented it is expected that GSL will have:
 - an implied **market capitalisation of \$583 million** (based on the Pre-Announcement Price of \$0.53);
 - an implied **enterprise value of \$1,204 million** (based on an implied market capitalisation of \$583 million at the Pre-Announcement Price of \$0.53 and proforma net debt of \$621 million);
 - proforma **debt to total assets of 33%**; and
 - proforma **NTA per GSL Share of \$0.94** (based on GSL Shares being issued at the Pre-Announcement Price of \$0.53).
4. You should refer to the Prospectus appearing as Annexure 3 for full information regarding the profile of GSL both before and after implementation of the Scheme Proposals.

Important dates

Date of this Explanatory Memorandum	23 October 2008
Individual Offer opens	5 November 2008
Reference Period ends (VWAP of GSL Shares during the Reference Period and number of GSL Shares per Woodlot to be issued to Project Investors determined)	25 November 2008
Green Proxy Form to be received not later than 9.00 am (WDT)	28 November 2008
Meeting of Project Investors at 9.00 am (WDT)	1 December 2008
GSL Shareholders meeting	4 December 2008
Individual Offer closes (Acceptance Form to be received not later than 5.00 pm (WDT))*	11 December 2008
Commencement of ASX trading of GSL Shares issued pursuant to Your Scheme Proposal	15 December 2008
Commencement of ASX trading of GSL Shares issued pursuant to Your Individual Offer	29 December 2008

* A Project Investor may withdraw their acceptance of an Individual Offer by notice in writing to GSL at any time until the Individual Offer closes at 5.00 pm (WDT) on 11 December 2008.

GSMAL and GSL reserve the right to vary the times and dates set out above and may not be able to notify Project Investors of these changes. However, Your Individual Offer cannot be withdrawn within 1 month of the date of the offer.

Letter from GSMAL Independent Chairman

23 October 2008

Dear Project Investor

Proposal for 1998 Project

I write on behalf of the Independent Directors of Great Southern Managers Australia Limited (GSMAL), the responsible entity for the 1998 Project.

Great Southern Limited (GSL) has presented to GSMAL a proposal for you to exchange your Woodlots in the 1998 Project for GSL Shares, either by way of the contractual scheme of arrangement (Your Scheme Proposal) or a direct individual offer (Your Individual Offer).

GSL is a listed agribusiness company with its shares trading on ASX (code GTP). GSMAL is a wholly-owned subsidiary of GSL.

You are an investor in one of the 8 Projects in respect of which GSL is making a similar Scheme Proposal and Individual Offer.

In fulfilment of obligations owed to you and your fellow investors in the 1998 Project, GSMAL through its Independent Directors has considered the proposal, has commissioned and taken advice from KPMG Corporate Finance (Australia) Pty Ltd and KPMG as independent experts in connection with the proposal, and is passing on details of the proposal and the considerations of the Independent Directors, and the independent experts commissioned by it, to you and your fellow investors in the 1998 Project to assist with your decision on how you to vote on Your Scheme Proposal, and otherwise deal with Your Individual Offer.

The GSMAL Independent Directors are the conduit by which Your Scheme Proposal is being delivered to you, the facilitators of the Meeting of Project Investors to be convened for the purposes of voting upon Your Scheme Proposal, and commentators to assist Project Investors with their consideration of the Proposals having regard to their own circumstances and investment objectives and requirements. Whether or not Your Scheme Proposal is supported, or Your Individual Offer accepted, is a matter to be determined by you and your fellow investors in the 1998 Project, irrespective of the view taken by the GSMAL Independent Directors and the independent experts appointed by GSMAL.

GSMAL, the responsible entity of the 1998 Project, and all of the GSMAL Directors, are required to act in the best interests of Project Investors, including you. Because GSMAL is a wholly owned subsidiary of GSL, those GSMAL Directors that are also GSL Directors have a conflict of interest in discharging this duty to Project Investors. In order to ensure the best interests of Project Investors, a number of measures have been put in place including the appointment of three independent directors (the GSMAL Independent Directors) to provide a recommendation to you regarding Your Scheme Proposal. The details of the GSMAL Independent Directors are set out in Section 9.2 of the Explanatory Memorandum accompanying this letter.

The 8 Scheme Proposals and the accompanying Individual Offers now being made by GSL (including Your Scheme Proposal and Your Individual Offer), are in replacement of 8 original proposals and offers made by GSL as announced on 26 August 2008. These new proposals and offers the subject of this Explanatory Memorandum were first publicly announced by GSL on 9 October 2008.

The GSMAL Independent Directors strongly recommend that you read the Explanatory Memorandum and the accompanying documents in their entirety. In particular, you should read and consider (and discuss with your professional adviser, as appropriate):

- the Notice of Meeting that appears at Annexure 4, which convenes the Meeting of Project Investors at which the two Resolutions required to be passed in order to effect Your Scheme Proposal will be considered. The Notice of Meeting sets out the Resolutions that are described in detail (including approval thresholds and voting exclusions) in Section 7;
- the report of KPMG Corporate Finance (Australia) Pty Ltd as Independent Expert that is included at Annexure 1, which concludes that **Your Scheme Proposal is in the best interests of Project Investors as a whole**. The taxation opinion of KPMG as Independent Taxation Expert appears at Annexure 2 and should also be considered;
- the Prospectus prepared by GSL in relation to the issue of GSL Shares appears at Annexure 3 which describes GSL, the effect of the Proposals on GSL and the nature of, and the risks associated with owning, GSL Shares;
- the following Sections of the Explanatory Memorandum:
 - Section 1 dealing with certain Special Observations of Relevance;
 - Section 2 providing summary answers to some of the questions you may have;
 - Sections 5.1 to 5.4 dealing with some important considerations you may wish to take into account in your voting and decision making; and
 - Section 5.5 which discusses certain matters relating to Your Individual Offer;
- the green Proxy Form which you will need to use to record your vote on Your Scheme Proposal if you are not intending to attend the Meeting in person; and
- the blue Acceptance Form which you must complete, sign and return if you wish to accept Your Individual Offer.



Your vote is important and the GSMAL Independent Directors strongly encourage all Project Investors to attend and vote at the Meeting in person, or by proxy by completing and returning the enclosed green Proxy Form. If you do not vote there is a risk that voting on the Resolutions will not be a faithful representation of the will of Project Investors. It is important that the will of the Project Investors as a whole is faithfully represented because, under the rules of the 1998 Project (as contemplated in the Constitution for the 1998 Project) and consistent with collective investment principles generally, the decision of the requisite majority of Project Investors will bind all investors in the 1998 Project, irrespective of whether or not a particular investor wishes to be so bound or act in the manner approved by the requisite majority.

The 8 Scheme Proposals have been presented coincidentally at a time of unprecedented volatility and turmoil in global financial and securities markets. This coincidence has compounded the task of the Independent Directors in their consideration of matters on behalf of Project investors, including you. This market volatility and turmoil has also highlighted risks for both your existing investment in Woodlots and for an investment in the GSL Shares being offered under Your Proposals. These risks are difficult to measure in terms of likelihood of occurrence and/or severity and timing of impact. In this context, the observations and commentary made in Section 1 of the Explanatory Memorandum are considered by the GSMAL Independent Directors to be of particular relevance to your consideration of matters and your understanding of the scope of the conclusions and recommendations of the Independent Expert and the GSMAL Independent Directors.

The GSMAL Independent Directors have considered, amongst others, the matters discussed in Section 5 of the Explanatory Memorandum and have unanimously resolved to recommend that, in the absence of a superior proposal, you vote in favour of the Resolutions. The GSMAL Independent Directors also recommend you give due consideration to Your Individual Offer.

If you have any queries in relation to these matters, please contact the Project Investor Information Line on 1300 652 672 (toll free) from within Australia or +61 3 9415 4884 from outside Australia during office hours and select "option 1".

Yours sincerely



Steven Cole
Independent Chairman
Great Southern Managers Australia Limited

Letter from GSL Chairman

23 October 2008

Dear Project Investor

On behalf of the Directors of Great Southern Limited (**GSL**), I am pleased to present GSL's proposal for you to exchange your Woodlots for GSL Shares either by way of a contractual scheme of arrangement or your direct individual offer.

During its 21 year history, GSL has emerged as a leader in the agricultural tax effective MIS sector. GSL has built a market leading business including significant agricultural management skills as well as a portfolio of prime agricultural land. In recent times, the regulatory uncertainty created by the ATO's decision to change its view on non-forestry tax effective MIS, the volatility in the global credit and equity markets, the increase in agricultural land prices and operating costs and the expected introduction of legislation with regard to carbon trading has led to GSL conducting a full strategic review of its existing business structure.

In summary, the strategic review concluded that GSL needed to recognise and react to the changing markets in which GSL operates. The offering of GSL Shares in exchange for project interests is a key initiative of this review and represents a major undertaking by GSL which is expected to improve the financial strength and operating efficiencies of the company.

GSL is offering GSL Shares to investors in the Plantation Projects (being the 1998 to 2003 projects) and the Cattle Projects (being the 2006 and 2007 projects) – comprising 8 projects in total. GSL has not made any proposals relating to any of its historical horticultural (almond, olive and vineyard) projects, nor in respect of other plantations projects. The proposed issue of new GSL shares is subject to the approval of existing GSL shareholders.

On 26 August 2008, GSL announced its intention to make a proposal to Project Investors. The revised proposal contained in this Explanatory Memorandum seeks to address issues related to the volatility in global markets and GSL's share price since the original proposal was announced and feedback received from Project Investors and their advisers.

If investors in all of the Projects accept our proposal then those investors will collectively own between 55% and 71% (depending on the WVAP of GSL Shares during the Reference Period) of the expanded GSL. The successful implementation of all of the Scheme Proposals is expected to enhance GSL's position as a leading agricultural company as well as delivering an attractive outcome for project investors in the Projects. The proposals involve bringing together some of GSL's key assets – high quality agricultural land and agricultural management skills – with the assets and rights of investors in 6 plantation and 2 cattle MIS projects. GSL believes the Scheme Proposals and Individual Offers are in the best interests of all stakeholders.

As new shareholders in GSL, project investors will share in the benefits that are expected to accrue to GSL as a result of the success of the Scheme Proposals including:

- It will create a hardwood plantation business with sustainability and significant scale;
- It will create an integrated cattle business with significant scale;
- It will deliver a broader, more predictable revenue and cash flow base;
- It will strengthen GSL's balance sheet and give GSL greater scale and flexibility;
- It will provide greater opportunity to take full advantage of its assets and opportunities such as the emerging carbon trading market; and
- GSL believes that the success of the Scheme Proposals will make GSL more attractive to investors.

Further details of Your Scheme Proposal and Your Individual Offer are set out in this Explanatory Memorandum and its Annexures.

You are urged to read these documents (including the risks associated with holding GSL shares outlined in section 7 of the Prospectus) as the information they contain is important.

The board of GSL strongly endorses both the Scheme Proposals and Individual Offers to you and encourages you to vote in favour of the Scheme Proposal and accept the Individual Offers. **Your vote is important.** I urge you to attend the meeting or, if you are unable to attend, to complete the green Proxy Form and blue Acceptance Form accompanying this Explanatory Memorandum and return them as instructed.

I look forward to welcoming you as a shareholder in GSL.

Yours sincerely



DC Griffiths
Chairman
Great Southern Limited



1. Special observations of relevance

1.1 Assessing the value of Woodlots

In making an informed assessment of Your Scheme Proposal and Your Individual Offer you are encouraged to carefully consider the current value of your Woodlots having regard to the underlying assets they currently represent. This approach is preferable to making an assessment of value based on possible performance expectations arising at the time of your original investment, which may or may not be reflective of the actual performance of the 1998 Project to date or into the future.

The Independent Expert Report, a concise version of which is contained in Annexure 1 to this Explanatory Memorandum, is a thorough and comprehensive assessment of the current value of your Woodlots. The report assesses the current value of the projected future harvest cashflows to be derived, and the impact of anticipated taxation treatments on those cashflows. The GSMAL Independent Directors believe that the Independent Expert Report is the most relevant and informed assessment of the current value of your Woodlots.

Section 3.3 particularly notes some of the factors that have impacted upon the performance of the 1998 Project to date. Further, the discussion under the heading "The impact on value of the current illiquidity of Growers' Interests" in section 4.1 of the Independent Expert Report is particularly relevant should a Project Investor wish to realise their investment prior to the scheduled maturity of the 1998 Project.

1.2 Scheme Proposals in the context of recent volatility in global financial and securities markets

The 8 Scheme Proposals have been presented at a time of unprecedented volatility and turmoil in global financial and securities markets. The risks for both your existing Woodlot investment, and for an investment in the GSL Shares being offered pursuant to Your Proposals (discussed, in particular, in Section 5.3 of this Explanatory Memorandum under the heading "A different asset with exposure to new and different risks"), should be read carefully against the backdrop of this market volatility.

The recommendation of the GSMAL Independent Directors, and the opinion of the Independent Expert, are directed to Project Investors as a whole. A Project Investor's views (or the views of a Project Investor's financial adviser) on the current global financial and securities markets, especially in the context of the appetite for risk, and investment objectives, of the Project Investor, are matters peculiar to that Project Investor, and are beyond the scope of the assessment undertaken by the GSMAL Independent Directors and the Independent Expert.

The recommendation of Your Scheme Proposal by the GSMAL Independent Directors is made as at the date of this Explanatory Memorandum. It may be that in the period between the date of this Explanatory Memorandum and the date of the Meeting of Project Investors, events could transpire that would cause the GSMAL Independent Directors to change their recommendation. The GSMAL Independent Directors will monitor events and circumstances, and their recommendation, leading up to the Meeting of Project Investors. The GSMAL Independent Directors will communicate with Project Investors through filings with ASIC, releases by GSL on the ASX announcements platform and disclosures on the Great Southern website, if the GSMAL Independent Directors decide to alter or withdraw it.

2. Questions and answers about Your Proposals

This Explanatory Memorandum contains detailed information on Your Scheme Proposal. This Section 2 provides summary answers to some questions you may have in relation to Your Scheme Proposal and Your Individual Offer and will assist you to locate further detailed information in this Explanatory Memorandum and the Prospectus.

Your Scheme Proposal and Your Individual Offer at a glance

What is Your Scheme Proposal?

GSL is offering Project Investors in the 1998 Project the opportunity to transfer each of their Woodlots in the 1998 Project for the Consideration, and to separately subscribe for between 2,303 and 4,606 GSL Shares per woodlot (depending on the VWAP of GSL Shares during the Reference Period), with the Consideration payable by GSL and the subscription monies payable by Project Investors to be set off. In effect, Project Investors will transfer their Woodlots in exchange for GSL Shares.

Before Your Scheme Proposal may be implemented, it will require the Resolutions to be passed, as described in 'Voting on the Resolutions' below.

If Your Scheme Proposal is successfully implemented, all Project Investors' interests in the trees and other assets of the 1998 Project will be owned directly by the GSL Group. Project Investors will no longer be members of the 1998 Project, but rather will be shareholders in GSL. The GSL Shares issued will be fully paid ordinary shares in GSL, and from the date of issue will rank equally in all respects with existing GSL Shares.

What is Your Individual Offer?

Under Your Individual Offer, GSL is offering to purchase each Woodlot from Project Investors in the 1998 Project for the same consideration as under Your Scheme Proposal on the terms and conditions set out in sections 1.4 and 9.2 of the Prospectus.

Your Individual Offer is intended to give Project Investors the ability to exchange their Woodlots for GSL Shares even if Your Scheme Proposal is not approved by the requisite majorities at the Meeting. Accordingly, Your Individual Offer is only effective if Your Scheme Proposal is not approved.

If you wish to accept Your Individual Offer, your blue Acceptance Form must be received by GSL by 5.00 pm (WDT) on 11 December 2008. You may withdraw an acceptance of Your Individual Offer by notice in writing given to GSL at any time up to 5.00 pm (WDT) on 11 December 2008.

If Your Scheme Proposal is not approved and you have accepted (and not withdrawn) Your Individual Offer, you will receive GSL Shares in exchange for your Woodlots. The GSL Shares issued will be fully paid ordinary shares in GSL, and from the date of issue will rank equally in all respects with existing GSL Shares.

What are the Proposals?

At the same time as Your Scheme Proposal and Your Individual Offer, GSL is also offering investors in the 7 Other Projects a similar opportunity to exchange their project interest for GSL Shares. The offers being made by way of contractual schemes in relation to all 8 Projects are referred to as the Scheme Proposals, and the offers being made by way of individual offers in relation to all Projects are referred to as the Individual Offers.

Why have the 8 Projects been chosen?

GSL has advised that it has determined to make the Proposals in relation to:

- the Plantation Projects, including because recently introduced tax regulations and rulings facilitate the secondary trading of forestry projects that are more than 4 years old; and
- the Cattle Projects, including because, due to the significant increase in cattle land prices and the deteriorating outlook for cattle prices since the projects commenced, these Projects are now projected to be less economically viable for GSL and project investors than was originally expected.

GSL has also advised that it has determined not to make any offer to other projects as similar factors in relation to other projects do not currently exist. Further explanation is contained in Section 3.2 of this Explanatory Memorandum.

What will I receive if the Scheme Proposal for the 1998 Project is implemented or I accept the Individual Offer for the 1998 Project?

Project Investors as at the date of the Meeting will be entitled to between 2,303 and 4,606 GSL Shares for every Woodlot (or part thereof) in the 1998 Project held at that time. The number of GSL Shares will be calculated by dividing \$2,303 by the VWAP of GSL Shares during the Reference Period, provided that Project Investors will, in all cases, receive not less than 2,303 GSL Shares and not more than 4,606 GSL Shares per Woodlot.

Further details of the calculation of the number of GSL Shares you will receive are set out in Section 7.4 of this Explanatory Memorandum.

If you have any Amount Owing in respect of your Woodlots (including in the nature of unpaid GST or insurance premiums), the GSL Shares issued to you will be subject to the holding lock arrangements described in Section 7.10 of this Explanatory Memorandum until such time as such Amount Owing is paid. In addition, if your Woodlots are subject to a security interest in favour of a Financier, of which GSL or GSMAL is aware, your GSL Shares will be issued to a nominee as escrow agent until such time as suitable arrangements have been made between you and the relevant Financier, as discussed in Section 7.9 of this Explanatory Memorandum. If you are a Foreign Project Investor, the GSL Shares to which you would otherwise be entitled will be issued to a nominee who will arrange for the sale of those GSL Shares on ASX and the net proceeds to be remitted to you, as discussed in Section 7.8 of this Explanatory Memorandum.

When will I know how many GSL Shares I am entitled to?

The VWAP of GSL Shares during the Reference Period will be known shortly after the close of trading on ASX on the last Trading Day of the Reference Period. This VWAP, and the resulting number of GSL Shares that will be issued to Project Investors if Your Scheme Proposal is implemented or Your Individual Offer is accepted, will be announced by GSL on ASX no later than 25 November 2008, and also made available on GSL's website (<http://www.great-southern.com.au>) as soon as possible.

What is the current value of my Woodlots and how was that value determined?

The Independent Expert has assessed the value of each Woodlot as being between \$1,299 and \$1,300 on an after-tax basis (assuming the top marginal tax rate (including Medicare levy) of 46.5%), after giving consideration to tax, other financial and commercial implications, and assuming Project Investors hold their Woodlots through to completion of the 1998 Project. These values are discussed fully in the concise Independent Expert Report at Annexure 1, including the Independent Expert's valuation methodology.

What are my choices?

What choices do I have?

You have the following choices:

- vote for or against Your Scheme Proposal; and/or
- accept or not accept Your Individual Offer.

You may also elect to do nothing in respect of either or both of Your Scheme Proposal and Your Individual Offer.

The GSMAL Independent Directors strongly encourage you to attend and vote at the Meeting in person, or vote by proxy by completing and returning the enclosed green Proxy Form.

If you do not vote, then you will not have your say in the Resolutions being put at the Meeting.

The GSMAL Independent Directors have also unanimously resolved to recommend, in the absence of a superior proposal, that you vote in favour of Your Scheme Proposal.

The GSMAL Independent Directors have also recommended that you give due consideration to Your Individual Offer.

What are the consequences of voting on the Scheme Proposal for the 1998 Project?

If you vote on Your Scheme Proposal, your vote will count in determining whether or not Your Scheme Proposal is implemented.

If the Resolutions for Your Scheme Proposal are passed by the requisite majorities (regardless of whether or not you voted on the Resolutions), your Woodlots will be acquired by a GSL Group company and you will receive GSL Shares. If you are a Financed Project Investor (that is, you have a loan or security interest in respect of your Woodlots in favour of a Financier), please also refer to the matters described in 'The effect of financing arrangements on your Proposals' below.

If the Resolutions for Your Scheme Proposal are not passed by the requisite majorities (regardless of whether or not you voted on the Resolutions) and you do not accept Your Individual Offer, you will retain your Woodlots and the 1998 Project will continue.

What are the consequences of accepting the Individual Offer for the 1998 Project?

If the Resolutions for Your Scheme Proposal are not passed and if you accept Your Individual Offer (and do not withdraw such acceptance), your Woodlots will be transferred to GSPH and you will receive GSL Shares notwithstanding that the Resolutions for Your Scheme Proposal are not passed by the requisite majorities. If you are a Financed Project Investor (that is, you have a loan or security interest in respect of your Woodlots in favour of a Financier), please refer to the matters described in 'The effect of financing arrangements on Your Proposals' below.

What happens if I do nothing?

If you do nothing:

- and the Resolutions for Your Scheme Proposal are not passed by the requisite majorities, you will keep your Woodlots and the 1998 Project will continue;
- and the Resolutions for Your Scheme Proposal are passed by the requisite majorities, your Woodlots will be automatically acquired by a GSL Group company and you will receive GSL Shares on, and subject to, the terms and conditions described in this Explanatory Memorandum.

How have my rights been protected?

Who is protecting my interests?

GSMAL, the responsible entity of the 1998 Project, and GSMAL's directors, are required to act in the best interests of Project Investors, including you. As GSMAL is a wholly owned subsidiary of GSL, those GSMAL Directors that are also GSL Directors have a conflict of interest in discharging this duty to Project Investors. In order to ensure the best interests of Project Investors are being acted upon, a number of measures have been put in place including:

- GSMAL has appointed 3 new independent directors;
- GSMAL Directors that are also GSL Directors have not participated in decisions relating to the assessment and recommendation of Your Scheme Proposal and Your Individual Offer by GSMAL;
- the GSMAL Independent Directors have engaged KPMG Corporate Finance as the Independent Expert and KPMG as the Independent Taxation Expert; and
- KPMG Corporate Finance has, in turn, appointed independent forestry (GHD Australia Pty Ltd) and cattle (Australasian Livestock Services Pty Ltd) experts to assist them in forming their views.

For more information you should refer to Section 9.1 of this Explanatory Memorandum.

Why has a contractual scheme of arrangement been adopted?

There are currently no provisions in the Project Constitution or the Corporations Act to allow the exchange of interests by all Project Investors in the 1998 Project for GSL Shares.

The GSMAL Independent Directors have therefore adopted a practice which largely replicates the approval requirements for a statutory scheme of arrangement under the Corporations Act, in order to give Project Investors the opportunity to approve the implementation of Your Scheme Proposal.

Who are the GSMAL Independent Directors?

The GSMAL Independent Directors are Steven Cole (Independent Chairman), Robert Jenkins and Murray Colvin. All 3 GSMAL Independent Directors have extensive experience in corporate transactions.

The background of each of the GSMAL Independent Directors is outlined in Section 9.2 of this Explanatory Memorandum.

The GSMAL Independent Directors have ensured, and will continue to ensure, that not only have you been provided with all information reasonably required to consider Your Scheme Proposal and Your Individual Offer (subject to any additional professional advice required by you, and information which is referable to your particular investor objectives, financial situation, taxation position and needs), but also that due process has been followed to ensure that GSMAL acts in the best interests of Project Investors, including you.

Who is the Independent Expert and what has it done?

KPMG Corporate Finance has been engaged by the GSMAL Independent Directors as the Independent Expert to assess Your Scheme Proposal and provide an opinion as to whether Your Scheme Proposal is in the best interests of Project Investors.

The Independent Expert has determined that Your Scheme Proposal is in the best interests of Project Investors as a whole.

The Independent Expert has also assessed Your Individual Offer as implicitly being fair and reasonable as a whole, based on an assumption of 100% acceptances of Your Individual Offer. The Independent Expert's assessment of Your Individual Offer is discussed at pages 9-10 of the Independent Expert Report, and at Section 5.5 of this Explanatory Memorandum.

A concise version of the Independent Expert Report is contained in Annexure 1 to this Explanatory Memorandum. A copy of the full Independent Expert Report (including the Technical Report) is available to Project Investors free of charge by contacting the Project Investor Information Line during office hours - 1300 652 672 (toll free) from within Australia or +61 3 9415 4884 from outside Australia, or from the GSL website at www.great-southern.com.au/Projectinvestors.aspx.

Who is the Independent Taxation Expert and what has it done?

KPMG has been engaged by GSMAL (through the GSMAL Independent Directors) to consider the tax implications for Project Investors of Your Scheme Proposal.

The Independent Taxation Opinion is contained in Annexure 2 to this Explanatory Memorandum.

What action should I take?

What do the GSMAL Independent Directors recommend I do?

The GSMAL Independent Directors strongly recommend that you read this Explanatory Memorandum and its Annexures in their entirety, seek independent professional advice as required and attend and vote at the Meeting in person, or by proxy (by completing and returning the enclosed green Proxy Form).

The GSMAL Independent Directors have unanimously resolved to recommend:

- that in the absence of a superior proposal, you vote in favour of Your Scheme Proposal; and also
- that you give due consideration to Your Individual Offer.

How do I vote on the Scheme Proposal for the 1998 Project?

You vote by attending the Meeting in person or by appointing a proxy to vote on your behalf by completing, signing and returning the enclosed green Proxy Form in accordance with the instructions on that form.

How do I accept the Individual Offer for the 1998 Project?

You can accept Your Individual Offer by completing, signing and returning the enclosed blue Acceptance Form in accordance with the instructions on that form.

You may withdraw an acceptance of Your Individual Offer by notice in writing given to GSL at any time up to the close of Your Individual Offer at 5.00 pm (WDT) on 11 December 2008.

Voting on the Resolutions

How does Your Scheme Proposal work?

Your Scheme Proposal will be implemented if Project Investors in the 1998 Project approve the:

- **Constitutional Amendments Resolution:** a resolution to amend the constitution of the 1998 Project to insert a procedure that would allow a proposal in the nature of Your Scheme Proposal to be implemented; and
- **Implementation Resolution:** a resolution to grant to GSMAL the power to implement Your Scheme Proposal.

If the two Resolutions are passed all Project Investors will be bound to accept the GSL Shares in exchange for their Woodlot.

The Meeting will be held on 1 December 2008 at the Parmelia Hilton, Perth, commencing at 9.00 am (WDT). Annexure 4 to this Explanatory Memorandum is the Notice of Meeting in respect of the Meeting.

Further details on the implementation of Your Scheme Proposal can be found in Section 7 of this Explanatory Memorandum.

What vote is required to approve Your Scheme Proposal?

In order to approve Your Scheme Proposal, both Resolutions need to be passed by the requisite majorities of Project Investors, being:

- for the Constitutional Amendments Resolution, 75% by number of Woodlots voted at the Meeting (in person or by proxy); and
- for the Implementation Resolution, 50% by number of Project Investors voting at the meeting (in person or by proxy) and 75% by number of Woodlots voted at the Meeting (in person or by proxy).

Should I vote?

Voting is not compulsory. However, if a large proportion of Project Investors do not vote then because the passing of the Resolutions is assessed by reference to Project Investors present (in person or by proxy) at the Meeting, there is a prospect that the will of a minority may be imposed on a majority of Project Investors. Accordingly, the GSMAL Independent Directors strongly recommend that you vote either in person at the Meeting or by proxy by completing and returning the enclosed green Proxy Form.

Does the outcome of votes on the 7 Other Projects affect the outcome of the 1998 Project vote?

Project investors in the 8 Projects will have separate votes on the similar proposals in relation to their Projects. The outcome of votes on the 7 Other Projects will have no impact on the implementation of Your Scheme Proposal (i.e. Your Scheme Proposal is not conditional or dependent on the outcome of vote in relation to the other 7 Projects).

However, the profile of GSL and the value of a GSL Share may be affected by the number of Scheme Proposals that are implemented and/or the level of acceptances of Individual Offers. You should refer to the Prospectus, to Sections 4.4, 4.5, 5.4 and 5.5 of this Explanatory Memorandum and to the Independent Expert Report for a discussion of the permutations and the effect on GSL and therefore GSL Shares.

How will the Meeting be conducted?

GSMAL is proposing to conduct the Meeting concurrently with the meetings of project investors for each of the other Projects in respect of the other Scheme Proposals, and therefore each of those meetings will be held at the same time and place as the Meeting of Your Scheme Proposal.

Appropriate arrangements will be made to give Project Investors attending the Meeting the opportunity to consult and vote as a discrete group.

When will the results of the Meeting be available?

The results of the Meeting will be available shortly after the conclusion of the Meeting and will be announced on ASX once available. The results will also be published on GSL's website (www.great-southern.com.au) as soon as possible after the Meeting.

What are the tax implications of Your Proposals?

What are the tax implications of Your Scheme Proposal and Your Individual Offer?

There will be tax implications for you if Your Scheme Proposal is implemented or you accept Your Individual Offer. Annexure 2 to this Explanatory Memorandum contains an Independent Taxation Opinion which sets out in detail certain tax impacts of Your Scheme Proposal and Your Individual Offer, though it does not take into account your personal circumstances.

Accordingly, it is strongly recommended that you consult with your own tax adviser and carefully consider the consequences of acquiring, holding or disposing of your Woodlot in the 1998 Project and receiving, and dealing with, GSL Shares in light of current tax laws and your particular tax and investment circumstances.

Does Your Scheme Proposal or Your Individual Offer impact the tax deduction I received on taking up the investment in the 1998 Project?

The Independent Taxation Opinion concludes that there will be no impact on your original tax deduction as a result of the implementation of Your Scheme Proposal or the acceptance of Your Individual Offer.

Do I need to charge GST on the disposal of my Woodlot to GSL?

No. The exchange of your Woodlot for GSL Shares under the Proposals is GST free because of the "going concern" exemption from GST. The ATO has confirmed this view in a letter issued to GSL.

The effect of financing arrangements on Your Proposals

What happens if I have a loan or security in respect of my investment in Woodlots?

Project Investors who have financed their investment in Woodlots in an arrangement where their Woodlots are secured in favour of a financier will need to make appropriate arrangements with their financier. These arrangements may involve arranging for the provision of substitution security or repayment or refinancing of that financing.

Project Investors with lending or security arrangements affecting their investment in Woodlots should contact their financier.

What happens if I have a loan or security in respect of my investment in Woodlots with Adelaide Bank, Great Southern Finance or another lender of which GSL or GSMAL are aware?

Financed Project Investors (being Project Investors who have financed their investment in Woodlots through Adelaide Bank, Great Southern Finance or another Financier) will not receive their GSL Shares until appropriate arrangements with the relevant Financier have been made.

All GSL Shares to be issued to a Financed Project Investor upon implementation of Your Scheme Proposal or upon acceptance of Your Individual Offer will be held in escrow by a nominee of GSL in accordance with the Escrow Arrangements described in Section 7.9 of this

Explanatory Memorandum. Until released from escrow, a Financed Project Investor will not be entitled to deal with their GSL Shares. Further, GSL, as the Financed Project Investor's attorney appointed pursuant to the terms of Your Scheme Proposal or Your Individual Offer, will enter into a deed of interim charge in relation to the GSL Shares issued to the Financed Project Investor in favour of the relevant Financier.

Adelaide Bank and Great Southern Finance have each indicated that if your investment in Woodlots is subject to a security interest for their benefit in connection with loans they have made to you, then they will separately make contact with you in relation to that security and the associated financing arrangements.

Further details in relation to the effect of financing arrangements in respect of your investment in Woodlots with Adelaide Bank, Great Southern Finance and other Financiers are set out in Section 7.9 of this Explanatory Memorandum.

Additional information

When will I receive GSL Shares?

If Your Scheme Proposal is approved by Project Investors at the Meeting, GSL expects to issue you with your GSL Shares on 15 December 2008 (although this date may change).

If Your Scheme Proposal is not approved by Project Investors but you accept Your Individual Offer, GSL expects to issue you with your GSL Shares on 29 December 2008 (although this date may change).

However, if you have any Amount Owing in respect of your Woodlots (including in the nature of unpaid GST or insurance premiums), the GSL Shares issued to you will be subject to the holding lock arrangements described in Section 7.10 of this Explanatory Memorandum until such time as such Amount Owing is paid. In addition, if you are a Financed Project Investor (that is, your Woodlots are subject to a security in favour of a Financier), your GSL Shares will be issued to a nominee appointed by GSL as escrow agent to be held in accordance with the Escrow Arrangements until such time as suitable arrangements have been made between you and the relevant Financier, as discussed in Section 7.9 of this Explanatory Memorandum. If you are a Foreign Project Investor, the GSL Shares to which you would otherwise be entitled will be issued to a nominee who will arrange for the sale of those GSL Shares on ASX and the net proceeds to be remitted to you, as discussed in Section 7.8 of this Explanatory Memorandum.

Will I have to pay brokerage fees or stamp duty?

No, you will not have to pay any brokerage fees or stamp duty in connection with Your Scheme Proposal or Your Individual Offer, unless you are a Foreign Project Investor, in which case you should refer to Section 7.8 of this Explanatory Memorandum.

Is Your Scheme Proposal or Your Individual Offer subject to any conditions?

The issue of GSL Shares for the purposes of all Proposals must be approved by GSL Shareholders. GSL intends to hold a meeting of GSL Shareholders to vote on the issue of GSL Shares on 4 December 2008 (although this date may change). There is no guarantee that GSL Shareholder Approval will be forthcoming.

Completion of Your Scheme Proposal and Your Individual Offer is subject to a number of other customary conditions which are set out in the Implementation Agreement summarised in Section 8.1 of this Explanatory Memorandum. Your Individual Offer is only effective if Your Scheme Proposal is not approved at the Meeting.

Will I have to pay any ongoing insurance premiums?

If Your Scheme Proposal is implemented or you accept Your Individual Offer, you will not have to pay any ongoing insurance premiums from the date of completion of Your Scheme Proposal or Your Individual Offer in relation to your Woodlot.

What happens if I have unpaid insurance premiums, GST owed or any other Amount Owing to GSMAL?

The GSL Shares issued to you will be subject to the holding lock arrangements described in Section 7.10 of this Explanatory Memorandum until such time as any Amount Owing is paid.

Who can help answer my questions about Your Scheme Proposal?

If you would like further information, or have any questions about Your Scheme Proposal, please call the Project Investor Information Line on 1300 652 672 (toll free) from within Australia or +61 3 9415 4884 from outside Australia during office hours and select "option 1".

3. Description of the 1998 Project

3.1 Project summary

A total of 2,304 Project Investors participated in the 1998 Project. Each Project Investor invested in a minimum of one 0.36 hectare Woodlot. The total number of Woodlots in the 1998 Project is 10,204, resulting in a total project area of 3,674 hectares. Under the current project structure, the net harvest proceeds relating to the total of 3,674 hectares will be distributed amongst the Project Investors.

Detailed information regarding the 1998 Project is set out in section 9 of the Independent Expert Report.

3.2 Project Investor rights

Upon investment in the 1998 Project, Project Investors entered into a Woodlot Agreement with GSMAL. Under this agreement, GSMAL agreed to establish plantations and carry on the future management and maintenance of the plantation until the time at which the plantation is ready for harvest. The 1998 Project is expected to be harvested during 2008 and 2009.

During the life of the 1998 Project:

- GSMAL is responsible for the ongoing costs of maintenance (other than insurance premiums) and for management of the plantations; and
- Project Investors are responsible for insurance premiums and insurance administration fees payable annually. Other than these costs, the Project Investor has no further financial obligations to contribute to the management or maintenance of the plantations.

At the time of harvest:

- Project Investors are entitled to receive 94.5% of net harvest proceeds; and
- GSMAL is entitled to receive 5.5% of net harvest proceeds, comprising 3.0% of the net harvest proceeds for maintenance and 2.5% for deferred rental.

Following the completion of the harvest and distribution of net harvest proceeds, the 1998 Project will terminate and the interest of the Project Investor in the land reverts to the landowner.

3.3 Factors affecting the performance of the 1998 Project

Significant factors which have impacted on the performance of the 1998 Project and the value of Woodlots to date have been:

- productivity yield - the tonnes per hectare of timber growing on project land;
- eucalyptus woodchip prices. The analysis of the Independent Expert of such prices in Appendix 3 (including in Figure A3-8) of the Independent Expert Report is informative; and
- relative to the foregoing items, the costs of harvesting the timber on maturity of the project.

4. About GSL and the rationale for making the Proposals

4.1 Overview of GSL

During its 21 year history, GSL has emerged as a leader in the agribusiness MIS sector, having built a market leading Agricultural Investments Products business, significant agricultural management skills as well as a portfolio of prime agricultural land. Over the same period, GSL's MIS investors have collectively built a substantial portfolio of assets including rights to hardwood plantations extending across more than 171,100 hectares, rights to a share of sale proceeds from a 217,000 cattle herd and a share of its horticulture project returns.

Today GSL has over 43,000 tax effective agricultural MIS investors, over 500 staff and agricultural operations spread across Australia and across a variety of agricultural products. GSL's operations are conducted on behalf of both MIS investors and GSL Shareholders. However, the regulatory uncertainty created by the ATO's decision to change its view on non-forestry tax effective MIS, the volatility in the global credit and equity markets, the increase in land prices and operating costs and the expected introduction of legislation with regards to carbon trading has led to GSL conducting a full strategic review of its existing business structure. The review determined that GSL needed to:

- take advantage of its significant existing strategic assets including its large forestry land estate and forestry management skills;
- improve the certainty of its future cashflows;
- focus on selling tax effective MIS products that meet internal return thresholds, have attractive project investor returns and which have sufficient regulatory certainty;
- reduce fixed overheads and tax-effective MIS sales costs;
- reduce gearing;
- grow its existing agricultural funds management business;
- maximise value from its significant cattle land estate; and
- be less susceptible to ATO regulatory forces.

In summary, the strategic review concluded that GSL needs to leverage GSL's existing capabilities, assets and resources and increase focus on cash flow and profitable agricultural investment services - with the overall objective of maximising shareholder value. The successful implementation of the Scheme Proposals is a key component of the strategic review and is expected to enhance GSL's position as a leading agricultural company.

An outcome of GSL's strategic review and the successful implementation of the Scheme Proposals is the reorganisation of its business into 3 areas:

- Forestry;
- Agricultural Investment Services; and
- Cattle.

4.2 Why were the 8 Projects chosen?

GSL has made proposals in relation to the Plantation Projects and the Cattle Projects. The Plantation Projects were chosen because:

- the 1997 Project is largely harvested (and is therefore not included);
- tax legislation enacted on 21 June 2007 expressly facilitates the secondary sale of tax-effective forestry MIS project investments which are more than 4 years old. Projects which are less than 4 years old are unable to be traded without jeopardising the initial tax deduction received by project investors. For this reason GSL is not making any offer to 2004 or later projects; and
- combining the ownership of hardwood plantation timber and land is consistent with GSL's 2008 hardwood tax effective forestry MIS product structure.

GSL has made proposals relating to the Cattle Projects because:

- GSMAL only manages 2 projects involving cattle (being the Cattle Projects) and does not currently intend to offer future tax effective MIS cattle projects;
- since the inception of the 2 Cattle Projects, the price of cattle land has increased dramatically and the outlook for cattle prices has deteriorated making the Cattle Project less economic from the project investors' perspective;
- GSL believes it can offer Cattle Project investors a financially attractive offer and in the process unencumber its cattle land and create a top 10 Australian cattle business; and
- in order to reduce overall corporate gearing, GSL will review the opportunity to sell selected cattle assets following the successful implementation of the Scheme Proposals for the Cattle Projects.

GSL has not made proposals relating to any of its historical horticultural (almond, olive and vineyard) tax effective MIS projects. This is because:

- GSL intends to offer future horticultural tax effective products once regulatory certainty is obtained and believes that to offer project investors the opportunity to exit projects may impact future tax effective horticultural MIS sales; and
- GSL has no current corporate strategy to own horticultural assets directly.

GSL has no current intention to make further offers to historical tax effective MIS projects in the future.

4.3 Rationale for the Scheme Proposals

The Scheme Proposals involve bringing together some of GSL's key assets – high quality agricultural land and agricultural management skills – with the assets and rights of investors in the Plantation Projects and the Cattle Projects. GSL believes the Scheme Proposals are in the best interests of all stakeholders:

- for **Project Investors** who will exchange an illiquid investment for more readily tradeable GSL Shares which have the potential for delivering capital growth and dividends in the future; and
- for **GSL Shareholders** who will benefit from a more stable and predictable business with less exposure to regulatory risk associated with a tax effective MIS.

Further details of the reasons for and against Your Scheme Proposal and Your Individual Offer are outlined in Section 5 of this Explanatory Memorandum.

GSL currently manages project assets on behalf of project investors in the 8 Projects. The Scheme Proposals involve exchanging the project investors' woodlots (in the case of the Plantation Projects) and droves (in the case of the Cattle Projects) for GSL Shares.

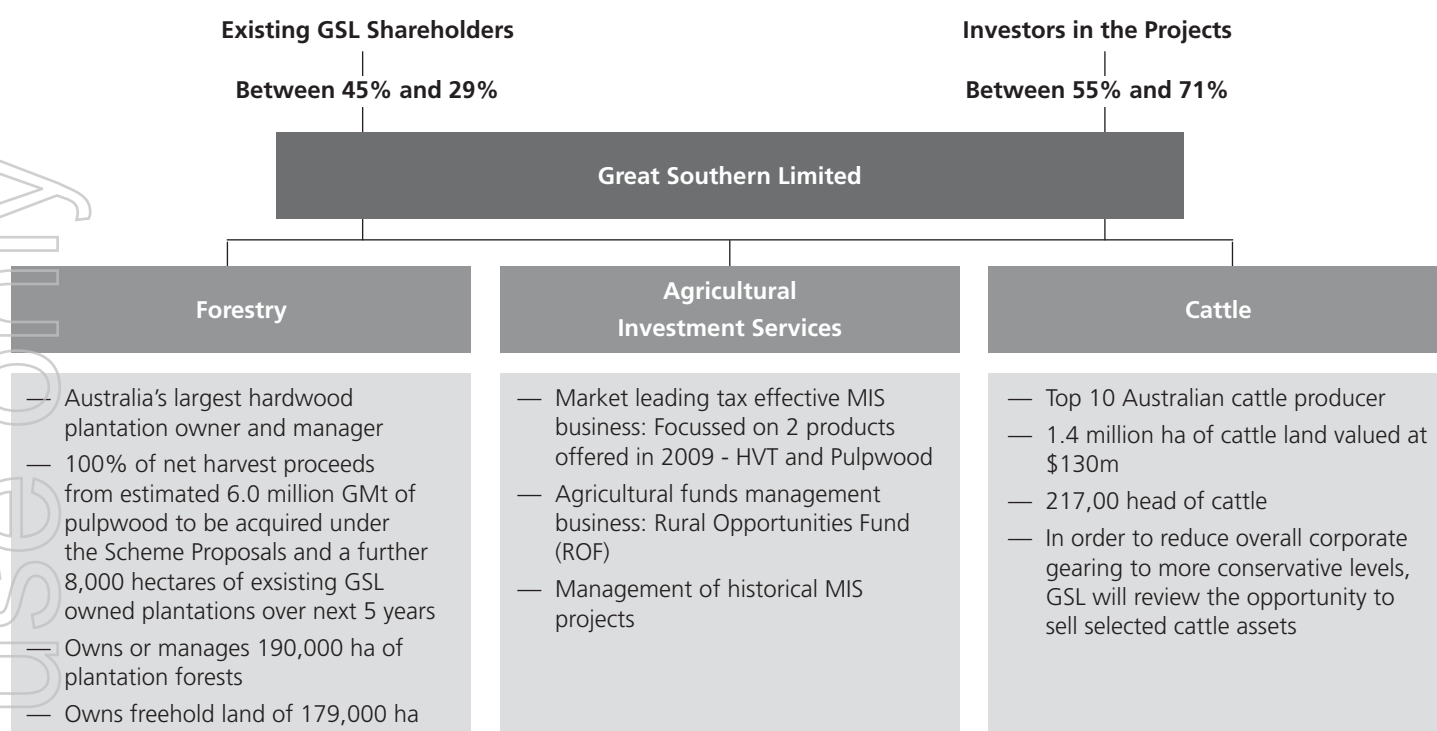
The approval of the Scheme Proposals is a key component of the strategic review and will enhance GSL's position as a leading agricultural company.

If each of the Scheme Proposals are successful there will be a significant change to the capital and operating structure of GSL. Investors in each of the Projects, through the issue of GSL Shares, will own between 55% and 71% of GSL (depending on the VWAP of GSL Shares during the Reference Period). GSL will consist of three core divisions as shown in Figure 4.3.2 below.

Figure 4.3.1: Pre Transaction Asset Position



Figure 4.3.2: Post Transaction Asset Position & Structure



In order to reduce overall corporate gearing, GSL will review the opportunity to sell cattle assets following the successful implementation of the Proposals in relation to the Cattle Projects.

4.4 Your Scheme Proposal, Your Individual Offer and the 7 Other Proposals

GSL has structured each Scheme Proposal so that they are not inter-dependent on the success or failure of any other Scheme Proposal. There is a possibility that project investors in one or more of the 8 Projects will not approve the relevant Scheme Proposal and therefore less than all 8 of the Scheme Proposals will be implemented.

Through the Individual Offers, GSL is giving project investors in all 8 Projects (including Your Project) the opportunity to sell their interests in the relevant Project regardless of the outcome of the Scheme Proposals.

As a result of the Scheme Proposals not being inter-dependent and the Individual Offers being available to each project investor in all Projects, there is a high degree of uncertainty as to the number of project interests that GSL will acquire. A range of possible outcomes is therefore possible including:

- implementation of none, some or all Scheme Proposals, and
- partial acceptances of the Individual Offers for each of the 8 Projects where the Scheme Proposal is not approved.

GSL believes each Proposal for the 8 Projects is a value enhancing transaction for GSL. Whilst GSL's preference is to acquire 100% of all Woodlots and 100% of woodlots and droves in each of the Other Projects, every approval of a Scheme Proposal and every acceptance of an Individual Offer produces an incrementally positive outcome for GSL. However, if a large majority of the Scheme Proposals are not implemented and only a small proportion of Individual Offers are accepted, the realisation of benefits to GSL will be limited and GSL's operations will not be materially different from the pre-Proposals profile described in section 2.2 of the Prospectus.

4.5 Benefits resulting from the implementation of the Scheme Proposals

If all of the Scheme Proposals are implemented, as a new GSL Shareholder a Project Investor will enjoy the benefits outlined below. For full details of the impact of the Scheme Proposals and the Individual Offers on GSL please refer to the Prospectus appearing as Annexure 3 to this Explanatory Memorandum.

The benefits described in this Section 4.5 assume all 8 of the Scheme Proposals are approved by project investors and implemented. The full potential of the benefit of the matters discussed below are only expected to be realised in the event that all, or a large majority of, the Scheme Proposals are implemented or Individual Offers accepted. You should refer to section 2.2 of the Prospectus for an outline of the profile of GSL before the implementation of the Scheme Proposals which is likely to be more representative of GSL in circumstances where there is a low implementation rate for Scheme Proposals and a low acceptance rate for Individual Offers.

1) Improved earnings and cashflow certainty - through transformation to a more robust agricultural company

Despite having a significant agricultural land bank, GSL's business currently suffers from earnings volatility and uncertainty due to reliance on annual tax effective MIS sales which have recently been impacted by ATO regulatory uncertainty (i.e. delays in the issuance of product rulings and in the case of non-forestry, the decision not to issue product rulings at all). This, together with deteriorating equity market conditions and a current negative sentiment towards financial services companies has contributed to a decline in GSL's ability to attract capital at competitive prices. Through improved predictability of GSL's future cashflow, reduced gearing, more regulatory certainty, strong tangible land asset backing and the positive overall outlook for agricultural commodities including world fibre markets, the success of the Scheme Proposals is expected to improve GSL's attractiveness to investors.

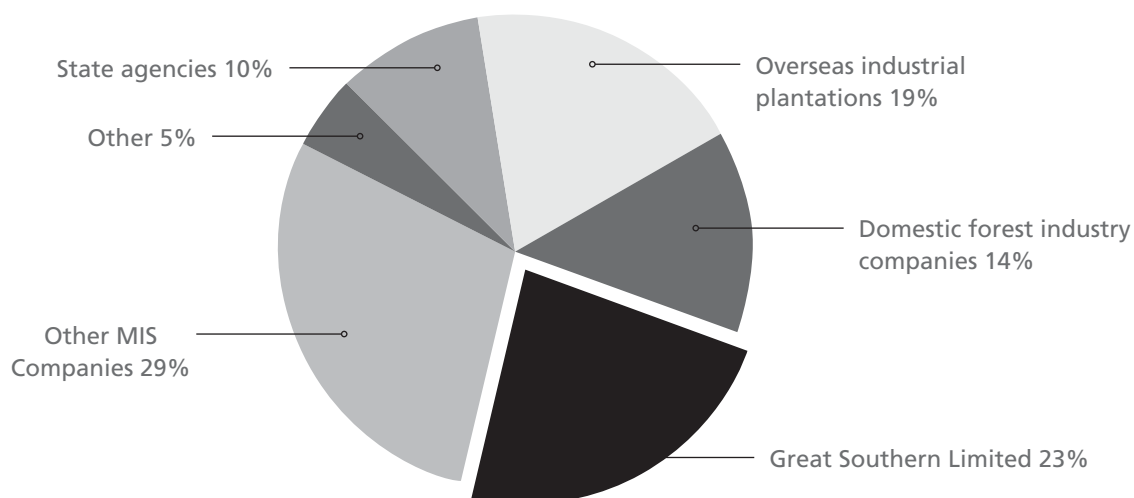
As a result, although GSL intends to maintain its position as a market leading tax effective MIS business, upon successful implementation of the Scheme Proposals, through diversification and improved revenue certainty and a lower risk profile, GSL expects its shares to trade more in line with Australian agricultural companies rather than companies whose sole business is tax effective MIS.

2) The creation of Australia's largest integrated hardwood plantation forestry business

GSL's tax effective forestry MIS business currently:

- owns 179,000 hectares of freehold plantation forestry land;
- has access to a further 59,000 hectares of plantation forestry land through long term leases;
- has a substantial forestry management team of over 150 full time staff with on ground capability in 8 regions;
- through GSMAL, manages 171,000 hectares of MIS plantations on behalf of investors in the MIS projects, has sole rights to market woodchips produced from these projects and has a right to receive 5.5% of net harvest proceeds from sale of woodchips from these projects; and
- has woodchip offtake contracts in place with 3 major Japanese paper companies.

Figure 4.5.1: GSL's Market Share of Australia's Hardwood Plantation Estate



Source: Poyry Forest Industry Report 2007 and GSL management estimates

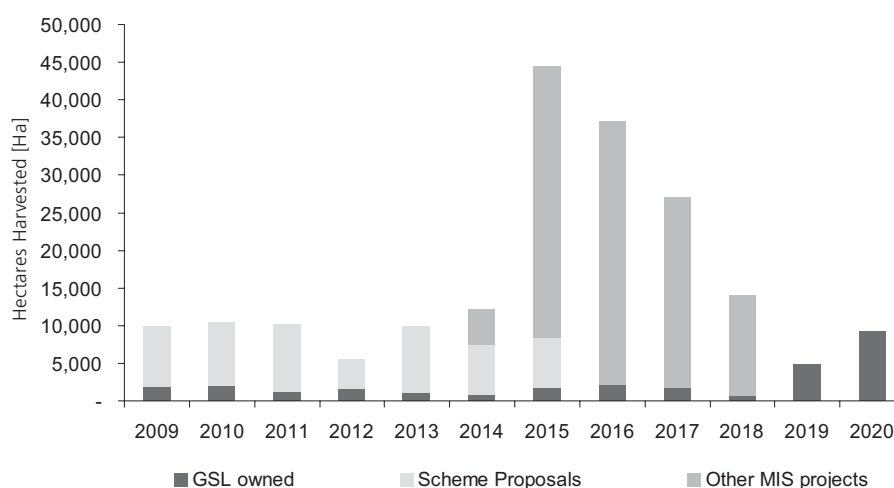
The combination of the Plantation Projects and GSL's existing forestry assets and forestry management skills is expected to create an integrated hardwood plantation forestry business with significant scale. The business will have the skills to manage all key forestry processes including land acquisition, establishment, maintenance, harvesting, processing and marketing.

If the Scheme Proposals for the Plantations Projects are successful, based on the work done by GHD Australia Pty Ltd (**GHD**) as independent forestry specialist, GSL will acquire rights to an estimated 6.0 million green metric tonnes of woodchips to be harvested over the next 5 years. This estimate is based on limited sampling to estimate current volume and modelling to estimate future volumes. Due to sampling variability and the imprecision associated with modelling, some variation around this mean estimate should be expected. Similarly the estimate makes assumptions about future growth of the trees. This expectation of future growth is subject to normal agricultural risks, see section 7.2 of the Prospectus for further discussion of these risks.

At current market prices of \$207.40 per bone dry metric tonne and a dry fibre percentage of 52%, GSL estimates the 6.0 million green metric tonnes of woodchips would deliver gross harvest proceeds of approximately \$650 million.

In addition to the wood acquired under the Scheme Proposals, GSL estimates that it will harvest 8,000 hectares of GSL owned plantations over the next 5 years.

Figure 4.5.2: GSL Forecast Harvest Profile by Hectare (Ha)

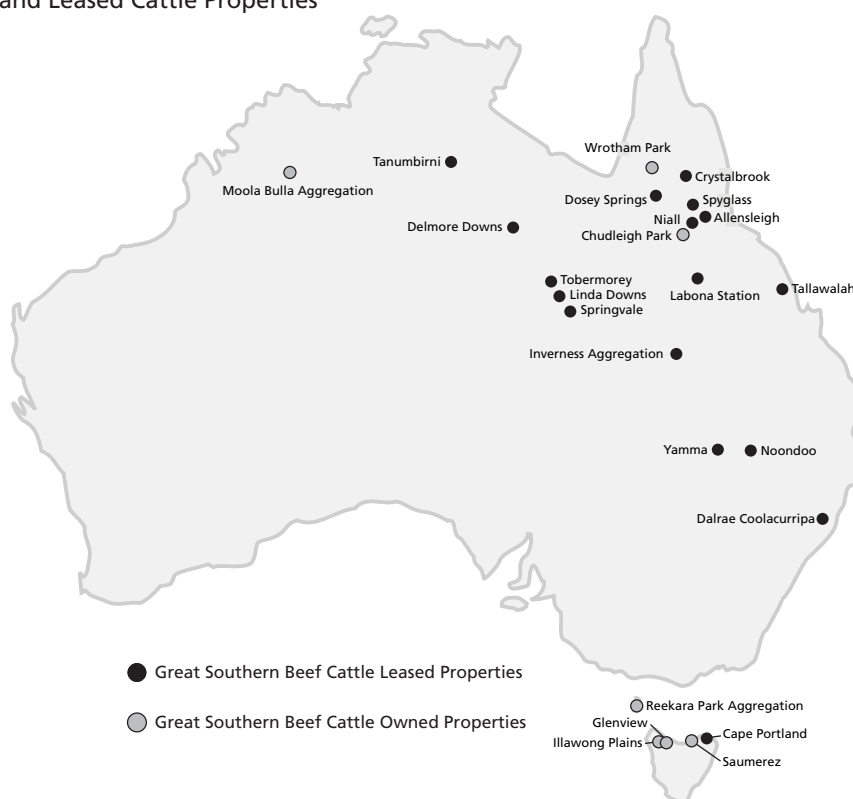


Source: GSL

3) Creates a cattle business with significant scale

GSL's cattle MIS business currently manages 217,000 head of cattle on behalf of project investors in the Cattle Projects. GSL owns pastoral leases or the freehold of 1.4 million hectares of cattle grazing property across 7 individual properties and leases a further 22 properties through short term leases (and agistments) comprising 2.4 million hectares. GSL's owned cattle land has recently been independently valued at \$130 million. The combination of management, cattle and land assets through the Scheme Proposals for the Cattle Projects will create an integrated, geographically diverse, top 10 Australian cattle business.

Figure 4.5.3: GSL Owned and Leased Cattle Properties



The removal of the MIS structure around GSL's cattle business will allow greater operational flexibility in managing the GSL herd and the timing surrounding the sale of cattle. Currently, GSL is required to maintain a stable breeding herd and sell cattle according to the requirements of the Cattle Projects. Factors such as seasonal conditions and fluctuations in the cattle market could be better managed without the operational restrictions of the Cattle Projects.

In order to reduce gearing to more conservative levels, GSL will review the opportunity to sell selected cattle assets.

4) Improved forestry returns through operational efficiencies

GSL, through GSMAL, currently manages each of the Plantation Projects in the best interests of the project investors, however is bound by the terms of the Woodlot Agreements for each Plantation Project which reduces its flexibility to adapt to market developments or adjust its practices to maximise overall returns. The successful implementation of the Scheme Proposals will allow greater management flexibility to actively manage the plantation estate as follows in relation to the Plantation Projects:

- Remove operational costs associated with the ongoing management and reporting of the Plantations Projects.
- The optimal time to harvest a pulpwood plantation can vary between 8 to 12 years. Having flexibility to harvest at any time is potentially beneficial because of factors including:
 - Age/yield: GSL can determine the most opportune time to harvest;
 - Location: GSL can harvest plantations in close proximity to one another at the same time;
 - Revenue smoothing: GSL's forestry revenue under the relevant PDS for the Projects' harvest timetable will be closely linked to the level of forestry MIS sales achieved over the 1998-2003 period. Given the lumpy nature of annual MIS sales, GSL will have the option to smooth the harvest of plantations; and
 - Price: Harvesting profile can be optimised to maximise revenue given existing and expected future contract price negotiations.

The combination of the above is expected to allow GSL, as owner of both the land and tree assets, to achieve greater returns for its existing and new shareholders pursuant to the successful implementation of the Scheme Proposals.

5) Increased potential to capture the benefits of the introduction of carbon emissions trading

In July 2008, the Australian Federal Government published its Carbon Pollution Reduction Scheme (CPRS) Green Paper (Green Paper), outlining a preliminary framework for a carbon emissions trading scheme in Australia to be introduced by 2010. The Green Paper recognised the strong contribution made by plantation forests to Australia's greenhouse gas accounts and provided encouraging principles for the plantation forestry industry to allow plantation forestry carbon sequestration to be valued under the trading scheme. The paper concluded that upon harvest, all carbon sequestered by a plantation is likely to be deemed to be emitted. Therefore, there is unlikely to be any permanent carbon sequestration and therefore no permanent value accruing to project investors from a project as the purpose of the project is to harvest trees with the likely result being no net carbon sequestration.

However, for a plantation manager that manages a large plantation estate of various age classes and also owns the underlying land, it is able to commit to being a long term plantation forestry company and therefore has the potential, under an appropriate regime, to permanently sequester carbon, even though it continues to harvest plantations on a rotational cycle. The key factor for being able to do so would be the ownership of forestry land. The illustrative figures below demonstrate GSL's interpretation of how the CPRS framework would result in no net carbon sequestration in the case of a single plantation that is harvested (Figure 4.5.4) whereas a series of plantations with the carbon sequestration profiles represented in Figure 4.5.5 may result in the aggregated carbon sequestration profile represented in Figure 4.5.6.

The Green Paper suggests that plantation forestry companies such as GSL will be able to choose to either:

- opt-in and be covered by the CPRS and receive credit for any carbon sequestration; or
- opt-out and not be covered by the CPRS and not receive credit for any carbon sequestration - but also incur no liability for harvesting land and not replanting plantations.

Upon the successful implementation of the Scheme Proposals, GSL, as the owner of both the land and the plantation assets will be in a better position to capitalise on the potential benefits available under the CPRS or a similar scheme. There is currently insufficient detail and certainty expressed in the Green Paper to determine the likely revenue or value benefit of the CPRS for GSL. However, given some international benchmark carbon prices, and the size of GSL's estate, the value of any carbon asset sales has the potential to be material. Following the successful implementation of the Scheme Proposals, GSL will be better placed to more quickly capitalise on any benefits that may arise from the introduction of carbon emissions trading in Australia.

The ability of GSL to derive the benefits of a carbon trading scheme will be dependent on a number of factors, many of which are beyond GSL's control, including the timing of the introduction of any such scheme and the eventual structure and terms of the scheme that is implemented. The potential benefits available to GSL (and indirectly to GSL shareholders) from a carbon trading scheme of the type contemplated by the Green Paper may not materialise to the extent indicated by the Green Paper or at all.

Figure 4.5.4 Illustrative Carbon Sequestration of One Plantation Project – Net Zero Carbon Sequestration

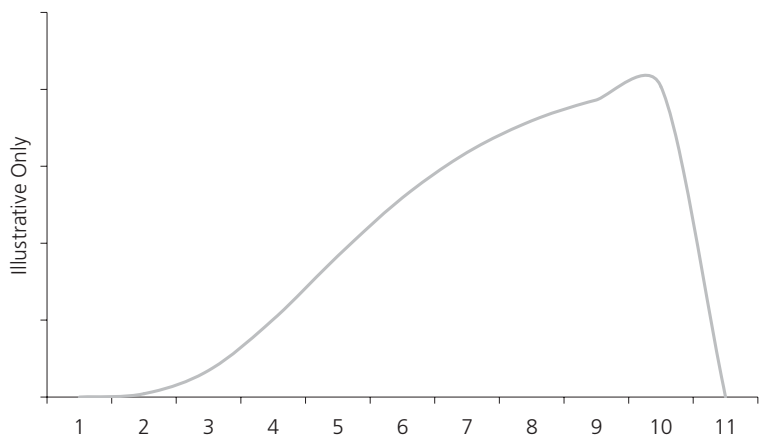


Figure 4.5.5 Illustrative Carbon Sequestration of multiple Plantation Projects

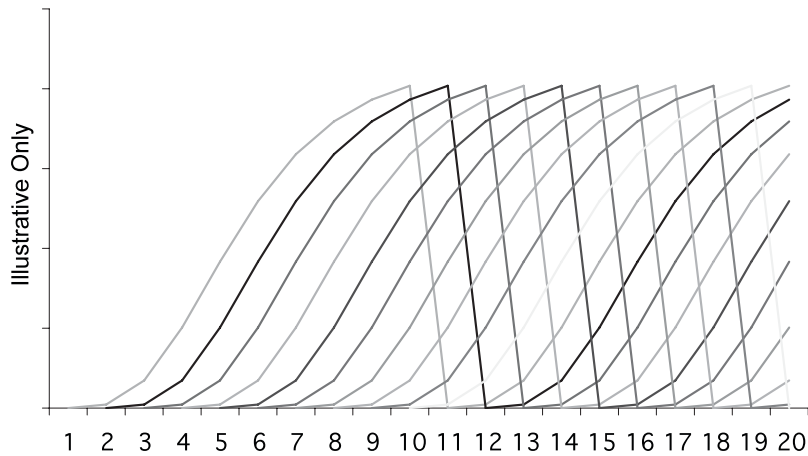
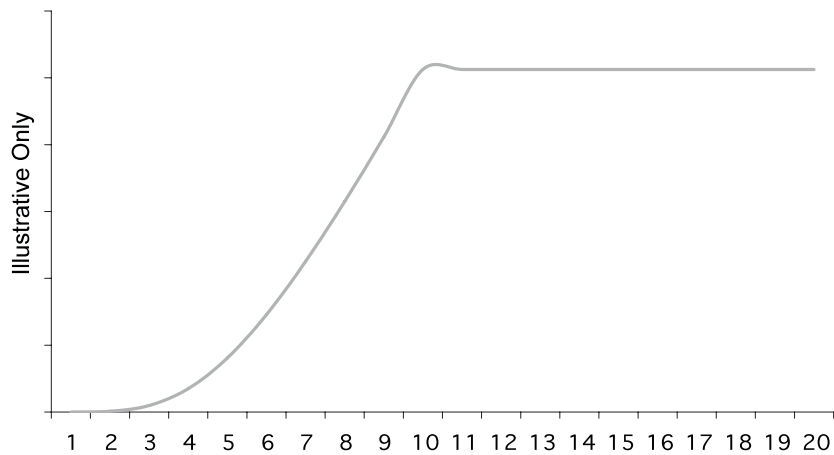


Figure 4.5.6 Illustrative Carbon Sequestration of Portfolio of Plantation Assets (Land and Trees) – Produces an Average Level of Permanent Carbon Sequestration



6) Improved balance sheet strength and flexibility

As a result of the success of the Scheme Proposals:

- GSL's total assets will increase to \$2,333 million and net assets increase to \$1,122 million;
- GSL's market capitalisation will increase to \$583 million if GSL Shares are issued and trade at the Pre-Announcement Price of \$0.53;
- GSL's pro forma debt to total assets is expected to fall from 39% to 33%; and
- GSL's pro forma NTA per share of \$1.46 would imply a market capitalisation of \$1,025 million if GSL Shares were issued at the Pre-Announcement Price of \$0.53 and were to trade at NTA.

With GSL's increased scale and financial flexibility, GSL will be able to concentrate on driving operational efficiencies, construction of woodchip processing infrastructure, actively managing its forestry land portfolio, maximising the value of its cattle assets and focussing on its existing agricultural investments products, without the same level of restrictions and constraints required to manage the project investors' woodlots (in the case of the Plantation Projects) or droves (in the case of the Cattle Projects).

7) Greater ongoing exposure to woodchip/fibre prices

As the leading Australian hardwood plantation woodchip supplier, GSL will be well placed to take advantage of any positive world wood fibre market factors. Such factors include:

- Australia is currently the largest exporter of hardwood woodchips in the Pacific Rim, and is likely to continue to play a significant role as a leading supplier nation especially as Australian woodchip producers and exporters hold a significant competitive advantage due to geographical position and lower transportation costs over woodchip exporters located in Latin America, South Africa, and the US;
- Australian plantation hardwood supply is increasing its market share compared with native hardwood chip supply due to factors such as higher pulp yield and environmental concerns about the harvesting of old growth and native forests; and
- Higher woodchip prices should translate to a more profitable forestry and tax effective MIS forestry business.

8) Better positioning GSL to maximise the value of its significant agricultural land bank

The majority of GSL's total assets will comprise agricultural land assets. Historically Australian agricultural land has demonstrated consistent growth as noted in Figure 4.5.8 below. In recent times, land in relatively secure rainfall locations (such as that in the far north and the far south of Australia) has been in particularly strong demand. GSL's freehold forestry estate of 179,000 hectares is made up of 688 individual properties each of which was initially selected for its expected suitability for pulpwood plantations (i.e. relatively high rainfall, good soils and proximity to ports). At harvest GSL retains the option to sell selected individual properties that may be better suited for alternative uses (e.g. subdivision, dairy, cattle or cropping).

Figure 4.5.7: GSL's Land Portfolio Composition by value

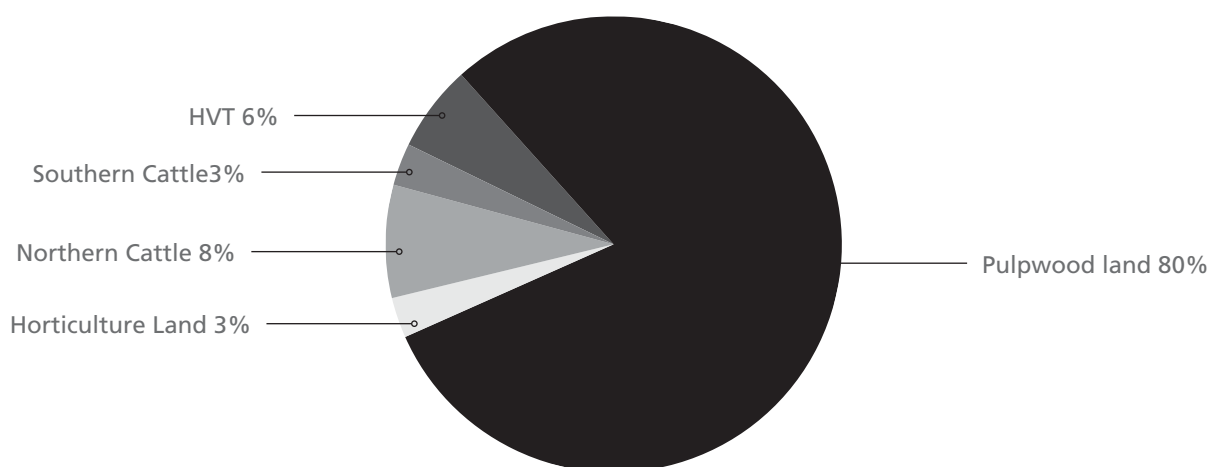
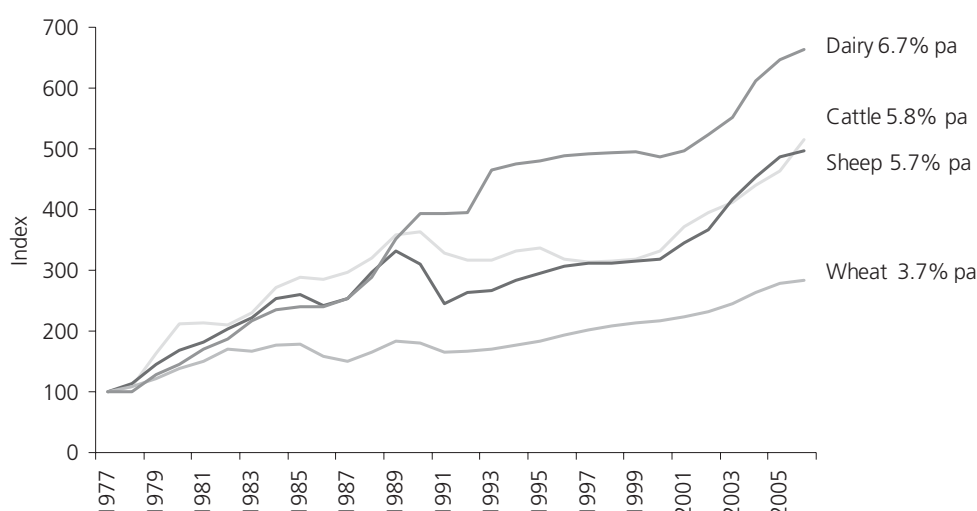


Figure 4.5.8: Australian Agricultural Land Capital Growth 1976-2006



5. Assessing your Proposals

5.1 The GSMAL Independent Directors' recommendations

The GSMAL Independent Directors have unanimously resolved to recommend that:

- in the absence of a superior proposal, you vote in favour of Your Scheme Proposal; and
- you give due consideration to Your Individual Offer.

Qualifications to the recommendations

The GSMAL Independent Directors make these recommendations for Project Investors in the 1998 Project generally, without reference to your particular investment objectives, financial situation, taxation position and needs. It may be that your particular investment objectives, financial situation, taxation position and needs include aspects that render this recommendation inappropriate for you. It is important that you read the Explanatory Memorandum (including the Annexures) in its entirety before making any investment decision and any decision on how to vote on the Resolutions. You should consult your investment, financial, taxation or other professional advisor (if appropriate) to address these matters in the context of your particular investment objectives, financial situation, taxation position and needs.

The impact of recent volatility in global financial and securities markets on the recommendations

Your Scheme Proposal has been presented at a time of unprecedented volatility and turmoil in global financial and securities markets. This has highlighted risks for both your existing Woodlot investment, and for an investment in the GSL Shares being offered under Your Scheme Proposal. These risks are difficult to measure in terms of likelihood of occurrence and/or severity and timing of impact. This has compounded the task of the GSMAL Independent Directors in their consideration of Your Scheme Proposal and the formulation of a recommendation in respect of it.

Whether or not current global financial and securities markets will or will not stabilize, and if so when and at what level, are matters upon which the GSMAL Independent Directors are neither sufficiently qualified, nor able at law, to express an appropriately informed opinion. Accordingly, the recommendation of the GSMAL Independent Directors in respect of Your Scheme Proposal:

- is given as at the date of this Explanatory Memorandum, and with the qualification that, continued volatility in world markets and, in particular, a sustained adverse movement in the trading price of a GSL Share between the date of this Explanatory Memorandum and the Meeting, may prompt the GSMAL Independent Directors to revisit their recommendation in respect of Your Scheme Proposal (refer to Section 1.2 of this Explanatory Memorandum for details of how any revision of the recommendation will be communicated);
- is given to Project Investors as a whole, in particular without reference to the investment circumstances, objectives, risk-appetite and requirements of individual Project Investors nor to the individual view of Project Investors (or of their financial advisers) of the current global financial and securities markets and expectations for those markets in the future; and
- does not have regard to any future materially adverse market or other factors and/or events, particularly those arising out of continued volatility in global financial, and securities markets.

Other matters relevant to the recommendations

In making the recommendations the GSMAL Independent Directors have given due consideration to the Independent Expert Report in which the Independent Expert concluded that Your Scheme Proposal is in the best interests of Project Investors as a whole. Project Investors are strongly encouraged to read the Independent Expert Report, including the summary of the Independent Expert opinion in section 4 of that report.

The GSMAL Independent Directors also note that at the date of this Explanatory Memorandum, GSMAL has not received any other offers for Project Interests, or other approaches which may give rise to any other offers for Project Interests.

The remaining parts of this Section 5 discuss the more significant matters that the GSMAL Independent Directors have taken into account in formulating their recommendation in respect of Your Scheme Proposal, and which they believe Project Investors should consider when assessing Your Scheme Proposal.

The GSMAL Independent Directors have undertaken a similar analysis of, and given a comparable recommendation to project investors in respect of, the Scheme Proposal for each of the 7 Other Projects.

Project Investors may find it useful to refer to the matters discussed in Section 5.5 below when considering Your Individual Offer.

5.2 Reasons for voting in favour of Your Scheme Proposal

The GSMAL Independent Directors recommend that Project Investors consider the following features of Your Scheme Proposal which Project Investors may consider to be reasons for voting in favour of Your Scheme Proposal:

Consideration	Potential effect on Project Investor
An exchange of assets at a value supported by the opinion of the Independent Expert	Under Your Scheme Proposal, GSL is offering Project Investors value exchange for their Woodlot. Based on an assessment of the relative value of assets of the 1998 Project and GSL Shares, the Independent Expert has concluded that Your Scheme Proposal is in the best interests of Project Investors as a whole.
Improved flexibility of investment	GSL Shares are quoted on ASX and a relatively more liquid market exists in which GSL Shares can be bought and sold. Implementation of Your Scheme Proposal gives Project Investors the opportunity to receive GSL Shares today in exchange for future prospective cashflows from the Woodlots.
Diversification of risk and asset/investment exposure	A GSL Share represents an interest in a diversified agricultural business which reduces the exposure of Project Investors to the specific risks of the 1998 Project.
Removal of future expenditure obligations - insurance premiums	Project Investors will no longer be directly responsible for any ongoing insurance or other costs directly attributed to the 1998 Project.
Transaction costs	Project Investors (other than Foreign Project Investors) will not incur any brokerage or stamp duty, nor will they bear any other third party transaction costs, if Your Scheme Proposal is implemented.

An exchange of assets at a value supported by the opinion of the Independent Expert

The GSMAL Independent Directors have appointed KPMG Corporate Finance as the Independent Expert to assess Your Scheme Proposal. The Independent Expert has concluded that Your Scheme Proposal is in the best interests of Project Investors as a whole. In this regard the GSMAL Independent Directors note the key consideration of the Independent Expert expressed on page 7 in section 4 of the Independent Expert Report included at Annexure 1 of this Explanatory Memorandum:

"The primary issue considered by us in forming our opinion was whether, in the absence of further significant adverse market and other factors and/or events beyond the control of Great Southern, it is reasonable to expect, based on the proposed exchange ratio of new Great Southern shares at various VWAPs and the expected taxation treatment of the consideration to be received by Growers, that the aggregate value of both:

- the shares to be issued in the expanded Great Southern*
- any future dividend stream attaching to the shares in the expanded Great Southern,*

is likely prior to August 2009, being the date at which the 1998 Project would otherwise end, to equal or exceed in current dollar terms \$2,280 per Grower's Interest, (being that value required based on our range of assessed fair values for a Grower's Interest to ensure Growers are not financially disadvantaged by accepting the Scheme).

... We note that, in the event that the high end of our range of values for a Grower's Interest had been used, the required figure would have increased to \$2,290 per Grower's Interest."

The Independent Expert goes on to translate this aggregated "no financial disadvantage" test into a per GSL Share "no financial disadvantage" test (using the low end of the assessed value of a Woodlot). On page 14 and 21 of the Independent Expert Report the Independent Expert states:

"Accordingly, having regard to the above, the key issue to be decided is whether it is reasonable to expect that the value of a share in the expanded Great Southern, inclusive of any dividend stream, would trade above \$0.50 per share following completion of the Scheme but before August 2009 when the 1998 Project would otherwise conclude.

...we have concluded that it is reasonable to expect, in the absence of adverse market and other factors and/or events beyond the control of Great Southern, that the aggregate value of a Great Southern share and any attaching dividend should equal or exceed \$0.50 in current dollar terms at some point in the period before August 2009, being the date at which the final distribution to Growers in the absence of the Scheme/Individual Offer is expected to be made."

Notwithstanding the Independent Expert's conclusion that Your Scheme Proposal is in the best interests of Project Investors as a whole, it is important to recognise that the conclusion is qualified, including to the extent that the conclusion does not have regard to the individual circumstances and investment objectives and requirements of individual investors.

Your Scheme Proposal involves the issue of between 2,303 and 4,606 GSL Shares per Woodlot at an issue price equal to the VWAP of GSL Shares during the Reference Period. Section 4.1 of the Independent Expert Report (under the heading "Recent historical trading history in Great Southern shares") comments upon the recent prices at which GSL Shares have traded on the ASX and identifies various factors that may have contributed to that pricing.

The right to dividends may have a significant impact on the value of a GSL Share. Project Investors should refer to section 4.3 of the Independent Expert Report for a discussion of the possible value of the future dividend stream that may be generated by a GSL Share, noting that past performance is no guarantee of future outcomes.

Improved flexibility of investment

Under Your Scheme Proposal, Project Investors will exchange their Woodlot for GSL Shares which have a different risk profile (see below) and different tradeability and income generating profile.

Woodlots are subject to very limited buying and selling through a generally illiquid market. Further, Project Investors in the 1998 Project are not expected to receive any income in the form of harvest distributions (which may vary depending upon a number of climatic, cultural, economic and other factors) until 2008 and 2009 when their trees are due for harvest, and even then the amount of harvest distributions is uncertain.

The implementation of Your Scheme Proposal will result in Project Investors exchanging their Woodlot investment (which is a largely illiquid investment and expected to deliver cashflow in the future) for GSL Shares (which are expected to be immediately tradeable on the ASX once issued). Because GSL Shares are quoted on ASX, Project Investors that receive GSL Shares can elect to either:

- sell their GSL Shares, thereby realising cash value for their GSL Shares (and indirectly for their Woodlots); or
- retain their GSL Shares and receive the benefit of any appreciation (and risk of depreciation) in the value of GSL Shares and any dividends that may be paid on GSL Shares.

GSL Shares issued to Project Investors are expected to be quoted on the ASX by 15 December 2008 and from that date will be freely transferable on the market.

Financed Project Investors (that is, Project Investors over whose Woodlots a Financier has taken security), should consider the Escrow Arrangements discussed in Section 7.9 of this Explanatory Memorandum and the effect on the ability to trade the GSL Shares that will be issued to Financed Project Investors in exchange for Woodlots.

Diversification of risk and asset/investment exposure

Through the 1998 Project, Project Investors currently have direct exposure to risks associated with growing, harvesting and selling plantation hardwood from the specific plantations that comprise the 1998 Project. This includes exposure to factors such as growth rates of timber (including climatic, silvicultural and other factors that impact upon that growth), international hardwood prices and operational costs associated with harvesting, transporting and processing hardwood ready for export.

If you receive GSL Shares through the implementation of Your Scheme Proposal, Project Investors will reduce their exposure to commodity specific risks across the more diversified agricultural operations of GSL. This will include GSL's plantation and cattle portfolio, its significant land bank and its agricultural investment services business.

Project Investors should refer to Section 5.3 below for a discussion of circumstances where a Project Investor wishes to maintain an exposure to woodpulp or avoid an exposure to ASX listed securities.

Removal of future expenditure obligations – Insurance premiums

Under the terms of the Woodlot Agreement, Project Investors have future obligations in respect of insurance premiums that must be paid in respect of their Woodlots.

Insurance premiums are payable annually and increase as the value of the Project Investor's Woodlots increases. A fixed annual insurance administration charge is also payable by Project Investors. For 2008 the insurance fee was \$56.12 per Woodlot and a fixed charge of \$5.50 per Project Investor.

If Your Scheme Proposal is approved, you will be released from these future obligations.

Transaction costs

If Your Scheme Proposal is approved, reasonable transaction costs incurred by GSMAL will be covered by GSL. Project Investors (other than Foreign Project Investors) will not incur any brokerage or stamp duty on the exchange of their Woodlots for GSL Shares. However, if at any future time you sell your GSL Shares, then you may incur brokerage and transaction costs associated with that sale.

If you are a Foreign Project Investor, brokerage, stamp duty and other taxes and charges will be deducted from the proceeds of sale on ASX of the GSL Shares which are issued to the Sale Agent on your behalf. Please refer to Section 7.8 of this Explanatory Memorandum for full details.

If you are a Financed Project Investor, reasonable costs incurred by you and directly related to the Escrow Arrangements and/or to the arranging of interim security over GSL Shares using the power of attorney contemplated in Section 7.3(i) of this Explanatory Memorandum, and any replacement or additional security over the GSL Shares (but excluding your personal costs in reviewing, signing and delivering that replacement security) will be borne by GSL.

5.3 Reasons for voting against Your Scheme Proposal

The GSMAL Independent Directors recommend that Project Investors consider the following features of Your Scheme Proposal which Project Investors may consider to be reasons for voting against Your Scheme Proposal:

Consideration	Potential effect on Project Investor
Taxable income in the 2008/2009 financial year	Implementation of Your Scheme Proposal will result in the issue of GSL Shares, resulting in taxable income in the 2008/2009 financial year for Project Investors.
The number of GSL Shares that may be issued to Project Investors is capped	A Project Investor will receive not more than 4,606 GSL Shares per Woodlot. If the VWAP of GSL Shares during the Reference Period is less than \$0.50, the implied value of the GSL Shares issued to Project Investors in exchange for their Woodlots is relatively less than they would be entitled to if the VWAP of GSL Shares during the Reference Period were \$0.50 or more.
The price at which GSL Shares may be traded	Your Scheme Proposal involves Project Investors being issued GSL Shares at a fixed price. The price and value of GSL Shares in the future will be best subject to a range of risks and market pressures. There is likely to be movements in the price of GSL Shares traded on ASX after the end of the Reference Period and before the date of the issue of the GSL Shares to Project Investors which may be positive or adverse to Project Investors.
A different asset with exposure to new and different risks	An investment in GSL Shares is subject to a variety of general and specific risks as detailed in the Prospectus. Due to the nature of GSL's business and the nature of an ASX-listed share, these risks may be different to the risks that attach to an investment in Woodlots, or may impact on a GSL Share and a Woodlot investment to a different extent or in a different manner. In addition, if Your Scheme Proposal is implemented, Project Investors will forgo their direct exposure to a specific commodity.
Relinquishment of future income	Under the 1998 Project, Project Investors are entitled to 94.5% of the net proceeds of harvest which is scheduled to occur in 2008 and 2009. If Your Scheme Proposal is implemented, you will forgo this future income in exchange for GSL Shares.
Particular considerations for Foreign Project Investors and Financed Project Investors	If you are a Foreign Project Investor or a Financed Project Investor, the effect of Your Scheme Proposal on you may, in your particular circumstances, be a reason to vote against Your Scheme Proposal.

Taxable income in the 2008/2009 financial year

If Your Scheme Proposal is implemented, you will exchange your Woodlots for GSL Shares. This will result in taxable income in the 2008/2009 financial year and, if tax is payable, you may not have cash available to fund that payment. In the absence of the implementation of Your Scheme Proposal, this additional taxable income would not be expected to be received until subsequent financial years.

You should refer to the Independent Taxation Opinion prepared by KPMG at Annexure 2 to this Explanatory Memorandum.

The number of GSL Shares that may be issued to Project Investors is capped

If Your Scheme Proposal is implemented, you will exchange each Woodlot for not more than 4,606 GSL Shares. This will be the case even where the VWAP of GSL Shares during the Reference Period is less than \$0.50, such that if the formula described in Section 7.4 of this Explanatory Memorandum were applied and the number of GSL Shares calculated would otherwise be more than 4,606, Project Investors will nevertheless only receive 4,606 GSL Shares per Woodlot. As a result, the implied value of the consideration that will be received by Project Investors in exchange for their Woodlots where the VWAP of GSL Shares during the Reference Period is less than \$0.50 will be relatively less than they would be entitled to if the VWAP of GSL Shares during the Reference Period were \$0.50 or more.

In the event that the VWAP of GSL Shares during the Reference Period were more than \$1.00, Project Investors will receive not less than 2,303 GSL Shares per Woodlot, in which case the implied value of GSL Shares consideration would be relatively more attractive to a Project Investor.

The price at which GSL Shares may be traded

Notwithstanding the conclusion of the Independent Expert that Your Scheme Proposal is in the best interests of Project Investors, the recommendation of the Independent GSMAL Directors to vote in favour of Your Scheme Proposal and the other reasons for voting in favour of Your Scheme Proposal set out in Section 5.2, a Project Investor may form an adverse view about the present or prospective value of GSL Shares.

Although past performance is not a reliable indicator of future performance, the Independent GSMAL Directors note the commentary in section 4.1 of the Independent Expert Report (under the heading "Recent historical trading history in Great Southern shares") and in section 5 of the Prospectus relating to historical trading prices of GSL Shares.

The implementation of the Scheme Proposals and the acceptance of Individual Offers will result in GSL issuing a significant number of GSL Shares, including to some Project Investors who may not wish to participate in the Scheme Proposals, but were obliged to do so under the terms of the relevant Scheme Proposal. Project Investors may not wish to retain the GSL Shares issued to them and may therefore seek to sell them on the ASX. The nominee appointed by GSL to sell GSL Shares on behalf of Foreign Project Investors will also sell GSL Shares on ASX. Such sales may cause supply of GSL Shares available for sale to exceed demand for GSL Shares, which may have an adverse effect on the market price of GSL Shares. There may also be brokerage and transaction costs associated with such a sale.

A relative over-supply of GSL Shares on the market operated by ASX may be exacerbated should a material number of Project Investors sell their GSL Shares to fund some or all of the tax liability that the implementation of the Proposals will crystallise (refer to the discussion above under the heading "Taxable income in the 2008/2009 financial year").

The price at which GSL Shares are traded from time to time will be subject to both general and specific stock market trends and risks. These risks are discussed in further detail in section 7 of the Prospectus.

A different asset with exposure to new and different risks

An investment in GSL Shares, like an investment in other ASX listed shares, is subject to a variety of general and GSL-specific risks - refer to the Prospectus for a more detailed analysis of these risks. Due to the nature of GSL's business and the nature of a listed share, these risks are different to the risks that attach to an investment in Woodlots.

If Your Scheme Proposal is implemented, a Project Investor will be issued GSL Shares and their exposure to its specific hardwood project will reduce, being replaced by risk factors impacting an investment in GSL Shares and GSL's wider business including its other plantation assets, significant land portfolio, cattle assets and its agricultural investment services business.

These risks are discussed in detail in section 7 of the Prospectus and should be considered by Project Investors carefully. In particular, in light of recent volatility in global financial and securities markets, Project Investors should consider the risks discussed in section 7.3 of the Prospectus under the heading "General investment risks" and consider carefully the discussion in Section 1.2 of this Explanatory Memorandum. It is worthwhile noting that, while the impact of volatility in global financial and securities markets is likely to have a more immediate and visible affect on GSL Shares, that volatility is also likely to affect a Project Investor's investment in Woodlots, though such effect is likely to be relatively less direct and pronounced.

The GSMAL Independent Directors note that on page 6 of the Prospectus GSL highlights the following "Key GSL business risks":

- **MIS sales & regulatory risk** - GSL's current business model currently relies on annual tax effective MIS sales which are subject to general economic risks and also dependent upon product rulings being issued by the ATO. There is a risk that the ATO may not grant product rulings in relation to future MIS projects and that a poorer economic climate reduces sales demand;
- **Ongoing MIS obligations** - GSL is required to fund its ongoing obligations to maintain its 36 existing schemes in accordance with the relevant PDS requirements. GSL is obligated to provide land and ongoing maintenance of these schemes which results in ongoing costs including lease payments, debt service costs, personnel costs and business overheads;
- **Broader operational, agricultural and climatic risks** - GSL's profitability is impacted by agricultural risks outside GSL's control such as drought, extreme weather and access to water; and
- **Land availability and valuation** - GSL's ongoing tax effective MIS business is in part dependent upon sourcing sufficient agricultural land. There is a risk that suitable land may not be available in the future at the required time and price.

The commentary in section 4.2 of the Independent Expert Report ("Other Key Considerations" - third bullet point) should also be considered by Project Investors in the context of the possible impact on the 1998 Project of volatile and tight credit markets such as those presently impacting the global financial sector.

Through the 1998 Project, Project Investors currently have direct exposure to the benefits of growing, harvesting and selling plantation hardwood from the specific plantations that make up the 1998 Project. This includes exposure to international hardwood prices.

By approving Your Scheme Proposal and receiving GSL Shares, Project Investors will forgo their direct exposure to a specific commodity and will instead have an interest in a diversified agricultural company. Some Project Investors may prefer to retain a direct exposure to a single commodity and the benefits (and risks) associated with an undiversified investment.

Relinquishment of future income

Under the 1998 Project, Project Investors are entitled to 94.5% of the net proceeds of harvest of the 1998 Project, which is scheduled to occur in 2008 and 2009.

If Your Scheme Proposal is implemented, you will forgo receipt of this future prospective income stream. You will, however, receive GSL Shares in exchange, and these shares have value and may give rise to future dividends. Please refer to the Prospectus and the Independent Expert Report for detailed commentary on this.

Particular considerations for Foreign Project Investors and Financed Project Investors

If you are a Foreign Project Investor or a Financed Project Investor, the effect of the implementation of Your Scheme Proposal on you may, in your particular circumstances, be a reason to vote against Your Scheme Proposal. Foreign Project Investors should refer to the discussion in Sections 5.4 (under the heading “Foreign Project Investors”) and 7.8, and Financed Project Investors should refer to the discussion in Sections 5.4 (under the heading “Financed Project Investors”) and 7.9.

5.4 Other considerations concerning Your Scheme Proposal

Not all of the Scheme Proposals may be implemented

The benefits accruing to GSL on the implementation of the Scheme Proposals (as discussed in detail in the Prospectus and in Section 3 of this Explanatory Memorandum) are anticipated only to be realised in full if all of the Scheme Proposals are implemented. For each Scheme Proposal that is not implemented, it is expected that there is likely to be an incremental effect on the realisation of these benefits by GSL.

Please refer to Sections 4.4 and 4.5 of this Explanatory Memorandum for more information.

Conditions to implementation of the Proposals

Your Scheme Proposal will only be implemented if both of the Resolutions are approved. In addition, Your Scheme Proposal will only be implemented if certain conditions precedent in the Implementation Agreement are satisfied or waived including GSL Shareholder Approval. While GSMAL is not aware of any matter which would, as at the date of this Explanatory Memorandum, cause the implementation conditions to be breached or fail to be satisfied, there is a risk that due to matters outside GSMAL's control, those conditions will not be satisfied. If this is the case, Your Scheme Proposal will not proceed.

The material conditions to the implementation of the Scheme Proposals under the Implementation Agreement are:

- no GSMAL Material Adverse Change, GSL Material Adverse Change, GSMAL Prescribed Occurrence nor GSL Prescribed Occurrence is in existence, and neither GSMAL nor GSL is in breach of its obligations under the Implementation Agreement at 5.00 pm (WDT) on the day before the date of the Meeting;
- the GSL Directors do not change or withdraw their recommendation to GSL Shareholders to approve all resolutions required to implement the Scheme Proposals or Individual Offers;
- the GSMAL Independent Directors do not change or withdraw their recommendation to project investors to vote in favour of each Scheme Proposal at each meeting of project investors;
- GSL Shareholder Approval; and
- in respect of a Scheme Proposal, the project investors subject to that Scheme Proposal passing the relevant resolutions at the relevant meeting by the requisite majorities.

Potential unforeseen consequences of restructure

Implementation of the Proposals involves a level of corporate restructuring. Comprehensive due diligence has been undertaken (including obtaining expert professional advice) in relation to the legal and commercial effects of the Scheme Proposals and the necessary steps to implement the Scheme Proposals. Nevertheless, there is a risk that the Scheme Proposals may have unforeseen legal or commercial consequences for GSL, GSMAL, the 8 Projects and/or Project Investors.

For further details of the risks associated with the implementation of the Scheme Proposals, including further detail in respect of the risks of holding GSL Shares and the specific business risks faced by GSL, please refer to section 7 of the Prospectus.

Foreign Project Investors

It is a term of Your Scheme Proposal that GSL Shares that would otherwise be issued to Foreign Project Investors (i.e. Project Investors with a registered address outside Australia or New Zealand) will instead be issued to a nominee appointed by GSL who will sell such GSL Shares and remit the net proceeds (after deducting brokerage, stamp duty and other taxes and charges) to Foreign Project Investors.

Foreign Project Investors should note the Independent Expert comments in section 4 of the Independent Expert Report regarding the sale of GSL Shares that would otherwise have been issued to them under the Scheme Proposal, and the conclusion that the final net proceeds to be realised by a Foreign Project Investor may be less than the post tax value to a Foreign Project Investor of retaining an interest in the 1998 Project.

If you are a Foreign Project Investor you should consider whether the proposed compulsory sale of GSL Shares to be issued to you upon implementation of Your Scheme Proposal affects the attractiveness of Your Scheme Proposal to you. The GSMAL Independent Directors encourage you to seek professional advice.

Please refer to Section 7.8 of this Explanatory Memorandum for more information.

Financed Project Investors

It is a term of Your Scheme Proposal that GSL Shares that would otherwise be issued to a Financed Project Investor will instead be issued to the Escrow Nominee to be held subject to the Escrow Arrangements until such time as suitable arrangements have been made between that Financed Project Investor and the relevant Financier. This may result in your GSL Shares being retained by the Escrow Nominee until such time as the financing with the relevant Financier is fully repaid or refinanced.

If you are a Financed Project Investor, you should consider whether the proposed treatment of GSL Shares to be issued to you upon implementation of Your Scheme Proposal affects the attractiveness of Your Scheme Proposal to you. The GSMAL Independent Directors encourage you to speak with the relevant Financier and seek professional advice.

Please refer to Section 7.9 of this Explanatory Memorandum for more information.

Holding lock on GSL Shares

It is a term of Your Scheme Proposal that if there is any Amount Owing (for example, unpaid GST or insurance premiums) in respect of a Project Investor's Woodlots then the GSL Shares issued to that Project Investor will be subject to the holding lock arrangements described in Section 7.10 of this Explanatory Memorandum until such time as any such Amount Owing is paid. These arrangements will prevent the affected Project Investor from dealing with their GSL Shares until this holding lock is lifted upon satisfaction of the Amount Owing.

If there is any Amount Owing in respect of your Woodlots then you should consider how this holding lock may impact upon you. This consideration may affect the attractiveness of Your Scheme Proposal to you. The GSMAL Independent Directors encourage you to seek professional advice if appropriate.

Please refer to Section 7.10 of this Explanatory Memorandum for more information.

Marginal tax rates

Project Investors should refer to section 4.1 of the Independent Expert Report (and, in particular, Table 3 in that section) to gain an appreciation of the effect of their personal marginal tax rate on the relative attractiveness of Your Scheme Proposal. If your marginal tax rate is less than the highest rate (i.e. 46.5% including Medicare levy) then Your Scheme Proposal may be relatively less attractive to you.

5.5 Considerations in respect of Your Individual Offer

The GSMAL Independent Directors have unanimously resolved to recommend that you give due consideration to Your Individual Offer.

The GSMAL Independent Directors also draw your attention to section 4 of the Independent Expert Report (on page 9 under the heading "Individual Offers") which states that:

"The assessment that the Scheme is in the best interests of Growers as a whole implicitly means that the Individual Offers as a whole are fair and reasonable which, in turn, implicitly assumes 100 percent acceptance by Individuals. However, we note that both the profile of Growers in the 1998 Project and the commercial reality is such that the Individual Offers are only likely to be consummated in circumstances where insufficient acceptances are received for the Scheme and therefore, less than 100 percent acceptance has been achieved."

The GSMAL Independent Directors are not in a position to make a recommendation regarding the acceptance or otherwise of Your Individual Offer due to regulatory constraints, and also because there is no minimum acceptance threshold for Your Individual Offer or any of the Individual Offers. This means that the profile of GSL upon acceptance of Your Individual Offer is presently uncertain and therefore it is not possible for the GSMAL Independent Directors to now make a meaningful comparative value determination between Woodlots on the one hand and GSL Shares on the other in all circumstances that may occur. Accordingly, the GSMAL Independent Directors are not giving or providing, and shall not be taken to be giving or providing, any recommendation or statement of opinion in relation to the acceptance or otherwise of Your Individual Offer by way of this Explanatory Memorandum or otherwise. Project Investors are encouraged to seek appropriate investment, financial, taxation or other professional advice.

The results of the Scheme Proposals and current acceptance levels for the Individual Offers will be announced shortly after the Meeting on 1 December 2008. **You may accept Your Individual Offer, or withdraw an earlier acceptance of Your Individual Offer by notice in writing to GSL, at any time until 5.00 pm (WDT) on 11 December 2008.** In considering Your Individual Offer, the GSMAL Independent Directors encourage you to consider the results of the Scheme Proposals and current acceptance levels for the Individual Offers.

The GSMAL Independent Directors note that the Exchange Ratio being offered under Your Individual Offer is the same as that under Your Scheme Proposal. Project Investors may refer to the discussions in Sections 1.2, 5.1, 5.2, 5.3 and 5.4 above, the Independent Expert Report and the information presented by GSL in the Prospectus when considering Your Individual Offer, but should note that:

- you will need to make an assessment of the possible profile of GSL following Your Individual Offer and the benefits that may or may not accrue to GSL due to less than all of the Scheme Proposals being implemented or less than 100% acceptances of Your Individual Offer;
- Your Individual Offer is subject to the same conditions as Your Scheme Proposal (other than GSL Shareholder Approval) and will only be effective upon the Resolutions not being approved at the Meeting; and
- you should consult your investment, financial, taxation or other professional advisor (if appropriate) prior to accepting Your Individual Offer.

5.6 No recommendation from other GSMAL Directors

Cameron Rhodes and Phillip Butlin are GSMAL Directors and also GSL Directors. Accordingly:

- they have not participated in decisions relating to the assessment and recommendation of Your Scheme Proposal and Your Individual Offer by GSMAL; and
- they each consider it inappropriate to express to Project Investors a recommendation regarding Your Scheme Proposal in their capacity as GSMAL Directors.

6. Financial effects of the Scheme Proposals on GSL

6.1 Overview

This Section 6 sets out pro forma financial information for GSL (including a pro forma balance sheet, a pro forma income statement and the pro forma capital structure) as at 30 June 2008. The pro forma financial information illustrates the expected financial effect of the implementation of both Your Scheme Proposal and all of the Scheme Proposals on GSL as if it and they had been completed as at 30 June 2008. To assist you with your consideration of Your Scheme Proposal, the pro forma financial information presents:

- GSL's actual position as at 30 June 2008;
- the incremental financial impact of the implementation of Your Scheme Proposal;
- GSL's expected financial position following the implementation of Your Scheme Proposal; and
- GSL's expected financial position following the implementation of all Scheme Proposals (including Your Scheme Proposal).

The reviewed actual 30 June 2008 consolidated balance sheet and the reviewed actual 30 June 2008 consolidated Income statement are derived from the Historical financial information contained in section 3.1 of the Prospectus at Annexure 3. Ernst & Young, as independent accountant to the Prospectus, have issued an unmodified review statement on the Historical financial information.

The pro forma financial information is based on the fixed Consideration payable where the VWAP of GSL Shares during the Reference Period is more than \$0.50 and less than \$1.00. If the VWAP for GSL Shares during the Reference Period is \$0.50 or less or \$1.00 or more, then the acquisition accounting would be adjusted to reflect the Consideration to be paid as contemplated in the definition of "Consideration" in Section 10.

6.2 Pro forma balance sheet

The following table sets out the pro forma consolidated balance sheet as at 30 June 2008. A description of the pro forma adjustments is set out below.

	Notes	Reviewed Actual 30 June 2008 \$'000	Pro forma adjustments for 1998 Project \$'000	Pro forma 30 June 2008 (1998 Project only) \$'000	Pro forma 30 June 2008 (All Projects) \$'000
Current Assets					
Cash and cash equivalents		76,040	-	76,040	76,040
Trade and other receivables		233,121	-	233,121	233,121
Biological assets	(a)	11,724	23,500	35,224	64,397
Other current assets		38,609	-	38,609	38,609
Total current assets		359,494	23,500	382,994	412,167
Non-Current Assets					
Trade and other receivables		145,800	-	145,800	145,800
Biological assets	(a)	170,136	-	170,136	463,738
Property, plant & equipment	(c)	218,702	6,700	225,402	413,002
Investment properties	(c)	826,600	(6,700)	819,900	632,300
Deferred tax assets	(e)	55,272	1,803	57,075	64,082
Other non-current assets		202,192	-	202,192	202,192
Total non-current assets		1,618,702	1,803	1,620,505	1,921,114
Total Assets		1,978,196	25,303	2,003,499	2,333,281
Current Liabilities					
Trade and other payables	(d), (f)	163,490	6,010	169,500	189,555
Deferred revenues		128,806	-	128,806	114,659
Other current liabilities		29,076	-	29,076	29,076
Total current liabilities		321,372	6,010	327,382	333,290
Non-current liabilities					
Interest bearing loans and borrowings		769,490	-	769,490	769,490
Borrowings – securitised loans		29,303	-	29,303	29,303
Other non-current liabilities		77,118	-	77,118	79,200
Total non-current liabilities		875,911	-	875,911	877,993
Total Liabilities		1,197,283	6,010	1,203,293	1,211,283
Net Assets		780,913	19,293	800,206	1,121,998
Equity					
Contributed equity	(b), (f)	460,265	20,140	480,405	862,644
Reserves		20,060	-	20,060	20,060
Retained profits	(d), (e)	285,660	(847)	284,813	224,366
Parent Interests		765,985	19,293	785,278	1,107,070
Minority interest		14,928	-	14,928	14,928
Total Equity		780,913	19,293	800,206	1,121,998

6.3 Pro forma income statement

The following table sets out the pro forma consolidated income statement for the nine month interim period ended 30 June 2008. A description of the pro forma adjustments is set out below. The implementation of Your Scheme Proposal has a negative impact on the pro forma income statement predominantly as a result of the stamp duty costs as discussed in the notes to the pro forma financial information below. The implementation of all Scheme Proposals has a negative impact on the pro forma income statement predominantly as a result of stamp duty and contract cancellation costs as discussed in section 3.2 of the Prospectus.

	Reviewed Actual 30 June 2008	Pro forma adjustments for 1998 Project	Pro forma 30 June 2008 (1998 Project only)	Pro forma 30 June 2008 (All Projects)
Notes	\$'000	\$'000	\$'000	\$'000
Revenue	376,365	-	376,365	390,512
Commissions, marketing and selling costs	(52,076)	-	(52,076)	(52,076)
Agriculture and MIS related expenses	(150,462)	-	(150,462)	(212,202)
Other expenses (d)	(145,504)	(1,210)	(146,714)	(159,015)
Total expenses	(348,042)	(1,210)	(349,252)	(423,293)
Profit / (loss) before income tax	28,323	(1,210)	27,113	(32,781)
Income tax (expense) / benefit	(12,158)	363	(11,795)	(12,348)
Profit / (loss) after income tax	16,165	(847)	15,318	(45,129)

6.4 Notes to the pro forma financial information

The following notes relate to the pro forma adjustments for Your Scheme Proposal only. For information regarding the adjustments for all Scheme Proposals please refer to section 3.2 of the Prospectus.

(a) Biological assets

On the implementation of Your Scheme Proposal, GSL will acquire the Project Investors' interests in the 1998 Project, being the Project Investors' standing timber, the contractual right to the Project Investors' share of the Project's future net harvest proceeds and the lease interest relating to the land on which the Woodlots are located.

The Consideration is wholly ascribed to the value of the standing timber which has been determined as fair value. No value is ascribed to the land lease interest because GSL will receive no additional benefit from receiving the lease as a result of the transaction.

This standing timber asset acquired will be classified as a biological asset in the consolidated balance sheet and in accordance with GSL accounting policy is stated at fair value less point of sale costs. Any timber expected to be sold by 30 June 2009 is classified within current assets.

(b) Contributed equity

The GSL Shares are issued as settlement for the payment of the Consideration for Your Scheme Proposal and these shares will be recognised in contributed equity at the fair value of the assets acquired.

The pro forma financial information presented above is prepared on the basis that Your Scheme Proposal is implemented and GSL acquires all of the interests in the Project and the liability to investors is discharged by the issue of GSL shares.

(c) Investment property and property, plant and equipment

Land owned by GSL that is leased to Project Investors is classified in GSL's balance sheet as 'investment property', which is carried at fair value in accordance with group accounting policy.

On implementation of Your Scheme Proposal this land will be reclassified in the balance sheet as property, plant and equipment. On reclassification of the land to property, plant and equipment, the land asset is carried at cost, with cost deemed to be the most recent carrying value of the land when classified as investment property.

(d) Stamp duty

Stamp duty is payable on acquisition of the Project Interests. Stamp duty will be expensed in the income statement.

(e) Tax effect

The tax benefit attributable to the stamp duty payable will be recognised as a credit to the income tax expense account with a corresponding increase to the deferred tax asset account calculated at the prevailing corporate tax rate of 30%.

The tax cost base attributable to the standing timber acquired is determined as the market value of these assets as disclosed in the project investors' 2009 income tax returns, which may be different to the value of the biological asset value recorded in the proforma financial statement. If so this would give rise to a permanent tax difference being the difference between the accounting value and the tax cost base at the prevailing corporate tax rate of 30%.

The pro forma financial information presented above is prepared on the basis that Your Scheme Proposal is implemented and GSL acquires all of the interests in the Project and the liability to investors is discharged by the issue of GSL Shares.

(f) Transaction Costs

On implementation of Your Scheme Proposal, transaction costs are estimated to total \$4,800,000 before taxation. This will result in an after tax allocation to the contributed equity account of \$3,360,000 and an increase in deferred tax assets of \$1,440,000.

6.5 Pro forma capital structure and NTA per GSL Share

The tables below show the pro forma number of GSL Shares on issue and the pro forma contributed equity balance for GSL.

Shares issued where VWAP of a GSL Share during the Reference Period is \$0.50

	Actual 30 June 2008	Pro forma adjustments for 1998 Project	Pro forma 30 June 2008 (1998 Project only)	Pro forma 30 June 2008 (All Projects)
Number of GSL Shares on issue	323,194,920	46,999,624	370,194,544	1,139,225,280
GSL Share issue price (\$)		\$0.50		
Value of new GSL Shares issued (\$)	460,264,820	23,499,812	483,764,632	868,280,000
Net tangible assets (\$'000)	684,295		703,588	1,025,380
Net tangible assets per share (\$) ¹	2.12		1.90	0.90

Shares issued where VWAP of a GSL Share during the Reference Period is \$1.00

	Actual 30 June 2008	Pro forma adjustments for 1998 Project	Pro forma 30 June 2008 (1998 Project only)	Pro forma 30 June 2008 (All Projects)
Number of GSL Shares on issue	323,194,920	23,499,812	346,694,732	731,210,100
GSL Share issue price (\$)		\$1.00		
Value of new GSL Shares issued (\$)	460,264,820	23,499,812	483,764,632	868,280,000
Net tangible assets (\$'000)	684,295		703,588	1,025,380
Net tangible assets per share (\$) ¹	2.12		2.03	1.40

¹ The net tangible assets per share figures differ by approximately \$0.01 per share from the corresponding figures in the Independent Expert Report due to a minor amendment to the pro forma financial statements made after the date of the Independent Expert Report.

7. Implementation of Your Scheme Proposal

7.1 Overview

GSMAL, as responsible entity of the 1998 Project, has called the Meeting. The purpose of the Meeting is to consider and, if thought fit, pass resolutions that are necessary to implement Your Scheme Proposal.

In order to implement Your Scheme Proposal:

- the Project Constitution must be amended by a resolution passed by Project Investors to provide for a procedure for implementing an arrangement such as Your Scheme Proposal (the “**Constitutional Amendment Resolution**”); and
- in accordance with the amendments to the Project Constitution, Project Investors must approve the implementation of Your Scheme Proposal (the “**Implementation Resolution**”).

Both Resolutions must be passed in order for Your Scheme Proposal to be implemented. However, the Constitutional Amendments Resolution will be effective if it is approved by Project Investors regardless of whether or not the Implementation Resolutions is approved by Project Investors.

If Your Scheme Proposal is approved and implemented, in exchange for GSL Shares, you will transfer to a GSL Group company all of your right, title and interest under the relevant Woodlot Agreement.

7.2 Change to the constitution of the 1998 Project

The Constitutional Amendments Resolution is a special resolution which, if passed, will insert a new clause 46A into the Project Constitution. The new clause 46A.2 will introduce into the Project Constitution a procedure for implementing a binding arrangement (which will be used to effect Your Scheme Proposal).

It is proposed to insert a new clause 46A into the Project Constitution as follows:

“46A. Binding Arrangement

46A.1 Proposal by Responsible Entity

The Responsible Entity may propose an arrangement involving the Growers of the Project by setting out in writing the terms and conditions of the proposed arrangement.

46A.2 Proposal conditions

The arrangement proposed under clause 46A.1 is binding on all Growers in the Project if and only if:

- a resolution is passed at a meeting of Growers which approves the proposed arrangement, where that resolution is passed by a majority in number of Growers present and voting at the meeting (whether in person or by proxy) and passed by 75% or more of the votes actually cast on the resolution, where each Grower voting is eligible to vote in accordance with the rules in clause 46A.3 below; and*
- the Responsible Entity has sent a notice of meeting to the Growers which contains, or is accompanied by, the terms and conditions of the arrangement (the ‘**Arrangement Terms and Conditions**’), explaining the effect of the proposed arrangement on the Project and the Growers, and providing all information which is material to the making of a decision by a Grower whether or not to approve the proposed arrangement (being information which is known to the Responsible Entity and which has not previously been disclosed to Growers).*

46A.3 Voting eligibility

- A Grower (the ‘**Interested Grower**’) and the Interested Grower’s associates are not eligible to vote on a resolution under clause 46A.2 above in relation to the Interested Grower’s Woodlots if the Interested Grower has an interest in, or receives a benefit from, the outcome of the arrangement other than in their capacity as a Grower in the Project along with all other Growers in the Project.*
- The Responsible Entity and its associates are not eligible to vote on a resolution under clause 46A.2 above in relation to their Woodlots if the Responsible Entity or the associate has an interest in the resolution or matter other than as a Grower.*

46A.4 Binding arrangement

An arrangement approved under clause 46A.2 above is binding on all Growers of the Project in accordance with the Arrangement Terms and Conditions, being a person who is recorded in the Register at the time and on the date specified in the resolution (if any), or if not specified in the resolution then a person who is recorded in the Register at the time the resolution is passed.

46A.5 Appointment of Responsible Entity as agent and attorney

If an arrangement is approved under clause 46A.2 then each Grower irrevocably appoints the Responsible Entity from the date of the resolution for a period of 18 months as his, her or its agent and attorney for the purposes of implementing the arrangement, and grants the Responsible Entity power as agent to execute all agreements or documents in the name of the Grower which are necessary or desirable to implement the arrangement, including signing deeds of transfer, surrender or termination and including releasing the Responsible Entity and the Lessor from all claims against the Responsible Entity and the Lessor in respect of, or in any way arising from, the Lease and Management Agreement in respect of the Grower's interest in the Project from the date of transfer, surrender or termination of the Grower's interest.

46A.6 Appointment of attorney

If an arrangement that is approved under clause 46A.2 contains a term for the appointment of an attorney ('Attorney') for a specified period of not more than 18 months on specified terms (if any) to act for and on behalf of a Grower in respect of specified matters, then on and from the date of the resolution each Grower shall be deemed to have irrevocably appointed the Attorney for the specified period on the specified terms (if any) in respect of the specified matters and each Grower shall be bound by the acts of the Attorney and shall ratify, allow and confirm all documents, deeds, acts, matters and things whatsoever that the Attorney shall lawfully execute or do.

46A.7 Application of clause

This clause 46A applies to any proposal made pursuant to clause 46A.1 whether occurring before or after this clause takes effect and, for the avoidance of doubt, applies notwithstanding any meeting for the approval of a proposed arrangement was called or held prior to this clause 46A taking effect."

7.3 Terms and conditions of Your Scheme Proposal

The following arrangement ("**Arrangement**"), which constitutes Your Scheme Proposal, is proposed to Project Investors of the 1998 Project for approval pursuant to new clause 46A of the Project Constitution that is proposed to be inserted in the Project Constitution pursuant to the approval of the Constitutional Amendment Resolution. The Arrangement will be documented in the Transfer Deed described in Section 8.2 of this Explanatory Memorandum.

- (a) these terms and conditions (the "**Terms and Conditions**") bind each Project Investor who is recorded on the Register of the 1998 Project at the time the resolution is passed under clause 46A of the Project Constitution approving this Arrangement (the "**Arrangement Binding Date**");
- (b) with effect from the Arrangement Binding Date each Project Investor and GSMAL will agree to assign the Woodlot Agreement on the date that is the 10th Business Day following the Arrangement Binding Date ("**Implementation Date**");
- (c) subject to the remaining provisions of this Section 7.3 (including paragraphs (i) and (k) below), as settlement for the implementation of the Arrangement GSL must issue to Project Investors at the Arrangement Binding Date;
 - (1) if the VWAP of GSL Shares during the Reference Period is \$0.50 or less, 4,606 GSL Shares for each Woodlot held by the Project Investor;
 - (2) if the VWAP of GSL Shares during the Reference Period is \$1.00 or more, 2,303 GSL Shares for each Woodlot held by the Project Investor; or
 - (3) if the VWAP of GSL Shares during the Reference Period is more than \$0.50 and less than \$1.00, the number of GSL Shares (rounded up to the nearest whole number) for each Woodlot held by the Project Investor equal to \$2,303 divided by the VWAP of GSL Shares during the Reference Period;
- (d) subject to the remaining provisions of this Section 7.3 (including paragraphs (i) and (k)) below, on the Implementation Date GSL will issue the GSL Shares to each Project Investor at the Arrangement Binding Date in accordance with paragraph (c) above and on and from the Implementation Date each Project Investor will agree to be bound by the terms of the constitution of GSL;
- (e) the implementation and operation of the Arrangement is subject to, and conditional upon:
 - (1) the GSL Shareholders passing all resolutions which are required in order for GSL to comply with the requirements of the Corporations Act and the Listing Rules in relation to the issue of GSL Shares to Project Investors in accordance with paragraph (c) above; and
 - (2) the conditions to the Implementation Agreement set out in Section 8.1 of this Explanatory Memorandum being satisfied;
- (f) from the Arrangement Binding Date, each Project Investor cannot sell, transfer, encumber or otherwise grant rights or interests over their Woodlot in the 1998 Project (or agree to do so), to any person other than a GSL Group company, and GSMAL must decline to record in the Register any transfer to this other person, and each Project Investor represents and warrants to GSL and GSPH that the Project Investor has not assigned, and will not assign, any of the Project Investor's Woodlots (or any part of them) to another person prior to the Implementation Date, and each Project Investor irrevocably appoints GSPH as the Project Investor's proxy for the purposes of exercising any voting rights which the Project Investor may have immediately after the Arrangement Binding Date but prior to the Implementation Date;
- (g) on and from the Implementation Date, the Project Investor will release GSMAL from all claims by the Project Investor against GSMAL in respect of, or in any way arising from the Project Investor's Woodlot Agreement or the PDS in respect of the Project Investor's Woodlot and GSMAL will release the Project investor from all claims by the Project Investor in respect of or in any way arising after the Implementation Date from the Project Investor's Woodlot Agreement or the PDS in respect of the Project Investor's Woodlot;

- (h) if, during the period between the Announcement Date and the Implementation Date, any of the Project Investor's Woodlots are destroyed by fire or otherwise and the Arrangement is implemented, the Project Investor agrees to instruct GSMAL to pay any insurance proceeds in relation to those Woodlots to GSPH;
- (i) if a Financier holds security over or in respect of a Financed Project Investor's Woodlots:
- (1) the Financed Project Investor irrevocably appoints GSL on and from the Arrangement Binding Date as his or her attorney on the terms of the GSL Power of Attorney for the purposes of entering into, amongst other things, a deed of interim charge in favour of the Financier to charge the GSL Shares in favour of the Financier and to do any and all other matters connected with such interim charge as may be outlined in or contemplated by Section 7.9 of this Explanatory Memorandum;
 - (2) GSL will issue the GSL Shares to the Escrow Nominee to be held subject to the Escrow Arrangements described in Section 7.9 of this Explanatory Memorandum until GSL receives notification from the Financier of the repayment or refinancing of the financing (as contemplated by Section 7.9 of this Explanatory Memorandum); and
 - (3) without limiting any of GSMAL's or GSL's other rights arising under the Arrangement or from its implementation, on the Arrangement Binding Date each Financed Project Investor will be deemed to have:
 - (i) acknowledged and agreed that the Financier's existing charge or security interest over the Financed Project Investor's investment in Woodlots extends to any GSL Shares issued by GSL to the Financed Project Investor (or to the Escrow Nominee); and
 - (ii) agreed to provide an interim charge over the legal and beneficial interest held by the Financed Project Investor (or the Escrow Nominee) in the GSL Shares issued by GSL to the Financed Project Investor (or to the Escrow Nominee) in a form reasonably required by the Financier;
- (j) if on the Implementation Date there is any Amount Owing and Section 7.3(i) above does not apply, the GSL Shares issued as Consideration will be subject to a holding lock pursuant to ASX Listing Rule 8.10.1(i) until the amount is repaid or other arrangements with GSL and GSMAL are made; and
- (k) if a Project Investor has a country of residence (as shown by their address on the Register) outside of Australia or New Zealand ("**Foreign Project Investor**"), the GSL Shares to which they are entitled in accordance with paragraph (c) of this Section 7.3 above will be allotted to the Sale Agent who will, as soon as practicable, and in any event within 30 Business Days, sell those GSL Shares and pay the proceeds received (after deducting applicable brokerage (1% of the proceeds), stamp duty and other taxes and charges) to that Foreign Project Investor in full satisfaction of the Foreign Project Investor's right to receive the GSL Shares.

7.4 Number of GSL Shares to be issued to Project Investors

The number of GSL Shares that each Project Investor will receive in exchange for Woodlots if Your Scheme Proposal is implemented will depend on the volume weighted average price on ASX ("**VWAP**") of GSL Shares during the Reference Period.

A VWAP is a generally accepted measure of the most representative price at which a security trades over a specified trading horizon, taking into account not only the values at which the security trades but also the number of securities that are traded at particular values.

If the VWAP of GSL Shares during the Reference Period is:

- more than \$0.50 but less than \$1.00, you will receive that number of GSL Shares per Woodlot (rounding up to the nearest whole number of GSL Shares) as is calculated by dividing \$2,303 by that VWAP of GSL Shares;
- \$0.50 or less, you will receive 4,606 GSL Shares per Woodlot; or
- \$1.00 or more, you will receive 2,303 GSL Shares per Woodlot.

The VWAP of GSL Shares during the Reference Period will be known shortly after the close of trading on ASX on the last Trading Day of the Reference Period. This VWAP, and the resulting number of GSL Shares that will be issued to Project Investors if Your Scheme Proposal is implemented, will be announced by GSL on ASX no later than 25 November 2008, and also made available on GSL's website (<http://www.great-southern.com.au>) as soon as possible.

7.5 Quorum and voting approvals

Your Scheme Proposal will be only be implemented if Project Investors in the 1998 Project approve:

- (a) the Constitutional Amendments Resolution as described in Section 7.2 above; and
- (b) the Implementation Resolution described in Section 7.3 above.

In order to approve Your Scheme Proposal, both Resolutions need to be passed by the requisite majorities of Project Investors, being:

- for the Constitutional Amendment Resolution, 75% by number of Woodlots voted at the Meeting (in person or by proxy); and
- for the Implementation Resolution, 50% by number of Project Investors voting at the meeting (in person or by proxy) and 75% by number of Woodlots voted at the Meeting (in person or by proxy).

Both Resolutions must be approved by the requisite majorities at the Meeting at which a quorum is present. Under the Project Constitution, a quorum for the Meeting is 2 Project Investors.

7.6 Voting restrictions in relation to the proposed Resolutions

Under clause 46A of the Project Constitution (as amended pursuant to the Constitutional Amendment Resolution) a Project Investor is not eligible to vote on the Implementation Resolution if they have an interest in, or receive a benefit from, the outcome of the arrangement other than in their capacity as a Project Investor of the Project. Merely holding GSL Shares will not mean that a Project Investor will be precluded from voting on the Resolutions.

In accordance with the Corporations Act, GSMAL and its associates are not eligible to vote on the Resolutions in relation to their Woodlot in the 1998 Project if GSMAL or the associate has an interest in the Resolutions or matter other than as a Project Investor.

7.7 Meeting arrangements

The Meeting will be held at the Parmelia Hilton, Perth on 1 December 2008 at 9.00 am (WDT). GSMAL is proposing to conduct the Meeting concurrently with the meetings of project investors in respect of each of the other Scheme Proposals, and therefore each of those meetings will be held at the same time and place as the Meeting for Your Scheme Proposal.

The GSMAL Independent Directors believe that it is appropriate in the circumstances to hold the meetings concurrently, including due to:

- the commonality of subject matter between the Scheme Proposals;
- the significant proportion of project investors that are members of more than one Project; and
- the information sharing and timing efficiencies for all investors in the Projects, including the Project Investors.

The GSMAL Independent Directors are satisfied that the proposed arrangements for the Meeting will ensure that Project Investors will retain the opportunity to consult, deliberate and vote as a discrete group.

7.8 Notice to Foreign Project Investors

If you are a Foreign Project Investor, the GSL Shares to which you would otherwise be entitled if Your Scheme Proposal is implemented will be subscribed by, and allotted to, a nominee appointed by GSL ("**Sale Agent**") who will, as soon as is reasonably practicable, and in any event within 30 Business Days, sell those GSL Shares and pay the proceeds received (after deducting applicable brokerage (of 1% of the proceeds), stamp duty and other taxes and charges) to that Foreign Project Investor in full satisfaction of the Foreign Project Investor's right to the receive GSL Shares.

This Explanatory Memorandum does not constitute, nor is it intended to constitute, an offer of securities to any person with a registered address outside Australia and New Zealand.

Refer to section 9.4 of the Prospectus for further information on the nominee arrangements.

7.9 Effect of financing arrangements on Your Scheme Proposal

Financing arrangements generally

Project Investors who have financed their investment in Woodlots in an arrangement where their Woodlots are secured in favour of a financier will need to make appropriate arrangements with their financier in respect of the transactions contemplated by Your Scheme Proposal. These arrangements may involve arranging for the provision of substitution security or repaying or refinancing the relevant financing.

Project Investors with lending or security arrangements affecting their investment in Woodlots should contact their financier.

Arrangements with the Notified Financiers

Prior to the date of this Explanatory Memorandum, Adelaide Bank and Great Southern Finance ("**Notified Financiers**") have each indicated that if the investment of a Financed Project Investor in Woodlots is subject to a security interest in their favour in connection with loans they have made to that Financed Project Investor (each a "**Loan**"), then they will separately make contact with the Financed Project Investor in relation to that security and the associated financing arrangements.

It should be noted that each Notified Financier has indicated to GSL that the implementation of Your Scheme Proposal may breach the terms of a Loan relating to the continued operation of Your Project and to the non-disposal of an interest in Woodlots. In that regard, each Notified Financier has indicated to GSL that they will not act in relation to such potential breach (a "**Forebearance**") by a Financed Project Investor provided that the Financed Project Investor enters into documentation when requested by the Notified Financier including security arrangements over issued GSL Shares (a proposal in respect of which will be mailed to Financed Project Investors separately by the relevant Financier).

The Notified Financiers have also indicated that:

- (a) their Forebearance is dependent on, and subject to GSL ensuring that it will issue the GSL Shares to the Escrow Nominee to be held in accordance with the Escrow Arrangements (except where finance has been repaid or refinanced prior to the time of issue of the GSL Shares); and

- (b) if a Financed Project Investor elects to, and then, repays their Loan in full (including all interest and fees) prior to 30 June 2009, they will not be charged any break costs.

The effect of Your Scheme Proposal on Financed Project Investors

Under the terms of Your Scheme Proposal, Financed Project Investors (that is, Project Investors that have financed their investment in Woodlots with or through Adelaide Bank, Great Southern Finance or another Financier in circumstances where GSL or GSMAL is aware of the taking of a security in favour of the Financier), will not receive their GSL Shares until appropriate arrangements with the Financier have been made.

All GSL Shares to be issued to a Financed Project Investor upon implementation of Your Scheme Proposal will be issued to the Escrow Nominee (that is, a nominee of GSL) who will hold the GSL Shares in escrow in its name with a CHESS sponsor nominated by it, and subject to the terms of an escrow arrangement under which that nominee is not obliged to accept instructions from Financed Project Investors in respect of any dealing in the GSL Shares (including, without limitation, an instruction to sell the GSL Shares or to transfer the GSL Shares to another CHESS sponsor) until instructed to do so by the relevant Financier ("**Escrow Arrangements**").

Further, GSL, as the Financed Project Investor's attorney appointed pursuant to Your Scheme Proposal (and using the GSL Power of Attorney described in Section 8.4) will enter into a deed of interim charge in relation to the GSL Shares issued to the Financed Project Investor in favour of the relevant Financier.

In addition, without limiting any of GSMAL's or GSL's other rights arising from the implementation of Your Scheme Proposal, if Your Scheme Proposal is implemented, each Financed Project Investor will be deemed to have:

- (a) acknowledged and agreed that the Financier's existing charge or security interest over the Financed Project Investor's investment in Woodlots extends to any GSL Shares issued by GSL to the Financed Project Investor (or to the Escrow Nominee on behalf of the Financed Project Investor); and
- (b) agreed to provide an interim charge over the legal and beneficial interest held by the Financed Project Investor (or the Escrow Nominee) in those GSL Shares in a form reasonably required by the Financier; and
- (c) (in the case of the Notified Financiers, for valuable consideration received in the nature of the procuring by GSL of the Forebearance), irrevocably appointed GSL as the attorney of each Financed Project Investor (in accordance with the power of attorney described in Section 8.4 of this Explanatory Memorandum) to execute such a charge and any other document necessary or desirable to assure to the Financier an appropriate security interest in the GSL Shares.

7.10 Effect of Amount Owing

If you have any Amount Owing in respect of your Woodlots (including in the nature of unpaid GST or insurance premiums), it is a term of Your Scheme Proposal that the GSL Shares issued to you will be subject to a holding lock effected by Computershare in accordance with ASX Listing Rule 8.10.1(i). GSL will instruct Computershare to retain the holding lock on the GSL Shares until such time as the Amount Owing is paid in full to GSMAL, or other arrangements satisfactory to GSMAL are made.

If the GSL Shares of a Financed Project Investor are issued to the Escrow Nominee to be held subject to the Escrow Arrangements in accordance with the matters described in Section 7.9 above, those GSL Shares and the Escrow Arrangements will not be subject to the holding lock.

8. Material contracts

8.1 Implementation Agreement

On 13 October 2008, GSL and GSMAL entered into an agreement under which the parties agreed that GSMAL will propose the Scheme Proposals to project investors in each of the 8 Projects and the parties will implement the Scheme Proposals in accordance with the terms and conditions of the agreement. The agreement also contemplates the making of the Individual Offers by GSL and the facilitation of the Individual Offers by GSMAL.

The material conditions to the implementation of the Scheme Proposals under the Implementation Agreement are:

- no GSMAL Material Adverse Change, GSL Material Adverse Change, GSMAL Prescribed Occurrence or GSL Prescribed Occurrence is in existence, and neither GSMAL nor GSL is in breach, in any material respect, of its obligations under the Implementation Agreement at 5.00 pm (WDT) on the day before the date of the Meeting;
- the GSL Directors do not change or withdraw their recommendation to GSL Shareholders to vote in favour of the issue of GSL Shares as part of the Scheme Proposals and Individual Offers;
- the GSMAL Independent Directors make and maintain a recommendation to project investors that is acceptable to GSL;
- the Independent Expert makes and maintains a conclusion in respect of the Scheme Proposal that is acceptable to GSL;
- GSL Shareholder Approval; and
- in respect of each of the 8 Projects, the project investors in that project pass the Resolutions at the relevant meeting by the requisite majorities.

GSMAL's obligations under the Implementation Agreement include:

- commissioning the Independent Expert Report;
- preparing, lodging and despatching the Explanatory Memorandum and Notice of Meeting;
- consulting with and assisting GSL on the implementation of a communication strategy for the Scheme Proposals and for the dissemination of information to project investors;
- convening meetings for each Project to approve the relevant resolutions; and
- lodging a copy of the amended Constitution with ASIC.

GSL's obligations under the Implementation Agreement include:

- preparing, lodging and despatching the Prospectus;
- ensuring the Individual Offers are made in accordance with the requirements of the Corporations Act;
- assisting the Independent Expert in preparing the Independent Expert Report;
- convening the meeting of GSL Shareholders to approve the GSL Resolutions;
- executing the Deed Poll in respect of each of the 8 Projects, a summary of which is set out in Section 8.3; and
- on the Implementation Date, issuing the GSL Shares in satisfaction of the Consideration to the project investors and using its best endeavours to procure that the GSL Shares issued as Consideration are listed on ASX for quotation with effect from the Implementation Date and issue holding certificates for those shares.

Under the Implementation Agreement, except where it would be a breach of its (or any of its directors') fiduciary duties or duties under the Corporations Act, GSMAL:

- must ensure that it does not, and must use reasonable endeavours to ensure that its employees, officers or agents do not, solicit, encourage or initiate any negotiations or discussions in respect of any offer or proposal (other than GSL) to acquire interests in any of the Projects or otherwise acquire or merge with GSMAL;
- must notify GSL promptly if it becomes aware of any negotiations or discussions, approaches or attempts to negotiate in respect of any expression of interest, offer or proposal to acquire interests in any of the Projects or otherwise acquire or merge with GSMAL; and
- must not (without GSL's prior written consent) solicit, initiate or permit any party to undertake due diligence investigations on the Projects or make available to any other person non-public information relating to GSL or any of its subsidiaries (other than GSMAL) where to do so would be a breach of the non-solicitation obligations.

GSMAL must promptly notify GSL if it becomes aware of any of the above circumstances arising.

Either GSL or GSMAL may terminate the Implementation Agreement by written notice to the other party at any time before 5.00 pm (WDT) on the day before the Meeting if:

- that party is in material breach of a provision of the Implementation Agreement and the party wishing to terminate has given written notice to the other party setting out the relevant circumstances and stating an intention to terminate and those circumstances continue to exist five Business Days from the time the notice is given; or
- a court or government agency has taken any action permanently restraining or otherwise prohibiting the Scheme Proposals, and the action or refusal has become final and cannot be appealed.

8.2 Transfer Deed

If Your Scheme Proposal is implemented, or by completing and returning the blue Acceptance Form and thereby accepting Your Individual Offer in circumstances where Your Scheme Proposal is not implemented, each Project Investor in the 1998 Project will appoint GSMAL (in the case of Your Scheme Proposal) or GSL (in the case of Your Individual Offer) as their attorney to enter into a Transfer Deed with GSMAL, GSPH and GSL. Under the Transfer Deed:

- Each Project Investor will transfer to GSPH all of the Project Investor's right, title and interest under the relevant Woodlot Agreement.
- In exchange for the transfer of a Project Investor's Woodlot, GSL agrees to pay to that Project Investor the Consideration multiplied by the number of Woodlots (or part thereof) held by the Project Investor. That amount will be settled by the issue of GSL Shares which the Project Investor will agree to hold, or if the Project Investor is a Foreign Project Investor, will cause the Sale Agent to agree to hold, subject to, and be bound by, the provisions of the constitution of GSL.
- Subject to GSL or GSMAL being aware of a Financier holding a security over the Project Investor's Woodlot, GSL will:
 - (a) issue that number of GSL Shares per Woodlot to each Project Investor (or to the Sale Agent, if applicable) as is calculated in the manner described in Section 7.4 of this Explanatory Memorandum and the Project Investor agrees to hold (or, if applicable, cause the Sale Agent to hold on behalf of a Foreign Project Investor) the GSL Shares subject to, and be bound by, the provisions of the constitution of GSL; and
 - (b) procure that Computershare provides the Project Investor with a holding statement evidencing the registration of the GSL Shares in the name of the Project Investor.
- If GSL or GSMAL (in the case of Your Scheme Proposal) or just GSL (in the case of Your Individual Offer) is aware that any Financier holds security over the Project Investor's Woodlot, GSL will issue the number of GSL Shares that the Financed Project Investor is to receive to the Escrow Nominee to be held in accordance with the Escrow Arrangements until GSL receives notification of the repayment or refinancing of the financing.
- If the Project Investor is a Foreign Project Investor, it agrees to cause a Sale Agent to subscribe for the GSL Shares the Foreign Project Investor is entitled to in satisfaction of the Consideration.
- The Project Investor and GSMAL, as lessor and as responsible entity of the 1998 Project respectively, will each release the other from all claims they may have against the other in respect of, or in any way arising from the Woodlot Agreement, or the PDS in respect of the Project Investor's Woodlot and in the case of the GSMAL release, which arise after the date of transfer only.
- Until the Register is updated following the transfer, the Project Investor agrees that GSPH is beneficially entitled to any rights or benefits that arise from the Project Investor's Woodlot and the Project Investor instructs GSMAL to pay any such rights or benefits to GSPH.
- All stamp duty payable on the Transfer Deed will be payable by GSPH.
- GSPH, GSMAL, GSL and the Project Investor agree that the transaction is the sale of a going concern which is GST free.
- On and from the date of execution of the Transfer Deed the Project Investor:
 - (a) covenants and agrees not to sell, transfer, encumber or otherwise grant rights or interests over their Woodlot in the 1998 Project, to any person other than a member of the GSL Group, and GSMAL must decline to record in the Register any transfer;
 - (b) represents and warrants to GSL and GSPH that the Project Investor has not assigned, and will not assign, any of the Project Investor's Woodlots (or any part of them) to another person prior to the Implementation Date;
 - (c) irrevocably appoints GSPH as the Project Investor's proxy for the purposes of exercising any voting rights which the Project Investor may have immediately prior to the Implementation Date; and
 - (d) agrees that if it has received, or will receive any insurance proceeds in relation to their Woodlot between the Announcement Date and the date of transfer, the Project Investor will pay, or direct GSMAL to pay, such insurance proceeds to GSPH.
- If a Project Investor has an Amount Owing in respect of their Woodlots and there is no security in favour of a Financier in relation to their Woodlots, the GSL Shares will be subject to a holding lock until the Amount Owing is repaid or other arrangements with GSL and GSMAL are made.

8.3 Deed Poll

On 23 October 2008, GSL entered into a Deed Poll in favour of Project Investors under which, subject to satisfaction by GSMAL of its obligations on implementation of Your Scheme Proposal, it covenants to enter into the Transfer Deed and issue the GSL Shares in satisfaction of the Consideration in accordance with the Implementation Agreement. GSL's obligations under the Deed Poll are subject to the satisfaction or waiver of the conditions precedent set out in the Implementation Agreement and terminate upon the termination of the Implementation Agreement.

8.4 Power of Attorney - Deed of Interim Charge

If Your Scheme Proposal is implemented or you accept Your Individual Offer, as a Financed Project Investor you will irrevocably appoint GSL as your attorney on the following terms ("**GSL Power of Attorney**"). You:

- grant GSL the power to:
 - (a) enter into and execute on your behalf a deed of interim charge between you and any Financier under which you will charge the legal and beneficial interest you (or the Escrow Nominee) have in GSL Shares received under Your Scheme Proposal or Your Individual Offer by way of security for any finance outstanding in respect of your Woodlot, in favour of the Financier until such time as you provide separate security to the Financier or the outstanding finance is repaid or refinanced ("**Deed of Interim Charge**");
 - (b) date the Deed of Interim Charge and complete the blank spaces in the schedules thereto;
 - (c) make and initial any necessary alterations to the Deed of Interim Charge which are not prejudicial to your interests in the considered opinion of GSL;
 - (d) make, do and sign all acts, deeds and things as may be necessary to procure the stamping of the Deed of Interim Charge (if required) with the power to instruct GSL's solicitors to assist them in this regard;
 - (e) vary the provisions of the Deed of Interim Charge, provided that the variation:
 - in the opinion of GSL is not likely to be to the detriment of your interests in the Deed of Interim Charge;
 - will in the opinion of GSL enable the Deed of Interim Charge to be better administered or managed in your interests;
 - is in the opinion of GSL required as a matter of continuing compliance with relevant statutory requirements; or
 - is agreed between you and GSL,
- agree at all times to keep GSL indemnified against all claims, demands, costs, expenses, damages and losses of any type arising as a result of the exercise of the GSL Power of Attorney;
- undertake to ratify all that GSL lawfully does or causes to be done under the GSL Power of Attorney;
- agree that the GSL Power of Attorney will remain in full force and effect until:
 - (a) new security arrangements have been entered into with the relevant Financier in respect of GSL Shares; or
 - (b) the Financier's outstanding amount in respect of your Woodlots has been repaid or refinanced in full,whichever occurs first, provided always that GSL's powers under the GSL Power of Attorney shall not remain in effect beyond two years after the Arrangement Binding Date; and
- agree that the GSL Power of Attorney takes effect as if granted by you by way of deed signed, sealed and delivered by you.

9. Additional information

9.1 An independent process

Under the Corporations Act, GSMAL, the responsible entity of the 1998 Project, and GSMAL's directors, are required to act in the best interests of Project Investors, including you. As GSMAL is a wholly owned subsidiary of GSL, those GSMAL Directors that are also GSL Directors have a conflict of interest in discharging this duty to Project Investors.

Accordingly, in order to ensure that GSMAL is acting in the best interests of Project Investors and that due process is followed, a number of measures have been implemented including:

- the appointment of 3 new independent GSMAL Directors;
- the appointment of a new company secretary of GSMAL, Jarod Benson;
- ensuring that those GSMAL Directors that are also GSL Directors have not participated in decisions relating to the assessment and recommendation of Your Scheme Proposal by GSMAL; and
- ensuring independent vote collection and processing for the Meeting by the GSMAL Independent Directors instructing Computershare to carry out this process.

The GSMAL Independent Directors have also caused the engagement of the Independent Expert and the Independent Taxation Expert to assist Project Investors with their assessment of the Proposals. The Independent Expert has, in turn, appointed independent forestry (GHD Australia Pty Ltd) and cattle (Australasian Livestock Services Pty Ltd) experts to assist them in forming their views.

The GSMAL Independent Directors are considered independent because they hold no legal or beneficial interest in the GSL Group and nor have they been provided with any benefit other than their remuneration as GSMAL Directors and members of the GSMAL compliance committee, and the benefit of directors and officers insurance.

In making their recommendation in respect of Your Scheme Proposal, the GSMAL Independent Directors have, in accordance with the Corporations Act, preferred the interests of Project Investors to the interests of GSMAL. The GSMAL Independent Directors note that if the Scheme Proposals are implemented, GSMAL's interests will be affected mainly in the foregoing of management fees and in the relief from the performance of its maintenance and management obligations in respect of the Projects. As required by the Corporations Act and in accordance with the duties of GSMAL to Project Investors, priority has been given to the interests of Project Investors and the effect of the implementation of Your Scheme Proposal on GSMAL has been disregarded.

9.2 GSMAL Independent Directors

Steven Cole LLB (Hons), FAICD

Steven Cole has 35 years of professional, corporate and business experience through senior legal consultancy, as well as a range of executive management and non executive appointments.

His extensive boardroom and board sub-committee experience includes ASX listed, statutory, proprietary and not for profit organisations covering the industrial, financial, educational, professional services, health and resources sectors.

Since leaving leading national law firm Allens Arthur Robinson in 2007, Steven's continuing appointments include Chairman of Solco Limited and Emerson Stewart Group Limited, Deputy Chairman of Reed Resources Limited, Chairman of 2 private investment trust companies with over \$20 million under management, Deputy Chairman of the Professional Standards Councils around Australia (statutory authorities governing professional standards), President of Australian Institute of Company Directors (WA Division), and Deputy Chairman of Brightwater Care Group Inc, a major charitable non-Governmental organisation.

Robert Jenkins MA, LLB

Robert Peter Jenkins is a qualified solicitor and was previously corporate solicitor for West Australian Trustees Limited and subsequently Perpetual Trustees WA Ltd. In this role, and later as Manager - Corporate and Institutional Services, Mr Jenkins gained extensive experience in a senior capacity in the trustee, financial services and funds management industry. He has acted as a member of GSMAL's scheme compliance committee for more than 5 years.

Murray Colvin B.Juris (Hons) LLB, F Fin

Murray Ross Colvin is a qualified solicitor with extensive experience in relation to the licensing, product disclosure and conduct requirements of the financial services and funds management industries. Mr Colvin's previous experience includes various roles with ASIC, Westpac, St George Bank and national law firms. He has acted as a member of GSMAL's scheme compliance committee since 1 July 2005.

9.3 2008/2009 insurance obligations

Historically, GSMAL issues an invoice to Project Investors in respect of premiums on insurance arranged by GSMAL during October or November of each year. Invoices for the insurance premium due on 30 September 2008 will not be issued until such time as the outcome of the vote at the Meeting is known. If both Resolutions are approved then you will be relieved of the cost of the insurance and you will not be invoiced. If the Resolutions are not approved, you will receive an annual insurance invoice shortly after the Meeting unless you have accepted Your Individual Offer.

9.4 ASIC exemptions

The recommendation made by the GSMAL Independent Directors with respect to Your Scheme Proposal, as well as other statements and information that are made or given by the GSMAL Independent Directors in this Explanatory Memorandum, may constitute financial product advice for the purposes of Chapter 7 of the Corporations Act. For a person or entity to provide financial product advice, they must hold an Australian financial services licence which authorises the giving of financial product advice. GSMAL's Australian financial services licence does not extend to the giving of financial product advice.

ASIC has issued to GSMAL exemption based relief from the financial service licensing requirements in sub-section 911A(1) of the Corporations Act in respect of the statements made and information given in this Explanatory Memorandum. This relief does not, in practice, extend to permit the GSMAL Independent Directors to make a recommendation in relation to Your Individual Offer.

ASIC has also granted to GSMAL a modification of section 601FC(1)(d) of the Corporations Act to facilitate the sale, in accordance with the process described in Section 7.8, of GSL Shares that would otherwise have been issued to investors in the projects whose registered address is outside Australia or New Zealand (including Foreign Project Investors).

9.5 Ranking of GSL Shares and rights attaching to the GSL Shares

The GSL Shares to be issued to Project Investors will be fully paid ordinary shares in GSL and from the date of issue will rank equally in all respects with existing GSL Shares. For details of the ranking of the GSL Shares and the rights attaching to the GSL Shares, please refer to section 9.2 of the Prospectus.

9.6 Interests of GSMAL Directors

(a) Interests of GSMAL Directors in the 1998 Project

As at the date of this Explanatory Memorandum, no GSMAL Director directly or indirectly held any Woodlots in the 1998 Project.

(b) Interests of GSL Directors in the 1998 Project

As at the date of this Explanatory Memorandum, no GSL Director directly or indirectly held any Woodlots in the 1998 Project.

(c) Interests of GSMAL Directors in GSL

As at the date of this Explanatory Memorandum, the GSMAL Directors directly or indirectly held the following interests in GSL:

GSMAL Director	GSL Shares	GSL Rights
Cameron Rhodes	1,333,333 (511,111 direct interest, and 822,222 indirect interest)	1,125,000 Comprising: <ul style="list-style-type: none">• 2007 Management Performance Rights;• 500,000 Management Performance Rights Series 1 expiring 17 December 2009;• 175,000 Management Performance Rights Series 2 expiring 1 March 2011; and• 450,000 Management Performance Rights Series 3 expiring 20 December 2011, all of which are exercisable at \$0.00 subject to performance hurdles.
Phillip Butlin	1,181,110 (787,580 direct interest and 393,530 indirect interest)	1,125,000 Comprising: <ul style="list-style-type: none">• 2007 Management Performance Rights;• 500,000 Management Performance Rights Series 1 expiring 17 December 2009;• 175,000 Management Performance Rights Series 2 expiring 1 March 2011; and• 450,000 Management Performance Rights Series 3 expiring 20 December 2011, all of which are exercisable at \$0.00 subject to performance hurdles.
Steven Cole	Nil	Nil
Robert Jenkins	Nil	Nil
Murray Colvin	Nil	Nil

(d) Payments or other benefits to GSMAL Directors

It is not proposed in connection with the Scheme Proposals that any payment or other benefit will be made or given to any director, secretary or executive officer of GSMAL or any corporation related to GSMAL as compensation for loss of, or as consideration for or in connection with, their retirement from office as director, secretary or executive officer of GSMAL or any corporation related to GSMAL.

(e) Other interests of GSMAL Directors

Other than as set out above in this Section 9.6 and other than in their capacity as GSMAL Directors and, in the case of Cameron Rhodes and Phillip Butlin, in their capacity as GSL Directors, none of the GSMAL Directors have any direct or indirect interests in the Resolutions, in any contract entered into by GSL or any other agreement or arrangement which is conditional on the outcome of the Scheme Proposals.

9.7 Undirected proxies

It is the current intention of the independent Chairman of GSMAL that undirected proxies received in respect of the Meeting be voted in favour of the Resolutions.

9.8 Unsolicited offers

Your Individual Offer is subject to the provisions of Division 5A of Part 7.9 of the Corporations Act which regulates unsolicited offers for financial products such as Woodlots. The disclosure requirements of the Corporations Act in relation to Your Individual Offer have been satisfied by way of the Prospectus appearing as Annexure 3.

9.9 Intentions if the Scheme Proposals are implemented

If Your Scheme Proposal is implemented, all of the interests in the 1998 Project will be acquired by GSPH in accordance with the Arrangement and the Transfer Deed described in Sections 7.3 and 8.2 respectively and the 1998 Project is likely to be deregistered. GSMAL will continue to be the responsible entity for a number of other managed investment schemes that are not subject to the Proposals, as well as any Projects in respect of which a Scheme Proposal is not implemented.

In its capacity as responsible entity of the 1998 Project, GSMAL does not have any direct employees.

Accordingly, the GSMAL Directors do not intend to make any major changes to the business of GSMAL other than as may be necessitated by its being the responsible entity for fewer managed investment schemes.

9.10 Recent price history of GSL Shares

GSL Shares are quoted on the ASX. The highest and lowest recorded sale prices of existing GSL Shares on ASX during the four months immediately preceding the date of this Explanatory Memorandum, and the respective dates of those sales, were:

Date	Highest Price	Date	Lowest Price
28 July and 26 August 2008	\$ 0.95	18 September 2008	\$0.285

The latest recorded sale price of GSL Shares on:

- the Trading Day before the Announcement Date was \$0.53 (on 8 October 2008); and
- the Trading Day before the date of this Explanatory Memorandum was \$0.385 (on 22 October 2008).

9.11 Material changes in the financial position of the 1998 Project

GSMAL provided financial statements for the 1998 Project for the year ended 30 June 2007 on or around 30 September 2007. To the knowledge of the GSMAL Directors, as at the date of this Explanatory Memorandum there has been no material change to the financial position of the 1998 Project since 30 June 2007 other than has been taken into consideration in the Independent Expert Report.

9.12 Other material information

Other than as disclosed in this Explanatory Memorandum, there is no information material to the making of a decision in relation to Your Scheme Proposal and Your Individual Offer (being information that is within the knowledge of any GSMAL Director or a Related Body Corporate) that has not previously been disclosed to Project Investors.

9.13 Consents

The following persons have given and have not, before the date of issue of this Explanatory Memorandum withdrawn, their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- GSL;
- KPMG Corporate Finance (Aust) Pty Ltd as Independent Expert;
- KPMG as Independent Taxation Expert;
- Computershare as GSL's share registrar;
- Clayton Utz as solicitors to GSMAL;
- Ernst & Young as independent accountant to the Prospectus;
- GHD Australia Pty Ltd as independent forestry expert;
- Australasian Livestock Services Pty Ltd as independent cattle expert;
- Adelaide Bank as Financier; and
- Great Southern Finance as Financier.

GSL has consented to the inclusion of the GSL Information, KPMG Corporate Finance (Aust) Pty Ltd has consented to the inclusion of the Independent Expert Report and the references to its conclusions in the Explanatory Memorandum, KPMG has consented to the inclusion of the Independent Taxation Opinion and the references to their conclusions in the Explanatory Memorandum, GHD Australia Pty Ltd has consented to the reference to it in Section 4.5 of this Explanatory Memorandum, and each of Adelaide Bank and Great Southern Finance has consented to the statements attributed to them in Section 7.9 of this Explanatory Memorandum.

Ernst & Young have consented to the inclusion of the statement in Section 6.1 of the Explanatory Memorandum that is attributed to them.

Each person referred to in this Section 9.13:

- has not authorised or caused the issue of this Explanatory Memorandum;
- does not make or purport to make any statement in this Explanatory Memorandum other than those reports and that information referred to above as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum other than as described in this Section with that person's consent to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum other than as described in this Section with that person's consent.

10. Glossary

\$ means Australian dollars.

1998 Project or Your Project means the Great Southern Plantations 1998 ARSN 092 780 204.

Acceptance Form means the blue acceptance form accompanying this Explanatory Memorandum which you must use if you wish to accept Your Individual Offer.

Adelaide Bank means Bendigo and Adelaide Bank Limited (ACN 068 049 178) and each of its subsidiaries and Related Bodies Corporate.

Amount Owning means any amount owing (including any GST on that amount as defined in the GST Act) by a Project Investor to GSMAL under the Woodlot Agreement or under their application for Woodlots.

Annexures means the annexures to this Explanatory Memorandum.

Announcement Date means the date the Proposals were announced to ASX, being 9 October 2008.

Arrangement means the arrangement described in Section 7.3 of this Explanatory Memorandum.

Arrangement Binding Date means, in respect of the Arrangement described in Section 7.3 of this Explanatory Memorandum, the time and date that a resolution is passed under clause 46A of the Project Constitution approving the Arrangement.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691).

ATO means the Australian Taxation Office.

Business Day means a business day as defined in the Listing Rules.

Cattle Projects means:

- (a) the Great Southern 2006 Beef Cattle Project (ARSN 118 784 026); and
- (b) the Great Southern 2007 Beef Cattle Project (ARSN 118 784 115).

CHESS means Clearing House Electronic Sub-register System operated by ASX Settlement and Transfer Corporation Pty Limited (ACN 008 504 532).

Computershare means Computershare Investor Services Pty Limited (ABN 48 078 279 277), or such other person as may be appointed as GSL's share registry from time to time.

Consideration means \$2,303 per Woodlot, unless:

- (a) the VWAP of GSL Shares during the Reference Period is \$0.50 or less, in which case the Consideration per Woodlot shall be 4,606 multiplied by the VWAP of GSL Shares during the Reference Period; or
- (b) the VWAP of GSL Shares during the Reference Period is \$1.00 or more, in which case the Consideration per Woodlot shall be 2,303 multiplied by the VWAP of GSL Shares during the Reference Period.

Constitutional Amendments Resolution means the resolution to be put to Project Investors at the Meeting to amend the Project Constitution to allow for the transfer of the Woodlots/ of Project Investors in the 1998 Project in exchange for GSL Shares as set out in Section 7.2 of this Explanatory Memorandum.

Corporations Act means the Corporations Act 2001 (Cth).

Escrow Arrangements means the escrow arrangements for GSL Shares issued in exchange for the Woodlots of a Financed Project Investor and otherwise described in Section 7.9 of this Explanatory Memorandum.

Escrow Nominee means a nominee of GSL for the purposes of the Escrow Arrangements.

exchange means the mechanism whereby Project Investors agree to transfer their Woodlot in exchange for the Consideration and concurrently (subject to arrangements made for Foreign Project Investors) the Project Investor will subscribe for that number of GSL Shares calculated in accordance with Section 7.4 of this Explanatory Memorandum and GSL agrees that the subscription amount due by the Project Investor will be set-off against the consideration payment.

Exchange Ratio means the ratio of GSL Shares that Project Investors will receive for each Woodlot held in the 1998 Project. If Your Scheme Proposal is implemented as described in Section 7.4 of this Explanatory Memorandum.

Explanatory Memorandum means this document in relation to the Notice of Meeting which contains information relating to Your Scheme Proposal and Your Individual Offer, and includes the Annexures.

Financed Project Investor means a Project Investor whose Woodlots are secured in favour of a financier in circumstances where the financier has the benefit of a charge or other security interest (of which GSMAL or GSL is aware) in or over the Woodlots.

Financier means a person that has provided finance to a Financed Project Investor for their investment in Woodlots/, and includes Adelaide Bank and Great Southern Finance.

Foreign Project Investor means a Project Investor who is resident in a country outside Australia and New Zealand (as shown by their address on the Register).

Great Southern Finance means Great Southern Finance Pty Ltd (ACN 009 235 143).

GSL means Great Southern Limited (ACN 052 046 536).

GSL Director means a director of GSL.

GSL Group means GSL and its subsidiary companies.

GSL Information means all information under the heading "About GSL" on page v, all information in the GSL Chairman's letter on page x of this Explanatory Memorandum, all information in Sections 2 ("Why Have the 8 Projects been chosen?" only), 4.6, 7.3, 7.8, 7.9, 7.10, 8.4, 9.5, 9.6(b) and 9.10 of this Explanatory Memorandum, and in the Prospectus appearing at Annexure 3 to this Explanatory Memorandum (including, without limitation, financial information, information on Your Individual Offer and information as to the views of GSL and its directors), together with information derived therefrom.

GSL Material Adverse Change means any matter, event or circumstance that is, or is reasonably likely to be, materially adverse to:

- (a) the operations or financial condition (including contingent liabilities) of GSL, including its profitability or prospectus;
- (b) the ability of GSL to perform its obligations under the Implementation Agreement; or
- (c) the ability of GSL to carry on its business in substantially the same manner as carried on as at the date of the Implementation Agreement (other than as contemplated by the Implementation Agreement or the Scheme Proposals), other than a matter, event or circumstance that is required to be done or procured by GSL pursuant to the Implementation Agreement or that was fully and fairly disclosed to or otherwise known by, apparent to or reasonably ascertainable by GSMAL.

GSL Power of Attorney means the arrangement whereby GSL is appointed as Project Investor's attorney in circumstances where the Scheme Proposal is implemented or the Project Investor accepts the Individual Offer in accordance with Section 8.4.

GSL Prescribed Occurrence means (other than as required by the Implementation Agreement or the Scheme Proposals or with the consent of GSMAL) the occurrence of any of the following between the date of the Implementation Agreement and 5.00 pm (WDT) on the day before the Meeting:

- (a) any of the matters set out in subsection 652(1) or (2) of the Corporations Act occur in respect of GSL (where GSL is, for the purposes of those sub-sections, the "target"); or
 - (b) GSL becoming aware of:
 - (i) a misleading or deceptive statement in the Prospectus;
 - (ii) an omission from the Prospectus of information required to be included by the Corporations Act; or
 - (iii) a new circumstance that has arisen since the Prospectus was lodged with ASIC that would have been required to be included by the Corporations Act if it had arisen before the Prospectus was lodged with ASIC,
- that is materially adverse from the point of view of an investor.

GSL Resolutions means the resolutions of GSL Shareholders to approve the payment of the Consideration which will be satisfied by the issue and allotment of GSL Shares to all of the project investors as part of the Scheme Proposals and Individual Offers for all purposes including Listing Rule 7.1 and Listing Rule 10.11.

GSL Share means a fully paid ordinary share in the capital of GSL.

GSL Shareholder means a holder of a GSL Share.

GSL Shareholder Approval means the passing of the GSL Resolutions.

GSMAL means Great Southern Managers Australia Limited (ACN 083 825 405).

GSMAL Board means the board of directors of GSMAL.

GSMAL Director means a director of GSMAL.

GSMAL Independent Directors means the independent directors of GSMAL listed in Section 9.2 of this Explanatory Memorandum.

GSMAL Material Adverse Change means any matter, event or circumstance that is, or is reasonably likely to be, materially adverse to:

- (a) the operations or financial condition (including contingent liabilities) of any one of the 8 Projects;
- (b) the ability of GSMAL to perform its obligations under the Implementation Agreement; or
- (c) the status of any approvals by regulatory authorities which have been granted and affect the Scheme Proposals or the Individual Offers, other than a matter, event or circumstance that is required to be done or procured by GSMAL pursuant to the Implementation Agreement or that was fully or fairly disclosed to or otherwise known by, apparent to or reasonably ascertainable by GSL.

GSMAL Prescribed Occurrence means (other than as required by the Implementation Agreement or the Scheme Proposals or Your Individual Offers or the consent of GSL) the occurrence of any of the following between the date of the Implementation Agreement and 5.00 pm (WDT) on the day before the Meeting date:

- (a) GSMAL making any change to the constitution of any of the 8 Projects;

- (b) GSMAL for or on behalf of project investors disposing, or agreeing to dispose, of the whole, or a substantial part, of the scheme property of any one of the 8 Projects;
- (c) GSMAL creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of the scheme property of any one of the 8 projects otherwise than:
 - (i) in the ordinary course of business; and
 - (ii) a lien which arises by operation of law or legislation securing an obligation that is not yet due;
- (d) a court making an order for the winding up of any one of the 8 Projects; or
- (e) the project investors resolving to wind up any one of the 8 Projects otherwise than in accordance with the Scheme Proposals.

GSPH means Great Southern Plantation Holdings Pty Ltd (ACN 132 912 184).

GST Act means A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Historical financial information means the information described as such in section 3 of the Prospectus.

Implementation Agreement means the implementation agreement dated 13 October 2008 between GSMAL and GSL described in Section 8.1 of this Explanatory Memorandum.

Implementation Date means, in respect of the Arrangement described in Section 7.3 of this Explanatory Memorandum, the date that is the 10th Business Day following the Arrangement Binding Date.

Implementation Resolution means the resolution to be put to Project Investors at the Meeting to approve the implementation of Your Scheme Proposal as set out in Section 7.1 of this Explanatory Memorandum.

Independent Expert means KPMG Corporate Finance (Aust) Pty Ltd (ABN 43 007 363 215).

Independent Expert Report means the report of the Independent Expert dated 13 October 2008 (with certain amendments on pages 26, 30, 117 and 126 requested by ASIC after that date), a concise summary of which is included in Annexure 1 to this Explanatory Memorandum, and a full copy (including the Technical Report) of which may be obtained by Project Investors free of charge by contacting the Project Investor Information Line during office hours - 1300 652 672 (toll free) from within Australia or +61 3 9415 4884 from outside Australia.

Independent Taxation Expert means KPMG.

Independent Taxation Opinion means the opinion of the Independent Taxation Expert which is included in Annexure 2 to this Explanatory Memorandum.

Individual Offers means all 8 individual offers (including Your Individual Offer) being made to investors by GSL, conditional on the relevant Scheme Proposal not being implemented, for the purchase of woodlots or droves (as the case may be) of the investors in the relevant Project on the terms and conditions set out in sections 1.4 and 9.2 of the Prospectus, and Individual Offer means any one of them.

Listing Rules means the official listing rules of ASX.

Meeting means the meeting of Project Investors to be convened at the Parmelia Hilton, Perth on 1 December 2008 at 9.00 am (WDT) to consider Your Scheme Proposal.

MIS means managed investment scheme and has the same meaning as that term is given in the Corporations Act.

Notice of Meeting means the notice of meeting convening the Meeting set out in Annexure 4 to this Explanatory Memorandum.

Notified Financier means Adelaide Bank and Great Southern Finance.

NTA means net tangible assets.

Official List means the official list of ASX.

Other Projects means the Projects other than Your Project.

PDS means the product disclosure statement for the 1998 Project dated 8 November 1996.

Plantation Projects means:

- (a) Great Southern Plantations 1998 (ARSN 092 780 204);
- (b) Great Southern Plantations 1999 (ARSN 092 452 849);
- (c) Great Southern Plantations 2000 (ARSN 085 669 361);
- (d) Great Southern Plantations 2001 (ARSN 089 958 029);
- (e) Great Southern Plantations 2002 (ARSN 095 343 963); and
- (f) Great Southern Plantations 2003 (ARSN 099 131 825).

Pre-Announcement Price means the last trading price of a GSL Share on ASX before the Announcement Date, being \$0.53 on 8 October 2008.

Project Constitution means the constitution of the 1998 Project.

Project Investor means a member of the 1998 Project.

Projects means the Cattle Projects and the Plantation Projects.

Proposals means the Scheme Proposals and the Individual Offers.

Prospectus means the document set out in Annexure 3 to this Explanatory Memorandum.

Proxy Form means the green proxy form accompanying this Explanatory Memorandum which you must use if you wish to vote by way of proxy in respect of Your Scheme Proposal.

Reference Period means the period of 5 Trading Days beginning on the eighth Trading Day prior to the date of the meeting.

Register means the register of Project Investors in the 1998 Project.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Resolutions means the Constitutional Amendments Resolution and the Implementation Resolution.

Sale Agent means a nominee of GSL appointed for the purposes of selling the GSL Shares that would otherwise be issued to a Foreign Project Investor, as described in Section 6.7 of this Explanatory Memorandum.

Scheme Proposals means all 8 proposals (including Your Scheme Proposal) being put to investors pursuant to which the woodlots or droves of investors in each of the 8 Projects would be exchanged for GSL Shares as described in section 1.1 of the Prospectus, and **Scheme Proposal** means any one of them.

Technical Report means the report of GHD Australia Pty Ltd (ABN 55 120 617 021) as independent forestry expert.

Trading Day has the definition given in the Listing Rules.

Transfer Deed means the transfer deed described in Section 8.2 of this Explanatory Memorandum.

VWAP means volume-weighted average price of share traded on ASX.

Woodlot means each Project Investor's rights, titles, interests, claims (present and future), privileges, other benefits and obligations under the Woodlot Agreement and the PDS for, or in relation to, the 1998 Project.

Woodlot Agreement means, in respect of a Project Investor:

- (a) a lease and management agreement;
- (b) a forest right and management agreement; or
- (c) a land and management agreement together with either a lease or forest right agreement, entered into between that Project Investor and GSMAL in relation to Woodlots.

WDT means Western Daylight Time.

you, in the context of the recommendation of the GSMAL Independent Director Concerning Your Scheme Proposal means a Project Investor with out having regard for the Project Investor's individual circumstances and investment objectives and requirements, and "**your**" has a corresponding meaning.

Your Individual Offer means the offer by GSL, conditional on Your Scheme Proposal not being implemented and on GSL Shareholder Approval, being made to Project Investors with a registered address in Australia or New Zealand for the purchase of Woodlots in Your Project on the terms and conditions set out in sections 1.4 and 9.2 of the Prospectus.

Your Proposals means Your Scheme Proposal and Your Individual Offer.

Your Scheme Proposal means the proposal described in this Explanatory Memorandum under which Project Investors' Woodlot in Your Project will be exchanged for GSL Shares if the Resolutions are approved by the requisite majorities.

Annexure 1 – Concise Independent Expert Report



KPMG Corporate Finance (Aust) Pty Ltd
Australian Financial Services Licence No. 246901
Central Park
152-158 St George's Terrace
Perth WA 6000

ABN: 43 007 363 215
Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7151
www.kpmg.com.au

GPO Box A29
Perth WA 6837
Australia

Private and confidential

The Independent Directors
Great Southern Managers Australia Limited
16 Parliament Place
West Perth WA 6005

13 October 2008

Dear Sirs

Independent Expert Report and Financial services guide

Introduction

On 21 August 2008, Great Southern Managers Australia Limited (GSMAL), the Responsible Entity for the 1998 hardwood timber plantation project (the 1998 Project) received a proposal from Great Southern Limited (Great Southern or the Company) under which the interests of investors (Growers) in the 1998 Project would be exchanged for new Great Southern shares, to be completed by way of a contractual Scheme of Arrangement (the Initial Proposal).

The broad terms of the Initial Proposal were that Great Southern Plantation Holdings Pty Ltd (GSPH), a wholly owned subsidiary of Great Southern¹, would acquire the interests of Growers in the 1998 Project in exchange for the issue to each Grower of 2,342 new fully paid ordinary shares in Great Southern in respect of each interest held (Grower's Interest), with the new Great Southern shares to be issued at a price of \$1.10² each.

On 24 September 2008, Great Southern announced that it was reviewing the pricing and structure of the Initial Proposal as a result of various factors, including recent volatility in equity markets, the fall in the trading price of the Company's shares on the Official List of ASX Ltd (ASX) and uncertainty over the future intentions of its major shareholder in terms of its continuing investment in the Company.

Following completion of this review, Great Southern presented a revised offer to GSMAL on 8 October 2008 in the form of an executed Implementation Agreement, which at the date of this report is

¹ Any reference made in this report to the acquisition of Growers' or Graziers' Interests by Great Southern should be read as referring to the acquisition by GSPH or Great Southern Cattle Managers Pty Ltd (GSCM), as appropriate.

² All amounts are denominated in Australian dollars (\$) unless specifically noted otherwise.

capable of immediate and unilateral execution by GSMAL.³ Pursuant to the revised Implementation Agreement, Great Southern will offer to acquire each Grower's Interest in the 1998 Project in exchange for the issue to each Grower of between 2,303 and 4,606 new fully paid ordinary shares in Great Southern. The issue price and final number of new Great Southern shares to be issued will be determined based on the volume weighted average price (VWAP) of a Great Southern share on ASX over a 5 trading day period, commencing 8 trading days prior to the date Growers meet to vote on the proposal (the Reference Period). Similar to the mechanism put forward for the Initial Proposal, the acquisition is to be completed by way of a contractual Scheme of Arrangement (the Scheme).

Great Southern is an Australian public company listed on ASX. As at 10 October 2008, Great Southern had a market capitalisation of approximately \$143.2 million. Great Southern operates principally as an investment manager, specialising in the agribusiness sector. Whilst forestry continues to be the major operational focus for Great Southern, the Company has in recent times expanded its product offering to include managed investment schemes (MIS) in wine grapes, olives, almonds and beef cattle.

The 1998 Project is an Australian registered MIS which was first offered to investors by GSMAL in November 1996.

Completion of the Scheme requires the approval of both the Growers and the existing shareholders of Great Southern and also satisfaction of a number of conditions precedent. The Independent Directors of GSMAL have advised that, depending upon the views expressed in this report, they are minded to unanimously recommend Growers to vote in favour of the Scheme, in the absence of a superior offer.

This Scheme forms part of a broader initiative being undertaken by Great Southern to achieve a number of strategic objectives, including the following:

- take better advantage of its existing strategic assets, including its large forestry land estate and forestry management skills
- maximise value from its significant cattle land estate and cattle management skills
- improve the certainty of Great Southern's future cash flows
- grow its existing agricultural funds management business.

To achieve these outcomes, Great Southern and GSPH will make separate but concurrent offers to acquire the interests of investors in a further five hardwood forestry MIS issued by GSMAL between 1998 and 2003, while the Company and GSCM will also make separate but concurrent offers to acquire the interests of investors in two beef cattle MIS issued in 2007, in exchange for new fully paid ordinary Great Southern shares (together with the Scheme, these offers are referred to collectively in our report as the Scheme Proposals).

³ KPMG understands that GSMAL intends to execute the revised Implementation Agreement following consideration of this report and the reports in respect of each of the other Scheme Proposals.

KPMG Corporate Finance (Aust) Pty Ltd (KPMG) previously completed an Independent Expert Report in respect of the Initial Proposal and each of the other offers forming part of the overall restructuring proposal originally put forward by Great Southern. As a result of the changes to the terms of the Initial Proposal and the other offers, we have been requested by the Independent Directors of GSMAL to update our report for both the amended terms and for subsequent events and to issue a revised report in respect of the Scheme and the balance of the offers comprising the Scheme Proposals.

The offers made by Great Southern, GSPH and GSCM in respect of the eight separate MIS have been considered separately by KPMG on their own merits in order to assess whether each separate offer is in the best interests of the investors in the relevant project. Completion of the Scheme is not conditional upon the acceptance of any or all of these other offers and vice versa.

Details of the Scheme are set out more fully in the Explanatory Memorandum and are discussed in further detail below.

We note that this report forms part of the Explanatory Memorandum to accompany a Notice of Meeting convening a meeting of Growers on or around 1 December 2008 and is a summary of KPMG's full Independent Expert Report, a copy of which can be obtained from GSMAL upon request.

Summary of the Scheme

Broadly, the principal terms of the Scheme as they affect Growers in the 1998 Project are that Growers will receive between 2,303 and 4,606 new fully paid ordinary Great Southern shares in consideration for the acquisition of each interest in the 1998 Project held by Growers. The final issue price and number of new Great Southern shares to be issued will, subject to a floor price of \$0.50 and a cap price of \$1.00 per new Great Southern share, be determined by reference to the VWAP for the Company's shares over a 5 day trading period commencing 8 trading days prior to the date Growers meet to vote on the Scheme, subject to a floor Great Southern share price of \$0.50 and a cap Great Southern share price of \$1.00 being applied to the number new Great Southern shares to be issued to Growers.

In the event that the Company's VWAP over the Reference Period is calculated as being:

- at or below \$0.50, Growers will be issued 4,606 new Great Southern shares at an issue price of \$0.50 each, representing a total implied consideration per Grower's Interest of 4,606 multiplied by the calculated VWAP
- greater than \$0.50 but less than \$1.00, the number of new Great Southern shares to be issued will be calculated as being 2,303/VWAP, with the issue price being the calculated VWAP. Accordingly, the implied consideration is fixed at \$2,303 per Grower's Interest at all VWAPs between \$0.50 and \$1.00 per share i.e. assuming the VWAP is calculated as being \$0.60 per share, then the number of new shares to be issued in respect of each Grower's Interest will be 2,303/0.6 or 3,838 new shares, which, at an issue price of \$0.60 each, implies a total consideration of \$2,303 per Grower's Interest
- at or above \$1.00, Growers will be issued with 2,303 new Great Southern shares representing a total implied consideration per Growers' Interest of 2,303 multiplied by the calculated VWAP.

Following the successful implementation of the Scheme, GSMAL may wind up the 1998 Project in accordance with the provisions of the 1998 Project's Constitution and the Corporations Act 2001, as amended (the Act).

The Scheme will be effected by way of a contractual Scheme of Arrangement. The Scheme will be implemented by Growers approving the following resolutions:

- 1 Constitutional Amendments Resolution. This resolution will amend the constitution of the 1998 Project to allow for the acquisition of the interests of Growers in the 1998 Project in exchange for Great Southern shares and will empower GSMAL with the ability to wind up the 1998 Project in advance of the termination provisions set out in the Constitution.
- 2 Scheme Approval Resolution. This resolution will approve the implementation of the Scheme on the proposed terms. Approval of this resolution requires at least 50 percent of Growers present at the Growers' meeting, either in person or by proxy, representing at least 75 percent of the votes cast voting in favour of the resolution.

It is necessary for Growers to approve both resolutions in order for the Scheme to be effected.

If all of the Scheme Proposals are implemented, the project investors in all eight schemes (including the Growers in the 1998 Project) will collectively be entitled to between approximately 55 percent and 71 percent of the issued capital of the enlarged Great Southern.

As the Scheme Proposals will collectively require Great Southern to issue shares totalling in excess of 15 percent of its current issued capital, completion of the Scheme Proposals also requires the approval of Great Southern shareholders in accordance with the requirements of the Listing Rules of ASX.

2.1 **Conditions precedent**

The Scheme is subject to a number of conditions precedent, including amongst others:

- approval of the necessary resolutions to implement the Scheme by Growers
- approval of Great Southern shareholders for the issue of shares in the expanded Great Southern
- KPMG forming an opinion in relation to the Scheme that is acceptable to Great Southern
- the Independent Directors of GSMAL maintaining a recommendation with respect to the Scheme that is acceptable to Great Southern
- the Directors of Great Southern recommending Great Southern shareholders vote in favour of the issue of Great Southern shares to effect the Scheme Proposals
- there being no material adverse event or circumstance (as defined in the revised Implementation Agreement) that changes the operations or financial condition of the 1998 Project or Great Southern,

the ability of GSMAL and Great Southern to perform their obligations under the agreement or the status of any approvals by regulatory authorities which have been granted and affect the Scheme

- various other prescribed occurrences.

2.2 **Individual Offer**

If the Scheme is not approved, Great Southern has made an irrevocable offer to acquire individual Grower's Interests in the 1998 Project on the same terms and conditions as those under the Scheme (the Individual Offer).

The Individual Offer is capable of acceptance for a period up to ten days after the Growers' meeting to consider the Scheme. Great Southern has agreed each of the Individual Offers will contain terms to ensure that, in the event the Individual Offer is accepted by a Grower, such acceptance will be capable of being withdrawn by the investor at any time up to ten days after Growers meet to consider the Scheme (the Cooling Off Period).

2.3 **Issuing shares in foreign jurisdictions**

Growers whose address is shown in the 1998 Project investor register as being outside of Australia and New Zealand will be deemed to be "Foreign Project Investors" for the purpose of the Scheme.

Great Southern will not be obliged to issue Great Southern shares to foreign shareholders unless the Company is satisfied that it is lawful to do so and that it will not impose unduly onerous obligations upon the Company. In the event that the Scheme in relation to a Foreign Project Investor's project is implemented or if that Foreign Project Investor accepts the Individual Offer, their consideration in the form of Great Southern shares will not be allotted to the Foreign Project Investor. Instead, the Great Southern shares will be allotted to a nominee appointed by Great Southern to procure the sale of those Great Southern shares and distribute the net proceeds of such sales to the Foreign Project Investors in full satisfaction of their right to receive the Great Southern shares.

Full details of the conditions precedent and other terms of the Scheme are contained in the Explanatory Memorandum to which this report is attached.

3 **Scope of Report**

This report has been prepared by KPMG for inclusion in the Explanatory Memorandum to accompany the Notice of Meeting convening a meeting of Growers in the 1998 Project on or around 1 December 2008. The purpose of the meeting will be to seek approval of the Scheme by Growers.

3.1 **Technical requirements**

There does not exist within the current provisions of the 1998 Project's Constitution the means necessary to effect the Scheme. Furthermore, there is no requirement for GSMAL to adhere to the requirements of the Act and the associated Corporations Regulations insofar as they relate to schemes of arrangement.

The proposed resolution to amend the 1998 Project's Constitution is intended to introduce a procedural mechanism that largely mirrors the requirements of sections 411 and 412 of the Act, and which deals with the implementation of schemes of arrangement under the Act. These sections require, amongst other things, that an explanatory statement be issued to investors containing all information that is material to the making of a decision by the relevant stakeholder as to whether or not to support the proposal.

Although the present circumstances do not compulsorily require GSMAL to commission an independent expert report, the Independent Directors of GSMAL have decided, in order to ensure Growers are fully informed in reaching a decision as to whether to accept or reject the Scheme or the Individual Offer, to engage KPMG to prepare an Independent Expert Report as to whether the Scheme and the Individual Offer are in the best interests of the Growers in the 1998 Project as though it was required under the Act.

In the best interests

Regulatory Guide 111 *Content of Expert Reports* (RG 111) issued by the Australian Securities and Investment Commission (ASIC) indicates the principles and matters which it expects a person preparing an expert report for inclusion in an explanatory statement to consider in determining whether a scheme is "in the best interests of the investors". With respect to determining the meaning of "in the best interests" paragraphs 111.17 to 111.19 of RG 111 state:

"If an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company.

If an expert would conclude that the proposal was 'not fair but reasonable' if it was in the form of a takeover bid.....it is still open to the expert to also conclude that the scheme is 'in the best interests of the members of the company'.....

If an expert concludes that a scheme proposal is 'not fair and not reasonable', then the expert would conclude that the scheme is not in the best interests of the members of the company".

Paragraph 111.11 of RG 111 sets out that an offer is "reasonable" if it is fair. Accordingly, the primary issue we are required to consider is whether the consideration offered under the Scheme is fair to the relevant investors.

However, notwithstanding we may conclude that an offer is not fair, as schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions, in our opinion "in the best interests" must be capable of a broad interpretation to meet the particular circumstances of each transaction and therefore, in these circumstances, should also include a comparison of the other likely advantages and disadvantages to accrue to the relevant investors if the proposed transaction proceeds.

Accordingly, in the context of our report, the Scheme will be "in the best interests" of the relevant investors, notwithstanding we may find the offer not fair, if those investors are assessed as being better off overall if the proposed transaction proceeds than if it does not.

We have applied similar criteria in considering whether the Individual Offer is in the best interests of individual Growers as a whole.

3.2 ***Factors to consider in determining our opinion***

In forming our opinion in relation to the Scheme and the Individual Offer, we have considered in particular the following issues:

- the assessed value of a Grower's Interest in the 1998 Project compared with the consideration to be provided under the Scheme and the Individual Offer
- the expected future strategy of Great Southern and the perceived synergies and cost savings expected to emerge as a result of completing the Scheme and the Scheme Proposals and the impact on Growers of accepting the Individual Offer in the event the Scheme Proposals are not completed in their entirety
- the liquidity of a Grower's Interest in the 1998 Project relative to the liquidity of a Great Southern share
- the impact of the Scheme on Great Southern's financial and equity position
- other advantages and disadvantages which may impact Growers if the Scheme proceeds
- our conclusion in respect of each of the offers comprising the balance of the Scheme Proposals.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of our full report, a copy of which may be obtained free of charge from GSMAL. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. Our report has been prepared subject to the limitations and reliance on information as set out in section 7 (Scope of the report) of our full report.

4 **Summary of opinion**

In our opinion, the Scheme is in the best interests of Growers as a whole

We have concluded that the terms of the Scheme are fair to Growers and therefore, pursuant to the guidance set out in ASIC's RG111, are also deemed reasonable. Accordingly, in our opinion the Scheme is in the best interests of Growers.

In forming our opinion in relation to the Scheme, we have assessed the Scheme from the perspective of the Growers as a whole. This implicitly assumes 100 percent acceptance and is consistent with the standard approach adopted by independent experts to evaluate takeover offers.

The primary issue considered by us in forming our opinion was whether, in the absence of further significant adverse market and other factors and/or events beyond the control of Great Southern, it is

reasonable to expect, based on the proposed exchange ratio of new Great Southern shares at various VWAPs and the expected taxation treatment of the consideration to be received by Growers, that the aggregate value of both:

- the shares to be issued in the expanded Great Southern
- any future dividend stream attaching to the shares in the expanded Great Southern,

is likely prior to August 2009, being the date at which the 1998 Project would otherwise end, to equal or exceed in current dollar terms \$2,280 per Grower's Interest, (being that value required based on our range of assessed fair values for a Grower's Interest to ensure Growers are not financially disadvantaged by accepting the Scheme).

We particularly draw the attention of Growers to the fact that this opinion has been formed on the basis of market conditions and information as at the date of this report. As at the date of this report, the closing share price of a Great Southern share in trading on ASX was \$0.435. The VWAP over a 5 day trading period immediately prior to the date of this report was \$0.50 and the VWAP for a 5 day trading period commencing 8 trading days prior to the date of this report was \$0.48. The number of shares to be issued to Growers will be determined based on the VWAP for a 5 day trading period commencing 8 trading days prior to the date in the future when Growers meet to vote on the Scheme and will be calculated subject to a floor price of \$0.50 and a cap price of \$1.00 per Great Southern share.

Therefore, as at the date of this report, it is not possible to establish the number of shares to be issued and this is particularly relevant in circumstances where the VWAP that determines the number of shares to be issued is significantly below the floor value of \$0.50 per Great Southern share. The lower the final VWAP price below the floor price, the greater the uplift required (in the period to August 2009, being the date when the 1998 Scheme would otherwise terminate) in the value of a share in the expanded Great Southern to recognise the benefits of the Scheme Proposals. Consequently, in making a decision as to whether to vote in favour of the Scheme, Growers also need to have consideration of the final VWAP which will determine the actual number of shares to be issued, which will be known to them at the date of the vote in respect of the proposal.

We note that, in the event that the high end of our range of values for a Grower's Interest had been used, the required figure would have increased marginally to \$2,290 per Grower's Interest. Whilst we are not required to form a view as to the prospects of the aggregate value of a Great Southern share and any attaching dividend equalling or exceeding this higher value, we note that, given the immaterial increase in the required value, our opinion in respect Scheme and Individual Offer would still hold in the event Growers formed the view that the high end of our assessed range of values for a Grower's Interest is more appropriate.

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG in the valuation of the Growers' Interests, KPMG engaged GHD Australia Pty Ltd (GHD), an independent forestry specialist, to review, and where necessary amend, key silviculture assumptions underpinning the 1998 Project cash flow forecast prepared by Great Southern and provided

to us by GSMAL. A copy of GHD's report, dated 7 October 2008, is attached as Appendix 6 to our detailed report.

We have satisfied ourselves as to GHD's qualifications and independence from each of GSMAL and Great Southern and have placed reliance on GHD's report. The operational and commercial assumptions recommended by GHD have been adopted in the cash flow projections used by us in assessing the range of fair values of the Growers' Interests in the 1998 Project. KPMG was responsible for determining various macro economic and other assumptions, including forecast woodchip prices, discount rates and inflation.

In considering whether the terms of the Scheme are fair to Growers we have also had particular regard to the fact that Growers are being offered the flexibility to trade their investment in a liquid market through access to a listed security. This provides Growers with the ability to realise their investment earlier than would otherwise be the case in the absence of the Scheme.

In the event that individual Growers did seek to realise an interest in the 1998 Project other than through the Scheme, the value realised by the investor would, we expect, be significantly lower than the values determined in this report, which have been based on the assumption of Growers holding their investment through to project completion. This is relevant to Growers in their evaluation of the Scheme as it highlights that Growers need to consider the future price of a share in the expanded Great Southern (and to consider the potential for future dividend flows) rather than the historical value of a share in Great Southern in its current form. This implicitly requires Growers to take into account the benefits of both the significant increase in scale of the Company as well as benefits expected to flow from the changes to the operations of the Company.

We particularly note that, based on Great Southern's implied market capitalisation at a VWAP above \$0.28 and the value being contributed by Growers to the expanded capital base of the Company, Growers in the 1998 Project are receiving a fair ownership interest in the share capital of the expanded Great Southern, with the proportion of the share capital to be received lying above the range of the proportionate value contributed by 1998 Growers. This compares to the closing price for a Great Southern share on the last trading day prior to the date of the report of \$0.435. We note that if the relative contribution is calculated based on Great Southern's net tangible asset (NTA) backing rather than its market capitalisation, Growers' effective contribution to the enlarged Great Southern would reduce to approximately 2 percent and the premium being realised by Growers in the 1998 Project would increase.

Our assessment of the key issues considered in forming our opinion, together with the issues that Growers should consider in deciding whether to accept the Scheme or the Individual Offer, are set out below in this concise report and are discussed in greater detail in our full report.

Individual Offers

The assessment that the Scheme is in the best interests of Growers as a whole implicitly means that the Individual Offers as a whole are fair and reasonable which, in turn, implicitly assumes 100 percent acceptance by Individuals. However, we note that both the profile of Growers in the 1998 Project and the commercial reality is such that the Individual Offers are only likely to be consummated in circumstances

where insufficient acceptances are received for the Scheme and therefore, less than 100 percent acceptance has been achieved. The implications of this situation are discussed later in this report.

We are unable to provide a specific opinion in relation to the offer to individuals, on an individual-by-individual basis rather than as a whole, as we do not know the personal circumstances or risk profiles of individual investors.

Furthermore, given the Individual Offers to investors in each of the projects comprising the Scheme Proposals are unconditional, the range of potential outcomes in respect to the Scheme, other individual project offers and overall do not allow any meaningful analysis.

We note however that KPMG has completed an Independent Expert Report in respect of each scheme forming part of the Scheme Proposals and has concluded in respect of each scheme that the scheme is in the best interests of project investors (being growers or graziers) in that scheme.

We would highlight to readers, however, that, in the event Great Southern is not successful in completing the Scheme Proposals in their entirety, there is a risk, depending upon the final level of acceptances, that a significant proportion of the benefits of completing the Scheme Proposals may not be realised by Great Southern. In this regard we note that Great Southern has indicated in its Prospectus to be sent to Growers that the full potential of the benefits is only expected to be realised if all, or a large majority of the Scheme Proposals are implemented or a large majority of the Individual Offers are accepted. If all, or a large majority, of the Scheme Proposals are not implemented and only a small proportion of the Individual Offers are accepted, the realisation of the benefits set out below will be limited and Great Southern's operations will not be materially different from its current position.

We note that the projects that are expected to impact significantly on the cash flow of the Company for the current financial year are the 1998 and 1999 forestry plantation projects and the 2006 and 2007 Beef Cattle Projects.

In this regard, we note that the terms of the Individual Offers allow for Growers to defer, or withdraw their acceptance of the Individual Offers any time up to ten days after the date of the Growers' meeting to consider and vote on the Scheme.

Whilst KPMG has concluded that each scheme (and the associated Individual Offers) is in the best interests of the relevant project's investors (both growers and graziers), it may be that these project investors, taking into account their personal position and events after the date of our report, may not approve all of the schemes comprising the Scheme Proposals. In circumstances where both:

- all or a large majority of the schemes comprising the Scheme Proposals are not implemented and only a small proportion of the Individual Offers are accepted and, consequently the benefits realised are likely to be limited
- the share price of Great Southern falls such that the value implied by the number of shares to be issued to individual Growers and the prevailing share price is less than \$2,280,

Growers that have accepted the Individual Offers may wish to withdraw their acceptance of the Individual Offers.

Foreign Project Investors

Great Southern shares to which the Foreign Project Investors, as defined in the revised Implementation Agreement, would otherwise have been entitled will be issued to a nominee and realised, notwithstanding that those shareholders may have desired to retain an interest in the 1998 Project or in the expanded Great Southern. In these circumstances and having regard to the current trading price for a Great Southern share before the release of the details of the Scheme Proposals, there is a risk that the final net proceeds realised by Foreign Project Investors will lie below the post tax value to the relevant Growers of retaining an interest in the 1998 Project.

4.1

The consideration to be received by Growers for the acquisition of their interests in the 1998 Project is fair

Overall, the key issue for Growers to decide is whether or not it is reasonable to expect that the aggregate value, in current dollar terms, of the new shares in Great Southern to be issued to Growers and any attaching dividend stream, is likely to equal or exceed the current fair value of the Grower's Interest in the 1998 Project at some point in the period prior to the date when the project would otherwise end, being August 2009.

If Growers decide that this is likely, then they will be better off by accepting the Scheme or the Individual Offer. Conversely, if Growers decide that the aggregate value of a share in the expanded Great Southern and any attaching dividend stream is unlikely to exceed our assessed value for a Grower's Interest at any point prior to August 2009, then Growers will be better off retaining their interest in the 1998 Project and, in circumstances where a Grower wishes to obtain an exposure to Great Southern, buying a Great Southern share at the completion of the 1998 Project.

In assessing the fairness of the Scheme we have considered each of the matters below:

- the collective assessed value of Growers' Interests
- the aggregate value of the consideration required to ensure Growers in the 1998 Project are not financially disadvantaged by accepting the Scheme
- the impact on value of the current illiquidity of Growers' Interests
- an evaluation of the Scheme consideration.

Collective assessed value of Growers' Interests

We have analysed the relative after tax values in the hands of Growers of both holding their interests in the 1998 Project and of divesting those interests now in order to determine the benchmark value against which to evaluate the terms of the Scheme. We have concluded, based on the assessed relative values for these two options that, as a result of taxation implications and discount for liquidity issues, an individual

investor acting rationally would, in the absence of the Scheme and any adverse market or other factors and/or events beyond the control of Great Southern, elect to retain an interest in the 1998 Project rather than realise that investment through disposal to a third party.

Accordingly, we have compared the value to a Grower of retaining an interest in the 1998 Project to the potential aggregate value of the Great Southern shares and attaching dividend streams to be issued to Growers pursuant to the Scheme.

We have assessed the collective post tax value of Growers' Interests in the 1998 Project to lie in the range of \$13.262 million to \$13.266 million, or between \$1,299 and \$1,300 per Grower's Interest as set out in Table 1 below. In calculating these values we have used the forecast cash flows from the 1998 Project assuming, in the first instance, that all 3,724 hectares in the 1998 Project have not yet been harvested.

From the post-tax values calculated on this basis, we have then deducted the post-tax amount of net harvest proceeds in the trust account at 30 June 2008, in order to take account of the hectares that were harvested prior to that date and to recognise the cash distributions of approximately \$130 per woodlot distributed to Growers in the 1998 Project on 31 August 2008, in accordance with the Constitution of the 1998 Project.

Table 1: Summary of residual cash flows and assessed fair market value of Growers' Interests in the 1998 Project

	Assessed values	
	Low \$000	High \$000
Retention by typical Grower		
Aggregate pre-tax residual cash flows (undiscounted)	24,861	24,861
Number of Growers' Interests – 000s	10.2	10.2
Pre-tax cash flows per Grower's Interest (undiscounted) - \$	2,436	2,436
Assessed fair values per Grower's Interest		
Aggregate value of residual post tax cash flows (discounted)	13,262	13,266
Number of Growers' Interests – 000s	10.2	10.2
Value per Grower's Interest (discounted) - \$	1,299	1,300

Source: KPMG analysis

As discussed further below, we note that this range of values assumes retention of the Grower's Interest through to the completion of the 1998 Project and that the early sale of an interest outside of the Scheme would be expected to take place at prices significantly lower than those set out in the table above, both as a result of limited liquidity and current market conditions.

The aggregate value of the consideration required to ensure Growers in the 1998 Project are not financially disadvantaged by accepting the Scheme

Based on:

- an assessed post tax fair value of retaining an interest in the 1998 Project of \$1,299 per Grower's Interest
- the offer of between 2,303 and 4,606 Great Southern shares for each Grower's Interest held depending upon the relevant VWAP over the Reference Period
- the advice contained in the Independent Taxation Report included in the Explanatory Memorandum that approval of the Scheme is akin to a disposal of the underlying Growers' Interests for taxation purposes and, therefore:
 - the consideration received for the assets disposed of will be assessable in the hands of investors.
 - the better view is that the value of the consideration received will for taxation purposes be calculated based on the issue price of the new Great Southern shares
- a marginal tax rate of 46.5 percent assumed to be applicable to the majority of the Growers
- the likelihood that payment of any assessed tax will not be required for a period of at least 12 months,

we have concluded that, in order for Growers not to be financially disadvantaged by accepting the Scheme, the aggregate fair value of the Great Southern shares to be issued in respect of each Grower's Interest and any attaching dividend stream should, prior to the date the 1998 Project would otherwise complete, be at least \$2,280 in current dollar terms (being the post tax assessed value of retaining an interest in the 1998 Project plus compensation for the prima facie tax payable on the implied consideration received by Growers in accepting the Scheme or the Individual Offer, with the relevant tax payable figure discounted for a period of 12 months).

Accordingly, we have considered whether it is reasonable to expect that the aggregate fair value of the Great Southern shares to be issued to individual Growers and any associated dividend stream will achieve a level of \$2,280 in current dollar terms at some point over the period before the 1998 Project would otherwise end in August 2009. We note that had the high end of our range of values been adopted, the relevant benchmark aggregate value would have increased marginally to \$2,290.

As the final issue price and number of the new Great Southern shares to be issued to Growers is to be determined based on trading over the Reference Period, it is not possible for us to determine the final issue parameters at this time. However, in forming our opinion we considered, based on a range of VWAPs, the extent of the uplift required in order for the new Great Southern shares to be issued to achieve an aggregate value of \$2,280. The outcome of this analysis is summarised below.

Table 2: Comparison of required value per new Great Southern share at various VWAPs to ensure Growers are not financially disadvantaged by accepting the Scheme

VWAP - \$	0.30	0.40	0.50	0.60	0.70	0.80	0.90	1.00	1.10	1.20
Number of shares to be issued	4,606	4,606	4,606	3,838	3,290	2,879	2,559	2,303	2,303	2,303
Required value per share - \$	0.50	0.50	0.50	0.59	0.69	0.79	0.89	0.99	0.99	0.99
Premium / (Discount) - \$	(0.20)	(0.10)	-	0.01	0.01	0.01	0.01	0.01	0.11	0.21
Uplift from VWAP required - %	65	24	-	-	-	-	-	-	-	-
<i>Note 1 – The product of the number of shares to be issued and the required value per share may not equal \$2,280 exactly due to rounding</i>										

Source: KPMG analysis

The above table indicates that in the event the VWAP for Great Southern shares over the Reference Period is calculated as being:

- below \$0.50, the extent of the uplift required increases as the VWAP falls,
- at or above \$0.50, the prevailing trading price already exceeds that value required to ensure Growers are not disadvantaged financially.

We note that on the last trading day prior to the date of this report Great Southern shares closed at \$0.435 per share, which implies an uplift from current trading prices, either in the form of future capital appreciation or future dividends, of \$0.065 per share, or 14.9 percent, is required in order to ensure Growers are not financially disadvantaged by accepting the Scheme. As noted previously, the actual number of shares to be issued to Growers will (as a result of the issue price being determined based on the 5 trading day period commencing 8 trading days prior to the date Growers meet to vote on the Scheme) only be known to Growers shortly before the date of the vote in relation to the proposal. Clearly, this information, whilst not available to us at the date of this report, is a material consideration to be taken into account by Growers in forming their view whether to vote in favour of the Scheme.

Accordingly, having regard to the above, the key issue to be decided is whether it is reasonable to expect that value of a share in the expanded Great Southern, inclusive of any dividend stream, would trade above \$0.50 per share following completion of the Scheme but before August 2009 when the 1998 Project would otherwise conclude.

In considering this it is important for Growers to note that the VWAP for determining the relevant issue price will be set based on actual trading in Great Southern shares over a 5 day trading period commencing 8 trading days prior to the date Growers meet to consider the Scheme. The operating profile of Great Southern following the successful implementation of the Scheme Proposals will be fundamentally different to its profile over the Reference Period, including:

- significant increase in size

- reduced exposure to the MIS sector
- more flexibility to manage cash flows
- greater transparency in its business model, etc,

it is therefore likely that pre-Scheme Proposals trading prices for Great Southern shares (including the VWAP determined over the Reference Period) will not reflect the market's full assessment of the benefits of completion of the Scheme Proposals..

We have also considered, amongst other factors, whether the expected fair value of a share in Great Southern after completion of the Scheme is likely to exceed \$0.50 by considering the NTA backing per share of Great Southern both pre and post the Scheme Proposals, both of which significantly exceed \$0.50.

As set out in the table below, the required aggregate value of the Great Southern shares to be issued in order for Growers not to be financially disadvantaged decreases marginally with each successive marginal tax bracket. Accordingly, for Growers that fall into a marginal tax bracket that is lower than 46.5 percent, the key value of a Great Southern share and any attaching dividend stream that would be required to be achieved, in current dollar terms, at some point prior to the expected completion of the 1998 Project next year, in order to ensure that Growers were not financially disadvantaged would be slightly higher than \$0.50 only at a tax rate of 16.5 percent.

Table 3 – Required pre-tax value per Great Southern share at various marginal rates of tax

	Tax rate (inclusive of Medicare levy)			
	16.5%	31.5%	41.5%	46.5%
Net present value (NPV) of residual cash flows - \$	0.44	0.36	0.31	0.28
NPV of compensation required for tax payable- \$	0.07	0.14	0.19	0.22
Pre-tax values - \$	0.51	0.50	0.50	0.50

Source: KPMG analysis

The impact on value of the current illiquidity of Growers' Interests

In considering our range of assessed fair values for an interest in the 1998 Project it is important to note that our range of values has been calculated based on an assumption that an investor continues to retain that interest through to completion of the 1998 Project in the ordinary course, with an additional amount added to reflect the notional compensation required to be paid to Growers in respect of prima facie tax payable on the Great Southern shares to be issued in consideration, in order to ensure Growers are not financially disadvantaged by accepting the Scheme or the Individual Offer.

We note that, in the event an individual investor was to seek to realise an investment in the 1998 Project prior to completion outside of the Scheme or a similar transaction, the net proceeds realised by individual investors would likely be significantly less than our range of assessed fair values, inclusive of compensation for tax payable, reflecting the discount likely to be required by any acquirer to compensate

for the illiquid nature of an investment in the 1998 Project. This may be considered as an alternative benchmark to \$2,280 against which to assess the prospects of a Great Southern share.

For illustrative purposes only, we have set out below a comparison of our range of assessed fair values of an investor's interest in each of the projects, inclusive of compensation for tax payable, against our range of assessed fair values to a purchaser after application of a 35 percent discount for illiquidity (a concept discussed at length in our detailed report). Consistent with the approach in our detailed report we have assumed a corporate acquirer for the purpose of our calculation. We note that these adjusted values are also prior to any tax that may be payable in the hands of the individual investors on sale, which would further reduce the proceeds realised in the hands of the investor.

We have also included the same information for the other projects forming part of the Scheme Proposals by Great Southern. Whilst the benefits vary as between individual Schemes (with the two beef project Schemes being the most attractive), we have concluded that each Scheme forming part of the Scheme Proposals is the best interests of the relevant Scheme participants.

Table 4: Comparison of assessed fair values of individual investors' interests in each of the projects

Name of scheme	Nature of project	Project completion date	Target Value ¹ \$	Adjusted Target Value ² \$
1998 Project	Forestry	2009	2,280	1,105
1999 project	Forestry	2010	2,778	1,362
2000 project	Forestry	2011	2,423	1,133
2001 project	Forestry	2012	1,724	787
2002 project	Forestry	2013	1,709	756
2003 project	Forestry	2014	1,897	794
2006 project	Beef Cattle	2014	2,888	1,358
2007 project	Beef Cattle	2015	2,538	1,113

Notes

- 1 This represents the aggregate value of the new shares in the expanded Great Southern (inclusive of any attaching dividend stream) required, in current dollar terms and assuming a marginal tax rate of 46.5 percent (inclusive of the Medicare levy), prior to completion of the relevant projects in order for investors in that project not to be disadvantaged financially. Based on the closing price for Great Southern shares on the last trading day prior to the date of this report of \$0.435, the current aggregate value of the shares to be issued in respect of each Grower's Interest in the 1998 Project is \$2004.

The time delay between the date of finalisation of the Schemes and the completion date of the respective projects provides the opportunity for the expanded Great Southern share price to be positively re-rated, reflecting the overall benefits of implementing the Scheme Proposals in their entirety, as well as potentially allowing for the current uncertainty surrounding the taxation treatment of non-forestry MIS to be resolved. The timeframe for these benefits to emerge varies between the projects forming part of the Scheme Proposals with the longer dated projects having the greatest opportunity for these benefits to emerge prior to when these projects would otherwise terminate.

- 2 The adjusted target value lies more than 35 percent below the target value, reflecting that the maximum value any acquirer would be willing to pay to acquire an interest in the relevant project will incorporate the acquirer's assessment of tax payable on future cash flows in the hands of the acquirer, with the discount for illiquidity then applied against this net of tax figure. In contrast, the target value is that assessed value of future cash flows net of tax of retaining an interest in the 1998 Project through to completion, with an additional amount included to reflect the amount required by Growers in compensation for tax payable in accepting the Scheme i.e. the tax on holding the investment through to completion of the project is largely eliminated.

It should be noted that such an analysis is simplistic in that it does not take into account the expected significant benefits in the event that the Scheme Proposals are completed. The fortunes of investors are, of course, also in part linked to the future fortunes of Great Southern as both the owner of GSMAL, the responsible entity for each of the projects, and the land upon which a significant portion of the projects are established and also as the entity ultimately responsible for managing the projects. In the event that the Company was to fail there is significant uncertainty whether in the current economic climate and having regard to the financial obligations of the project manager and the Responsible Entity, the 1998 Project would be able to continue in its current form and/or without some form of additional financial contribution by Growers to the future maintenance of the 1998 Project.

Valuation methodology

In assessing the value of Growers' Interests in the 1998 Project, we have considered a range of valuation methods. ASIC Regulatory Guide 111 states that it is generally appropriate for an independent expert to consider, amongst other methods of valuation, discounted cash flow (DCF) analysis, the application of earnings multiples and asset-based methodologies.

The principal entitlements of each Grower in the 1998 Project comprise the cash flows associated with:

- an exclusive lease or forest right agreement underpinning interests in one or more areas of land (Woodlots) for the purpose of commercial silviculture
- rights granted under the Lease and Management Agreement.

These entitlements have a finite life and the final net proceeds receivable by Growers depends upon, amongst other factors, environmental and silviculture factors that are inherently unpredictable. The Growers currently have no interest in any of the other assets or liabilities of Great Southern or any of its subsidiaries. In our experience, the most appropriate method for determining the value of the Growers' Interests is on the basis of the DCF approach.

The DCF methodology has a strong theoretical basis; valuing an investment at the NPV of its future cash flows. It requires an analysis of future cash flows, investment structuring and costs of capital.

This technique is particularly appropriate for valuing Growers' Interests in the 1998 Project given the project's finite life and the availability of cash flow forecasts over the remaining life of the 1998 Project.

Having regard to the nature and characteristics of Growers' financial entitlements being valued and our comments below, we do not consider it appropriate to assess the value of Growers' Interests other than by application of the DCF methodology.

Given the finite life of the 1998 Project, it is not appropriate to apply a multiples based valuation methodology as this methodology is more suited to the valuation of profitable "industrial" type businesses expected to continue indefinitely. Furthermore, as decisions in relation to the sale of timber are at the discretion of GSMAL (except for Electing Growers), Growers do not, of their own account, have the ability to realise the underlying assets of the 1998 Project, we do not consider it appropriate to adopt a realisation of assets approach.

Key operational assumptions

The key silviculture and operating assumptions underpinning the cash flow model assessed by GHD and used by us in valuing the Growers' Interests in the 1998 Project are set out below:

Table 5: Key operating assumptions

Factor	Unit	Assumption
Net planted area	hectares	3,723.9
Basic density	kg/m ³	540.0
Dry fibre content	%	52.0
Conversion factor	m ³ to GMt	1.038
FOB ² woodchip price ¹	\$/BDMt ³	207.4
Real woodchip price growth per annum	% pa	0 - 1
Yield at age 10 years	GMt ³	145.8
Average haulage distance	km	74.0
Harvesting costs in year zero	\$/GMt	\$22.16
Haulage costs in year zero	\$/GMt	\$10.55
Wood processing costs in year zero	\$/GMt	21.85
<i>Notes:</i> 1 FOB woodchip price is \$207.40 per BDMt in all regions except for Queensland where the FOB woodchip price is \$195.00 per BDMt. Differential relates to the shipping costs which varies by region 2 FOB means Free on Board, BDMt means Bone Dry Metric tonne, GMt means Green metric tonne		

Source: GHD

We have considered GHD's assumptions and discussed them in detail with GHD in the context of the 1998 Project's production capacity and Great Southern's own forecast results. Based on our discussions, we consider the assumptions adopted by GHD to be reasonable.

The economic and financial assumptions determined by us are set out below.

Economic and financial assumptions

Commodity prices

The 2008 current FOB hardwood chip price is \$207.40 per BDMt for all mainland regions except for Queensland, where the FOB woodchip price is \$195.00 per BDMt.

In considering the outlook for future Australian woodchip prices, we have considered the views of market commentators and other external evidence, which indicates the likely principal drivers of future price and the trend of these drivers are as set out in the table below.

Table 6: Summary of price influencers

Price influencing agent	Influence	Comments
Technical product quality	↑	E. globulus dominated resource has highly preferred characteristics
Trading history	↑	Good relationship with Japanese trading partners
Chinese economy and paper demand trends	↑	Strongly increasing demand. Woodchip imports increasing
Russian log export tariffs	↑	Application of export tariffs and increasing demand in China increasing potential for greater competitiveness of Australian hardwood
European biofuels industry	↑	Increased demand in European supply zone will tend to reduce Atlantic/South American supply in the Pacific Rim
Japanese economy and paper demand trends	-	Woodchip demand in Japan remaining largely static
Regional (Pacific Rim) wood supply – short to medium term	-	Australia approaching period of oversupply as various projects reach maturity. This may be mitigated by declining supply from South Africa and delays in developing plantations in Indonesia
Climate change	-	Potential for drought/ increased retention for carbon trading reducing volumes
Environmental quality	↓	Certain Australian plantation timber yet to achieve environmental certification preferred by Japanese companies
Relative cost of product CIF Japan	↓	Australia is a relatively high cost producer and getting more expensive, potentially leading to trading partners seeking alternative supplies

Source: Various industry research and external market commentators

For the purpose of our analysis we have assumed, at the high end of our range of values, that prices for plantation woodchips will outstrip general inflationary increases over the short to medium term at a rate of one percent per annum, reflecting the average result achieved over the 5 year period since 2003. At the low end of our range we have assumed that growth in woodchip prices will match but not exceed general inflationary impacts over the short/medium term, reflecting that the aggregate impact of the neutral/negative impacts set out in the table above may act to offset any positive influences.

Other assumptions

Other key financial and economic assumptions adopted by us in assessing the value of Growers' Interests in the 1998 Project include:

- a constant medium-term inflation rate of 3.2 percent per annum
- a post-tax ungeared nominal discount rate in the range of 8.2 percent per annum to 9.2 percent per annum. The basis for our calculation of discount rates is discussed at Appendix 4 to our detailed report
- a personal tax rate of 46.5 percent (inclusive of Medicare Levy).

Sensitivity analysis

We have undertaken a sensitivity analysis around:

- the mid point of our valuation range for the 1998 Project based on various operational, commercial, financial and other key assumptions
- our range of discount rates based on the zero real growth in woodchip price assumption,

the outcome of which is summarised in the table below.

Table 7: Sensitivity analysis – 1998 Project

1998 Project grower sensitivity analysis - NPV/woodlot							
% change	Harvesting cost	Haulage cost	Wood processing cost	Yield	FOB woodchip price	Discount rate	
	\$	\$	\$	\$	\$	%	\$
10%	1,240	1,272	1,241	1,463	1,589	9.7%	1,299
5%	1,270	1,286	1,271	1,371	1,445	9.2%	1,300
0%	1,300	1,300	1,300	1,300	1,300	8.7%	1,300
-5%	1,330	1,314	1,329	1,190	1,155	8.2%	1,300
-10%	1,359	1,328	1,358	1,121	1,010	7.7%	1,300

Source: KPMG analysis

The sensitivity analysis indicates that the NPV of the 1998 Project is most sensitive to movements in the FOB woodchip price and yield assumptions adopted.

Valuation of other rights

We have considered the potential value of the other rights of Growers including any potential entitlement to:

- apply for participation in the second rotation harvest (coppice)

- net income from the sale of carbon credits
- participate in the benefit of biomass agreements

and have concluded that it is not appropriate to attribute value to these rights at this time. Further discussion on these issues is set out in the full KPMG Independent Expert Report.

Evaluation of the Scheme consideration

Having regard to:

- the recent historical trading in Great Southern shares both prior and subsequent to the trading halt pending announcement of the Initial Proposal
- the independently reviewed NTA backing per share of Great Southern as at 30 June 2008
- the historical relationship between the Company's NTA per share and share price reflected in an average historical premium to NTA from 23 February 2000 to 30 September 2008 of 42 percent
- investment reports of various broking houses in relation to Great Southern released prior to the trading halt pending announcement of the Initial Proposal
- comparable company trading multiples
- the benefits likely to accrue to Great Southern from the successful completion of the Scheme Proposals in their entirety
- Great Southern's historical dividend payment profile,

we have concluded that it is reasonable to expect, in the absence of adverse market and other factors and/or events beyond the control of Great Southern, that the aggregate value of a Great Southern share and any attaching dividend should equal or exceed \$0.50 in current dollar terms at some point in the period before August 2009, being the date at which the final distribution to Growers in the absence of the Scheme/Individual Offer is expected to be made.

We note that, in accordance with the terms of the Offer, a VWAP of \$0.50 is the minimum required value per share to ensure that the uplift needed in a Great Southern share, between the end of the Reference Period and the date the 1998 Project would otherwise complete in August 2009, is nil and thus that Growers are not financially disadvantaged.

Growers should, however, note that in the event that a reasonable number of either of the offers comprising the Scheme Proposals or the Individual Offers are accepted there will be a significant increase in the number of Great Southern shares on issue. As such, there is a prospect of increased volatility and overhang in the market for Great Southern shares, at least in the short term, following completion of the Scheme as some investors may seek to rebalance their investment portfolios and some shares may be sold

by the nominee appointed by Great Southern to procure the sale of shares issued to it on behalf of Foreign Project Investors. Furthermore, equity markets themselves have demonstrated a significant degree of volatility in recent times, which, if continued, is likely to impact upon the future trading price of Great Southern in the short term, either positively or negatively.

We would also highlight, that in the event that Great Southern is not successful in completing the Scheme Proposals in their entirety, there is a risk, depending upon the final level of acceptances, that a significant proportion of the benefits of completing the Scheme Proposals may not be realised by Great Southern, which we would expect would dampen any potential upside to Great Southern's share price than would otherwise have been the case. Therefore any potential market re-rating of Great Southern shares may be delayed until the likely outcome of the Scheme Proposals is clearer.

Recent historical trading history in Great Southern shares

Short/medium term trading prices prior to the announcement of the Initial Proposal

Over the 12 month period prior to the Company entering into a trading halt on 21 August 2008 pending announcement of the offers comprising the original restructuring proposal, Great Southern shares closed in the range of \$0.50 to \$2.43, at a VWAP of \$1.56. Great Southern shares closed on the last trading day prior to the trading halt at \$0.70 per share. We note that Great Southern shares traded at or above \$0.50 on each trading day in the 12 months to 21 August 2008.

Trading in Great Southern's shares is considered to be moderately liquid, with no apparent impediments to trading. Therefore share prices can reasonably be taken to be representative of the price that a portfolio shareholder could have realised for an investment held during the period prior to the trading halt pending announcement of the Initial Offers.

In considering these results, it is important to note that this 12 month period also corresponded to a period of significant uncertainty and volatility in equity markets generally, both domestically and internationally. In this regard we note that over the same period:

- the ASX smallcap industrial index retreated by 23 percent
- the S&P/ASX Small Ordinaries index retreated by 33 percent
- the S&P Global Timber and Forestry index retreated by 16 percent.

Trading prices subsequent to the announcement of the Initial Proposal

In the period since the Company announced the original proposed terms for its restructure on 26 August 2008 to 1 October 2008, Great Southern shares have generally traded lower, closing in the range of \$0.305 to \$0.73, at a VWAP of \$0.48, with the Company's share price recording a 12 month closing low of \$0.305 on 18 September 2008.

Table 8: Trading liquidity in Great Southern's shares post-announcement of the Initial Proposal

Period from 26 August 2008 to 1 October 2008 inclusive	Closing share price (low) \$	Closing share price (high) \$	VWAP \$	Cumulative volume 000s	As a % of issued capital
27 days	0.305	0.73	0.48	47,012	14.3

Source: Bloomberg

The above analysis indicates that following announcement of the initial terms for the restructure offers, trade in Great Southern shares has been reasonably liquid and quite volatile.

The only price sensitive announcements made by Great Southern since the trading halt was lifted on 26 August 2008 have been:

- the announcement on 24 September 2008 of the review of the terms of the proposed restructure
- the announcement on 9 October 2008 of the revised terms of the proposed restructure.

We note that in the period since the announcement of the Initial Proposal, a number of significant external factors are likely to have impacted Great Southern's trading price that were beyond the control of the Company, including:

- the announcement by the Company's major shareholder, Ospraie Group (Ospraie), that as a result of financial constraints it intended to close its flagship hedge fund and sell down its investment portfolio over a three-year period. Whilst Ospraie has not communicated to the market its intentions in relation to its investment in Great Southern, it is likely that this uncertainty will have caused significant overhang in the Company's stock. We understand from Great Southern's financial adviser that discussions that it has held with Ospraie indicate that Ospraie has no present intention or requirement to sell its interest in the Company in the short term
- the continued downturn and volatility in equity markets generally, which has seen over the period from 26 August 2008 to 9 October 2008:
 - the ASX smallcap industrial index retreat by 16 percent
 - the S&P/ASX Small Ordinaries index retreat by 25 percent

We note that in the five trading days prior to the date of this report that the ASX All Ordinaries Index fell by 16.1 percent, whilst the share price of Great Southern fell by 13.0 percent from \$0.50 per share to \$0.435 per share.

This equity market downturn, together with the significant tightening in credit in recent months and significant negative sentiment towards the financial services sector, particularly in recent days, is likely to have adversely impacted demand for Great Southern's shares. In addition, the recent trading performance

of companies participating in the MIS sector in recent months is also likely to have been adversely impacted by uncertainty created by the unresolved position of the Australian Taxation Office (ATO) in relation to the tax treatment of non-forestry MIS. We note that, notwithstanding that it is expected that the ATO's position will be crystallised in the short to medium term, Great Southern has already signalled an intention to refocus towards timber related activities.

Following the announcement of the revised terms of the proposed restructure on 9 October 2008, shares in Great Southern closed slightly higher at \$0.535 on 9 October 2008, then sharply lower at \$0.435 on 10 October 2008. We note that the share market as a whole was generally down on 10 October 2008, with the ASX All Ordinaries Index falling by approximately 9.9 percent in one day.

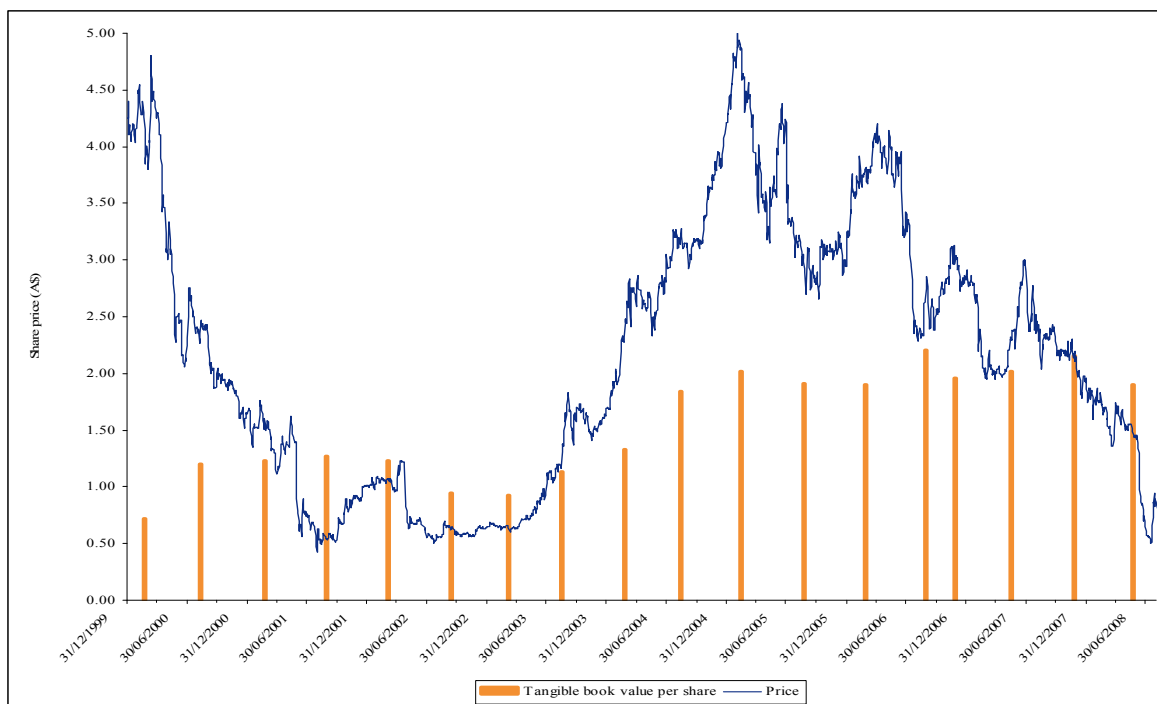
We also note, as discussed below, that in previous years shares in companies participating in the MIS sector have been adversely impacted during periods of uncertainty surrounding ATO policy and the MIS sector generally but have rebounded after that uncertainty has been resolved.

As such, it is reasonable to expect that the recent trading performance of Great Southern has, to an extent, been adversely impacted by factors beyond its control and may continue to exhibit volatility over the short term as a result of these factors. Accordingly, we believe that there is significant evidence to suggest that current market prices may not be reflective of the longer-term prospects for Great Southern shares.

Longer term historical trading prices

Set out in the figure below is a comparison of the Company's NTA backing per share at each half year and full year reporting date to its share price since its listing in 1999 to 21 August 2008, being the last trading day prior to the announcement of the Initial Proposal.

Figure 1: NTA backing and closing share price history since 1999



Note – Great Southern's NTA per share shown at the date of release to the market of the Company's financial statements

Source: Bloomberg and Great Southern's historical annual reports and half-year financial statements

Whilst historical share trading results are not necessarily indicative of future returns or a guarantee that historical trading patterns will be repeated, we note that the above figure indicates that, other than more recently and during the period between mid 2001 and mid 2003, Great Southern has traded at or above its NTA backing for the majority of time since its listing. It is notable that the period between mid 2001 and mid 2003 coincided with another period of uncertainty in relation to the ATO's treatment of non-forestry MIS, industry uncertainty caused by the collapse of Australian Plantation Timber Limited and an economy wide downturn. There are therefore some similarities to current market issues facing Great Southern.

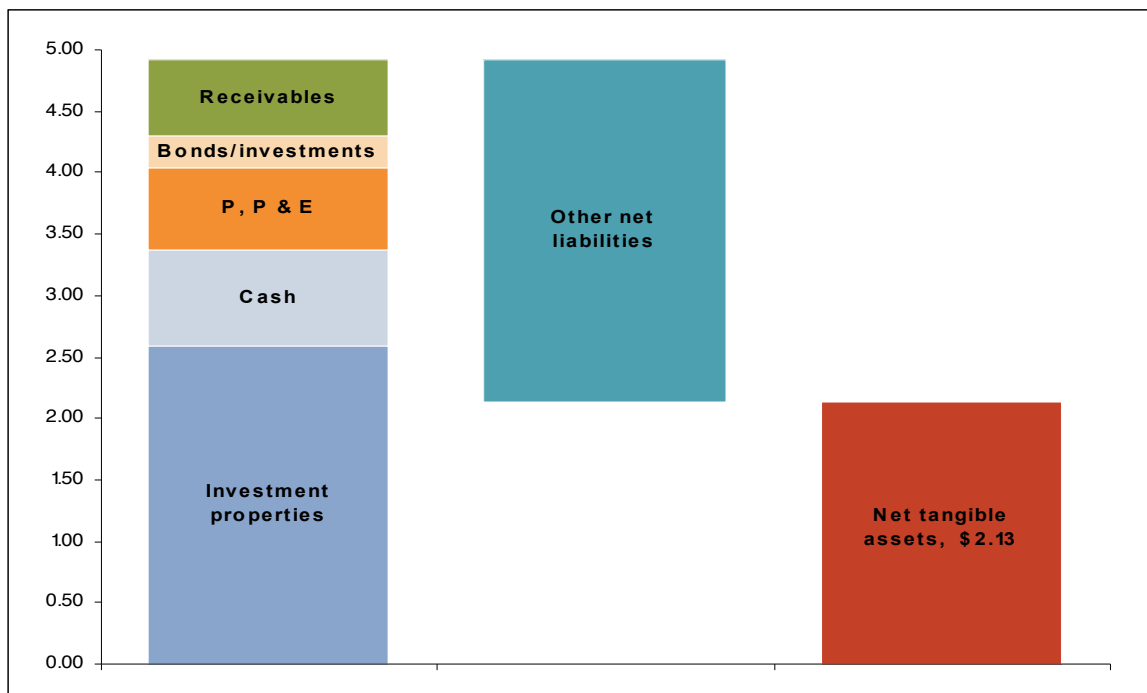
The premium/(discount) of Great Southern's share price to NTA backing per share over this period ranged between a premium of 569 percent to a discount of 74 percent. The average over the period from 23 February 2000 to 30 September 2008 was a premium of 42 percent. Based on the independently reviewed financial position of the Company as at 30 June 2008, Great Southern's last trading price (prior to the Company entering into a trading halt pending announcement of the Initial Proposal) of \$0.70 per share, represented a discount of \$1.43, or 67 percent, to the Company's NTA backing per share. We note that this discount increases to \$1.70, or 80 percent based on Great Southern's closing share price of \$0.435 on the last trading day prior to the date of this report. The current share price is therefore close to historical lows relative to the Company's NTA backing per share.

The pro forma accounts contained in the Prospectus to be sent to Growers indicates that Great Southern's NTA backing following completion of the Scheme Proposals is expected to be in the order of \$0.90 per expanded Great Southern share, or \$1.92 per share in the event only the Scheme is completed. This compares to Great Southern's NTA backing per share as at 30 June 2008 of \$2.13. We note that Great Southern's unaudited NTA backing per share as at 30 September 2008 was \$1.98.

The composition by asset/liability classification of Great Southern's NTA backing as at 30 June 2008 is set out diagrammatically below. Investment properties comprise the major part of the Company's NTA. We have consulted with an independent property specialist familiar with Great Southern's land portfolio who has advised us, that there has not been any significant movement in the market place that may have had a material adverse impact on the value of the relevant properties as recorded in the Company's books. We have discussed the composition of Great Southern's NTA in greater detail in our full report.

In considering the NTA backing, we draw Growers' attention to the Prospectus to be sent to Growers and to the Independent Accountant's report therein and recommend that Growers read the prospectus in full.

Figure 2: Composition of Great Southern's NTA backing



Source: Great Southern's independently reviewed financial statements for the nine months ended 30 June 2008

Brokers' notes

Great Southern does not currently have any significant level of following in the broking community and, in our view, the level of following is insufficient to determine a consensus as to the broking community's view as to the future prospects of Great Southern. Notwithstanding this limitation, those brokers' notes that are available indicate a significant variation in assessments as to the prospects of the Company and

this adds weight to the Company's view that the investment community may not fully understand or appreciate Great Southern's current business model and that there needs to be both a greater degree of transparency and a more accepted business model in order to promote deeper and broader broker industry analysis. The Scheme Proposals have been designed by Great Southern after consideration of the need to address various issues including the concerns of the investment community.

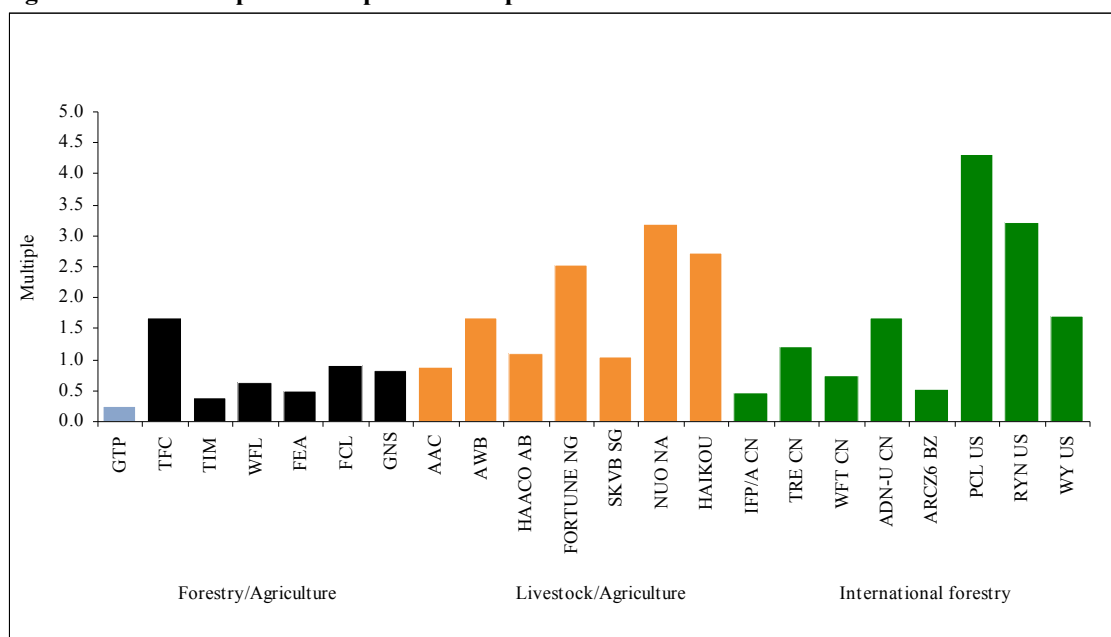
Comparison against comparable companies

Multiples of NTA

Great Southern's historical 30 June 2008 NTA as a multiple of its market capitalisation as at 7 October 2008 was approximately 0.2 times reflecting both a very deep discount to NTA and prevailing adverse equity market conditions.

Our analysis of the implied multiple of NTA of selected comparable listed companies indicates a range of multiples as set out in the chart below.

Figure 3: NTA multiples of comparable companies



Source: Bloomberg, latest available financial statements, KPMG analysis

We note that Great Southern's implied NTA trading multiple of approximately 0.2 times lies significantly below the average of each of the subsets of comparable companies considered. We also note that, in general terms

- those companies with significant timber assets/land holdings are trading at a premium to NTA, whilst, with the exception of TFS Corporation Limited (TFC), MIS related companies are currently trading at a significant discount to NTA. Assuming successful implementation of the Scheme

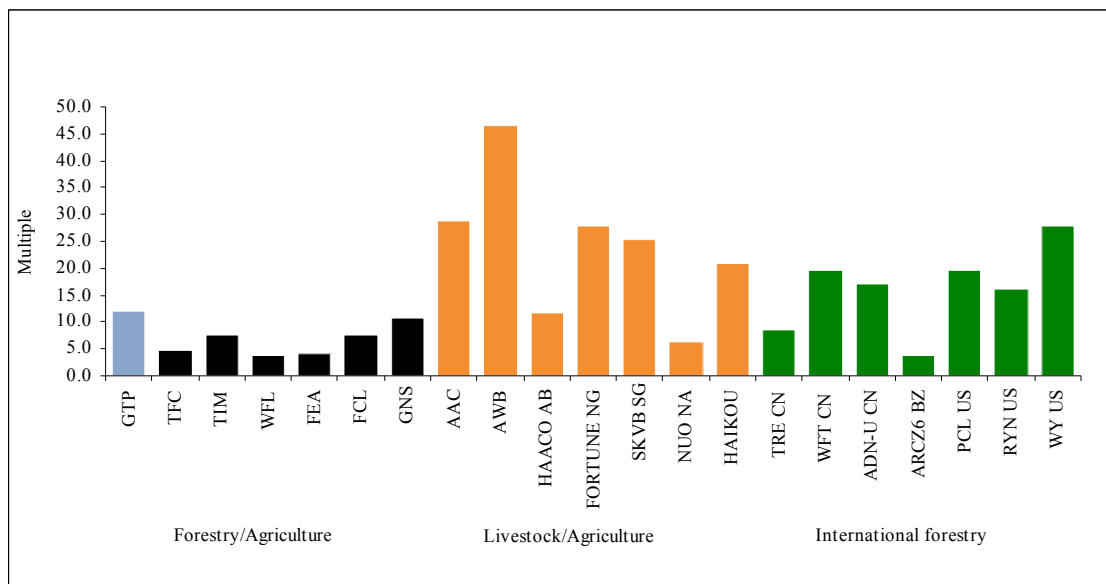
Proposals, Great Southern will increase its direct exposure to forestry and beef cattle activities, and will also potentially release significant value by removing encumbrances attaching to a significant portion of its land bank

- a number of the comparable companies are significantly larger than Great Southern. It is generally accepted that larger companies trade at a premium to smaller like companies, all things being equal, reflecting in part the benefits of size in matters such as market share, purchasing power, economies of scale and perceptions of financial robustness
- larger companies can be expected to have a greater degree of following by the broking community and therefore a greater degree of analysis within the market than smaller companies
- the trading prices of companies with a greater focus on pure forestry related activities rather than forestry MIS may incorporate a premium in respect of the future potential to harness carbon credits
- a number of the comparable companies have significantly more mature timber operations than Great Southern. This difference can be expected to ameliorate as the harvest programme in respect of Great Southern's MIS projects ramps up
- Great Southern's multiple is based on its unaudited financial position as at 30 June 2008, whilst a number of the comparable companies NTA is taken from financial accounts dated prior this. To the extent comparable companies recorded an increase in NTA in the period to 30 June 2008, this would have the effect of reducing that company's implied multiple of NTA and vice versa in the event of a reduction in the NTA.

Earnings before interest, tax, depreciation and amortisation (EBITDA) trading multiples

As shown diagrammatically below, Great Southern's enterprise value as at 7 October 2008 as a multiple of its headline historical EBITDA for the 12 months to 31 March 2008 was approximately 12.0 times.

Figure 4: 2008 EBITDA trading multiples of comparable companies



Source: Bloomberg, latest available financial statements

In relation to the dates at which the EBITDA multiples were taken, we note the following:

- 31 March 2008 EBITDA multiples were calculated for Great Southern (GTP), Timbercorp Limited (TIM) and AWB Limited (AWB)
- 30 June 2008 EBITDA multiples were calculated for the remaining comparable companies.

We note that the range of implied multiples of comparable companies is wide. International companies appear to generally trade on higher multiples than local companies. Having regard to the end markets for certain of Great Southern's agricultural products, the Company can be considered to compete against a number of the international companies to a degree, however the earnings streams for each of the international companies are principally derived from different geographic markets to Great Southern. In particular, the majority of these companies are exposed to the much larger European and North American markets. As such, each of these companies operates largely in different market, regulatory, interest rate and taxation environments.

The outlook for trading prices in Great Southern shares post announcement of the Scheme Proposals

In our view, completion of the Scheme Proposals can, over time, reasonably be expected, in the absence of further adverse market and other factors and/or events beyond the control of Great Southern, to result in a positive impact upon the trading price of the Company's shares, reflecting amongst other things:

- the removal of any uncertainty in the market as to the exact extent and nature of the restructure of Great Southern

- a greater degree of transparency and focus in relation to Great Southern's future business model and, in particular, a greater direct exposure to forestry assets, bringing Great Southern into greater alignment in terms of its business model with other established forestry companies that currently trade at higher EBITDA and NTA multiples. This should lead to a better understanding of the Company and its strategy by the wider investment community, as well as enhancing the ability of market analysts to benchmark Great Southern against other forestry companies, thereby positioning the Company to benefit from the positive overall outlook for agricultural commodities
- the ability to retain cash from completion of the projects within the Great Southern Group. This should mitigate any concerns in the market as to the Company's short term cash flow position as a result of recent relatively disappointing MIS sales levels
- the removal of encumbrances from a significant forestry land portfolio, which are recorded in the books of Great Southern at less than full value reflecting these encumbrances. Great Southern has advised that, following completion of the Scheme Proposals, it will review the opportunity to sell selected cattle and related property assets, the proceeds from which will be used to fund strategic initiatives, working capital and/or in debt reduction. This could release value currently depressed by the existence of encumbrances
- Great Southern's increased scale which should, in turn, result in a greater level of following by fund managers, broking houses and the investment community generally
- an understanding of various efficiency and productivity measures already put in place by the Company
- reduced operating costs associated with the ongoing management and reporting of the 1998 Project and other scheme projects, as well as potentially improved returns from increased flexibility to harvest at any time to take advantage of market circumstances and operational synergies.

However, we note a potentially significant dilutionary impact upon net asset backing per share of the Scheme Proposals, if successful, (as set out in section 11 of the detailed report) that is a consequence of the transfer of value to Graziers and growers based on the relative contributions to the net asset backing of the expanded Great Southern.

In the short term, prevailing equity market conditions make any commentary in respect of the outlook for short term trading prices particularly difficult and uncertain as market behaviour appears to be impacted to an unusual extent by fear and uncertainty as to the outlook for the global economy.

In the event that the Scheme Proposals are successfully implemented, Growers will benefit from any increase in the trading price of Great Southern shares by holding shares directly in Great Southern's expanded post-acquisition capital.

However, we would caution that, whilst trading in the Company's shares in the period prior to Growers meeting to consider the Scheme may provide some indication as to the market's assessment of the

benefits of the Scheme Proposals, given the volatility in equity markets at present it may be that Great Southern's share price is impacted by factors not necessarily within the Company's control.

Similarly, as noted earlier, Great Southern has historically traded at a premium to NTA but this premium appears to fall away during periods of uncertainty, particularly regarding the ATO's policy with respect to treatment of MIS. In this regard, we note that the Federal Court test case in which the agribusiness investment industry challenged the position of the ATO in relation to future treatment of non-forestry MIS ended on 15 August 2008 and it has been reported that a decision is expected to be handed down later this year.

Furthermore, given the fundamental change to its business model being proposed by Great Southern, it is reasonable to expect that it may take a period of time for the investment community to fully digest the likely impact of the Scheme Proposals upon the future prospects of the Company. In particular, as the individual proposals underpinning the Scheme Proposals are not conditional upon each other, it is conceivable that trading in Great Southern's shares may not fully reflect the market's assessment of the Scheme Proposals until such time as the market has formed a view as to the likely success of each of the project investor meetings and therefore the likely achievability of the benefits of the Scheme Proposals.

Dividend profile

Whilst the Company's past performance and dividend history is not necessarily indicative of future results or a guarantee that distributions will be maintained, we note that Great Southern has paid fully franked dividends of varying amounts in each year since listing.

As shareholders in Great Southern, Growers will be entitled to participate in future dividends that may be declared by the Company. Great Southern has indicated in its draft Prospectus to be issued to Growers that the declaration and payment of any future dividends will be determined by Great Southern directors in accordance with its existing dividend policy.

Having regard to the above analysis, we believe there are reasonable grounds to expect that, following the successful completion of the Scheme Proposals, the aggregate value of Great Southern's share price and any attaching dividend distributions, should, in the absence of adverse market and other factors and/or events beyond the control of Great Southern, exceed \$0.50 in current dollar terms at some point in the next year, prior to the time when the 1998 Project would otherwise end. Had the high end of our range of assessed fair values for a Grower's Interest been adopted, the relevant benchmark would have remained at \$0.50. Accordingly, our opinion would not change in the event Growers form a view that the higher end of our range of values is more appropriate in deciding whether to accept the Scheme.

4.2

Other key considerations

A number of other issues were also considered in determining whether the Scheme is in the best interests of Growers in the 1998 Project, including the advantages and disadvantages that are likely to accrue to Growers if the Scheme proceeds. These considerations have been summarised below and are set out in more detail in our full report.

- Based on Great Southern's closing market capitalisation on the last trading day prior to the date of this report of \$143.2 million and our range of assessed fair values for the combined Growers' Interests in the 1998 Project of between \$13.262 million and \$13.266 million, Growers are contributing approximately 8.5 percent to the aggregate market capitalisation of the enlarged Great Southern. This compares to the 12.5 percent pro rata interest of Growers in the expanded capital of Great Southern in the event the Scheme is completed at a price of \$0.435.

We note that the relevant contribution of Growers to the market capitalisation of the expanded Great Southern and the Growers' percentage interest in the expanded capital of Great Southern are at equilibrium at a share price in the expanded Company of \$0.28.

Furthermore, we note that if the relative contribution is calculated based on Great Southern's NTA backing rather than market capitalisation, Growers' effective contribution to the enlarged Great Southern would reduce further and the benefit being realised by Growers in the 1998 Project would increase.

- In the event that the Scheme Proposals are completed in their entirety, a combined total of between approximately 408 million and 816 million shares will be issued to investors in the six timber projects and two cattle projects, which compares to a current issued capital in Great Southern of 329.3 million shares. Accordingly, the combined interest of investors in the relevant projects will total between approximately 55 percent and 71 percent, of which Growers in the 1998 Project will hold between 3 percent and 4 percent. In the event that the Scheme is the only one approved, the relevant interest of Growers in the expanded Great Southern will increase to between 7 percent and 12 percent, before the dilutionary effect of any acceptances of Individual Offers that may be accepted by Project Investors in other schemes.
- In the absence of the Scheme Proposals the outlook for Great Southern in the short term remains challenging. Based on information on hand and initiatives in place, Great Southern expects (assuming the planned level of sales, securitisations, loan book realisations and other initiatives) that it will face close monitoring but it will comply with required banking lending covenants throughout the outlook period, notwithstanding the outcome of the Scheme Proposals.

Clearly the prospect of achieving loan book realisations and securitisations is challenging in particularly volatile and tight credit markets such as those presently impacting the global financial sector.

Successful completion of the Scheme Proposals enhances the cash flow outlook for Great Southern and provides greater confidence to Growers that the prospect of a failure of Great Southern will be reduced with the consequent amelioration of uncertainty that the 1998 Project is able to continue without some form of additional financial contributions by the Growers that may otherwise emerge in the absence of completion of the Scheme Proposals.

- Implementation of the Scheme Proposals in their entirety is dependent upon the completion of a number of matters including, inter alia, Growers/Graziers in each of the relevant projects approving

required amendments to each relevant project's constitution, approval of each the schemes by each set of investors and Great Southern shareholders approving the issue of new shares in the Company.

Accordingly, approval of the Scheme and all other schemes is required to fully implement the Scheme Proposals, which will enable the full benefits of the Scheme Proposals to be extracted. These benefits are expected to include, inter alia:

- the repositioning of Great Southern as a company with three core business operations – forestry, agricultural investment services and cattle, including Australia's largest integrated hardwood plantation forestry business
- a more predictable and even cash flow through the ability to optimise harvest scheduling and cattle sales rather than operating within the restrictions of specified project timetables
- retention of cash within the Great Southern group which would otherwise be payable to investors. These funds will be available to the Company to pursue strategic initiatives, fund working capital and/or a reduction of debt levels
- the ability to deal freely with various currently encumbered project related assets, which based on recent market valuations has the potential to release a significant level of latent value upon realisation
- a reduction in compliance and other project related costs
- improved access to equity and debt markets as a result of its increased size and greater level of understanding and following of Great Southern by the wider investment community
- the ability to expand initiatives already underway to achieve an efficient staffing and operational structure
- increased probability of being able to capture the benefits of future carbon emissions trading.

As shareholders in Great Southern, Growers would participate on a pro rata basis in the value of any benefits extracted from completion of the Scheme Proposals. Realisation of these benefits can be expected, in the absence of adverse market and other factors and/or events beyond the control of Great Southern, to have a positive impact upon the trading price of the expanded Great Southern's shares.

We note however that, in the event any of the proposals put to investors in the projects underpinning the Scheme Proposals are not approved, then it is reasonable to expect the full benefits of completing the Scheme Proposals would not arise and could, depending upon the final level of scheme or individual approvals, be reduced, potentially significantly.

Individual Growers considering whether to accept the Individual Offers in the absence of the Scheme will need to consider the likely impact on Great Southern's future share price and prospects of failing

to complete the Scheme Proposals in their entirety, including the likely success of the individual proposals underpinning the Scheme Proposals. The need for this analysis prior to acceptance is reduced as a result of the Cooling Off Period attaching to the Individual Offers.

We also note that Great Southern will also require the approval of Great Southern shareholders for the issue of shares to investors in each of the projects, or alternatively, obtain a waiver from ASX.

- As a result of the Scheme proceeding, Great Southern will have a larger and more diversified shareholder base. Therefore, the market for shares in Great Southern after implementation of the Scheme can reasonably be expected to be more liquid than is currently the case. Approval of each of the other schemes covered by the Scheme Proposals can reasonably be expected to also incrementally increase liquidity.
- The interest of Growers in the 1998 Project assets will be significantly diluted. However, in the event that the Scheme is successfully implemented Growers will receive a corresponding pro rata interest in Great Southern's existing assets, the assets of any other projects acquired by Great Southern under the Scheme Proposals and also any synergies and cost savings realised by Great Southern as a result of the integration of the projects.
- In the event that the Scheme is successful (or Growers accept the Individual Offers), Growers will hold an interest in an enlarged Company holding a more diversified portfolio of assets than the 1998 Project as a stand-alone investment, both in terms of geographical location, stage of development and business sector. As a consequence of this diversification, the risk profile of each Grower's investment can be considered to be reduced to specific one-off shocks.

In contrast, notwithstanding this diversification of product risk, as shareholders in Great Southern Growers' exposure to general market risk factors will be increased. These risk factors take many forms such as credit risk, equity market risk, interest rate risk and can all individually, and in aggregate, cause movements, adverse or favourably, in the price of an underlying investment, all other things being equal.

- Whilst the Independent Directors of GSMAL have informed us that they are not aware of any alternative formal offers for the Growers' Interests, we note that the Directors have not actively sought alternative offers to that put forward by Great Southern. Notwithstanding, this we believe the prospect of an alternative offer for the 1998 Project emerging is very unlikely.
- In the event that a reasonable number of either of the offers comprising the Scheme Proposals or the Individual Offers are accepted, there will be a significant increase in the number of Great Southern shares on issue. As such, there is a prospect of significantly increased volatility and overhang in the market for Great Southern shares, at least in the short term, following completion of the Scheme as some investors may seek to rebalance their investment portfolios and some shares may be sold by the nominee appointed by Great Southern to procure the sale of shares issued to it on behalf of Foreign Project Investors.

Furthermore, equity markets themselves have demonstrated a significant degree of volatility in recent times, which, if continued, is likely to impact upon the future trading price of Great Southern in the short term, either positively or negatively.

4.3

Other considerations

- As a result of the current investment structure, Growers are isolated from participating in the benefit of any capital growth either in the land underpinning the 1998 Project or in respect of that which may be achieved in the value of Great Southern shares themselves. As shareholders in Great Southern, Growers would participate in any future capital growth in the Company's share price. Conversely, in the event Great Southern's share price retreats from current levels, this will act to erode the value of the overall return on the Growers' original investment.
- Whilst historical performance is no guarantee of future outcomes, we note that Great Southern has paid regular dividends to its shareholders since its listing. Whilst Great Southern has made no commitment to pay future dividends and the declaration and payment of any future dividends will be determined by Great Southern directors in accordance with its existing dividend policy, there is the potential for accepting Growers to accelerate the return on their investment through receipt of future dividends that may be declared by Great Southern. We note that the 1998 Project is expected to be completed in 2009.
- The period of each Grower's investment in respect of the 1998 Project is limited to a finite period. In contrast, there is the potential for an equity investment in the Company to continue to hold shares in the Company indefinitely.
- The Scheme does not include a cash alternative. Accordingly, the final realisable value of the consideration offered by Great Southern is uncertain and unable to be ascertained at this time. An offer of cash consideration would have provided certainty to Growers.
- We have been advised by the Company that the financiers of Growers' loans arranged by Great Southern have agreed, in principle, to accept the Great Southern shares to be issued to Growers as a direct security swap for the Growers' Interest in the project timber. Furthermore, the financiers will not seek early repayment of the subject loans. We strongly recommend that Growers with alternative financing arrangements discuss the impact of accepting the Scheme or the Individual Offer with their financiers.
- At the date of this report, the independent directors of GSMAL have indicated that depending upon the views expressed in this report, they are minded to unanimously recommend Growers to vote in favour of the Scheme. Furthermore, the independent directors have indicated they are minded to issue similar recommendations in relation to the forestry and cattle projects forming the balance of the Scheme Proposals.
- Great Southern will incur various costs in implementing the Scheme and the overall Scheme Proposals. We note that a portion of these costs will have been incurred, or will be committed, prior

to the date that the Growers will vote on the Scheme and will be payable whether or not the Scheme is successfully implemented.

- We are advised that the offer from Great Southern is subject to the satisfaction of a number of conditions precedent. As at the date of this report a number of conditions precedent are yet to be satisfied.

5

Other matters

In forming our opinion, we have considered the interests of the Growers as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Growers. It is not practical or possible to assess the implications of the Scheme on individual Growers as their financial circumstances are not known. The decision of the Growers as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. However, the valuation has been prepared on the assumption that Growers are registered for GST and Growers who are not registered for GST will not be able to claim input tax credits, and this would alter the outcome of our analysis. Individual Growers should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions is influenced by his or her particular circumstances, we recommend that Growers seek their own independent professional advice.

Our report has been prepared solely for the purpose of assisting Growers in the 1998 Project in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our opinion should not be construed to represent a recommendation as to whether or not Growers should elect to vote in favour of the Scheme.

Our report has been prepared in accordance with the relevant provisions of the Act, as proposed to be inserted into the 1998 Project's Constitution, and other applicable Australian regulatory requirements. We recommend that Growers that reside in foreign jurisdictions who are entitled to receive this report and who are uncertain as to the consequences of this, seek their own independent professional advice.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Notice of Meeting and Explanatory Memorandum to be sent to Growers in the 1998 Project in relation to the Scheme, without the prior written consent of KPMG as to the form and context in which it appears. KPMG consents to the inclusion of this report in the form and context in which it appears in the Explanatory Memorandum.

This letter is a summary of KPMG's opinion as to the merits or otherwise of the Scheme. This report should be considered in conjunction with and not independently of the information set out in our full report.

In preparing this report and arriving at our opinion, we have considered the financial, operational and other information detailed in Appendix 2 of our full report. Nothing in this report should be taken to imply that KPMG has verified any information supplied to us, or has in any way carried out an audit of the books of account or other reports of GSMAL or Great Southern for the purpose of this report.

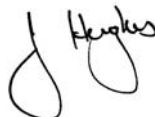
The information provided to KPMG included projections for Great Southern's and the 1998 Project's operations prepared by the management of Great Southern and provided to us by GSMAL and amended by technical specialists GHD where considered appropriate. Achievement of prospective results is not warranted or guaranteed by KPMG or GHD. Prospective results are by their nature uncertain and are dependent upon a number of future events that cannot be guaranteed. Actual results may vary significantly from the prospective results relied on by KPMG. Any variations from prospective results may affect our valuation and opinion.

Great Southern, through GSMAL, has requested that KPMG limit the disclosure of some commercially sensitive operational and financial information relating to Great Southern's operations. However, in preparing this report, KPMG has had access to all financial information considered necessary in order to provide the required opinion.

Yours faithfully



Duncan Calder
Executive Director



Jason Hughes
Executive Director

Financial services guide

Dated 13 October 2008

KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215 (KPMG or we or us or our as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial services guide (FSG). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted
- The services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 246901**
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither KPMG, nor any of its executive directors, directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). Our executive directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Proposal

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001 or Toll free: 1300 78 08 08 or by Facsimile: (03) 9613 6399

Contact Details

You may contact us using the contact details set out at the top of the letterhead on page 1 of this report.

Annexure 2 – Independent Taxation Opinion



Tax
Central Park
152-158 St George's Terrace
Perth WA 6000

GPO Box A29
Perth WA 6837
Australia

ABN: 51 194 660 183
Telephone: +61 8 9263 7171
Facsimile: +61 8 9263 7129
www.kpmg.com.au

Our ref 3169828_1.DOC

The Independent Directors
Great Southern Managers Australia Limited
16 Parliament Place
WEST PERTH WA 6005

13 October 2008

Dear Sirs

Great Southern Plantations 1998 Project Independent Taxation Report in relation to the Scheme Proposal and Individual Offer

As outlined in the Explanatory Memorandum (EM), Great Southern Limited (GSL) has offered all Growers an opportunity to sell their interests in the Great Southern Plantations 1998 Project (the Project) and to subscribe for GSL shares by way of a Contractual Scheme of Arrangement (the Scheme Proposal). If the Scheme Proposal is not successful, a separate offer will be made on an individual basis to each Grower on similar terms to the Scheme Proposal (the Individual Offer).

We have been requested to comment on the taxation implications that are likely to arise to Growers in the Project as a result of the Scheme Proposal and Individual Offer.

1. Background

GSL has offered all Growers an opportunity to sell their interests in the Project with the consideration to be settled by the issue of GSL shares either by way of the Scheme Proposal or the Individual Offer.

1.1 Scheme Proposal

On 9 October 2008, Great Southern Managers Australia Limited (GSMAL) received a proposal from GSL under which a Grower's interests in the Project would be sold, and for GSL shares to be issued in satisfaction of the consideration, to be completed by way of the Scheme Proposal.

While not yet executed, GSMAL and GSL have indicated they intend to enter into an Implementation Agreement on or around the date of this Report formally documenting the process and arrangements for implementation of the Scheme Proposal.

Following the successful implementation of the Scheme Proposal, GSMAL may wind up the Project in accordance with the provisions of the Project's Constitution (to be amended) and the *Corporations Act 2001*.

1.2 Individual Offer

If the Scheme Proposal is unsuccessful, Growers will be offered the opportunity to sell their interests in the Project with the consideration to be settled by the issue of GSL shares under the Individual Offer. Growers will be offered the same consideration as under the Scheme Proposal for the transfer of their interests in the Project.

The taxation implications for Growers as a result of the Scheme Proposal and Individual Offer are considered at sections 2 and 3 below respectively.

2. Scheme Proposal successful

Under the Scheme Proposal, Growers will be entitled to consideration (the Consideration) for the disposal of their interests in the Project. A Grower will subscribe for shares in GSL (the GSL Shares) in satisfaction of the Consideration owing to them by Great Southern Plantation Holdings Pty Ltd (GSPH).

2.1 A Grower's interests in the Project

A Grower holds the following interests in the Project which are assets for taxation purposes:

- The Grower's interest in standing timber;
- Rights as lessee and rights to services under the Lease and Management Agreement (LMA); and
- Right to current year amounts in the Proceeds Fund under the LMA.

The taxation consequences to a Grower will depend on:

- The market value of the standing timber; and
- The market value of the consideration offered in relation to rights held by the Grower which are being transferred.

The market value of a Grower's interests in the Project is a question of fact. The generally accepted basis for determining market value is the price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not anxious purchaser could reasonably expect to pay in an arm's length transaction.

On the basis that GSPH and Growers are dealing at arm's length in relation to the Scheme Proposal, it is expected that the market value of the interests in the Project will equal the Consideration agreed to by the parties. The Consideration offered by GSPH to a Grower as set out in the Transfer Deed will be determined based on the volume weighted average price (VWAP) for GSL shares on the Australian Stock Exchange for the five trading days commencing on the date that is eight trading days before the Investor Meeting Date. It is open to the Australian Taxation Office (ATO) to take an alternative view in relation to the determination of the market value of Growers' interests in the Project, however we consider that the better view is that the market value of the interests in the Project will be equal to the consideration received.

The table below illustrates the calculation of the Consideration offered per Woodlot as reflected in the contractual arrangements.

VWAP	Total Consideration per Woodlot \$
≤ 50 cents	4,606 shares x VWAP
50 cents - \$1.00	\$2,303
≥ \$1.00	2,303 shares x VWAP

GSL has advised that it will provide a statement to Growers on or before the Investor Meeting Date to advise the amount of the Consideration ascribed to the value of each of the Growers' assets in the Project as reflected in the contractual arrangements.

2.2 Disposal of a Grower's interests in the Project

2.2.1 Grower's interest in standing timber

A Grower will be taken to have disposed of their interest in the standing timber as a result of the Scheme Proposal. Pursuant to section 70-90 of the *Income Tax Assessment Act 1997* (the 1997 Act), a Grower's sale of standing timber to GSPH will be deemed to be a sale of trading stock outside the ordinary course of a Grower's business. On this basis, a Grower will be required to include the market value of the standing timber in their assessable income in the year ending 30 June 2009.

2.2.2 Grower's rights as lessee and rights to services under the LMA

A Grower's rights as lessee and rights to services under the LMA will be transferred to GSPH. These rights are capital gains tax (CGT) assets.

A Grower should seek their own professional advice in relation to determining the cost base of these rights, however it is anticipated that there will be negligible or no cost base.

Pursuant to section 104-10 of the 1997 Act, a capital gain will arise to a Grower to the extent that the Consideration attributable to the transfer of the rights exceeds the cost base of those rights. The contractual arrangements ascribe a nil portion of the Consideration to the transfer of these rights.

Based on the Consideration ascribed to the value of these rights in the contractual arrangements, a Grower should not realise a capital gain on the transfer of these rights.

2.2.3 Grower's right to amounts in the Proceeds Fund

The sale of timber from 1 July 2008 to the Assignment Date gives rise to assessable income to a Grower for the year ending 30 June 2009, and a right to receive payment from the Proceeds Fund. This right will be a CGT asset. It is considered that this right will have a cost base equal to the Grower's proportionate share of the net proceeds attributable to the sale of timber for this period being \$908 per Woodlot.

The portion of the Consideration attributable to the transfer of the Grower's right to the Proceeds Fund will represent capital proceeds for CGT purposes.

On the basis that the VWAP is at least 20 cents, a Grower should not realise a capital gain or loss. Where the VWAP is less than 20 cents, a capital loss may arise.

Furthermore, based on the estimated entitlement to net proceeds from the sale of timber as reflected in the contractual arrangements, a Grower will be required to include \$908 per Woodlot in their assessable income for the year ending 30 June 2009.

2.3 Illustrative tax calculation for a Grower who is an individual

For the purposes of illustration only, the following table provides a tax calculation per Woodlot for an individual Grower in the Project where the Scheme Proposal is successful.

The tax calculation assumes that the Grower is on the top marginal tax rate of 46.5 percent.

The illustrative tax calculations are based on the market value of a Grower's total interest in the Project being equal to the Consideration as calculated in the Transfer Deed. For illustrative purposes, the Consideration reflected in the calculations is based on hypothetical VWAPs of the GSL Shares of 40 cents, 75 cents and \$1.10. Growers should not treat the hypothetical Consideration amounts used in the table as being indicative of the market value of their interests. The allocation of market value to a Grower's assets is consistent with the methodology in the contractual arrangements.

GSL will provide Growers with a schedule setting out the final allocation of the Consideration offered in respect of their interests on or before the Investor Meeting Date.

Scenario 1 – VWAP equals 40 cents

Allocation	Standing timber \$	Right to Proceeds Fund \$	Other Rights under the LMA \$	Income from sale of timber \$	Total \$
Market value of asset	934	908	nil	n/a	1,842
Cost base of CGT asset	n/a	(908)	nil	n/a	
CGT discount	n/a	nil	nil	n/a	
Amount included in assessable income for the year ending 30 June 2009	934	nil	nil	908*	1,842
Tax payable for Individual @ 46.5 percent	434	nil	nil	422	856

Scenario 2 – VWAP equals 75 cents

Allocation	Standing timber	Right to Proceeds Fund	Other Rights under the LMA	Income from sale of timber	Total
	\$	\$	\$	\$	\$
Market value of asset	1,395	908	nil	n/a	2,303
Cost base of CGT asset	n/a	(908)	nil	n/a	
CGT discount	n/a	nil	nil	n/a	
Amount included in assessable income for the year ending 30 June 2009	1,395	nil	nil	908*	2,303
Tax payable for Individual @ 46.5 percent	649	nil	nil	422	1,071

Scenario 3 – VWAP equals \$1.10

Allocation	Standing timber	Right to Proceeds Fund	Other Rights under the LMA	Income from sale of timber	Total
	\$	\$	\$	\$	\$
Market value of asset	1,625	908	nil	n/a	2,533
Cost base of CGT asset	n/a	(908)	nil	n/a	
CGT discount	n/a	nil	nil	n/a	
Amount included in assessable income for the year ending 30 June 2009	1,625	nil	nil	908*	2,533
Tax payable for Individual @ 46.5 percent	756	nil	nil	422	1,178

* As noted at section 2.2.3, any amounts in respect of the sale of timber from 1 July 2008 to the Assignment Date will need to be included in the Grower's assessable income as ordinary income in the year ending 30 June 2009 irrespective of whether the Scheme Proposal is successful or not.

A Grower should consult their taxation advisor to determine the taxation implications associated with accepting the Scheme Proposal and Individual Offer applicable to their individual circumstances.

2.4 Initial management fees

The ATO has confirmed in writing that the offer made to a Grower via the Scheme Proposal and Individual Offer will not impact the Grower's tax deductions (including deductions for initial management fees) as outlined in Product Ruling PR 2001/110 if:

- The Grower could not reasonably have known of the Scheme Proposal and Individual Offer upon entering the Project; and

- GSMAL was not aware of the Scheme Proposal and Individual Offer prior to the Grower being accepted into the Project.

On the basis of available information, we are not aware of any factors which may suggest that a Grower could have reasonably known of the Scheme Proposal and Individual Offer at the time of entering the Project. Furthermore GSMAL has advised that it was not aware of the Scheme Proposal and Individual Offer prior to a Grower being accepted into the Project.

On the basis of the ATO's advice and the above factors, a Grower's original tax deductions for initial management fees should not be impacted.

2.5 Grower loans

PR 2001/110 addresses the treatment of certain loans entered into by a Grower to fund their interests in the Project. Our comments are limited to a Grower with the loans specifically covered by the product ruling.

The EM states that as a result of the Scheme Proposal, a Grower will have the opportunity to either undertake an early loan repayment without penalty, or to replace the Woodlot with the GSL Shares received under the Scheme Proposal as security for the loan.

As required by PR 2001/110, GSMAL has advised the ATO of this potential change in the financing arrangements. The ATO has provided verbal confirmation that the proposed arrangements should not have an impact on deductions previously available to a Grower under the product ruling.

A Grower should seek their own professional taxation advice in relation to the continued deductibility of the interest on these loans as any interest incurred will no longer be covered by PR 2001/110.

2.6 Goods and services tax

Under the Scheme Proposal, a Grower will transfer their interests described at section 2.1 to GSPH. The transfer of these interests constitutes a supply for the purposes of the *A New Tax System (Goods and Services) Tax Act 1999* (the GST Act). While each of the supplies made under the Scheme Proposal is arguably a separate supply, for the purpose of this Report, they will be collectively referred to as "the Supply". The goods and services tax (GST) implications of making the Supply will depend on whether the Grower is or is not registered for GST.

2.6.1 Grower that is registered for GST

Where a Grower is registered or required to be registered for GST, the Supply will constitute a taxable supply. The consideration for making the Supply is the obligation to provide the Consideration.

A registered Grower should be entitled to claim input tax credits in respect of any GST inclusive costs incurred in relation to making the Supply.

Supply of a going concern

The GST Act provides that in certain circumstances a supply may be treated as a GST-free supply of a going concern. For this to occur, the Grower must, among other things, supply “all things necessary for the continued operation of the enterprise”. The ATO has confirmed in writing that the Supply made under the Scheme Proposal and Individual Offer as described in the EM will constitute a supply of a going concern.

A Grower that is registered or required to be for GST purposes can agree with the acquirer not to charge GST on the Supply resulting from the Scheme Proposal. The Transfer Deed reflects that the parties have agreed that the Supply constitutes the supply of a going concern. As a result, the Supply is GST free and no amount is required to be remitted to the ATO.

2.6.2 Grower that is not registered for GST

There will be no GST implications for an unregistered Grower in respect of transferring their interests in the Project to GSPH. An unregistered Grower will not be entitled to claim input tax credits for GST inclusive costs incurred in relation to making the Supply.

A Grower that is not registered or required to be registered for GST, irrespective of the level of Consideration offered in respect of their interests, will not be required to register for GST purposes.

2.7 GSL Shares

The GSL Shares that a Grower will receive under the Scheme Proposal will be assets held for CGT purposes. A Grower will be taken to have acquired the GSL Shares on the date that the Transfer Deed is executed. The cost base of the GSL Shares should include the market value of the Grower’s total interest in the Project that has been sold or otherwise transferred. Certain incidental costs incurred by the Grower can also be included in the calculation of the cost base of the GSL Shares.

3. Scheme Proposal unsuccessful

If the Scheme Proposal is unsuccessful and a Grower elects to sell their interests in the Project to GSPH under the Individual Offer, unless otherwise stated, the taxation implications to the Grower should be the same as discussed at section 2.

If a Grower does not elect to accept the Individual Offer and continues in the Project, there should be no change to their original tax position.

* * * * *



Disclaimer

These comments are made specifically in response to the request for advice by Great Southern Managers Australia Limited in relation to the taxation consequences to Growers who were initial participants in the Project and were included in the "class of persons" to which Product Ruling PR 2001/110 applied. Our comments are limited to individuals, trusts, complying superannuation funds or companies who are residents of Australia for taxation purposes and are not exempt from Australian income tax. Accordingly, neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person or entity other than Great Southern Managers Australia Limited for any errors or omissions in the advice given, however caused.

Our tax advice is based on current taxation law as at the date our advice is provided. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

Unless special arrangements are made, this advice will not be updated to take account of subsequent changes to the tax legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of taxation authorities. It is your responsibility to take further advice, if you are to rely on our advice at a later date.

We are, of course, unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the Australian Commissioner of Taxation.

Financial Services disclaimer

KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. Growers should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

Yours faithfully

KPMG

Annexure 3 – Prospectus

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR URGENT ATTENTION. YOU SHOULD READ ALL OF IT, THE EXPLANATORY MEMORANDUM AND ITS ANNEXURES. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISOR IMMEDIATELY.



GREAT SOUTHERN
GROUP OF COMPANIES

▪

Great Southern Limited

PROSPECTUS

for the issue of up to 816,030,360 GSL Shares in exchange for project investors' Woodlots and Drovers

ACN 052 046 536 (ASX code GTP)

As the Scheme Proposals and the Individual Offers involve an issue of GSL Shares to project investors, GSL is required by law to issue this Prospectus.

TO VOTE ON THE SCHEME PROPOSALS, YOU MUST ATTEND THE PROJECT INVESTORS MEETING ON 1 DECEMBER 2008 OR RETURN THE GREEN PROXY FORM BY 5pm (WDST) ON 28 NOVEMBER 2008 UNLESS EXTENDED

TO ACCEPT THE INDIVIDUAL OFFERS, YOU MUST RETURN THE BLUE ACCEPTANCE FORM BY 5pm (WDST) ON 11 DECEMBER 2008 UNLESS EXTENDED

If you have any queries in relation to the Scheme Proposals, the Individual Offers, this Prospectus, the Explanatory Memorandum or the Notice of Meeting, the Project Investor Information Line may be able to assist - please call 1300 652 672 (toll free) from within Australia or +61 3 9415 4884 from outside Australia during office hours.

Important Information

Important Dates

All dates (other than the date of the Prospectus and date of lodgement of the Prospectus with ASIC) are indicative only. The GSMAL Directors reserve the right to extend the date for acceptances of the green Proxy Form, subject to any applicable law or the ASX Listing Rules, without further notice. The GSL Directors reserve the right to extend the date for acceptances of the blue Acceptance Form, subject to any applicable law or the ASX Listing Rules, without further notice. A change to the date for acceptances of the green Proxy Form and blue Acceptance Form may cause other key dates to change.

Lodgement of Prospectus	23 October 2008
Individual Offers open	5 November 2008
Reference Period ends (VWAP of GSL Shares during the Reference Period and number of GSL Shares to be issued to project investors determined)	25 November 2008
Green Proxy Form to be received no later than (5pm)(WDST)	28 November 2008
Project Investors' Meeting	1 December 2008
Shareholders' Meeting	4 December 2008
Individual Offers Closing Date and blue Acceptance Form to be received no later than (5pm) (WDST)	11 December 2008
Commencement of ASX trading of GSL Shares issued under the Scheme Proposals	15 December 2008
Commencement of ASX trading of GSL Shares issued under the Individual Offers	29 December 2008

Important Notice

This Prospectus is dated 23 October 2008. A copy of this Prospectus was lodged with ASIC on 23 October 2008. ASIC takes no responsibility for the contents of this Prospectus.

This Prospectus does not constitute an offer outside of Australia or New Zealand.

No GSL Shares will be issued on the basis of this Prospectus after the date which is 13 months after the date of the Prospectus.

This is a Prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) of GSL and has been prepared in accordance with section 713 of the Corporations Act. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

Generally, figures contained in this Prospectus are approximate and have been rounded.

PLEASE CAREFULLY READ THE INSTRUCTIONS ON THE ACCOMPANYING BLUE ACCEPTANCE FORM REGARDING ACCEPTANCE OF THE INDIVIDUAL OFFERS. IT IS IMPORTANT THAT YOU TAKE ACTION IN ACCORDANCE WITH THE INSTRUCTIONS ON THE BLUE ACCEPTANCE FORM. IF YOU ARE IN DOUBT AS TO THE PROCEDURES TO BE FOLLOWED, YOU SHOULD CONTACT THE PROJECT INVESTOR INFORMATION LINE ON 1300 652 672 (TOLL FREE) FROM WITHIN AUSTRALIA OR +61 3 9415 4884 FROM OUTSIDE AUSTRALIA DURING OFFICE HOURS, OR YOUR FINANCIAL ADVISER OR OTHER PROFESSIONAL ADVISER. BEFORE VOTING IN FAVOUR OF YOUR SCHEME PROPOSAL OR ACCEPTING YOUR INDIVIDUAL OFFER, PROJECT INVESTORS IN EACH OF THE PROJECTS SHOULD CONSIDER WHETHER GSL SHARES ARE A SUITABLE INVESTMENT FOR THEM.

Summary

Summary of the Scheme Proposals and the Individual Offers

1. As part of the Scheme Proposals, GSL is offering project investors in each of the Projects the opportunity to collectively decide to transfer each of their Woodlots and cancel each of their Drovers in the Projects in exchange for GSL Shares.
2. Concurrently, GSL is also offering project investors in those Projects the opportunity to individually transfer their Woodlots or Drovers in exchange for GSL Shares irrespective of the outcome of the Scheme Proposals.
3. If all of the 8 Scheme Proposals are implemented, project investors in all 8 Projects between them will be entitled to hold between 55% and 71% (depending on the VWAP of GSL Shares for the Reference Period prior to the Project Investors' Meeting Date) of the post transaction GSL, with the balance held by existing GSL Shareholders.
4. If Your Scheme Proposal is not implemented and you do not accept Your Individual Offer, you will remain a Project Investor in your Project.
5. The Scheme Proposals will be implemented in respect of each Project, if the project investors in that Project pass the Resolutions by the required majorities and GSL Shareholders approve the issue of GSL Shares at a meeting to be held on 4 December 2008. The Scheme Proposals are subject to the conditions detailed in Section 1.2 of this Prospectus.
6. It is important for Project Investors to appreciate that:
 - i. if your Scheme Proposal is implemented but one or more of the other Scheme Proposals are not implemented; or
 - ii. if your Scheme Proposal is not implemented but you accept Your Individual Offer;then GSL will not realise (and therefore Project Investors that have received GSL Shares pursuant to the Scheme Proposal will not realise) all of the benefits that would otherwise accrue as a result of implementation of the Scheme Proposals. Project investors should refer to the Section entitled 'Benefits and Risks' and Section 7 of this Prospectus;
7. Following GSL's announcement of the results of the Scheme Proposals and acceptance levels of the Individual Offers, Project Investors may withdraw their acceptance of the Individual Offers by notice in writing received by GSL at any time until 5pm (WDST) on 11 December 2008, which is 10 calendar days after the Project Investors' Meeting date.

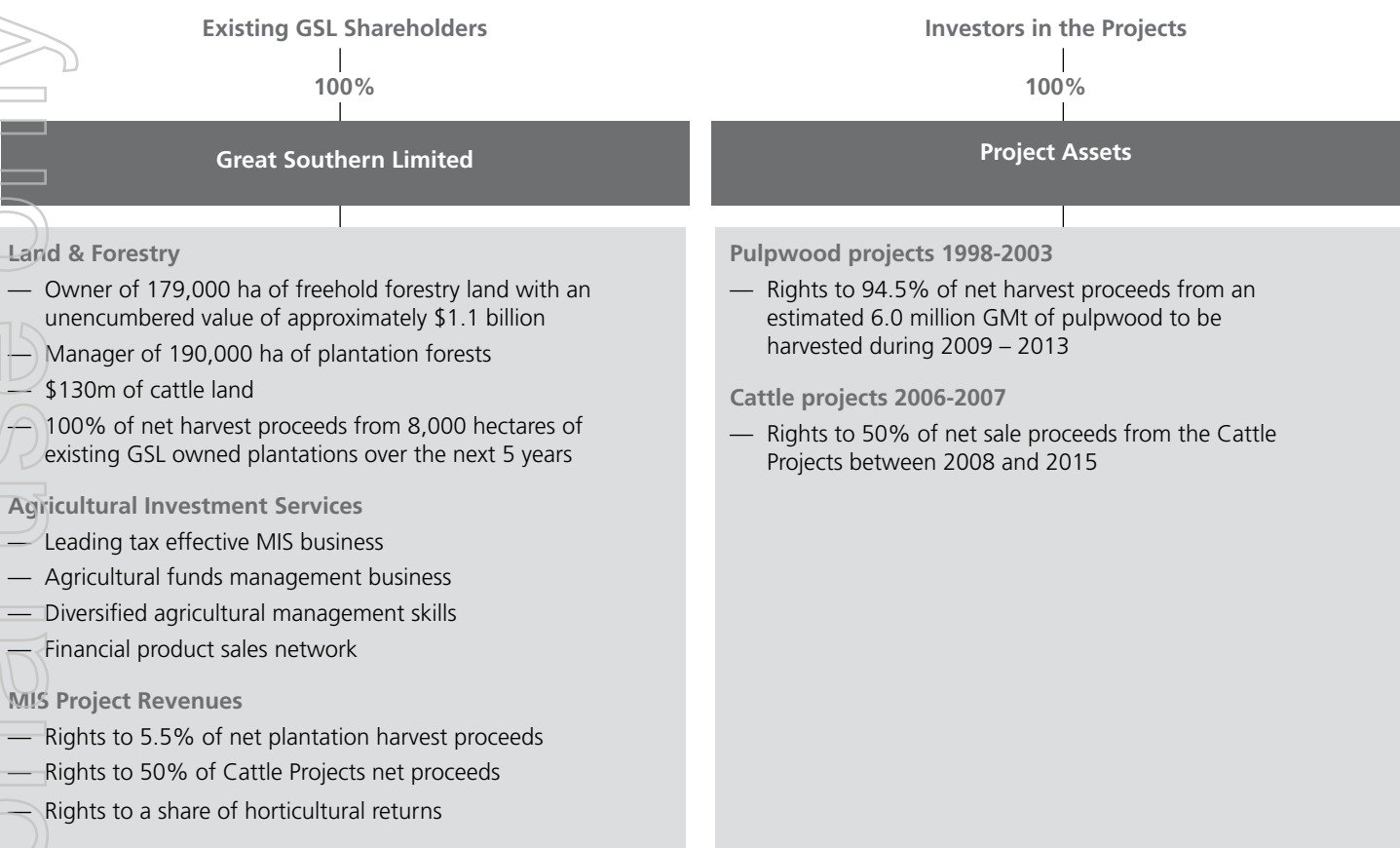
The **Independent Expert** has concluded that each of the Scheme Proposals is in the **BEST INTERESTS of project investors** as a whole

The **GSMAL Independent Directors have UNANIMOUSLY RECOMMENDED** that, in the absence of a superior proposal, project investors **VOTE IN FAVOUR** of the Scheme Proposals at the Project Investors' Meetings on 1 December 2008

Highlights

Highlights of the Scheme Proposals and the Individual Offers

The Scheme Proposals aim to bring together GSL's key assets – high quality agricultural land and agricultural management skills – with the assets and rights of investors in the Plantation Projects and the Cattle Projects. The GSL Directors believe that the Scheme Proposals are in the best interests of all stakeholders and that their success will significantly transform GSL.



If the Scheme Proposals are APPROVED, or project investors ACCEPT the Individual Offers, project investors will transfer their existing Woodlots and cancel their existing Drovers in exchange for ASX tradeable GSL Shares and will become a shareholder in one of Australia's largest agricultural companies with:

1. **Forestry** – Australia's largest hardwood plantation forestry business controlling 23% of the Australian market
2. **Agricultural Investment Services** – the dominant market position in the tax effective MIS market
3. **Cattle** – 1.4 million ha of owned cattle land, managing 217,000 head of cattle, although GSL will review the opportunity to sell selected cattle assets in order to reduce gearing.

If all Scheme Proposals are APPROVED, project investors will be issued with GSL Shares and own between 55% and 71% of the new GSL, giving them the opportunity to participate in the significant benefits expected to be created by the transaction.

Existing GSL Shareholders

Between 45% and 29%

Investors in the Projects

Between 55% and 71%

Great Southern Limited

Forestry

- Australia's largest hardwood plantation owner and manager
- 100% of net harvest proceeds from an estimated 6.0 million GMt of pulpwood to be acquired under the Scheme Proposals and a further 8,000 hectares of existing GSL owned plantations over next 5 years
- Owns or manages 190,000 ha of plantation forests
- Owns freehold land of 179,000 ha

Agricultural
Investment Services

- Market leading tax effective MIS business: Focussed on 2 products offered in 2009 – HVT and Pulpwood
- Agricultural funds management business: Rural Opportunities Fund (ROF)
- Management of historical MIS projects

Cattle

- Top 10 Australian cattle producer
- 1.4 million ha of cattle land valued at \$130m
- 217,000 head of cattle
- In order to reduce overall corporate gearing to more conservative levels, GSL will review the opportunity to sell selected cattle assets

If all Scheme Proposals are approved and implemented GSL will have:

- an implied **market capitalisation of \$583 million** (based on the Pre-Announcement Price of \$0.53);
- an implied **enterprise value of \$1,204 million** (based on an implied market capitalisation of \$583 million at the Pre-Announcement Price of \$0.53 and proforma net debt of \$621 million);
- proforma **debt to total assets of 33%**; and
- proforma **NTA per GSL Share of \$0.94** (assuming GSL Shares are issued at the Pre-Announcement Price of \$0.53)

GSL Directors unanimously RECOMMEND* that project investors:

READ this Prospectus, the Explanatory Memorandum and its Annexures in full;

SEEK independent financial and tax advice before making a decision; and

VOTE IN FAVOUR of the Scheme Proposals at the Project Investors' Meetings on 1 December 2008 AND ALSO **ACCEPT** the Individual Offers in relation to their project before they close on 11 December 2008.

*The recommendation above has been provided without reference to a project investors' particular investment objectives, financial situation or tax position and needs and does not amount to personal advice.

Benefits and Risks

For a complete discussion of benefits and risks for the Scheme Proposals and Individual Offers, see Section 2.5 and 7 of this Prospectus.

Benefits

The GSL Directors expect that if a project investor exchanges their Woodlots or Drove for GSL Shares, they will benefit from:

- **the flexibility to trade** their investment in a liquid market;
- **an exchange of assets at a value** supported by the conclusion of the Independent Expert that each of the Scheme Proposals is in the project investors' best interests as a whole;
- **value today** in exchange for cash flows expected in the future;
- **diversification of risk** and asset exposure;
- **removal of future expense obligations**; and
- **a potential CGT concession** in respect of a proportion of the Consideration in relation to the Cattle Projects only.

As new GSL Shareholders, if all of the Scheme Proposals are implemented, project investors will participate in the expected significant benefits of the transaction including:

- **Improved revenue and cash flow certainty** – through the transformation to a more robust agricultural company;
- **The creation of Australia's largest hardwood plantation forestry business**;
- The creation of a **cattle business with significant scale**, although GSL will review the opportunity to sell selected cattle assets in order to reduce gearing;
- **Improved forestry returns** through operational efficiencies;
- Increased potential to capture any benefits from the expected introduction of **carbon emissions** trading;
- Greater **balance sheet strength** and flexibility;
- **Ongoing exposure to woodchip/fibre prices**; and
- Better positioning of GSL to **maximise the value of its significant agricultural land** bank.

For further information on the benefits set out above, see Section 2.5 of this Prospectus.

Risks

In considering whether to approve each of the Scheme Proposals or accept the Individual Offers, project investors should consider the following key potential risks:

Key Risks of the Scheme Proposals and the Individual Offers

- **Less than all of the Scheme Proposals are implemented** – The full potential of the benefits of the transaction are only expected to be realised if all, or a large majority, of the Scheme Proposals are implemented or a large majority of the Individual Offers are accepted;
- **Dilution of exposure to woodchip or cattle prices** – project investors will have less direct exposure than they currently experience through holding Woodlots or Drove;
- **Significant issue of GSL Shares** – if a significant number of GSL Shares are issued and if material proportion of project investors decided to sell their GSL shares, this may have an adverse effect on the market price of GSL Shares; and
- **General share market investment risks** – GSL Shares are subject to both market and company specific influences on their price. GSL Shares carry no guarantee of the payment of dividends or other return of capital.

Key GSL business risks

- **MIS sales & regulatory risk** – GSL's current business model currently relies on annual tax effective MIS sales which are subject to general economic risks and also dependent upon product rulings being issued by the ATO. There is a risk that the ATO may not grant product rulings in relation to future MIS projects and that a poorer economic climate reduces sales demand.
- **Ongoing MIS obligations** – GSL is required to fund its ongoing obligations to maintain its 36 existing schemes in accordance with the relevant PDS requirements. GSL is obligated to provide land and ongoing maintenance of these schemes which results in ongoing costs including lease payments, debt service costs, personnel costs and business overheads.
- **Broader operational, agricultural and climatic risks** – GSL's profitability is impacted by agricultural risks outside GSL's control such as drought, extreme weather and access to water; and
- **Land availability and valuation** – GSL's ongoing tax effective MIS business is in part dependent upon sourcing sufficient agricultural land. There is a risk that suitable land may not be available in the future at the required time and price.

For further information on these risks refer to Section 7 of this Prospectus.

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GSL Chairman's Letter



23 October 2008

Dear Investor

On behalf of the Directors of Great Southern Limited (**GSL**), I am pleased to present GSL's proposal for you to exchange your Woodlots and/or Droves for GSL Shares either by way of a contractual scheme of arrangement or your direct individual offer.

During its 21 year history, GSL has emerged as a leader in the agricultural tax effective MIS sector. GSL has built a market leading business including significant agricultural management skills as well as a portfolio of prime agricultural land. In recent times, the regulatory uncertainty created by the ATO's decision to change its view on non-forestry tax effective MIS, the volatility in the global credit and equity markets, the increase in agricultural land prices and operating costs and the expected introduction of legislation with regard to carbon trading has led to GSL conducting a full strategic review of its existing business structure.

In summary, the strategic review concluded that GSL needed to recognise and react to the changing markets in which GSL operates. The offering of GSL Shares in exchange for Woodlots and Droves is a key initiative of this review and represents a major undertaking by GSL which is expected to improve the financial strength and operating efficiencies of the company.

GSL is offering GSL Shares to investors in the Plantations Projects (being the 1998 to 2003 projects) and the Cattle Projects (being the 2006 and 2007 projects) – comprising 8 projects in total. GSL has not made any proposals relating to any of its historical horticultural (almond, olive and vineyard) projects, nor in respect of other plantations projects. The proposed issue of new GSL shares is subject to the approval of existing GSL shareholders.

On 26 August 2008, GSL announced its intention to make a proposal to project investors. The revised proposal contained in this Prospectus seeks to address issues related to the volatility in global markets and GSL's share price since the original proposal was announced and feedback received from project investors and their advisers.

If investors in all of the Projects accept our proposal then those investors will collectively own between 55% and 71% (depending on the VWAP of GSL Shares during the Reference Period prior to the Project Investors' Meeting Date) of the expanded GSL. The successful implementation of all of the Scheme Proposals is expected to enhance GSL's position as a leading agricultural company as well as delivering an attractive outcome for project investors in the Projects. The proposals involve bringing together some of GSL's key assets – high quality agricultural land and agricultural management skills – with the assets and rights of investors in 6 plantation and 2 cattle MIS projects. GSL believes the Scheme Proposals and Individual Offers are in the best interests of all stakeholders.

As new shareholders in GSL, project investors will share in the benefits that are expected to accrue to GSL as a result of the success of the Scheme Proposals including:

- It will create a hardwood plantation business with sustainability and significant scale;
- It will create an integrated cattle business with significant scale;
- It will deliver a broader, more predictable revenue and cash flow base;
- It will strengthen GSL's balance sheet and give GSL greater scale and flexibility;
- It will provide greater opportunity to take full advantage of its assets and opportunities such as the possibility of an emerging carbon trading market; and
- GSL believes that the success of the Scheme Proposals will make GSL more attractive to investors.

Further details of the Scheme Proposals and Individual Offers are set out in this Prospectus, the Explanatory Memorandum and its Annexures. You are urged to read these documents (including the risks set out in Section 7 of the Prospectus) as the information they contain is important.

The board of GSL strongly endorses both the Scheme Proposals and Individual Offers to you and encourages you to vote in favour of the Scheme Proposal and accept the Individual Offers. **Your vote is important.** I urge you to attend the meeting or, if you are unable to attend, to complete the green Proxy Form and blue Acceptance Form accompanying this Prospectus, the Explanatory Memorandum and its Annexures and return it as instructed.

I look forward to welcoming you as a shareholder in GSL.

Yours sincerely

A stylized, handwritten signature in dark ink, appearing to read 'DC Griffiths'.

DC Griffiths
CHAIRMAN
Great Southern Limited

1. Details of the Scheme Proposals and Individual Offers

1.1 The Scheme Proposals

On 9 October 2008 GSL announced a proposal under which the Woodlots and Drove of investors in each of the 8 Projects would be exchanged for GSL Shares. The approval of the Scheme Proposals would create one of Australia's largest agricultural companies with 3 significant businesses: forestry, agricultural investment services and cattle.

Project investors in each of the Projects will vote at separate meetings in respect of the Scheme Proposal for their Project. The outcome of a vote on one Scheme Proposal will have no impact on the implementation of the Scheme Proposal in relation to any other Project (i.e. each Scheme Proposal is not conditional or dependent on the outcome of the vote in relation to the other Projects).

The Projects are currently operated as managed investment schemes by a wholly owned subsidiary of GSL, GSMAL, as responsible entity for each of the Projects. The ratio of GSL Shares offered to the project investors in exchange for their Projects' Woodlots or Drove is different for each of the Projects and has been impacted by the relative returns expected from that Project and the time until those returns are expected to be received.

The number of GSL Shares issued to project investors in a Project will vary depending on the volume weighted average price (VWAP) of GSL Shares on the ASX for the Reference Period prior to the Project Investors' Meeting Date:

- If the VWAP is at or below the floor price (\$0.50), the number of GSL Shares project investors will receive will be fixed at the maximum number (as shown in the table below).
- If the VWAP is at or above the ceiling price (\$1.00), the number of GSL Shares project investors will receive will be fixed at the minimum number (as shown in the table below).
- Between the floor and the ceiling price, the Consideration will be fixed and the number of GSL Shares issued to project investors will vary.

The Reference Period will be the 5 Trading Days beginning 8 Trading Days prior to the Project Investors' Meeting Date. Immediately following the Reference Period the VWAP of GSL Shares on the ASX will be published on GSL's website (www.great-southern.com.au) and announced to the ASX.

The GSL Shares to be issued per Woodlot or Drove in each Project is set out in the table below:

Project	Fixed Consideration per Woodlot Drove if VWAP is between \$0.50 and \$1.00	Maximum GSL Shares to be Issued per Woodlot or Drove at VWAP of \$0.50 or below	Minimum GSL Shares to be Issued per Woodlot or Drove at VWAP of \$1.00 or above	Total GSL Shares to be issued for all Woodlots or Drove in a Project at VWAP of \$0.50 or below (million)	Total GSL Shares to be issued for all Woodlots or Drove in a Project at VWAP of \$1.00 or above (million)
1998 Project	\$2,303 ⁴	4,606	2,303	47.0	23.5
1999 Project	\$2,733	5,466	2,733	68.7	34.4
2000 Project	\$2,479	4,958	2,479	211.2	105.6
2001 Project	\$1,760	3,520	1,760	49.2	24.6
2002 Project	\$1,732	3,464	1,732	63.4	31.7
2003 Project	\$1,903	3,806	1,903	200.0	100.0
2006 Project	\$2,955 ⁴	5,910	2,955	89.0	44.5
2007 Project	\$2,801	5,602	2,801	87.3	43.7
Total Scheme Proposals ¹				816.0	408.0
Total Existing GSL Shares ²				329.3	329.3
Proforma GSL Shares on Issue ³				1,145.3	737.3

¹ If a project investor has any amounts owing to GSMAL in relation to the Project (for example GST or insurance premiums), then a trading lock will be placed on the GSL Shares until the amounts are repaid. Refer to Section 9.7 of this Prospectus for more detail.

² GSL Shares on issue as at 8 October 2008.

³ Assumes the successful implementation of all of the Scheme Proposals.

⁴ In addition to this Consideration it should be noted:

- Project investors in the 1998 Project have received a cash distribution of \$243 per Woodlot;
- Project investors in the 2006 Project have received a cash distribution of \$180 per Drove; and
- Project investors in the 2006 Project have been notified of a shortfall amount in relation to the 2008 year of \$355 per Drove (or \$333 per Drove where the Project Investor is registered for GST) which will be assumed by GSL if the Scheme Proposal is successful or if the Individual Offer is accepted.

If the Scheme Proposals are successfully implemented, the project investors' Woodlots will be transferred to a GSL group company and Drove will be cancelled in exchange for GSL Shares in the ratio set out above.

If project investors in each of the Projects approve the Scheme Proposal for their Project, or accept the Individual Offers, those investors will no longer be members of that Project, but rather will become shareholders in GSL. As a result of the implementation of the Scheme Proposals, GSL will have an increased direct exposure to the forestry and cattle businesses of the Projects.

1.2 Steps of the Scheme Proposals

The issue of GSL Shares under the Scheme Proposals will be effected by a contractual scheme of arrangement in each of the Projects. The contractual schemes of arrangement will be implemented by the project investors in each of the Projects passing the Resolutions in relation to their Project and other conditions being satisfied. It will be necessary for the project investors in each of the Projects to approve both of the Resolutions in order for the Scheme Proposals to be implemented. The Resolutions are set out in detail in the Notice of Meeting and Explanatory Memorandum.

Under the contractual schemes of arrangement, the cancellation or transfer of a project investors' interests will be effected by project investors transferring or cancelling their interest in Woodlots and Drovers for the Consideration and separately subscribing for GSL Shares, with the respective amounts due being set off.

The issue of GSL Shares and completion of the Scheme Proposals is subject to a number of conditions under the Implementation Agreement. The material conditions are:

- approval of the issue of GSL Shares by the GSL Shareholders at a meeting to be held on 4 December 2008;
- no Material Adverse Change or Prescribed Occurrence is in existence, and GSMAL nor GSL is in breach of its obligations under the Implementation Agreement at 5.00pm on the day before the Project Investors' Meeting date;
- the GSL Directors do not change or withdraw their recommendation to Shareholders to vote in favour of the issue of GSL Shares in relation to the Scheme Proposals and Individual Offers at the Shareholders meeting;
- the GSMAL Independent Directors do not change or withdraw, prior to the Project Investor Meetings, their recommendation to project investors; and
- in respect of each Project, the project investors in that Project pass the Resolutions by the requisite majorities.

If all of these steps are satisfied, the Woodlots in each of the Plantation Projects will be transferred to a GSL group company and the Drovers in the Cattle Projects will be cancelled. In both cases project investors will be issued GSL Shares in satisfaction of the payment of the Consideration for the transfer or cancellation.

1.3 Opening and Closing Dates of the Scheme Proposals and the Individual Offers

The Scheme Proposals and the Individual Offers will open for receipt of acceptances on 5 November 2008.

To vote on the Scheme Proposals, you must attend the Project Investors Meeting on 1 December 2008 or return the completed green Proxy Form to GSL's share registry (Computershare) by 5pm (WDST) on 28 November 2008 (unless extended).

To accept the Individual Offers, you must return the blue Acceptance Form to GSL's share registry (Computershare) by 5pm (WDST) on 11 December 2008 (unless extended).

1.4 Individual Offers

GSL's objective is for the Scheme Proposals to be successful. However, given the relatively high voting thresholds required for the Resolutions to be approved for each of the Scheme Proposals, GSL is offering project investors, pursuant to this Prospectus, the opportunity to accept the Individual Offers even if the Scheme Proposals are not approved. Under the Individual Offers, GSL will offer to purchase the Woodlots and Drovers of the investors in each of the Projects for the same Consideration per Woodlot or Drove in a Project as set out in the table in Section 1.1.

Each of the Individual Offers are subject to the same terms and conditions as the Scheme Proposals (other than the passing of the Resolutions). Acceptance of the Individual Offers will be effected by project investors transferring their interests in Woodlots and Drovers for the Consideration and separately subscribing for GSL Shares, with the respective amounts due being set off. For further details of the terms and conditions of the Individual Offers see Section 9.1 of this Prospectus.

Investors in each of the Projects can accept the Individual Offers on the blue Acceptance Form accompanying the Explanatory Memorandum and this Prospectus and returning it to GSL's share registry, Computershare in the reply paid envelope provided or by fax on +61 8 9323 2033.

If a project investor wishes to participate in the Scheme Proposal in relation to one of the Projects and, if the Scheme Proposal is not implemented, participate in the Individual Offers, then that investor should vote in favour of the Scheme Proposal and accept the Individual Offers.

The Individual Offers open on 5 November 2008 and close at 5pm (WDST) on 11 December 2008 (unless extended).

Project Investors may withdraw their acceptance of the Individual Offer by notice in writing received by GSL at any time until 5pm (WDST) on 11 December 2008, which is 10 calendar days after the Project Investors' Meeting date.

1.5 Notice to Project Investors in the 1998 Plantation Project and the 2006 Cattle Project – 2008 Returns

In accordance with the constitution for the 1998 Project and the 2006 Project, a project investors' share of any proceeds of harvest or sale of Progeny (as the case may be) for the period until 30 June 2008 was distributed to project investors during September 2008. Payment of these proceeds will not impact the Consideration payable under the Scheme Proposals and Individual Offers.

2006 Project investors were notified in September 2008 of a shortfall amount due under the project payable out of the sale of Progeny in future years of the project. If the Scheme Proposal for the 2006 Project is approved or if project investors accept the Individual Offer, the obligation on project investors to pay this shortfall amount will be assumed by GSL.

1.6 Notice to Foreign Project Investors

No offer is being made under this Prospectus to project investors with a country of residence (as shown by their address on the Register) outside of Australia or New Zealand as at the date of this Prospectus (**Foreign Project Investors**). Foreign Project Investors are not eligible to participate in the Individual Offers or to be issued GSL Shares pursuant to this Prospectus as part of a Scheme Proposal.

Foreign Project Investors are still able to vote in favour of the Scheme Proposals, however, if the Scheme Proposal in relation to a Foreign Project Investor's Project is implemented, their Consideration which will be settled by the issue of GSL Shares, these GSL Shares will not be allotted to the Foreign Project Investor and instead will be allotted to the Sale Agent. The Sale Agent will, as soon as is reasonably practicable or in any event within 30 Business Days, sell those GSL Shares and pay the proceeds received (after deducting any applicable brokerage, stamp duty and other taxes and charges) to that Foreign Project Investor in full satisfaction of the Foreign Project Investor's right to receive the GSL Shares. Details of the allotment to the Sale Agent are discussed in further detail in Section 9.5 of this Prospectus.

1.7 Allotment

No allotment of GSL Shares will be made until permission is granted for quotation of the GSL Shares on ASX.

GSL Shares issued under the Scheme Proposals are expected to be quoted and tradable on the ASX no later than 15 December 2008 which is 10 business days after Project Investors' Meeting date (unless that date is extended).

It is expected that the GSL Shares issued under the Individual Offers will be quoted and tradable on the ASX no later than 29 December 2008 which is 10 business days after the Individual Offers Closing Date (unless that date is extended).

1.8 GSL Shares

The GSL Shares issued will be fully paid ordinary shares in GSL, and from the date of issue will rank equally in all respects with existing GSL Shares. By taking up the Scheme Proposal and/or the Individual Offers, you agree to comply with the Constitution in respect of the GSL Shares issued to you. Details of the rights attaching to the GSL Shares are set out in Section 9.3 of this Prospectus.

1.9 Brokerage and stamp duty

No brokerage or stamp duty will be payable by you in respect of GSL Shares issued to you under this Prospectus other than in respect of Foreign Project Investors. Refer to Section 9.4 of this Prospectus for further details.

2. GSL Overview

2.1 Introduction

Established in 1987, GSL is now the largest ASX listed tax effective agricultural MIS manager in Australia by land area with a market capitalisation as at 8 October 2008 of \$231 million and a consolidated net asset position exceeding \$750 million as at 30 June 2008.

The Australian MIS industry is estimated to have total recorded sales of \$1.1 billion in the year to 30 June 2008. GSL MIS sales totalled \$314 million in the year to 30 June 2008 implying a GSL market share of 29%.

GSL has its corporate head office in Perth, Australia. It has seven corporate and sales offices located across Western Australia, New South Wales, Victoria, South Australia, ACT and Queensland. GSL has more than 500 employees and currently manages funds on behalf of more than 43,000 investors in forestry, horticultural and cattle MIS projects.

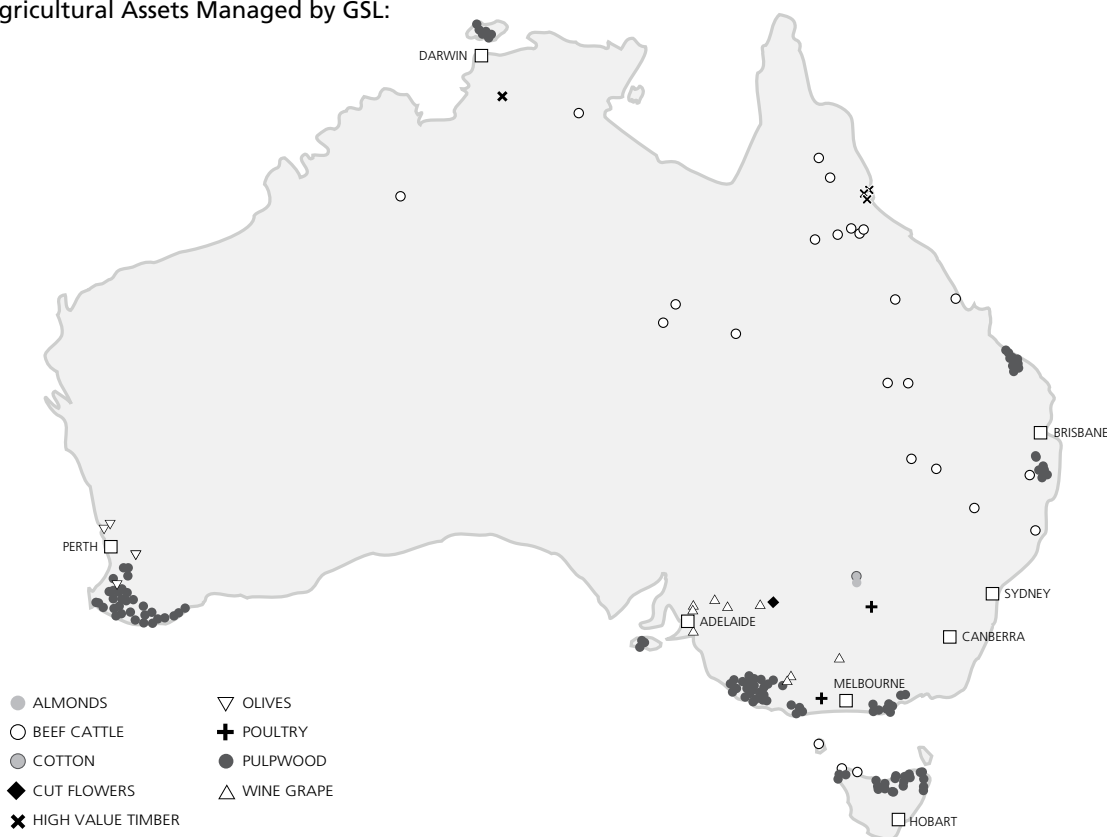
2.2 Existing GSL Business Structure

GSL currently operates an agricultural investment services business offering two key products:

1. Agricultural Tax Effective MIS – the provision of packaged tax effective MIS products in the forestry and agribusiness sector; and
2. Agricultural Funds Management – agricultural investment funds providing investors exposure to a portfolio of agricultural assets.

The diagram below shows the geographical location of assets managed by GSL either through its tax effective MIS or agricultural funds management businesses.

Figure 2.2.1 Agricultural Assets Managed by GSL:



Agricultural Tax Effective MIS

Investors in a tax effective MIS project generally pay an up-front fee in respect of the establishment services in the early stages of the project and are then entitled to receive a share of net proceeds from the sale of agricultural produce during the life of the project. In respect of forestry MIS projects this generally consists of payments following harvest. In respect of cattle and horticultural MIS projects, the proceeds from sales are paid over the course of the Project. GSL is generally responsible for the majority of ongoing operational costs of managing the projects.

An important component of successful tax effective MIS products is the issue of a product ruling by the ATO which gives project investors certainty that their investment will be tax deductible.

Figure 2.2.2 GSL's tax effective forestry MIS business:

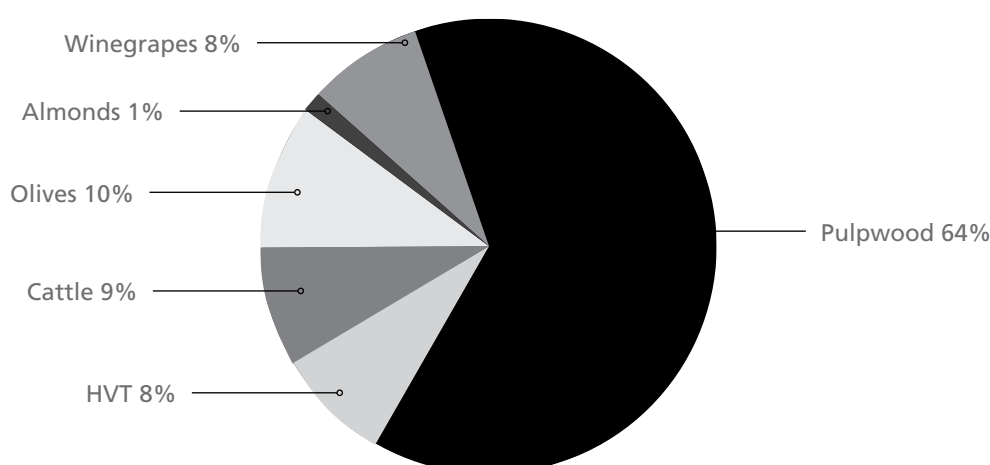
1.	2.	3.	4.
Raising funds and issuing interests in the projects	Arranging finance to approved growers for their entry into the projects	Identifying and purchasing / leasing properties in suitable locations around Australia	Establishing, maintaining and harvesting projects

Figure 2.2.3 GSL's tax effective non-forestry MIS business:

1.	2.	3.	4.
Identifying and purchasing / leasing properties in suitable locations around Australia	Establishing the projects and arranging finance to approved growers for their entry into the projects	Raising funds and issuing interests in the projects	Harvesting / Selling produce from the Projects

GSL is the Australian market leader in the sale of tax effective MIS products. Over the past 5 years GSL has raised \$1.8 billion from investors.

Figure 2.2.4 GSL % of \$1.8 billion MIS sales by product in the last 5 years



In February 2007, the ATO altered its interpretation of the tax deductibility of non-forestry MIS projects and as a result is no longer issuing product rulings for non-forestry MIS products. The industry is currently contesting the ATO's position through the courts which is unlikely to be clarified for some months. GSL believes the industry has a strong case to be successful in the test case, however, the significant uncertainty created by the ATO's position has resulted in interruption of the business conducted by tax effective MIS product providers, including GSL in respect of non-forestry MIS products.

The offering of new non-forestry MIS products is not a key component of GSL's business going forward.

Unlike the change in the ATO's position regarding non-forestry MIS, in relation to forestry MIS, greater certainty has been provided through specific legislation which has the intention of allowing tax effective forestry products to continue into the future, subject to meeting the requirements of the legislation.

Forestry MIS

GSL Forestry MIS sales over the past 5 years have exceeded \$1.25 billion, with pulpwood MIS sales accounting for over \$1.1 billion of these. GSL has historically been focused on the sale of its core pulpwood MIS product which has been the cornerstone of GSL's MIS business over the past 14 years.

In recent years, the price of hardwood plantation land has increased significantly such that the ability of GSL to self fund the acquisition of land through MIS revenue has been reduced, increasing the capital requirements of GSL and other forestry focussed Australian MIS companies.

In 2007, GSL successfully launched a new High Value Timber MIS product (HVT), which focuses on the development of teak and African mahogany plantations in Australia's tropical north, raising \$60 million in 2007 and \$84 million in 2008. This product is a key component of GSL's MIS business going forward as it diversifies GSL's revenue and land holding across forestry type and location. This product has a

number of attractive features for GSL including:

- Strong commodity pricing allowing GSL to create a profitable MIS product whilst maintaining attractive returns to MIS Investors;
- GSL's capital requirement per dollar of revenue is currently less than for hardwood plantations; and
- HVT is suited to different regions to those traditionally acceptable for pulpwood plantations. Land is therefore more readily available in a number of different regions.

In 2008, GSL launched its latest pulpwood product which allowed MIS investors to participate in the ownership of pulpwood forestry land. This product is more financially attractive and less capital intensive for GSL than its previous pulpwood product. While GSL's 2008 pulpwood product received a product ruling, in June 2008, the ATO published a market statement that it had concerns with products involving the use of a land trust. This is discussed further in the risks in Section 7 of this Prospectus. The ATO's concerns were focussed on the deductions claimed by the issuer of the product as opposed to the structure of the product in the hands of MIS investors. GSL is confident it will be able to offer a pulpwood product in 2009 although the final structure of the product is yet to be determined. From 2009 onwards, GSL's MIS focus will continue to be on its HVT and its restructured pulpwood product. On 8 October 2008, the ATO issued a product ruling for the 2009 HVT project.

GSL owns the majority of forestry land on which its forestry projects are located and leases the land to project investors for the duration of the project. GSL owns 179,000 hectares of freehold forestry land which has an unencumbered value of approximately \$1.1 billion.

The operational team of GSL's forestry division have operated successfully for over eight years with GSL's forestry enterprise now being one of the largest private forestry organisations in Australia. The company employs over 150 professional foresters, field foresters, supporting technical teams and administrators. In addition to the significant forestry team based in Albany, WA, the forestry division has regional offices in Casterton and Gippsland (Vic), Bunbury (WA), Kangaroo Island (SA), Launceston (Tas), Melville Island (NT), Main Camp (NSW), Darwin and Brisbane to manage the national plantation estate.

GSL's first harvest occurred in 2005 for the 1994 plantation project. GSL is currently undertaking its 5th project harvest. Following GSL's success in forestry MIS sales and management, GSL has sought to expand the business to include processing infrastructure. Key achievements in processing/harvesting infrastructure development to date include:

- Total woodchip exports passed 700,000 green metric tonnes;
- Purchase of 100% of the 14,700 hectare ex-Hansol plantation estate in the Bunbury region of WA and a 50% share of Hansol's woodchip and export facility at the Port of Bunbury;
- Signed contracts to supply woodchips to three major Japanese paper companies;
- Plantations established by GSL on Kangaroo Island (South Australia) reaching the critical 10,000 hectare target. As a result, GSL purchased a former gypsum export site, providing an option for a future woodchip export facility on the island; and
- Developed an in-field chip receival facility in Albany (WA) with capacity of 400,000 green metric tonnes per annum.

Horticultural MIS

GSL currently manages 3 types of horticultural products on behalf of MIS investors – olives, vineyards and almonds across 10 MIS projects. GSL generally owns the underlying land and infrastructure related to the projects and has rights to a percentage of the annual harvest proceeds for rent and management fees. GSL is responsible for the ongoing operational costs of these Projects.

GSL has established both organic and conventional olive groves totalling 2,900 hectares in Western Australia to the north, east and south of Perth as well as in the Riverina region of NSW. GSL sells the olives to extra virgin olive oil producers who sell both locally and into export markets.

Following the completion of 5 vineyard projects, GSL now manages 2,300 hectares of vineyards. These vineyards supply grapes under contract to many of the Australia's leading wine makers.

Through its 2007 and 2008 almond projects GSL currently manages 1,500 hectares of almond orchards in the Riverina region of NSW.

Beef Cattle

GSMAL manages beef cattle on behalf of investors in its Cattle Projects. GSL owns approximately 1.4 million hectares of freehold and pastoral leasehold land made up of 7 individual properties with a series of recent independent valuations valuing these properties at \$130 million. GSL leases and agists a further 2.4 million hectares across a further 22 cattle properties. The combined projects herd is currently 217,000 cattle. GSL is responsible for the operating costs associated with the projects and owns a large proportion of the land on which the cattle are located. GSL is entitled to receive 50% of the cattle sales proceeds. GSL is responsible for the ongoing operational costs of these Cattle Projects.

Tax Effective MIS Finance

The majority of tax effective MIS sales are made in conjunction with investors taking out loans to fund their investment. GSL acts, or has acted in the past, as both an originator of loans for third party financiers as well as providing loans to investors on its own account. As a result, GSL currently has a loan book asset with a book value of \$72 million on which it earns interest revenue. The loans vary in terms but are generally repayable within 1 to 10 years. GSL is currently assessing the opportunity to sell this loan book. More details of the loan book are contained in the financial statements in Section 3 of this Prospectus.

Agricultural Funds Management

In August 2007, GSL acquired Canberra-based agricultural funds manager Rural Funds Management Ltd (RFM). At the time, RFM had \$189 million assets under management in projects including diversified agriculture, chicken, viticulture and land, water and infrastructure.

In the months following the acquisition, GSL renamed and relaunched the Great Southern Rural Opportunities Fund (ROF), a unitised agricultural investment fund with the objective of providing investors with exposure to a diversified portfolio of agricultural assets, with a bias towards agricultural property and infrastructure holdings. The fund is designed to deliver returns to unit holders through a combination of both growth and distributions and take advantage of GSL's broad ranging agriculture asset management skills. The creation of this new investment vehicle comes at a time when several factors – including global population growth, food consumption, demand for alternative fuels, dwindling land and water availability and many agricultural commodity prices trending upward – are combining to create opportunities for Australian agriculture.

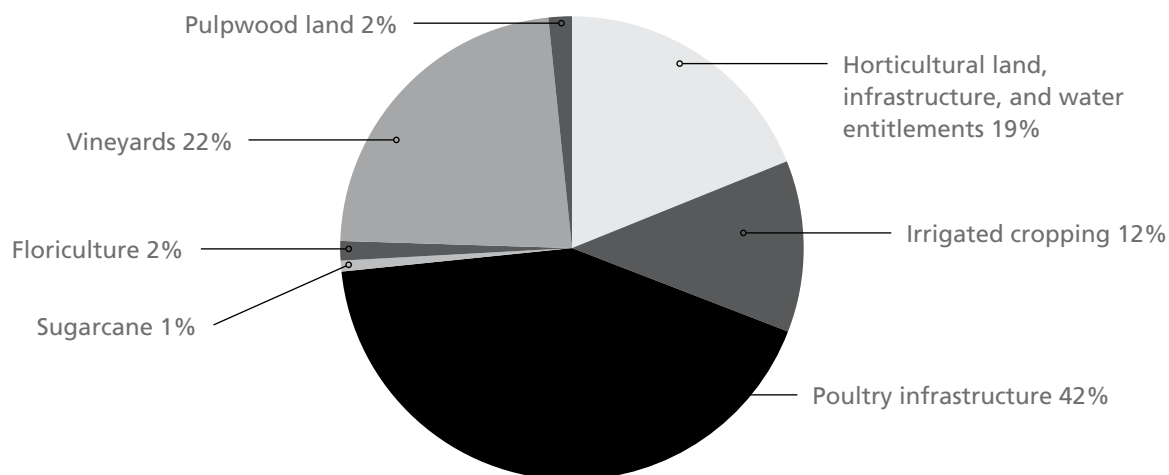
GSL derives its funds management revenue from a management and success fee arrangement based on funds under management and fund performance.

GSL's revenue is derived from:

- management fee - 1.79% p.a. of the net value of fund assets; and
- performance fee - 20% of amount by which the performance fee return exceeds 9% p.a.

As at 30 June 2008, GSL had \$231 million assets under management. In the year ending 30 June 2008, the ROF achieved returns of +12.2% versus the ASX All Ordinaries index of negative 12.1%. On the back of this performance, the GSL sales team is targeting significant growth in the level of funds under management in 2009 and beyond.

Figure 2.2.5 Agricultural Funds Management Assets as at 30 June 2008 by value %



2.3 GSL's Strategic Review

During its 21 year history, GSL has emerged as a leader in the agribusiness MIS sector, GSL has built a market leading Agricultural Investment Services business, significant agricultural management skills as well as a portfolio of prime agricultural land. Over the same period, GSL's MIS investors have collectively built a substantial portfolio of assets including rights to hardwood plantation projects extending across more than 171,000 hectares and rights to a share of sale proceeds from a 217,000 cattle herd and a share of its horticulture project returns.

Today GSL has over 43,000 tax effective agricultural MIS investors, over 500 staff and agricultural operations spread across Australia and across a variety of agricultural products. GSL's operations are conducted on behalf of both MIS investors and GSL Shareholders. However, the regulatory uncertainty created by the ATO's decision to change its view on non-forestry tax effective MIS, the volatility in the global credit and equity markets, the increase in land prices and operating costs and the expected introduction of legislation with regard to carbon trading has led to GSL conducting a full strategic review of its existing business structure. The review determined that GSL needed to:

- take advantage of its significant existing strategic assets including its large forestry land estate and forestry management skills;
- improve the certainty of its future cash flows;
- focus on selling tax effective MIS products that meet internal return thresholds, have attractive project investor returns and which have sufficient regulatory certainty;
- reduce fixed overheads and tax effective MIS sales costs;
- reduce gearing;
- grow its existing agricultural funds management business;
- maximise value from its significant cattle land estate; and
- be less susceptible to ATO regulatory forces.

In summary, the strategic review concluded that GSL needs to leverage its existing capabilities, assets and resources and increase the focus on cash flow and selling profitable agricultural investment services - with the overall objective of maximising shareholder value. The successful implementation of the Scheme Proposals is a key component of the strategic review and is expected to enhance GSL's position as a leading agricultural company.

An outcome of GSL's strategic review and the successful implementation of the Scheme Proposals is the reorganisation of its business into 3 areas:

- Forestry;
- Agricultural Investment Services; and
- Cattle.

2.4 The New GSL

The approval of the Scheme Proposals is a key component of the strategic review and is expected to enhance GSL's position as a leading agricultural company.

If the Scheme Proposals are successful there will be a significant change to the capital and operating structure of GSL. Investors in each of the Projects, through the issue of GSL Shares, will own between 55% and 71% (depending on the VWAP of GSL Shares for the Reference Period before the Project Investors' Meeting Date) of GSL. GSL will consist of three core divisions as shown in Figure 2.4.2 adjacent.

Figure 2.4.1: Pre Transaction Asset Position

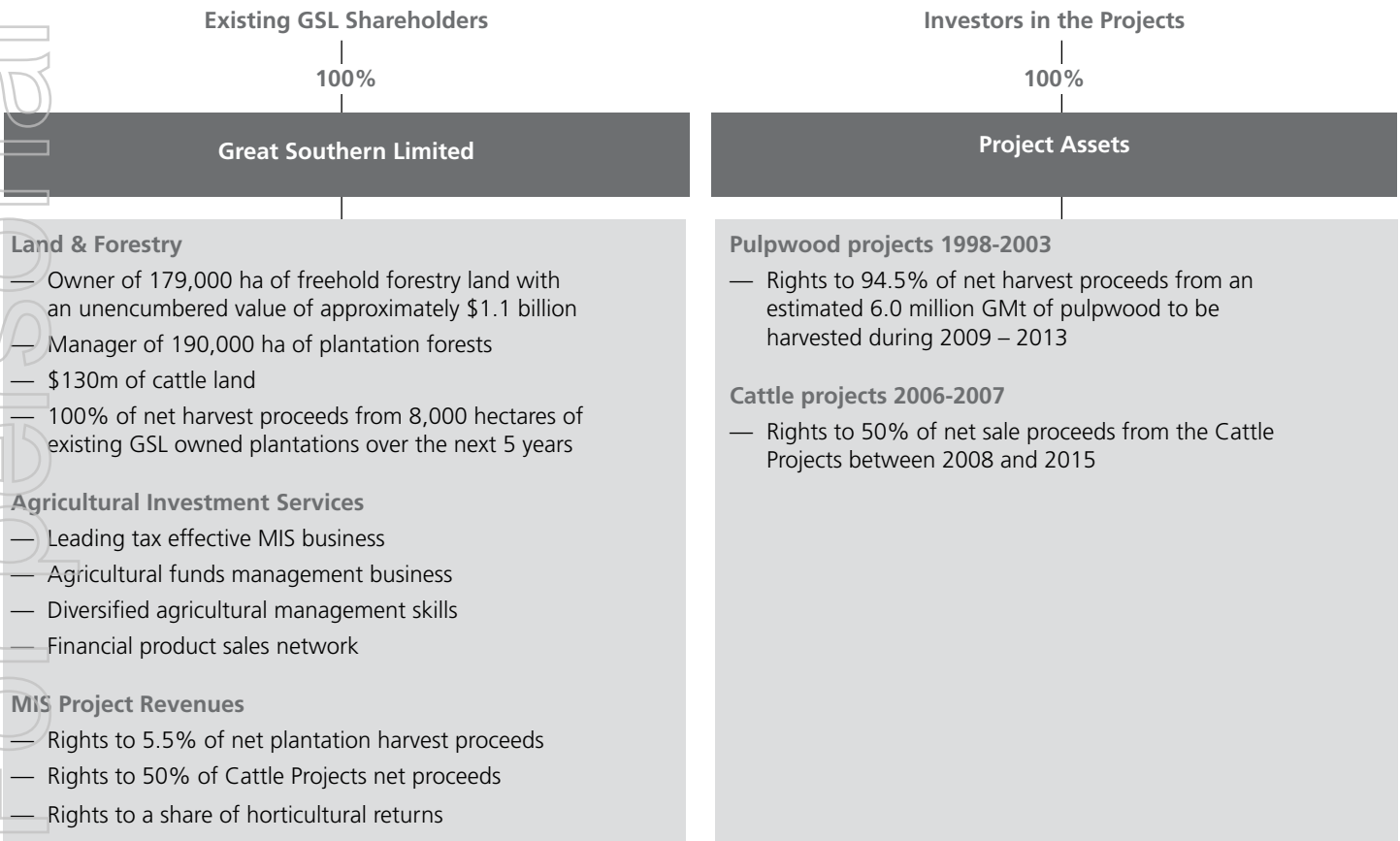
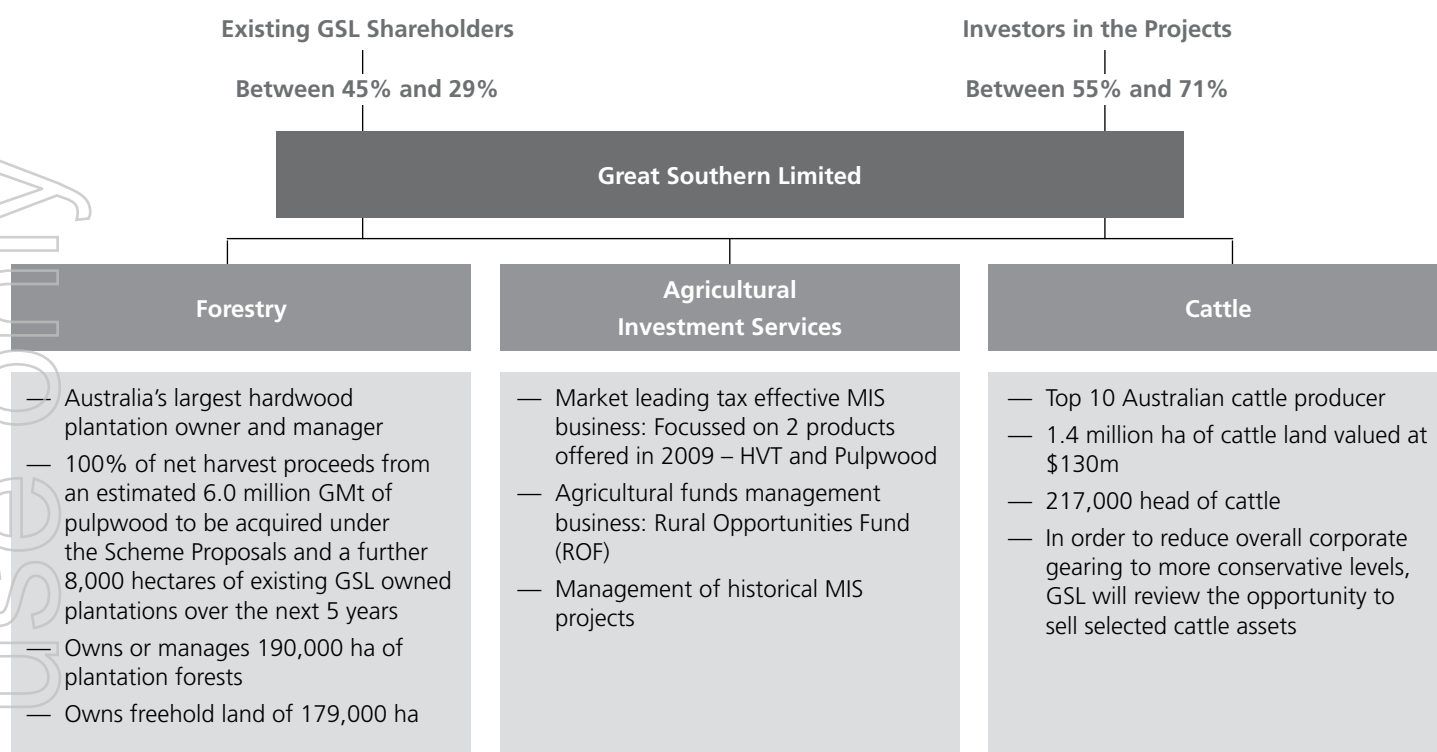


Figure 2.4.2: Post Transaction Asset Position & Structure



2.5 Benefits of the Scheme Proposals

The successful implementation of the Scheme Proposals is a key component of GSL's strategy. The following benefits are expected to accrue to GSL and GSL Shareholders following the approval of the Scheme Proposals.

The full potential of the below benefits is only expected to be realised if all, or a large majority of the Scheme Proposals are implemented or a large majority of the Individual Offers are accepted. If all, or a large majority of the Scheme Proposals are not implemented and only a small proportion of the Individual Offers are accepted, the realisation of the benefits set out below will be limited and GSL's operations will not be materially different from its position pre-transaction as outlined in Section 2.2.

1) Improved revenue and cash flow certainty - through transformation to a more robust agricultural company

Despite having a significant agricultural land bank, GSL's business currently suffers from earnings volatility and uncertainty due to reliance on annual tax effective MIS sales which have recently been impacted by ATO regulatory uncertainty (i.e. delays in the issuance of product rulings and in the case of non-forestry the decision not to issue product rulings at all). This, together with deteriorating equity market conditions, a general slowing of the economy, and the current negative sentiment towards financial services companies, has contributed to a decline in GSL's ability to attract capital at competitive prices and, if sustained, is likely to negatively impact on MIS sales. Through improved predictability of GSL's future cash flow, reduced gearing, reduced regulatory uncertainty, strong tangible land asset backing and the positive overall outlook for agricultural commodities including world fibre markets, the success of the Scheme Proposals is expected to improve GSL's attractiveness to investors.

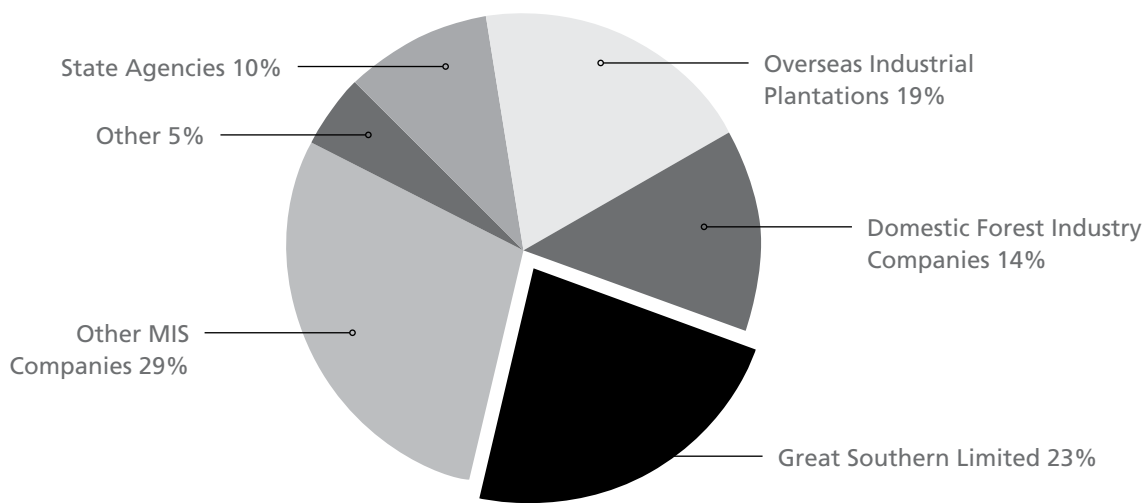
As a result, although GSL intends to maintain its position as a market leading tax effective MIS business, upon successful implementation of the Scheme Proposals through diversification and improved revenue certainty and a lower risk profile, GSL expects its shares to trade more in line with Australian agricultural companies rather than companies whose sole business is tax effective MIS.

2) The creation of Australia's largest hardwood plantation forestry business

GSL's tax effective forestry MIS business currently:

- owns 179,000 hectares of freehold plantation forestry land;
- has access to a further 59,000 hectares of plantation forestry land through long term leases;
- has a substantial forestry management team of over 150 full time staff with on ground capability in 8 regions;
- through GSMAL, manages 171,000 hectares of MIS plantations on behalf of investors in the MIS projects, has sole rights to market woodchips produced from these projects and has a right to receive 5.5% of net harvest proceeds from sale of woodchips from these projects; and
- has woodchip offtake contracts in place with 3 major Japanese paper companies.

Figure 2.5.1: GSL's Market Share of Australia's Hardwood Plantation Estate



Source: Poyry Forest Industry Report 2007 and GSL management estimates

The combination of the 6 Plantations Projects and GSL's existing forestry assets and forestry management skills is expected to create an integrated hardwood plantation forestry business with significant scale. The business will have the skills to manage all key forestry processes including land acquisition, establishment, maintenance, harvesting, processing and marketing.

Figure 2.5.2: GSL's Forestry Division Structure

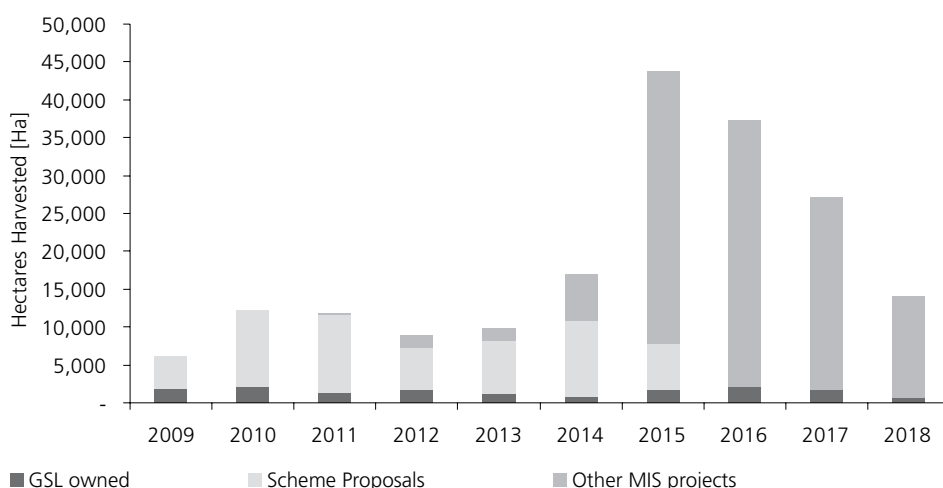
Plantation Management	Processing and Marketing	Land Management
<ul style="list-style-type: none">Managing GSL plantationsManaging MIS plantationsCarbon trading (future)3rd party plantation management (future)	<ul style="list-style-type: none">Sale of woodchips (fibre)Third party processing servicesSelling harvest residues for biomass energy production (future)	<ul style="list-style-type: none">Active management of land estateMaximising value through consideration of alternative land uses

If the Scheme Proposals for the Plantations Projects are successful, based on the work done by GHD Australia Pty Ltd (**GHD**) as independent forestry specialist, GSL will acquire rights to an estimated 6.0 million green metric tonnes of woodchips to be harvested over the next 5 years. This estimate is based on limited sampling to estimate current volume and modelling to estimate future volumes. Due to sampling variability and the imprecision associated with modelling, some variation around this mean estimate should be expected. Similarly the estimate makes assumptions about future growth of the trees. This expectation of future growth is subject to normal agricultural risks, see Section 7.2 for further discussion of these risks.

At current market prices of \$207.40 per bone dry metric tonne and a dry fibre percentage of 52%, GSL estimates 6.0 million green metric tonnes of woodchips would deliver gross harvest proceeds of approximately \$650 million.

In addition to the wood acquired under the Scheme Proposals, GSL estimates that it will harvest 8,000 hectares of GSL owned plantations over the next 5 years.

Figure 2.5.3: GSL Indicative Forecast Harvest Profile by Hectare (Ha)



Source: GSL

3) Creates a cattle business with significant scale

GSL's cattle MIS business currently manages 217,000 head of cattle on behalf of investors in the Cattle Projects. GSL owns pastoral leases or the freehold of 1.4 million hectares of cattle grazing property across 7 individual properties and leases a further 22 properties through short term leases (and agistments) comprising 2.4 million hectares. GSL's owned cattle land has been independently valued at \$130 million. The combination of management, cattle and land assets through the successful implementation of the Cattle Projects Scheme Proposals will create an integrated, geographically diverse, top 10 Australian cattle business.

Figure 2.5.4 GSL Owned and Leased Cattle Properties



The removal of the MIS structure around GSL's cattle business will allow greater operational flexibility in managing the GSL herd and the timing surrounding the sale of cattle. Currently GSL is required to maintain a stable breeding herd and sell cattle according to the requirements of the Cattle Projects. Factors such as seasonal conditions and fluctuations in the cattle market could be better managed without the operational restrictions of the Cattle Projects.

In order to reduce gearing to more conservative levels, GSL will review the opportunity to sell selected cattle assets.

4) Improved forestry returns through operational efficiencies

GSL, through GSMAL currently manages each of the Projects in the best interests of the project investors, however, is bound by the terms of the Woodlot Agreements which reduces its flexibility to adapt to market developments or adjust its practices to maximise overall returns. The successful implementation of the Scheme Proposals will allow greater management flexibility to actively manage the plantation estate in relation to the Plantations Projects as follows:

- Remove operational costs associated with the ongoing management and reporting of the Projects.
- The optimal time to harvest a pulpwood plantation can vary between 8 to 12 years. Having flexibility to harvest at any time is potentially beneficial because of factors including:
 - Age/yield: GSL can determine the most opportune time to harvest;
 - Location: GSL can harvest plantations in close proximity to one another at the same time;
 - Revenue smoothing: GSL's forestry revenue under the relevant PDS or Prospectus for the Projects' harvest timetable will be closely linked to the level of forestry MIS sales achieved over the 1998-2003 period. Given the lumpy nature of annual MIS sales, GSL will have the option to smooth the harvest of plantations; and
 - Price: Harvesting profile can be optimised to maximise revenue given existing and expected future contract price negotiations.

The combination of the above is expected to allow GSL, as owner of both the land and tree assets, to achieve greater returns for its existing and new shareholders pursuant to the successful implementation of the Scheme Proposals.

5) Increased potential to capture the benefits of the introduction of carbon emissions trading

In July 2008, the Australian Federal Government published its Carbon Pollution Reduction Scheme (**CPRS**) Green Paper (**Green Paper**), outlining a preliminary framework for a carbon emissions trading scheme in Australia to be introduced by 2010. The Green Paper recognised the strong contribution made by plantation forests to Australia's greenhouse gas accounts and provided encouraging principles for the plantation forestry industry to allow plantation forestry carbon sequestration to be valued under the trading scheme. The paper concluded that upon harvest, all carbon sequestered by a plantation is likely to be deemed to be emitted. Therefore, there is unlikely to be any permanent carbon sequestration and therefore no permanent value accruing to project investors from a project as the purpose of the project is to harvest trees with the likely result being no net carbon sequestration.

However, for a plantation manager that manages a large plantation estate of various age classes and also owns the underlying land, it is able to commit to being a long term plantation forestry company and therefore has the potential, under an appropriate regime, to permanently sequester carbon even though it continues to harvest plantations on a rotational cycle. The key factor for being able to do so would be the ownership of forestry land. Refer to the illustrative figures below which demonstrate GSL's interpretation of how the CPRS would result in no net carbon sequestration in the case of a single plantation that is harvested (Figure 2.5.5) whereas a series of plantations with the carbon sequestration profiles represented in Figure 2.5.6 may result in the aggregated carbon sequestration profile represented in Figure 2.5.7.

The Green Paper suggests that plantation forestry companies such as GSL will be able to choose to either:

- opt-in and be covered by the CPRS and receive credit for any carbon sequestration; or
- opt-out and not be covered by the CPRS and not receive credit for any carbon sequestration - but also incur no liability for harvesting land and not replanting plantations.

Upon the successful implementation of the Scheme Proposals, GSL, as the owner of both the land and the plantation assets will be in a better position to capitalise on the potential benefits available under the CPRS or a similar scheme. There is currently insufficient detail and certainty expressed in the Green Paper to determine the likely revenue or value benefit of the CPRS for GSL. However, given some international benchmark carbon prices, and the size of GSL's estate, the value of any carbon asset sales has the potential to be material. Following the successful implementation of the Scheme Proposals, GSL will be better placed to more quickly capitalise on any benefits that may arise from the introduction of carbon emissions trading in Australia.

The ability of GSL to harness the benefits of a carbon trading scheme will be dependent on a number of factors, many of which are beyond GSL's control, including the timing of the introduction of any such scheme and the eventual structure and terms of the scheme that is implemented. The potential benefits available to GSL (and indirectly to GSL Shareholders) from a carbon trading scheme of the type contemplated by the Green Paper may not materialise to the extent indicated by the Green Paper or at all.

Figure 2.5.5 Illustrative Carbon Sequestration of One Plantation Project – Net Zero Carbon Sequestration

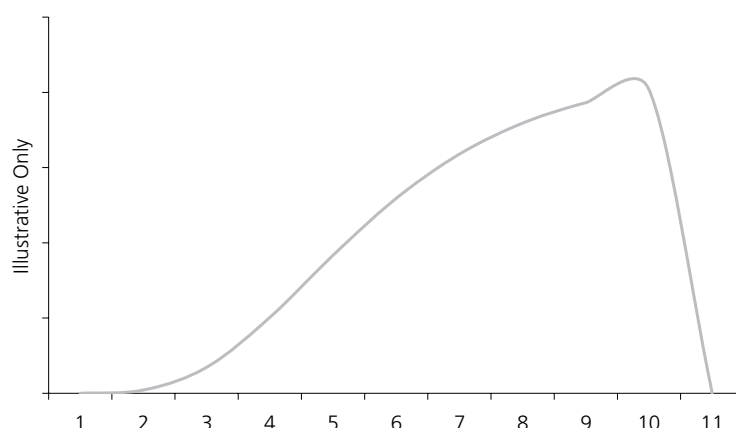


Figure 2.5.6 Illustrative Carbon Sequestration of multiple Plantation Projects

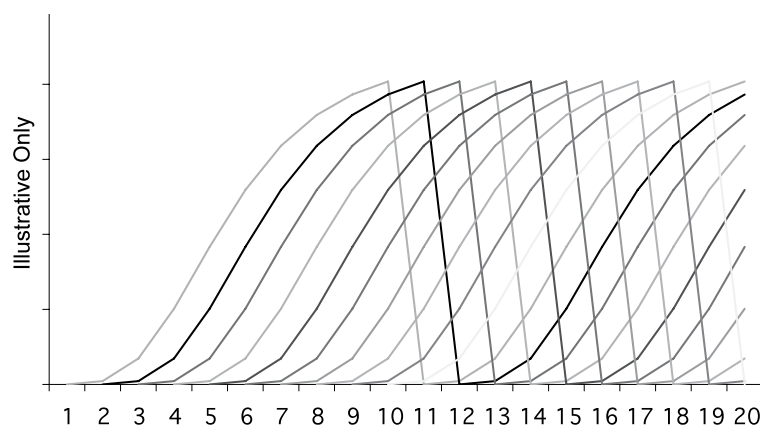
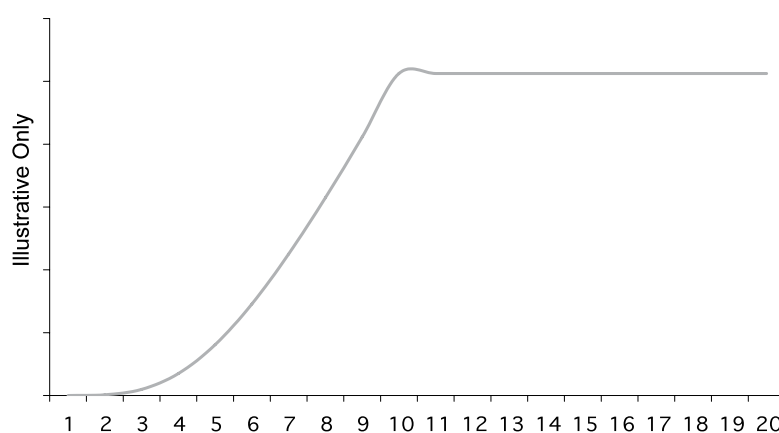


Figure 2.5.7 Illustrative Carbon Sequestration of Portfolio of Plantation Assets (Land and Trees) – Produces an Average Level of Permanent Carbon Sequestration



6) Improved balance sheet strength and flexibility

As a result of the success of the Scheme Proposals:

- GSL's total assets will increase to \$2,333 million and net assets increase to \$1,122 million;
- GSL's market capitalisation will increase to \$583 million if GSL Shares are issued and trade at the Pre-Announcement Price of \$0.53;
- GSL's proforma debt to total assets is expected to fall from 39% to 33%; and
- GSL's proforma NTA per share of \$0.94 would imply a market capitalisation of \$1,025 million if GSL Shares were issued at the Pre-Announcement Price of \$0.53 and were to trade at NTA.

With GSL's increased scale and financial flexibility, GSL will be able to concentrate on driving operational efficiencies, construction of woodchip processing infrastructure, actively managing its forestry land portfolio, maximising the value of its cattle assets and focussing on its existing Agricultural Investment Services business, without the same level of restrictions and constraints required to manage the project investors' Woodlots and Drovers.

7) Greater ongoing exposure to woodchip/fibre prices

As the leading Australian hardwood plantation woodchip supplier, GSL will be well placed to take advantage of any positive world wood fibre market factors. Such factors include:

- Australia is currently the largest exporter of hardwood woodchips in the Pacific Rim, and is likely to continue to play a significant role as a leading supplier nation especially as Australian woodchip producers and exporters hold a significant competitive advantage due to geographic position and lower transportation costs over woodchip exporters located in Latin America, South Africa, and the US;
- Australian plantation hardwood supply is increasing its market share compared with native hardwood chip supply due to factors such as higher pulp yield and environmental concerns about the harvesting of old growth and native forests; and
- Higher woodchip prices should translate to a more profitable forestry and tax effective MIS forestry business.

8) Better positioning GSL to maximise the value of its significant agricultural land bank

The majority of GSL's total assets will be comprised of agricultural land assets. Historically Australian agricultural land has demonstrated consistent growth as noted in figure 2.5.9 below. In recent times, land in relatively secure rainfall locations (such as that in the far north and the far south of Australia) has been in particularly strong demand. GSL's freehold forestry estate of 179,000 hectares is made up of 688 individual properties each of which was initially selected for its expected suitability for pulpwood plantations (i.e. relatively high rainfall, good soils and proximity to ports). At harvest GSL retains the option to sell selected individual properties that may be better suited for alternative uses (e.g. subdivision, dairy, cattle or cropping).

Figure 2.5.8: GSL's Land Portfolio Composition by value

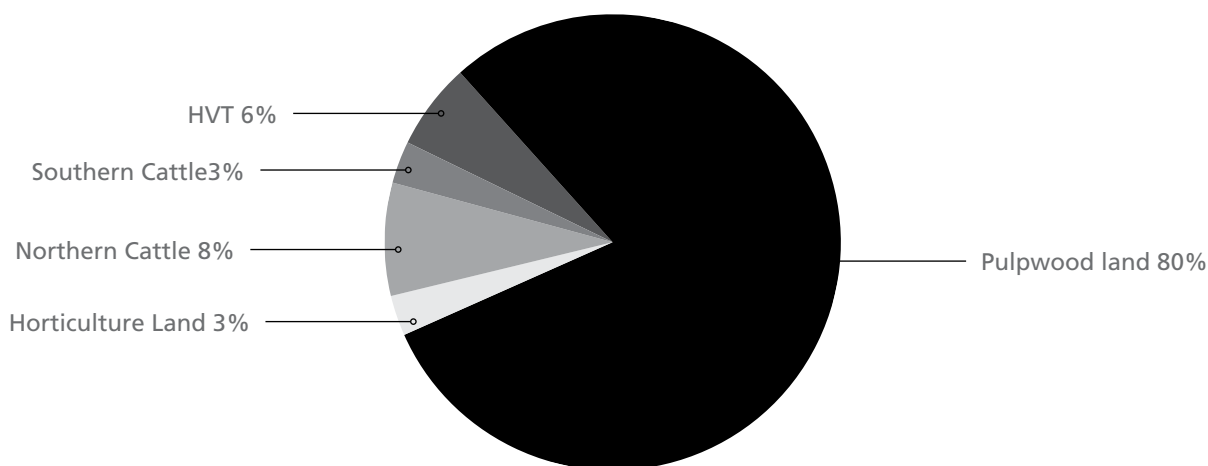
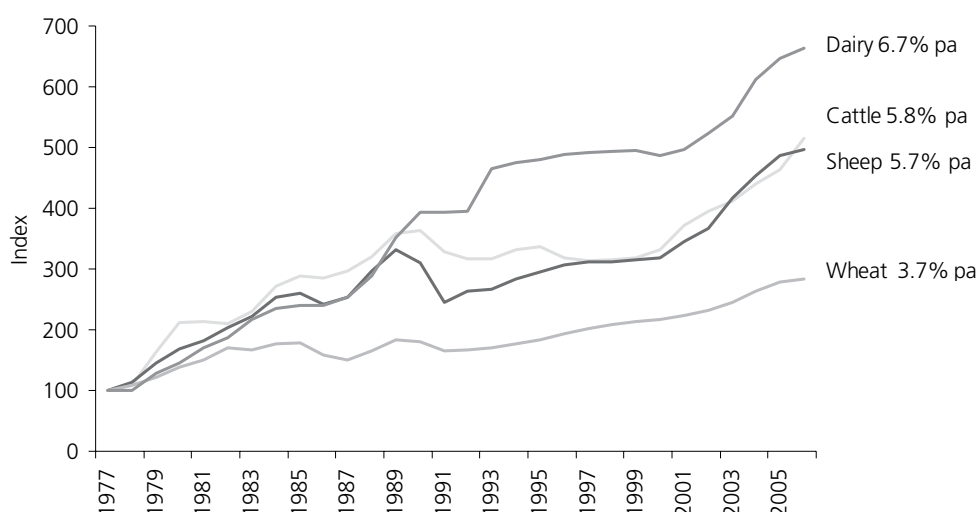


Figure 2.5.9: Australian Agricultural Land Capital Growth 1976-2006



Source: ABARE 2007

2.6 The Scheme Proposals and the Individual Offers

GSL's objective is for the Scheme Proposals to be successful. However, given the relatively high voting thresholds required for the Resolutions to be approved for each of the Scheme Proposals, GSL is giving project investors the opportunity to accept the Individual Offers even if the Scheme Proposals are not approved.

GSL has structured the Scheme Proposals so that they are not inter-dependent on the success or failure of each other. There is a possibility that not enough investors in each of the Projects will approve the Scheme Proposal in relation to their Project and therefore the Scheme Proposals will not be fully implemented.

If any one of the Scheme Proposals is not successful, project investors who have accepted the Individual Offer in relation to their Project will still exchange their Woodlots and Doves for GSL Shares on the same terms as the Scheme Proposal. For further details of the terms and conditions of the Individual Offers see Section 9.2 of this Prospectus.

A range of possible outcomes are therefore possible including:

- Implementation of none, some or all of the Scheme Proposals, and
- Partial acceptances of the Individual Offers for some or all of the Projects where the Scheme Proposal is not approved.

If all or a majority of the Scheme Proposals are not successfully implemented, the benefits of the transaction to GSL and GSL Shareholders are unlikely to be realised to their full potential as discussed further in Section 7 of this Prospectus. While this is the case, GSL believes there are a number of benefits to project investors in exchanging their Woodlots and Doves for GSL Shares as discussed in the 'Benefits and Risks' Section of this Prospectus. Further, GSL believes that each of the Scheme Proposals and each of the Individual Offers for the Projects could be a value enhancing transaction for GSL. Whilst GSL's preference is to acquire 100% of Woodlots or Doves in each of the Projects, if GSL receives acceptances of between 0% and 100% in any of the Projects, GSL believes some of the expected benefits to project investors as a GSL shareholder are still attractive.

Given the above potential impact of the outcome of the Scheme Proposals vote, Project Investors may withdraw their acceptance of the Individual Offer by notice in writing to GSL at any time until 5pm (WDST) on 11 December 2008, which is 10 calendar days after the Project Investors' Meeting date.

For detailed financial information relating to the range of outcomes, please refer to Section 3 of this Prospectus.

3. Historical and Proforma Financial Information

This Section sets out the following financial information for GSL:

Historical financial information

- the audited consolidated balance sheet, income statement, statement of changes in equity and cash flow statement of GSL for the year ended 30 September 2007;
 - the consolidated balance sheet, income statement, statement of changes in equity and cashflow statement for the nine month interim period ended 30 June 2008;
 - selected notes and information in respect of the above,
- (collectively the Historical financial information).

Proforma financial information

- Proforma consolidated balance sheet as at 30 June 2008 and a proforma consolidated income statement for the nine month interim period ended 30 June 2008 (the **Proforma financial information**).

The Historical financial information and Proforma financial information presented has been prepared in accordance with the accounting policies set out in note 1 to this Section and the recognition and measurement (but not all disclosure requirements) of Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The Historical financial information has been derived from:

- i) The GSL audited statutory financial statements for the year ended 30 September 2007; and
- ii) GSL's underlying books and records for the interim period ended 30 June 2008.

The statutory financial statements for the year ended 30 September 2007 were audited by Ernst & Young, who issued an unmodified audit opinion on those statutory financial statements.

The proforma consolidated balance sheet and the proforma consolidated income statement have been derived from the reviewed 30 June 2008 balance sheet and the reviewed income statement for the nine month interim period ended 30 June 2008 adjusted for the impact of certain transactions which are expected to occur in respect of the Scheme Proposals and Individual Offers as if they had occurred as at that date. A description of these adjustments is set out in Section 3.2 of this Prospectus.

The financial information in this Section should be read in conjunction with the risk factors set out in Section 7. The Historical financial information and Proforma financial information contained in this Section has been reviewed by Ernst & Young whose Independent Accountant's Report relating to the Historical and Proforma financial information is included at Section 11 of this Prospectus.

As discussed in note 4 to the Historical financial information, GSL's tax effective MIS project sales are highly seasonal with the vast majority of tax effective MIS project sales occurring in the 6 months ending 30 June 2008. As a result, the historical and proforma consolidated income statement and historical cash flow for the nine month interim period ended 30 June 2008 overstate the profit and cash position as compared to the expected full year position at 30 September 2008.

3.1 Historical financial information

Income Statements

	Note	Nine months ended 30 June 2008	Year ended 30 Sept 2007
		\$'000	\$'000
Revenue		343,214	466,081
Other income		33,151	59,103
Total revenue and other income	5	376,365	525,184
Commissions, marketing and promotion of product and industry		(52,076)	(74,540)
Agriculture and MIS related expenses		(150,462)	(198,209)
Cost of agricultural produce sold		(16,350)	(8,980)
Non-MIS managed funds		(10,568)	-
Corporate and other expenses		(25,039)	(37,993)
Financing costs		(55,590)	(51,300)
Allowance for doubtful debts	6(b)	(37,957)	(5,632)
Impairment of horticulture assets		-	(40,072)
Profit before income tax		28,323	108,458
Income tax expense		(12,158)	(36,950)
Profit after income tax		16,165	71,508
Attributable to:			
Minority interest		(22)	-
Members of GSL		16,187	71,508
Earnings per share		Cents	Cents
Basic profit per share	24	5.02	22.68
Diluted profit per share	24	3.90	20.67

The above consolidated income statements should be read in conjunction with the accompanying notes.

Balance Sheets

		30 June 2008	30 Sept 2007
	Note	\$'000	\$'000
Current Assets			
Cash and cash equivalents	6(a)	76,040	207,640
Trade and other receivables	6	230,296	121,468
Trade receivables – securitised loans		2,825	-
Biological assets	8	11,724	21,158
Inventories		9,761	6,788
Available-for-sale financial assets		15,254	36,361
Other financial assets	7	13,594	9,932
Total Current Assets		359,494	403,347
Non-current Assets			
Trade and other receivables	6	116,497	96,342
Trade receivables – securitised loans		29,303	-
Other financial assets	7	58,430	58,557
Equity accounted investments		25,417	-
Biological assets	8	170,136	112,399
Property, plant and equipment	9	218,702	187,156
Investment properties	10	826,600	722,310
Derivative financial instruments	13	7,148	3,136
Goodwill and other intangible assets	11	96,618	81,196
Available-for-sale financial assets		14,074	-
Deferred tax assets	12	55,272	54,925
Other non-current assets		505	983
Total Non-current Assets		1,618,702	1,317,004
Total Assets		1,978,196	1,720,351
Current Liabilities			
Trade and other payables		163,490	88,364
Interest-bearing loans and borrowings	15	563	930
Borrowings – securitised loans		2,825	-
Income tax payable		9,814	-
Provisions	14	15,874	16,842
Deferred revenue	16	128,806	146,202
Total Current Liabilities		321,372	252,338
Non-current Liabilities			
Interest-bearing loans and borrowings	15	769,490	660,819
Borrowings – securitised loans		29,303	-
Provisions	14	45,524	32,916
Deferred revenue	16	31,594	8,316
Total Non-current Liabilities		875,911	702,051
Total Liabilities		1,197,283	954,389
Net Assets		780,913	765,962
Equity			
Contributed equity	17	460,265	447,859
Reserves		20,060	13,342
Retained profits		285,660	304,761
Parent interests		765,985	765,962
Minority interests	20	14,928	-
Total Equity		780,913	765,962

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

		Nine months ended 30 June 2008	Year ended 30 Sept 2007
	Note	\$'000	\$'000
Total equity at the beginning of the financial period		765,962	682,826
Profit for the period		16,165	71,508
Cash flow hedging reserve		2,809	4,474
Net unrealised gains reserve		1,780	-
Total recognised income and expense for the period	(a)	20,754	75,982
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of issue costs		12,257	14,506
Conversions of TREES Series, net of issue costs		-	15
Exercise of options		150	630
Option premium reserve		737	-
Management Performance Rights		2,340	4,611
Minority interest arising during the period	20(i)	13,980	-
Dividends declared or paid		(35,267)	(12,608)
Total equity attributable to equity holders of the parent		780,913	765,962
Total equity at the end of the financial period		780,913	765,962
(a) Total recognised income and expense for the period attributable to:			
Equity holders of the parent		19,806	75,982
Minority interest		948	-
		20,754	75,982

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statements

		Nine months ended 30 June 2008	Year ended 30 Sept 2007
	Note	\$'000	\$'000
Cash Flows from Operating Activities			
Receipts from growers/customers*		152,962	124,173
Securitisation of loan receivables	6(a)	148,802	469,844
Payments to suppliers and employees*		(293,117)	(342,309)
		8,647	251,708
Interest received		8,867	15,209
Income taxes paid		(2,114)	(37,779)
Finance costs paid		(34,036)	(25,566)
Net cash (outflow)/inflow from operating activities		(18,636)	203,572
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(47,468)	(49,310)
Payments for investment property		(83,727)	(148,225)
Proceeds from sale of property, plant and equipment		570	1,977
Proceeds from sale of investment property		3,858	3,647
Payments for financial instruments		(4,500)	-
Payments for biological assets		(37,710)	(42,560)
Payments for business acquisitions		(8,073)	(4,505)
Payments for equity accounted investments		(5,506)	-
Net cash (outflow) from investing activities		(182,556)	(238,976)
Cash Flows from Financing Activities			
Dividends paid		(18,753)	(31,463)
Payments of TREES series coupons		(14,737)	(14,826)
Options exercised		150	630
Receipts from borrowings		105,000	45,000
Repayment of borrowings		-	(3,029)
Proceeds from issue of options		963	-
Loans to entities outside the GSL group		(3,231)	-
Receipts from repayment of loans to entities outside of the GSL group		200	-
Net cash inflow/(outflow) from financing activities		69,592	(3,688)
Net (decrease) in cash held		(131,600)	(39,092)
Cash at the beginning of the reporting period		207,640	246,732
Cash at the end of the reporting period	6(a)	76,040	207,640

*Inclusive of GST

The above consolidated cash flow statements should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the Historical financial information are consistent with those used for the preparation of the annual financial statements for the year ended 30 September 2007 and half-year reporting period ended 31 March 2008, unless otherwise stated. This Historical financial information has been prepared on a historical cost basis, except for investment properties, derivative financial instruments, investments held for trading and available-for-sale investments that have been measured at fair value, and biological assets recorded at fair value less point of sale costs.

The Historical financial information does not include all of the information normally included in an annual financial report, and cannot be expected to provide as full an understanding of the financial performance, financial position and the financing and investing activities of GSL as the full financial report. Accordingly, this Historical financial information is to be read in conjunction with the annual report for the year ended 30 September 2007, the half year financial report for the interim period ended 31 March 2008 and any public announcements made by GSL during the nine months ended 30 June 2008 in accordance with the continuous disclosure obligations of the Listing Rules.

For the purposes of preparing this Historical financial information, the nine month period to 30 June 2008 has been treated as a discrete reporting period. The Historical financial information is prepared in Australian dollars.

Rounding of Amounts to the Nearest Thousand Dollars

GSL is an entity of a kind referred to in Class Order 98/0100 issued by ASIC, relating to the "rounding off" of amounts. Amounts in the Historical financial information have been rounded off to the nearest thousand dollars.

New Accounting Policies

(i) Investments in associates

GSL's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which GSL has significant influence and that are neither subsidiaries nor joint ventures.

GSL generally deems they have significant influence if they have over 20% of the voting rights. Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in GSL's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, GSL determines whether it is necessary to recognise any impairment loss with respect to GSL's net investment in associates.

GSL's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When GSL's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, GSL does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The associates' accounting policies conform to those used by GSL for like transactions and events in similar circumstances.

(ii) Interest in jointly controlled entities

GSL has interests in joint ventures that are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. GSL recognises its interest in the jointly controlled entities using the equity method of accounting, whereby the initial investment is recognised at cost and the carrying amount is increased or decreased to recognise GSL's share of the profit or loss of the joint venture entity after the date of acquisition. GSL's share of the profit or loss of the joint venture entity is recognised in GSL's profit or loss. Distributions received from a joint venture entity reduce the carrying amount of the investment.

Note 2. Liquidity and cash flow management

Prudent liquidity management is a significant focus of GSL's board and management. Liquidity is maintained primarily by generating positive operating cash flow, which to date has been achieved by the sale of MIS products predominately in the June quarter of each year, and through access to lines of credit.

GSL's operational and capital budgets are set annually following the close of the June MIS sales season and prior to each financial year which commences on 1 October. These budgets are set with reference to GSL's corporate and strategic goals and objectives and the cash resources available to GSL.

In setting budgets for the financial year ending 30 September 2009, commentary on selected items which is provided in Section 4 of this Prospectus, the GSL Directors and management have taken account of the sales result to 30 June 2008, being a total of approximately \$314,000,000 of MIS product sales, which was below the result achieved in recent years, and the cash available to GSL from the securitisation of these sales.

As part of this process, GSL completed an internal review and reduced staff by approximately 50 in July and August 2008 predominately in the sales and marketing division.

In addition, on 26 September 2008, GSL extended the term of \$120,000,000 in bank borrowings from September 2009 to 31 October 2010, secured additional funding of up to \$30,000,000 in a facility to expire on 30 September 2009 and amended a 30 September 2008 bank facility covenant, being the ratio of corporate senior debt to operating cash flow.

Excluding the impact of the Offer as detailed in this Prospectus, GSL's major cash flow dependency for the 2009 financial year relates to the ability of GSL to generate new MIS sales and securitise those sales into cash. Consistent with prior years, GSL expects to generate sales and securitise related loans throughout the year, starting in March through to July 2009. Refer to Section 7.2 Business Risks in this Prospectus for additional information.

In addition, the GSL Directors and management have commenced a process of identifying non-core assets for sale. Refer to Section 2.4 for further information on GSL's business strategy, with the aim of crystallising value for these assets over the next 6 plus months. Specifically management has identified GSL's MIS loans that have not yet been securitised of approximately \$72,000,000 net of allowance for doubtful debt provisions, as an asset worthy of consideration and management is exploring all available options to extract cash value. Should a sale of GSL's loan book proceed then it is possible that GSL may receive an amount below its current book value.

The dependencies in the cash flow for the 2009 financial year as noted above together with the usual variations in cash flow timing that tend to occur in the agricultural industry, for example due to weather conditions, will require strict and careful cash flow control by GSL's board and management. This is also true of GSL's club bank facility covenants, in particular the corporate senior debt to operating cash flow covenant.

Note 3. Critical accounting estimates and judgements

In applying GSL's accounting policies, estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on GSL and that are believed to be reasonable under the circumstances. There have been no material changes to the estimates or judgments since 30 September 2007.

Note 4. Seasonality of operations

The majority of GSL's MIS project sales occur in the quarter to 30 June and principally in the month of June. Sales of MIS projects in the quarter to 30 September are generally not significant. Accordingly, the majority of revenues for new MIS project sales have been recognised by 30 June.

Agricultural activity and expenditure relates to the management of GSL's and project investors' estate and the development and management of new agribusiness projects for sale in the current financial year. The development of MIS forestry plantations tends to occur following the project sale in accordance with the project and ATO requirements. Agricultural activities and expenditures are ongoing throughout the September quarter.

Sales and marketing costs are skewed towards the timing of sales, the majority of which occur in the June quarter. Other costs and overheads, as a general rule, occur relatively evenly throughout the year.

Note 5. Revenue and other income

Profit before income tax includes the following revenues whose disclosure is relevant in explaining the financial performance of GSL:

		Nine months ended 30 June 2008	Year ended 30 Sept 2007
	Note	\$'000	\$'000
Revenue			
Project revenues:			
Revenue earned from current period sales	(a)	159,513	252,969
Revenue earned from previous period sales		123,149	149,774
Finance services		13,778	25,806
Management fee income		19,408	4,557
Sale of agricultural produce		18,622	19,183
Interest revenue		8,744	13,792
		343,214	466,081
Other income			
Fair value increment to investment property	10	19,653	37,592
Release of project maintenance provision		-	6,944
Release of project timber provision	(b)	4,880	-
Other income		8,618	14,567
		33,151	59,103
		376,365	525,184

(a) Sales of MIS projects for the period ended 30 June 2008 totalled approximately \$314,000,000 of which \$159,513,000 was recognised as revenue during the same period. The remaining \$154,487,000 will be recognised in future periods as the required services are performed.

(b) The GSL board has determined that no further contributions to existing plantation projects will be made and the unused portion of \$4,880,000 has been released.

Note 6. Trade and other receivables

		30 June 2008	30 Sept 2007
	Note	\$'000	\$'000
Current Receivables			
Current trade debtors		22,056	62,082
Less: impairment allowance	(b)	(17,382)	(2,255)
		4,674	59,827
Prepayments		14,174	11,012
Other receivables	(a)	216,185	50,629
Less: impairment allowance	(b)	(4,737)	-
		230,296	121,468
Non-current Receivables			
Non-current trade debtors		136,359	96,210
Less: impairment allowance	(b)	(22,465)	(358)
		113,894	95,852
Other receivables		2,603	490
		116,497	96,342

(a) In July 2008, GSL received approximately \$178,000,000 of cash from the release of funds from trust accounts relating to GSL's MIS projects. These funds are reported as current receivables as at 30 June 2008.

(b) The increase in the doubtful debt allowance account as compared to 30 September 2007 reflects recent general market volatility and credit uncertainties and includes an allowance in respect of a particular group of investors who no longer do business with GSL. The majority of loans provided to investors in GSL's projects are securitised with no ongoing recourse to GSL.

Note 7. Other financial assets

		30 June 2008	30 Sept 2007
	Note	\$'000	\$'000
Current assets			
Held-to-maturity investment	(a)	10,284	9,932
Investments held for trading		3,310	-
Total current other financial assets		13,594	9,932
Non-current assets			
Held-to-maturity investment	(a)	47,670	55,560
Security bonds – originated loans	(b)	10,348	2,997
Other		412	-
Total non-current other financial assets		58,430	58,557
Total other financial assets		72,024	68,489

(a) The held-to-maturity investment was purchased in August 2006 as part of a structured finance transaction in which GSL received \$211,691,000 net of issue costs through the issue of debentures (refer note 19).

(b) As disclosed in the financial report for the half-year ended 31 March 2008, GSL entered into an additional securitisation arrangement with Bendigo and Adelaide Bank Limited for the securitisation of certain loans that are not able to be securitised under the Off Balance Sheet facility. The maximum exposure of GSL to default in any of the loans securitised to date under this facility is limited to the \$7,575,000 held as collateral. The amount held as collateral is recorded as a non-current financial asset as at 30 June 2008.

In June 2001, GSL entered into an arrangement with NM Rothschild & Sons (Australia) Limited for the partial securitisation of the company's loan book. GSL has acquired bonds in the loan acquiring entity that at 30 June 2008 have a face value of \$2,773,000 (30 September 2007: \$2,997,000). The bond is repayable from, and to the extent of, collections of receivables by the acquiring trust after repayment of principal and interest to the other note holders.

Note 8. Biological assets

		30 June 2008	30 Sept 2007
	Note	\$'000	\$'000
Current		11,724	21,158
Non-current		170,136	112,399
Total	(a)	181,860	133,557
Number of Cattle		154,102	176,544
Number of Green Metric Tonnes of Standing Timber	(b)	2,292,761	80,175
Number of Hectares of Horticulture biological assets		5,093	4,537

(a) The biological assets comprise pine and eucalypt trees situated in the south west of Western Australia, New South Wales and the Green Triangle region in South Eastern Australia, wine grape vines and olive trees situated in the south west of Western Australia and cattle situated in northern Western Australia, Tasmania, New South Wales and Queensland.

(b) During the nine month period ended 30 June 2008, GSL purchased the rights to approximately 14,700 hectares of hardwood plantations from entities associated with Hansol HomeDeco Company Limited.

Financial risk management strategies

GSL is exposed to financial risks arising from changes in the price of beef cattle and from changes to the prices to wine grape and olives. GSL does not anticipate prices of these commodities will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in prices. GSL reviews its outlook for beef cattle prices and wine grape and olives prices regularly in considering the need for active financial risk management.

Note 9. Property, plant and equipment

		30 June 2008	30 Sept 2007
	Note	\$'000	\$'000
Land and buildings			
Freehold land - at cost		67,397	58,560
Pastoral leases – at cost	(a)	56,549	53,048
Plant and equipment			
Plant and equipment – at cost		139,469	114,395
Less: Accumulated depreciation/impairment		(44,713)	(38,847)
Total plant and equipment		94,756	75,548
Total property, plant and equipment		218,702	187,156

(a) GSL's cattle stations that are held under leasehold agreement with the Crown are classified in property, plant and equipment as pastoral leases. These properties in Queensland and Western Australia are mainly pastoral holdings which are term leases with maximum years of 53 years and 50 years respectively.

While there is no obligation for leases to be renewed by either the Queensland or Western Australian State Governments at expiry, the directors are not presently aware of any reason why leases would not be renewed in substantially the same terms based upon practice by both State Governments.

Note 10. Investment property

		30 June 2008	30 Sept 2007
	Note	\$'000	\$'000
At fair value			
Opening balance		722,310	522,569
Additions – cost		90,969	166,758
Fair value adjustment	(b)	19,653	37,592
Disposals		(6,332)	(4,609)
Closing balance at 30 June		826,600	722,310
Plantation properties		802,460	708,949
Cattle properties	(d)	24,140	13,361
		826,600	722,310

(a) The fair value of investment properties reflects the nature and characteristics of the property and the prevailing market conditions at the reporting date.

(b) During the nine-month period to 30 June 2008, GSL recorded a net fair value increment of \$19,653,000. This net increment for the nine-month period is the result of an increase in fair value from the discount unwind of properties encumbered at the beginning of the year associated with the reduction in lease term and changes in unencumbered value (\$65,467,000) offset by the impact of new encumbrances and other adjustments (\$45,814,000).

(c) For the 30 September 2007 financial report, the fair value of investment properties was determined by an independent property expert using a discounted cash flow (DCF) model and, in accordance with GSL group policy, with the benefit of independent valuations (on an unencumbered basis) of approximately one third of GSL's properties.

The DCF model used to determine the fair value of investment properties at 30 September 2007 was updated by GSL to determine the fair values at 30 June 2008. The DCF model as at 30 June 2008 and 30 September 2007 used the following major assumptions:

	Valuation assumption
Present value land valuation basis	Unencumbered best available use
Length of project lease	10 – 11 years
Average annual real price growth of land	2.0% per annum
CPI	2.75% per annum
Lease rental fees	2.5% of estimated project net harvest proceeds
Post harvest – remediation costs	Average of \$786 per hectare
Discount rate	10.5% per annum

(d) In accordance with GSL group policy, cattle properties are identified as investment properties only when an insignificant portion of the cattle on the property are being managed to GSL's account. At balance date the majority of cattle properties are classified in property, plant and equipment.

Note 11. Goodwill and other intangible assets

	Note	30 June 2008 \$'000	30 Sept 2007 \$'000
Goodwill		69,435	68,241
Land access rights		1,886	1,943
Software		3,834	3,597
Water licences		21,248	7,415
Other intangibles		215	-
Total		96,618	81,196

(a) impairment

Impairment tests for goodwill

Goodwill is allocated to certain cash-generating units (**CGU**) within GSL. As at 30 June 2008, goodwill has been allocated to the Forestry CGU (\$39,634,000), Cattle CGU (\$21,104,000), Olive processing CGU (\$888,000) and Funds Management CGU (\$7,809,000).

(i) Forestry CGU

The recoverable amount of the Forestry CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 19 year period, which relates to the expected length of time for two plantation rotations. The impact of adjusting each of the three key assumptions in isolation by +/- 10% would not result in an impairment of the CGU.

The key assumptions to determining the value-in-use of the Forestry CGU in the current year are:

Cash generating unit	Nominal growth rate %	Discount rate %	Inflation rate %
Forestry	2.75	14.5	2.75

These assumptions have been used for the analysis of the CGU. Management determined the budgeted growth rate in the unit price of a MIS woodlot based on its expectations for the future. The discount rates used reflect specific risks relating to the CGUs. The inflation rate is based on management's expectations for the future.

(ii) Cattle CGU

The Cattle CGU was assessed for impairment based on fair value less costs to sell. Key assumptions in management's determination of the fair value less costs to sell include:

- The value of land (being land classified in Property, plant and equipment and in Investment properties) and cattle biological assets were based on independent valuations in June 2007;
- Selling costs were estimated based on past experience and management's best estimate.

(iii) Olive processing CGU

The Olive processing CGU consists of Great Southern Olive Processing Pty Ltd, which was acquired during the current financial year. The assessment of the recoverable amount of the CGU was performed as part of the acquisition process.

(iv) Funds Management CGU

The Funds Management CGU consists of Great Southern Funds Management Pty Ltd and its 100% owned subsidiary, which was acquired during the current financial year. The assessment of the recoverable amount of the CGU was performed as part of the acquisition process.

Note 12. Deferred tax assets and liabilities

	30 June 2008	30 Sept 2007
Note	\$'000	\$'000
Deferred tax assets	84,025	73,387
Deferred tax liabilities	(28,753)	(18,462)
Net deferred tax assets	55,272	54,925

Note 13. Derivative financial instruments

	30 June 2008	30 Sept 2007
	\$'000	\$'000
Non-current assets		
Interest rate swap contracts – cash flow hedges	7,148	3,136
Total derivative financial instrument assets	7,148	3,136

Instruments used by GSL

GSL is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with GSL's financial risk management policies.

Interest rate derivative contracts – cash flow hedges

The borrowings related to the structured debt facility and the club bank corporate facility currently bear an average variable interest rate of approximately 9.2%. GSL has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Interest rate swaps and/or caps currently in place cover \$375,700,000, being approximately 66% of the loan principal outstanding on those two facilities, and are generally timed to expire as each loan repayment falls due. The fixed interest rates currently range between approximately 7.3% and 9.5%.

At 30 June 2008, the fair value and years of expiry of the interest rate derivative contracts are as follows:

	30 June 2008	30 Sept 2007
	\$'000	\$'000
Less than 1 year	-	-
1 – 2 years	3,217	1,526
2 – 5 years	3,931	1,610

Most of the contracts require the settlement of net interest receivable or payable each 90 days. The settlement dates generally coincide with the dates on which interest is payable on the underlying borrowings.

The gain or loss from re-measuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. As at 30 June 2008, GSL recorded a positive fair value adjustment of \$4,012,000 to its cash flow hedging instruments with a corresponding tax effected increase in the cash flow hedging reserve.

Note 14. Provisions

	30 June 2008	30 Sept 2007
Note	\$'000	\$'000
Provision for dividend	9,696	-
Employee benefits	6,178	3,416
Project timber	-	9,600
Other provisions	-	3,826
Total current provisions	15,874	16,842
Employee benefits	686	2,160
Provision for land assessment	31,185	25,515
Other provisions	13,653	5,241
Total non-current provisions	45,524	32,916

Note 15. Borrowings

	30 June 2008	30 Sept 2007
Note	\$'000	\$'000
Hire purchase liability	258	635
Short term borrowings	305	295
Total current borrowings	563	930
Hire purchase liability	1,850	2,140
TREES2, net of issue costs	19 78,800	78,281
TREES3, net of issue costs	19 122,389	121,691
Debentures, net of issue costs	19 216,669	213,707
Other long term borrowings, net of issue costs	19 349,782	245,000
Total non-current borrowings	769,490	660,819

Note 16. Deferred revenue

	30 June 2008	30 Sept 2007
Note	\$'000	\$'000
Current deferred revenue	128,806	146,202
Non-current deferred revenue	31,594	8,316

Sales of MIS projects for the period ended 30 June 2008 totalled approximately \$314,000,000 of which \$159,513,000 was recognised as revenue during the same period. The remaining \$154,487,000 will be recognised in future periods as the required services are performed.

Note 17. Contributed equity

	Nine months ended 30 June 2008 No. (000's)	Year ended 30 Sept 2007 No. (000's)	Nine months ended 30 June 2008 \$'000	Year ended 30 Sept 2007 \$'000
Movements in ordinary shares on issue:				
Exercise of options during the period	100	620	150	630
Dividend re-investment plan issues	3,562	6,295	6,817	15,068
Shares issued as consideration for property acquisition fees	2,513	-	5,655	-
	6,175	6,915	12,622	15,698

Note 18. Dividends

		Nine months ended 30 June 2008	Year ended 30 Sept 2007
Note		\$'000	\$'000
<i>Dividends paid during the period:</i>			
	Final dividend for the year ended 30 September 2007 fully franked: 8 cents (Year ended 30 June 2006: 11 cents)	25,571	34,111
<i>Dividends declared and recognised as a liability:</i>			
	Interim dividend for the year ended 30 September 2008 fully franked: 3 cents (2007: 4 cents)	9,696	-
	Franking credits available for subsequent financial periods at 30% (30 September 2007: 30%)	159,413	194,942

The above amounts represent the balance of the franking accounts as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

Note 19. Liquidity, risk management and capital resources

(a) Financial Risk Management

GSL's activities expose it to a variety of financial risks, namely credit risk and liquidity risk. GSL's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of GSL.

(i) Credit risk

GSL has no significant concentrations of credit risk. GSL has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counter parties and cash transactions are limited to high credit quality financial institutions. GSL has policies that limit the amount of credit exposure to any one financial institution. The maximum credit risk of GSL's financial assets is their carrying amounts.

(ii) Interest rate risk

GSL has converted floating interest rates to fixed interest rates on its structured finance borrowings and for the majority of the corporate debt borrowings. Other than this and cash equivalents, GSL's significant interest-bearing assets and liabilities have a fixed interest rate and GSL's income and operating cash flows are not materially exposed to changes in market interest rates. GSL policy is to fix interest rates on borrowings whenever practical.

(iii) Liquidity risk

GSL's ongoing capital requirements, arising mainly from developing and offering new MIS projects to investors, requires prudent liquidity risk management which implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, GSL aims at maintaining flexibility in funding by keeping committed credit lines available.

In addition, GSL provides finance to investors for the majority of its MIS project sales, and the ability of GSL to securitise these finance receivables is an important part of its liquidity risk management program.

For further information on liquidity and cash flow management refer Note 2 to the Historical financial information.

(b) Liquidity and Capital Resources

As at 30 June 2008 GSL had \$76,040,000 of cash and cash equivalents. Included in current receivables at 30 June 2008 is \$178,000,000 held in trust accounts relating to 2008 MIS project sales. In July 2008 the funds in these trust accounts were released to GSL and are included in GSL's cash balance subsequent to 30 June 2008.

GSL's borrowings at 30 June 2008 comprise secured and unsecured facilities and loans and are summarised in the table below:

Debt Facilities	Total Available	Amount Drawn	Amount Not Utilised	Maturity
\$'000				
Club Bank Corporate Facility	350,000	350,000	Nil	75,000: 31 October 2009 85,000: 26 October 2010 120,000: 31 October 2010 70,000: 26 October 2012
Structured Finance Facility (Debentures)				
- Tranche A	144,529	144,529	Nil	
- Tranche B (interest capitalising)	107,400	75,749	31,651	
	251,929	220,278	31,651	251,929: 17 August 2012

Hybrid securities	Amount Raised	Amount Converted to Ordinary Shares	Amount Outstanding	Reset Date
\$'000				
TREES2	80,000	100	79,900	79,900: 31 October 2009
TREES3	124,700	-	124,700	124,700: 31 October 2010

(i) Club Bank Corporate Facility

This facility contains representations and warranties, financial covenants, undertakings and other terms and conditions customarily found in financing agreements of this kind. The financial covenants include a gearing ratio covenant and a debt serviceability covenant. There are no covenants or undertakings relating to the ASX share price or share market capitalisation of GSL. The facility is secured by a fixed and floating charge over the majority of GSL's assets.

GSL has entered into hedging arrangements to either fix or cap the interest payable in respect of \$300,000,000 of the outstanding borrowings. The effective interest rate on this facility is 8.1%. The hedging facilities expire: \$200,000,000 on 11 September 2009, \$50,000,000 on 11 March 2009 and \$50,000,000 on 10 March 2010.

The Club Bank Facility is secured by a fixed and floating charge over the majority of the assets in GSL. In August 2008 GSL renegotiated the Club Bank Facility and has secured an agreement for:

- an additional \$30,000,000 of available funding, with an expiry date of 7 October 2009, taking the total facility limit to \$380,000,000, and
- the extension of maturity of \$120,000,000 of facility borrowings from 11 September 2009 to 31 October 2010.

(ii) Structured Finance Facility (Debentures)

In August 2006, GSL entered into a structured finance transaction in which GSL received \$211,691,000 net of issue costs through the issue of debentures and purchased a held-to-maturity investment for approximately \$75,036,000 (refer note 7). The transaction is structured such that the cash flows GSL receives from the held-to-maturity investment are expected to be sufficient to meet the obligations of the transaction through to 2012, when the principal is due for repayment, including the payment of interest not capitalised.

The borrowings are limited in recourse to the held-to-maturity investment and specified investment property land within Great Southern Property Trust, a wholly owned entity of GSL.

The borrowings are split into two tranches, one with floating interest payments (Tranche A) and another with interest capitalising (Tranche B). The floating interest rate on Tranche A is effectively managed via the held-to maturity investment (refer note 7) which pays interest based upon the same floating rate. The interest on Tranche B is hedged for the term of the loan at 8.3% via an interest rate swap.

(iii) TREES series

In October 2004 the company issued 800,000 Transferable REset Exchangeable Securities series 2 (TREES2), each with a face value of \$100 raising \$80,000,000 before issue costs. At the discretion of the directors each TREES2 pays a preferential non-cumulative franked coupon payable semi-annually in arrears.

In October 2005 the company issued Transferable REset Exchangeable Securities series 3, or TREES3. A total of 1,247,000 TREES3 with a face value of \$100 each were issued raising a total of \$124,700,000 before issue costs. TREES3 pays a preferential cumulative unfranked coupon payable semi-annually in arrears.

TREES2 and TREES3 are perpetual, subordinated reset convertible notes with no fixed maturity and are redeemable at the option of GSL. TREES2 has no cumulative coupon obligations and TREES3 has a cumulative coupon obligation. The distributions on TREES2 and TREES3 are recognised in the income statement as interest expense. The coupon rates for TREES2 and TREES3 are 6.4% and 7.75% respectively.

(iv) Contractual maturities of GSL's borrowings

The table below reflects the remaining contractual maturities of GSL's borrowings including interest payments:

	30 June 2008 \$'000
6 months or less	28,297
6-12 months	28,297
1-5 years	720,906
Over 5 years*	204,600
Total	982,100

*Contains only TREES 2 & TREES 3 principal

Note 20. Changes in the composition of GSL

(i) Acquisition of units in the Rural Opportunities Fund

On 15 May 2008, the company increased its ownership in the Rural Opportunities Fund (ROF) to approximately 48% and was deemed to have effective control of ROF. The total cost of the company's investment in ROF was \$12,981,000. As at 30 June 2008, the minority interest in ROF was \$14,928,000.

	Recognised on acquisition \$'000
Cost of units acquired	12,981
Minority Interest	13,980
Less: Fair value of identifiable net assets acquired	(26,655)
Goodwill on acquisition	306

The units were acquired via a non-cash contribution of biological assets and equipment.

(ii) Acquisition of 50% share of Hansol PI Pty Ltd

In March 2008, GSL completed the acquisition of 50% of the outstanding shares of Hansol PI Pty Ltd for consideration of \$5,506,000.

(iii) Acquisition of 50% share of Kailis Olive Processing Pty Ltd

In April 2008, GSL entered into an agreement with Kailis Organic Olive Groves Limited (**KOOG**) to acquire 50% of outstanding shares in Kailis Olive Processing Pty Ltd (**KOPPL**) for an initial consideration of \$1,800,000. GSL has a further commitment to invest an additional \$1,575,000 which has been provided for at 30 June 2008

Note 21. Contingent liabilities

Changes to the estimated value of contingent liabilities previously disclosed in the 30 September 2007 financial statements are as follows:

	Note	30 June 2008 \$'000	30 Sept 2007 \$'000
1. Rothschild Australia previous securitisation arrangements		6,284	6,508
2. Unsecured guarantees provided by GSL for the provision of banking facilities		8,475	6,874
3. Adelaide Bank securitisation arrangements	(a)	7,575	-

(a) GSL has a loan securitisation arrangement in place with Bendigo and Adelaide Bank Limited (previously Adelaide Bank Limited) under which there is no credit recourse to GSL on any loan securitised (the **Off Balance Sheet facility**). As disclosed in the financial report for the half-year ended 31 March 2008, GSL entered into an additional securitisation arrangement with Bendigo and Adelaide Bank Limited for the securitisation of certain loans that are not able to be securitised under the Off Balance Sheet facility. The net impact to the net assets of GSL at balance date is zero. The maximum exposure of GSL to default in these loans is limited to the \$7,575,000 held as collateral.

Note 22. Capital and other commitments

		30 June 2008	30 Sept 2007
	Note	\$'000	\$'000
Commitments for the acquisition of land and other capital assets contracted for at the reporting date, but not recognised as liabilities, payable not later than one year	(a)	28,029	49,424
Commitment to invest in ROF	(b)	25,500	-

(a) Capital commitments as at 30 June 2008 predominantly relate to the acquisition of land that GSL expects to use in its current and future forestry MIS projects.

(b) The company has made a commitment to make an investment of up to \$25,500,000 in ROF. The timing and amount of the commitment will depend upon the level of future inflows into the funds.

(c) Operating lease commitments have not materially changed since 30 September 2007.

(d) GSL has ongoing commitments under the product disclosure statements of its MIS projects to provide establishment and/or management services as required.

Note 23. Segment information

(a) Description of Segments

Business segments

GSL is organised into the following divisions by product and service type:

(i) MIS Forestry

The promotion, packaging and management of forestry based managed investment schemes.

(ii) MIS Horticulture

The promotion, packaging and management of olive, vineyard and almond managed investment schemes.

(iii) MIS Cattle

The promotion, packaging and management of cattle managed investment schemes.

(iv) Non-MIS Managed Funds

The promotion, packaging and management of non-tax effective managed funds.

(v) Lending Services

The provision of finance for investors in the managed investment schemes.

(vi) Other

Incorporates other activities including the sale of agricultural produce to GSL's account.

(b) Primary reporting - business segments

The following tables present revenue, profit and certain asset and liability information regarding business segments for the period ended 30 June 2008 and the year ending 30 September 2007.

30 June 2008	MIS Forestry	MIS Horticulture	MIS Cattle	Lending Services	Non-MIS Managed Funds	Other	Inter-segment eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	161,337	97,084	24,241	-	-	18,622	-	301,284
Other revenue and income	3,607	7,183	5,491	13,778	4,589	12,036	-	46,684
Total segment revenue and income	164,944	104,267	29,732	13,778	4,589	30,658	-	347,968
Interest revenue								8,744
Increment on investment property								19,653
Total consolidated revenue and income								376,365
Result								
Segment results	40,903	54,058	10,563	(27,143)	(1,866)	32,437	-	108,952
Corporate and other expenses								(25,039)
Profit/(loss) before tax and finance costs								83,913
Finance costs								(55,590)
Profit/(loss) from operations before income tax								28,323
Income tax expense								(12,158)
Net profit after tax								16,165
Assets and liabilities								
Segment assets	1,345,047	494,929	228,567	158,123	15,006	58,642	(322,628)	1,977,686
Unallocated assets								510
Total assets								1,978,196
Segment liabilities	909,123	214,738	8,848	63,328	8,295	24,570	(32,946)	1,195,956
Unallocated liabilities								1,327
Total liabilities								1,197,283

30 September 2007	MIS Forestry	MIS Horticulture	MIS Cattle	Lending Services	Non-MIS Managed Funds	Other	Inter-segment eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	252,329	101,391	49,022	-	-	19,183	-	421,925
Other revenue and income	2,590	1,793	9,851	25,806	2,790	10,345	(1,300)	51,875
Total segment revenue and income	254,919	103,184	58,873	25,806	2,790	29,528	(1,300)	473,800
Interest revenue								13,792
Increment on investment property								37,592
Total consolidated revenue and income								525,184
Result								
Segment results	117,475	23,440	2,455	22,398	(236)	32,219	-	197,751
Corporate and other expenses								(37,993)
Profit/(loss) before tax and finance costs								159,758
Finance costs								(51,300)
Profit/(loss) from operations before income tax								108,458
Income tax expense								(36,950)
Net profit after tax								71,508
Assets and liabilities								
Segment assets	1,230,764	408,423	231,925	174,804	14,388	5,029	(351,973)	1,713,360
Unallocated assets								6,991
Total assets								1,720,351
Segment liabilities	735,000	205,667	9,397	6,734	8,848	1,097	(33,058)	933,685
Unallocated liabilities								20,704
Total liabilities								954,389

(c) Secondary reporting - geographical segments

GSL and its controlled entities operate solely within one geographical segment, being Australia.

(d) Notes to and forming part of the segment information

Accounting policies

Segment information is prepared in conformity with the accounting policies referred to in note 1 and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provision for service warranties.

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's length" basis and are eliminated on consolidation.

Note 24. Earnings per share

	30 June 2008	30 Sept 2007
Basic earnings per share – cents	5.02	22.68
Diluted earnings per share – cents	3.90	20.67
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	321,714,527	315,232,619
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share (ii)	641,520,541	403,616,032

(i) Reconciliation of earnings used in calculating earnings per share

	\$'000 30 June 2008	\$'000 30 Sept 2007
Basic earnings per share		
Net profit after tax	16,165	71,508
Earnings used in calculating basic earnings per share	16,165	71,508
Diluted earnings per share		
Net profit after tax	16,165	71,508
Add: TREES coupons as interest expense (after tax)	8,876	11,914
Earnings used in calculating diluted earnings per share	25,041	83,422

(ii) Information concerning the classification of securities

TREES2, TREES3, Options and Management Performance Rights

TREES2 and TREES3 and Options and Rights granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. They have not been included in the determination of basic earnings per share.

Note 25. Events occurring after the balance sheet date

Interim dividend

An interim dividend of 3 cents per share (2007: 4c per share), declared by the GSL Directors on the 23rd of May 2008, was paid on the 16th of July 2008.

Land and asset acquisition

Since 30 June 2008, GSL has entered into new contracts for the purchase of land which are now either conditional or unconditional, amounting to approximately \$600,000. GSL will continue to identify and acquire land throughout the year for use in future projects.

Release of funds

In July 2008, GSL received approximately \$178,000,000 of cash from the release of funds from trust accounts relating to GSL's MIS projects. These funds are reported as current receivables as at 30 June 2008.

Club bank corporate facility

In August 2008, GSL renegotiated the Club Bank Facility and has secured an agreement for:

- an additional \$30,000,000 of available funding, with an expiry date of 30 September 2009, taking the total facility limit to \$380,000,000, and
- the extension of maturity of \$120,000,000 of facility borrowings from 11 September 2009 to 31 October 2010.

The effective interest rate of \$350,000,000 in borrowings currently outstanding will be approximately 8.9% under the renegotiated club bank facility.

3.2 Proforma Financial Information

This Section sets out the Proforma financial information including the proforma consolidated balance sheet as at 30 June 2008 and the proforma consolidated income statement for the nine month interim period ended 30 June 2008. The Proforma financial information illustrates the expected financial effect of the successful implementation of the Scheme Proposals on GSL as if they had been completed as at 30 June 2008. Given the range of possible outcomes of the Scheme Proposals or the acceptance levels of the Individual Offers as discussed in more detail in Section 2.6 of this Prospectus, the Proforma financial information presents:

- GSL's actual position as at 30 June 2008;
- The incremental financial impact of the successful implementation of the Scheme Proposal in respect of each of the Projects; and
- GSL's expected financial position following the successful implementation of each of the 8 Scheme Proposals.

The Proforma financial information is based on the consideration payable being the fixed amount if the VWAP of GSL Shares in the Reference Period is between the floor of \$0.50 and the ceiling of \$1.00. In the event that the VWAP for GSL Shares is below the floor price or above the ceiling price then the acquisition accounting would be adjusted to reflect the consideration that will be paid as described in the definition of Consideration in Section 13.1.

Proforma Consolidated Balance Sheet

The following table sets out the proforma consolidated balance sheet as at 30 June 2008. A description of the proforma adjustments is set out below.

		Plantations Projects			
Notes	Reviewed Actual 30 June 2008	1998 Project	1999 Project	2000 Project	
	\$'000	\$'000	\$'000	\$'000	
Current Assets					
Cash and cash equivalents	76,040	-	-	-	
Trade and other receivables	233,121	-	-	-	
Biological assets	1(a), 2(a) 11,724	23,500	17,176	-	
Other current assets	38,609	-	-	-	
Total current assets	359,494	23,500	17,176	-	
Non-Current Assets					
Trade and other receivables	145,800	-	-	-	
Biological assets	1(a), 2(a) 170,136	-	17,176	105,605	
Property, plant & equipment	1(c) 218,702	6,700	15,400	66,700	
Investment properties	1(c) 826,600	(6,700)	(15,400)	(66,700)	
Deferred tax assets	1(f), 2(f), 3(a), 3(b) 55,272	363	415	1,076	
Other non-current assets*	202,192	-	-	-	
Total non-current assets	1,618,702	363	17,591	106,681	
Total Assets	1,978,196	23,863	34,767	106,681	
Current Liabilities					
Trade and other payables	1(d), 2(e), 3(b) 163,490	1,210	1,383	3,588	
Deferred revenues	2(c) 128,806	-	-	-	
Other current liabilities	29,076	-	-	-	
Total current liabilities	321,372	1,210	1,383	3,588	
Non-current liabilities					
Interest bearing loans and borrowings	769,490	-	-	-	
Borrowings – securitised loans	29,303	-	-	-	
Other non-current liabilities	1(e), 2(d) 77,118	-	-	-	
Total Non-current liabilities	875,911	-	-	-	
Total Liabilities	1,197,283	1,210	1,383	3,588	
Net Assets	780,913	22,653	33,384	103,093	
Equity					
Contributed equity	1(b), 2(g), 3(b) 460,265	23,500	34,351	105,605	
Reserves	20,060	-	-	-	
Retained profits	1(d), 1(e), 2(b), 2(c), 2(d), 2(e), 2(f) 285,660	(847)	(967)	(2,512)	
Parent Interests	765,985	22,653	33,384	103,093	
Minority interest	14,928	-	-	-	
Total Equity	780,913	22,653	33,384	103,093	

*Includes goodwill and other intangible assets of \$96,618,000

Cattle Projects						
2001 Project	2002 Project	2003 Project	2006 Project	2007 Project	Corporate	Proforma 30 June 2008
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	-	-	-	-	-	76,040
-	-	-	-	-	-	233,121
-	-	-	6,206	5,791	-	64,397
-	-	-	-	-	-	38,609
-	-	-	6,206	5,791	-	412,167
-	-	-	-	-	-	145,800
24,645	31,709	100,012	8,664	5,791	-	463,738
15,400	20,900	69,200	-	-	-	413,002
(15,400)	(20,900)	(69,200)	-	-	-	632,300
249	305	933	(1,320)	(2,212)	9,001	64,082
-	-	-	-	-	-	202,192
24,894	32,014	100,945	7,344	3,579	9,001	1,921,114
24,894	32,014	100,945	13,550	9,370	9,001	2,333,281
831	1,016	2,937	243	221	14,636	189,555
-	-	-	(5,610)	(8,537)	-	114,659
-	-	-	-	-	-	29,076
831	1,016	2,937	(5,367)	(8,316)	14,636	333,290
-	-	-	-	-	-	769,490
-	-	-	-	-	-	29,303
-	-	172	967	943	-	79,200
-	-	172	967	943	-	877,993
831	1,016	3,109	(4,400)	(7,373)	14,636	1,211,283
24,063	30,998	97,836	17,950	16,743	(5,635)	1,121,998
24,645	31,709	100,012	44,496	43,696	(5,635)	862,644
-	-	-	-	-	-	20,060
(582)	(711)	(2,176)	(26,546)	(26,953)	-	224,366
24,063	30,998	97,836	17,950	16,743	(5,635)	1,107,070
-	-	-	-	-	-	14,928
24,063	30,998	97,836	17,950	16,743	(5,635)	1,121,998

Proforma Consolidated Income Statement

The following table sets out the proforma consolidated income statement for the nine month interim period ended 30 June 2008. A description of the proforma adjustments is set out below. The successful implementation of each of the Scheme Proposals has a negative impact on the proforma consolidated income statement predominantly as a result of stamp duty and contract cancellation costs upon acquisition as discussed in the notes to the Proforma financial information below.

		Plantations Projects						Cattle Projects			Proforma	
	Reviewed Actual 30 June 2008	1998 Project	1999 Project	2000 Project	2001 Project	2002 Project	2003 Project	2006 Project	2007 Project	Corporate	30 June 2008	
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Revenue	2 (c)	376,365	-	-	-	-	-	5,610	8,537	-	390,512	
Commissions, marketing and selling costs		(52,076)	-	-	-	-	-	-	-	-	(52,076)	
Agriculture and MIS related expenses	2(b)	(150,462)	-	-	-	-	-	(29,626)	(32,114)	-	(212,202)	
Other expenses	1(d), 1(e), 2(d), 2(e)	(145,504)	(1,210)	(1,383)	(3,588)	(831)	(1,016)	(3,109)	(1,210)	(1,164)	-	(159,015)
Total expenses		(348,042)	(1,210)	(1,383)	(3,588)	(831)	(1,016)	(3,109)	(30,836)	(33,278)	-	(423,293)
Profit / (loss) before income tax		28,323	(1,210)	(1,383)	(3,588)	(831)	(1,016)	(3,109)	(25,226)	(24,741)	-	(32,781)
Income tax (expense) / benefit		(12,158)	363	416	1,076	249	305	933	(1,320)	(2,212)	-	(12,348)
Profit / (loss) after income tax		16,165	(847)	(967)	(2,512)	(582)	(711)	(2,176)	(26,546)	(26,953)	-	(45,129)

Notes to the Proforma financial information

Note 1. Proforma Adjustments relating to the Plantations Projects – 1998 Project, 1999 Project, 2000 Project, 2001 Project, 2002 Project and 2003 Project

(a) Biological

On the successful implementation of each of the Scheme Proposals, GSL will acquire the investors' interests in each of the Projects, being the project investors' standing timber, the contractual right to the investors' share of the Project's future net harvest proceeds and the lease interest relating to the land that the project investors' Woodlots are located.

The Consideration payable to project investors, which is set off against the subscription price for the issue of GSL Shares, is wholly ascribed to the value of the standing timber which has been determined as fair value less point of sale costs. No value is ascribed to the land lease interest because GSL will receive no additional benefit from rescinding the lease as a result of the transaction.

This standing timber asset acquired will be classified as a biological asset in the consolidated balance sheet and in accordance with GSL accounting policy is stated at fair value less point of sale costs in the balance sheet. Any timber expected to be sold by 30 June 2009 is classified within current assets.

(b) Contributed equity

The GSL Shares are issued as settlement for the payment of the Consideration for the Scheme Proposals and these shares will be recognised in contributed equity at the fair value of the assets acquired.

(c) Investment property and property, plant and equipment

Land owned by GSL that is leased to project investors in the Plantations Projects is classified in GSL's balance sheet as 'Investment Property', which is carried at fair value in the balance sheet in accordance with group accounting policy (refer note 1 in the Historical financial information).

On successful implementation of a Scheme Proposal this land will be reclassified in the balance sheet as Property, Plant and Equipment.

On reclassification of the land to property, plant and equipment, the land asset is carried at cost, with cost deemed to be the most recent carrying value of the land when classified as investment property.

(d) Stamp duty

Stamp duty is payable on acquisition of the project investors' interests. Stamp duty will be expensed in the income statement.

(e) MIS Loan First Loss Guarantee – Plantation Projects

A number of project investors in the 2003 Project have taken out loans that are ongoing and that GSL has securitised with Bendigo and Adelaide Bank Limited. These loans are secured by a charge over the project investor's interests in the Project. Under the terms of this securitisation arrangement there is no credit recourse to GSL in respect of these loans.

Bendigo and Adelaide Bank Limited have agreed to exchange the security for any such loan to the GSL shares issued pursuant to the Individual Offers and the Scheme Proposals should the project investor elect to continue with the loan, and the proforma is prepared on the basis that all investors so elect. In exchange, GSL has agreed to provide a first loss guarantee to Bendigo and Adelaide Bank Limited for a minimum of 20% of the outstanding principal value of those loans for which the security is exchanged to GSL Shares and repurchase the loans where effective documentation is not signed.

On successful implementation of the Scheme Proposals the value of the MIS loan first loss guarantee is \$172,000 (\$120,400 after taxation).

(f) Tax effect

The tax benefit attributable to the stamp duty payable and the MIS loan first loss guarantee expense will be recognised as a credit to the income tax expense account with a corresponding increase to the deferred tax asset account calculated at the prevailing corporate tax rate of 30%.

The tax cost base attributable to the standing timber acquired is determined as the market value of these assets as disclosed in the project investors' 2009 income tax returns, which may be different to the value of the biological asset value recorded in the proforma financial statement. If so this would give rise to a permanent tax difference being the difference between the accounting value and the tax cost base at the prevailing corporate tax rate of 30%.

The proforma financial information presented above is prepared on the basis that the Scheme Proposals are successful and GSL acquires all of the project investors' interests in each of the Plantations Projects, and the liability to investors is discharged by the issue of GSL Shares.

Note 2. Proforma Adjustments relating to the Cattle Projects – the 2006 Project and 2007 Project

(a) Biological assets

On successful completion of the Scheme Proposal in relation to the Cattle Projects, GSL will acquire the relevant project investors' cattle and those project investors' contractual rights under the Lease, Management and Agistment Agreements.

The cattle that are acquired are classified in biological assets in the consolidated balance sheet and in accordance with GSL accounting policy are stated in the balance sheet at fair value less point of sale costs.

(b) Lease, Management and Agistment Agreement

The contractual rights that have been acquired would be cancelled and accordingly the amount paid in respect of the contractual rights is to be recognised as an expense in the consolidated income statement.

(c) Deferred Revenue

The consolidated balance sheet at 30 June 2008 includes \$14,147,000 of deferred revenue for the 2006 Project and the 2007 Project. On successful completion of the Scheme Proposal this deferred revenue will be released to the Income Statement.

(d) MIS Loan First Loss Guarantee – Cattle Projects

A number of investors in the Cattle Projects have taken out loans that are ongoing and that GSL has securitised with Bendigo and Adelaide Bank Limited. These loans are secured by a charge over the project investor's interests in the Project. Under the terms of this securitisation arrangement there is no credit recourse to GSL in respect of these loans.

Bendigo and Adelaide Bank Limited have agreed to exchange the security for any such loan to the GSL Shares issued pursuant to the Individual Offers and the Scheme Proposals should the project investor elect to continue with the loan, and the proforma is prepared on the basis that all investors so elect. In exchange, GSL has agreed to provide a first loss guarantee to Bendigo and Adelaide Bank Limited for a minimum of 20% of the outstanding principal value of those loans for which the security is exchanged to GSL Shares and repurchase the loans where effective documentation is not signed.

On successful implementation of the Scheme Proposals the value of the MIS loan first loss guarantee will be \$967,000 (\$676,900 after taxation) in respect of the 2006 Project and \$943,000 (\$660,100 after taxation) in respect of the 2007 Project, assuming all project investors will continue their loans with Bendigo and Adelaide Bank Limited, will be expensed to Income Statement.

(e) Cattle duty

Cattle duty is payable on acquisition of the cattle within the 2006 Project and 2007 Project. Cattle duty will be expensed in the income statement.

(f) Tax effect

The net tax benefit attributable to the release of the deferred revenue, the MIS loan first loss guarantee expense and the cattle duty will be recognised in the income tax expense account with a corresponding adjustment to the deferred tax asset account calculated at the prevailing corporate tax rate of 30%.

The tax cost base attributable to the cattle acquired is determined as the market value of these assets as disclosed in the project investors' 2009 income tax returns, which may be different to the value of the biological asset value recorded in the proforma financial statement. If so this would give rise to a permanent tax difference being the difference between the accounting value and the tax cost base at the prevailing corporate tax rate of 30%.

(g) Contributed equity

The GSL Shares are issued as settlement for the payment of the Consideration for the Scheme Proposals and these shares will be recognised in contributed equity at the fair value of the shares.

The proforma consolidated financial statements presented above are prepared on the basis that all Scheme Proposals are successful and GSL acquires all of the Cattle Projects' interests, and the liability to investors is discharged by the issue of GSL Shares.

Note 3. Other Proforma adjustments

(a) Tax Base of Existing Cattle Assets

GSL leases its cattle into its MIS Cattle Projects and currently does not operate a cattle primary production business for taxation purposes. Accordingly, GSL's cattle are classified for tax purposes as depreciable assets with the annual depreciation charge being tax deductible. Should the Scheme Proposals be successful, GSL will, for tax purposes, commence a cattle primary production business and the cattle will be classified as trading stock. This will result in an adjustment to the current tax base of GSL owned cattle with an increase in the current tax provision and a decrease in the deferred tax liability of \$6,586,000 being equal to the tax depreciation already claimed by GSL.

(b) Transaction Costs

On successful completion of the Scheme Proposals, transaction costs are estimated to total \$8,050,000 before taxation. This will result in an after tax allocation to the contributed equity account of \$5,635,000 and an increase in deferred tax assets of \$2,415,000.

Note 4. Proforma Capital Structure and Net tangible assets per share

The table adjacent shows the proforma number of GSL Shares on issue and the proforma contributed equity balance.

Shares issued at floor GSL Share price (\$0.50)

	Reviewed Actual 30 June 2008	1998 Project	1999 Project	2000 Project	2001 Project	2002 Project	2003 Project	2006 Project	2007 Project	Proforma 30 June 2008
Number of ordinary shares	323,194,920	46,999,624	68,702,154	211,210,800	49,290,560	63,418,912	200,024,330	88,992,780	87,391,200	1,139,225,280
Net tangible assets (\$'000)	684,295									1,025,380
Net tangible assets per share	\$2.12									\$0.90

Shares issued at ceiling GSL Share price (\$1.00)

	Reviewed Actual 30 June 2008	1998 Project	1999 Project	2000 Project	2001 Project	2002 Project	2003 Project	2006 Project	2007 Project	Proforma 30 June 2008
Number of ordinary shares	323,194,920	23,499,812	34,351,077	105,605,400	24,645,280	31,709,456	100,012,165	44,496,390	43,695,600	731,210,100
Net tangible assets (\$'000)	684,295									1,025,380
Net tangible assets per share	\$2.12									\$1.40

Note: Subsequent to 30 June 2008 GSL issued 6,095,209 GSL Shares pursuant to its dividend reinvestment plan, resulting in the total number of GSL Shares on issue as at 8 October 2008 of 329,290,129.

Note 5. Proforma adjustments where Scheme Proposals are not Successful but Individual Offers acceptances are received

The Scheme Proposals are not inter dependent and Individual Offers have been made to project investors in each Project making partial acceptance possible. There are, therefore, a number of possible outcomes that may eventuate. It has been assumed any project investor who accepts the Individual Offer will also vote in favour of the Scheme Proposals in which case, if greater than 75% of project investors accept the Individual Offer, it is reasonable to assume the Scheme Proposals would be approved.

(a) The Plantations Projects

Should the Scheme Proposals in relation to each of the Plantation Projects not be successful but Individual Offer acceptances are received then, other than the adjustment relating to the MIS Loan First Loss Guarantee, the proforma adjustments relating to the Plantation Projects noted above, which assumes all of the project interests are exchanged for GSL Shares, will be adjusted proportionately to reflect the level of acceptance received.

The adjustment relating to the MIS Loan First Loss Guarantee will depend upon the number of project investors who accept the Individual Offer relating to the 2003 Project that also have an MIS loan with Bendigo and Adelaide Bank Limited. The value of the MIS loan first loss guarantee can only be determined when this is known and may be less than that shown in the above proforma balance sheet and income statement.

(b) The Cattle Projects

Should the Scheme Proposals in respect of each of the Cattle Projects not be successful but Individual Offer acceptances are received then, other than the adjustment relating to the MIS Loan First Loss Guarantee, the proforma adjustments relating to the Cattle Projects noted above, which assumes all of the project interests are exchanged for GSL Shares, will be adjusted proportionately to reflect the level of acceptance received.

The adjustment relating to the MIS Loan First Loss Guarantee will depend upon the number of project investors who accept the Individual Offer that also have an MIS loan with Bendigo and Adelaide Bank Limited. The value of the MIS loan first loss guarantee can only be determined when this is known and may be less than that shown in the above proforma balance sheet and income statement.

(c) Other Proforma Adjustments

(i) Tax Base of Existing Cattle Assets

Where as a result of Individual Offer acceptances relating to the 2006 Project and 2007 Project, GSL is defined as having commenced a cattle primary production business, the adjustment noted at 3(a) above will apply in full.

(ii) Transaction Costs

The success based component of the transaction costs is calculated at 0.7% of the value of GSL Shares issued in respect of the Scheme Proposals and Individual Offers capped at a total of \$3,250,000. These success fees are payable only if the total Scheme Proposals and Individual Offers acceptance is 50% or greater.

4. Financial Year 2009 Guidance

GSL has given careful consideration as to whether complete forecast income and cash flow statements relating to the post transaction GSL can be and should be included in this Prospectus. GSL has concluded that complete forecast income and cash flow statements can not be included given the uncertainties in relation to predicting certain elements of GSL's business as it does not have a reasonable basis for such forecasts as required by applicable law and practice.

The main reason for this conclusion is that the level of tax effective MIS sales has the potential to materially impact the financial year ending 30 September 2009 (FY2009) results of GSL. Tax effective MIS sales will be impacted by a variety of factors which cannot be accurately predicted, including the ATO providing product rulings, economic conditions and the ability for GSL to make available products for sale.

Although GSL is not providing a complete FY2009 forecast income statement and cash flow statement, it intends to provide guidance on specific operating revenue and expenditure and capital expenditure (capex) items (based on GSL's operating budgets for the year ending 30 September 2009) so as to provide investors with select information relevant to understanding GSL's future business model. Accordingly, the disclosures below relate only to selected operational items and do not represent a complete forecast of all relevant revenues and costs. In particular, the disclosures do not include the accounting treatment of land and biological assets (future movements which can not be accurately predicted) which may result in material impacts to the income statement, or any revenues and expenditures associated with the future level of MIS sales. Also excluded is the accounting impact of a number of non-operational matters, including (but not limited to) share based payments, financing costs, finance revenues, MIS revenues, taxation, depreciation and amortisation.

Information presented in the Financial Year 2009 Guidance has been prepared in accordance with the accounting policies set out in Note 1 to the historical and proforma financial information in Section 3 of this Prospectus and the recognition and measurement (but not all disclosure requirements) of Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The guidance below is based upon GSL management's current best estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of GSL, the GSL Directors and GSL's senior management team. The inclusion of this guidance should not be regarded as a representation or warranty with respect to its accuracy, or the accuracy of the underlying best estimate assumptions, or that GSL will achieve, or is likely to achieve, any particular results.

The outcomes of each of the Scheme Proposals will impact the FY2009 results of GSL to some degree. However, the two Plantation Projects scheduled for harvesting in FY2009 (being the 1998 Project and 1999 Project) and the Cattle Projects (2006 Project and 2007 Project) have the potential to significantly impact GSL in FY2009.

Impact of success of Scheme Proposal or acceptance of Individual Offer

Projects that will impact FY2009 significantly:

Plantations Projects: 1998 Project & 1999 Project

These plantations are scheduled to be harvested during FY2009 and net harvest proceeds that would otherwise be 94.5% attributable to project investors and 5.5% attributable to GSL will become 100% attributable to GSL

Cattle Projects: 2006 Project & 2007 Project

Cattle are mustered annually and cattle sale proceeds that would otherwise be 50% attributable project investors and 50% attributable to GSL will be 100% attributable to GSL

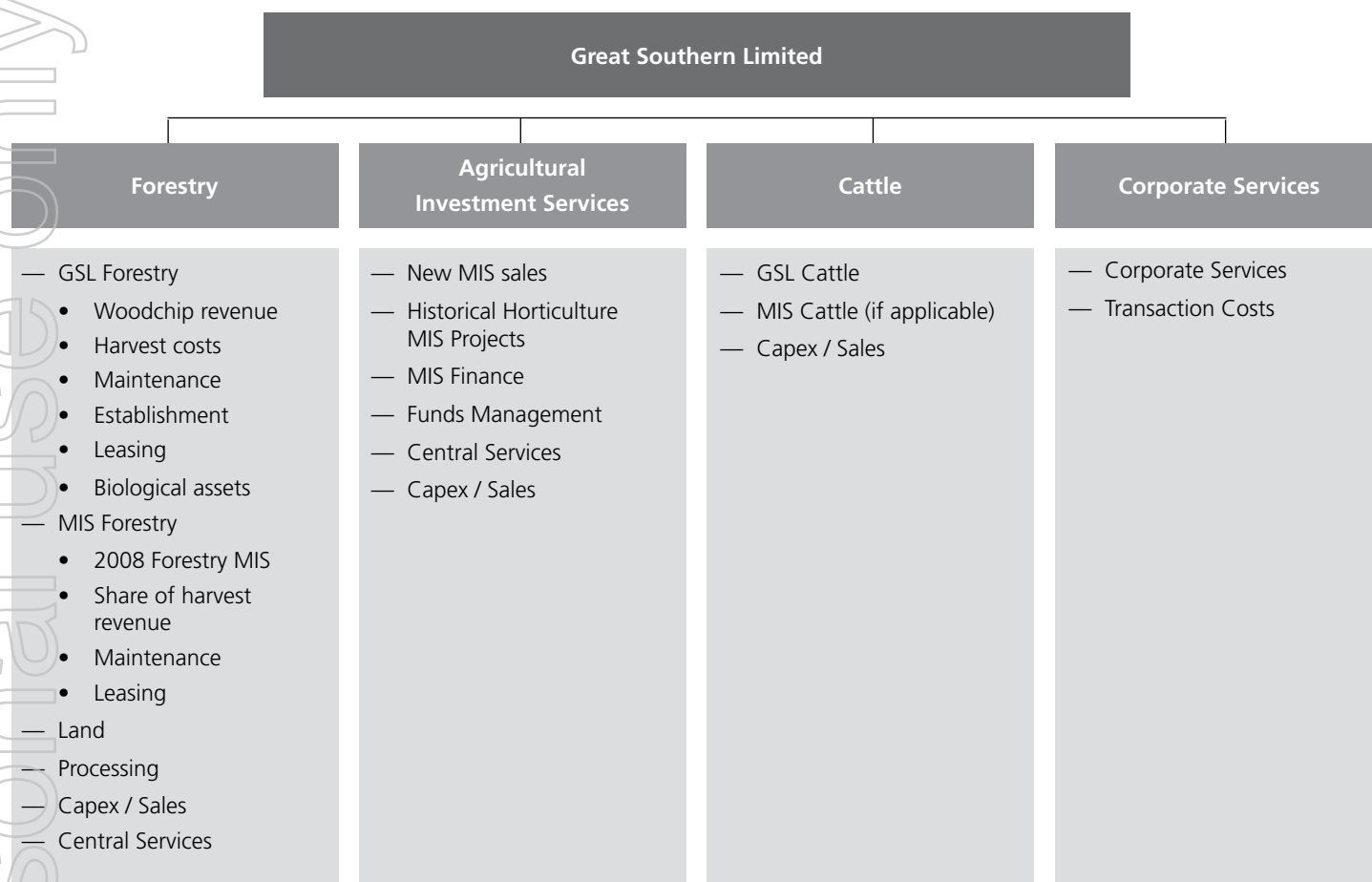
Projects that will not impact FY2009 significantly:

Plantations Projects: 2000 Project, 2001 Project, 2002 Project and 2003 Project

These plantations are not scheduled to be harvested during FY2009. However, operational costs are 100% attributable to GSL regardless of the outcome of the Scheme Proposals or Individual Offers.

The diagram below represents the post transaction reporting structure of GSL's business and the main operational revenue and cost items. MIS forestry and MIS cattle operational costs are reported through the forestry and cattle divisions respectively – although the projects are administered by the Agricultural Investment Services division.

Figure 4.0.1 GSL FY2009 Post Transaction Reporting Structure



4.1 Forestry

Whether or not each Scheme Proposal or Individual Offer is successful, GSL's obligations associated with maintaining plantations will not materially change. However, as outlined in the table below, to the extent that project investors in the 1998 Project, the 1999 Project or the Cattle Projects neither approve the Scheme Proposal nor accept the Individual Offers, GSL's revenues in FY2009 will be materially impacted.

The table below shows selected GSL FY2009 operating revenue, cost and capex line items for GSL in its current state (i.e. no Scheme Proposals succeed) and the incremental impact of the successful implementation of the 1998 Project and the 1999 Project.

Summary of FY2009 Forestry Operating Revenues, Costs and Capex

		Existing GSL	1998 Project	1999 Project	Total**
Tonnes harvested	GMt	397,000	279,000	420,000	1,096,000
Revenue					
Woodchip Forestry revenue	\$m	42.8	30.1	45.3	118.2
Share of MIS Revenue+	\$m	2.0	(0.8)	(1.2)	-
Operating Revenue	\$m	44.8	29.3	44.1	118.2
Operating Costs					
Harvesting costs	\$m	23.6	16.3	23.0	62.9
Maintenance	\$m	11.1	-	-	11.1
GSL Establishment	\$m	-	-	-	-
MIS Establishment Costs	\$m	22.2	-	-	22.2
Forestry Central Services	\$m	44.4	-	-	44.4
Operating Costs	\$m	101.3	16.3	23.0	140.6
Capex					
Maintenance Capex	\$m	2.5	-	-	2.5
Net GSL Land (Sales)	\$m	(4.6)	-	-	(4.6)
MIS Land Capex	\$m	25.5	-	-	25.5
Net Capex	\$m	23.4	-	-	23.4

** Assuming the Scheme Proposals for the 1998 Project and the 1999 Project are successfully implemented

+ GSL share of net harvest proceeds of the 1998 Project and the 1999 Projects

The above costs exclude biological asset movements and non operating costs such as corporate overhead allocations, financing costs and tax

In addition to the scenarios presented above there is the potential for a range of outcomes whereby either one or both of the Scheme Proposals in relation to 1998 Project or 1999 Project is not successful, but the Individual Offers are partially accepted in relation to either Project. If this occurs, GSL can expect to earn a proportion of the relevant Project woodchip revenue and incur a proportion of the harvesting costs (shown above) which is the same as the proportion of acceptances received under the Individual Offer.

FY2009 Forestry Revenue and Costs

Forestry Revenue and Costs		Existing GSL	1998 Project	1999 Project	Total**
Forestry Revenue					
GMt harvested	GMt	397,000	279,000	420,000	1,096,000
Hectares harvested	Ha	2,714	1,778	2,592	7,084
Dry fibre %	%	52.00%	52.00%	52.00%	52.00%
BDMt	BDMt	206,000	145,000	218,000	569,000
Woodchip price	\$/BDMt	207.4	207.4	207.4	207.4
Forestry revenue	\$m	42.8	30.1	45.3	118.2
Harvesting & Processing Costs					
Harvesting & processing costs	\$m	23.6	16.3	23.0	62.9

** Assuming the Scheme Proposals for the 1998 Project and the 1999 Project are successfully implemented

Forestry revenue is directly related to the bone dry weight of woodchip sold to customers. Australian woodchips are generally exported and sold on a free on board (FOB) basis, with pricing in Australian dollars per bone dry metric tonne (BDMt).

The woodchip price is negotiated annually for the whole of the Australian plantation hardwood industry. The conclusion of negotiations usually occurs in February to April each year, with the outcome applying for the entire calendar year (and payments backdated for shipments in that year that occur prior to conclusion of negotiations). The 2008 prevailing price is A\$207.40 per BDMt and for the FY2009 Guidance this has been assumed as the prevailing price. Harvested wood is measured in green metric tonnes (GMt). A GMt is the weight of wood including dry fibre and moisture. The conversion of GMt to BDMt is based on the dry fibre content or percentage. Dry fibre contents vary depending on the characteristics of wood – but historically have generally been in the range of 49 – 54% for GSL woodchips.

Costs involved in harvesting, processing and transporting timber to the point of sale depend on plantation specific factors (e.g. yield and distance from port) and regional processing cost structures (e.g. harvesting arrangements, nature and availability of processing facilities, port costs etc). Given the significant fixed cost nature of processing infrastructure such as stockpiles, woodchip mills and ship loaders, increased volumes can result in material per unit costs reductions.

Share of MIS Project Harvest Revenue

MIS Forestry - Share of Net Harvest Proceeds		Existing GSL	1998 Project	1999 Project	Total**
MIS GMt Harvested	GMt	699,000	(279,000)	(420,000)	-
Share of MIS Revenue	%	5.50%	5.50%	5.50%	-
Share of MIS Revenue+	\$m	2.0	(0.8)	(1.2)	-

** Assuming the Scheme Proposals for the 1998 Project and the 1999 Project are successfully implemented.

+ GSL share of net harvest proceeds of the 1998 Project and the 1999 Project.

GSL's share of MIS harvesting revenue is derived from GSL's right to receive 5.5% of net harvest proceeds from those Plantation Projects for which the Scheme Proposals are not successfully implemented.

FY2009 Forestry MIS Land Requirements

GSL has commitments to establish timber plantations relating to its 2008 tax effective MIS sales of its pulpwood and HVT products. The nature of tax effective forestry MIS sales is that establishment of a plantation occurs 6-12 months after 30 June of the year of the investment. As a result, the majority of establishment costs for FY2008 MIS forestry sales will be incurred in FY2009. MIS forestry sales in FY2008 comprised \$103 million for its 2008 pulpwood product, \$13 million for GSL's previous pulpwood product and \$84 million for HVT. These sales require GSL to establish 9,015 hectares of pulpwood plantations, 1,676 hectares of teak and 1,676 hectares of African mahogany plantations.

Land Requirements 2008 MIS Projects		Hectares Required	Existing Hectares or 2R Pulpwood Land	Total Hectares to be Purchased
HVT (teak and African mahogany)	Ha	3,352	2,975	377
Pulpwood	Ha	9,015	7,299	1,716

In addition to the requirements for land for 2008 MIS sales, it is anticipated that further land will be acquired in FY2009 relating to new FY2009 MIS sales.

MIS Capex		FY2009
Land Capex 08 Projects	\$m	15.8
Land Capex 09 Projects	\$m	9.7
Total MIS Capex	\$m	25.5

Compared to FY2008, the cost per hectare for pulpwood land is forecast to drop from \$6,363/Ha to \$5,828/Ha due to changes in the land mix.

FY2009 Forestry Operating Costs

Forestry operating costs are primarily comprised of maintenance, establishment and forestry central services.

Maintenance Costs

Maintenance Costs		FY2009
Total cost**	\$m	11.1

** Assuming the Scheme Proposals for the 1998 Project and the 1999 Project are successfully implemented.

During the life of the project prior to harvest, investors are also liable for insurance costs relating to their plantations. Maintenance costs relate to maintaining plantations including items such as weed control, fertiliser, fire prevention and general maintenance. Maintenance costs vary greatly during the life-cycle of a plantation and are generally higher in the earlier years where weed control and fertiliser activities more frequently occur. GSL requires some discretion in the timing and nature of maintenance costs due to various factors including climatic conditions and the prevalence of pest, disease or vermin. On a year to year basis, between FY2008 and FY2009 maintenance costs (other than due to the change in the age profile of the plantation estate) are due to fall by approximately \$10 million following a review of our forestry maintenance operations which has resulted in initiatives to reduce fertiliser application and weed, pest, disease and vermin control activities without compromising required silvicultural practices.

Establishment Costs

Establishment Costs		FY2009
MIS Establishment Costs	\$m	22.2

Establishment costs relate to the preparation of land and subsequent planting of seedlings. In relation to eucalyptus pulpwood, after harvest the subsequent rotation can be conducted either by coppice or by replanting.

During FY2009 GSL intends to coppice a large proportion of its second rotation pulpwood land to assist in meeting its commitments arising from the FY2008 pulpwood MIS project sales. As a result, GSL's average per hectare for plantation establishment in FY2009 is expected to be lower than in previous years.

This saving together with a reduction in pulpwood project sales in FY2008, and a consequent reduction in the hectares that needs to be planted, is expected to result in a reduction of approximately \$13.8 million to pulpwood establishment costs in FY2009.

Other than the MIS establishment costs described above GSL does not expect to incur significant establishment costs to its own account in FY2009.

Forestry Central Services

Central Services Costs		FY2009
Total central services costs	\$m	44.4

Forestry central services include activities such as forestry employees, forestry management, leasing, mapping, regional offices, information systems and MIS compliance costs. These costs are expected to total approximately \$44.4 million in FY2009. The most significant items are employee costs for over 150 forestry staff and the leasing costs related to the 59,000 hectares of GSL's plantations which are located on land held under long term lease.

Lease costs are largely fixed year on year, and lease (and other similar) payments are indexed to inflation indices. Of the 59,000 leased hectares, approximately 43% relates to land leased on a long term basis on the Tiwi Islands where lease rates are relatively low (because they are calculated on the value of the land before any development), and approximately 24% relates to the estate purchased from Hansol during 2008. Historically GSL hasn't had significant leasing costs as the majority of project land was purchased freehold. Higher land prices, larger pulpwood projects and a diminishing supply of appropriate freehold land has increased the opportunities to lease larger areas of land suitable for plantation development.

FY2009 Forestry General Maintenance Capex & Land Sales

Forestry General Maintenance		FY2009
General maintenance	\$m	2.5
Net Land capex / (sales)	\$m	(4.6)

In comparison to land capex required to satisfy FY2008 MIS sales which has been described above, GSL's ongoing general forestry maintenance capex requirements are relatively minor.

Any forestry land which is deemed to be unsuitable for replanting may be sold at the completion of harvesting.

4.2 Agricultural Investment Services

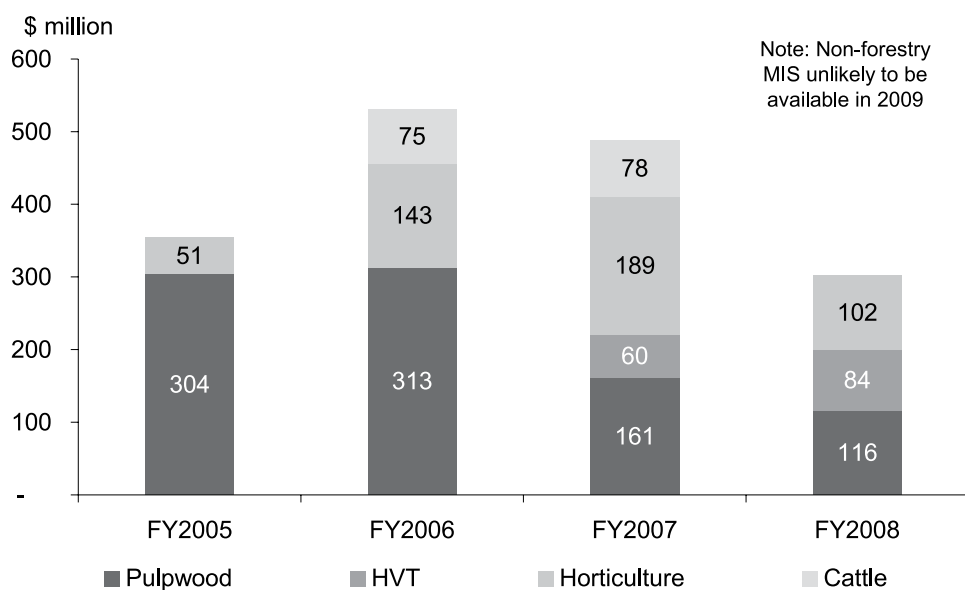
The success of the Scheme Proposals will have no direct impact on the FY2009 financial result of the Agricultural Investment Services division. There is the possibility for the Scheme Proposals to have indirect impacts due to the changed financial characteristics of GSL, the increased focus on forestry, and the articulation of strategic direction provided as part of the Scheme Proposals.

Tax Effective MIS

As noted above, GSL has concluded that financial forecasts can not be included in relation to 2009 tax effective MIS sales. In 2009 GSL will be concentrating its marketing efforts on offering its existing HVT product and restructured pulpwood product as discussed in Section 2 of this Prospectus.

The graph below shows GSL's historical MIS sales split between forestry, horticulture and cattle.

Figure 4.2.1 GSL Historical MIS Sales 2005-2008

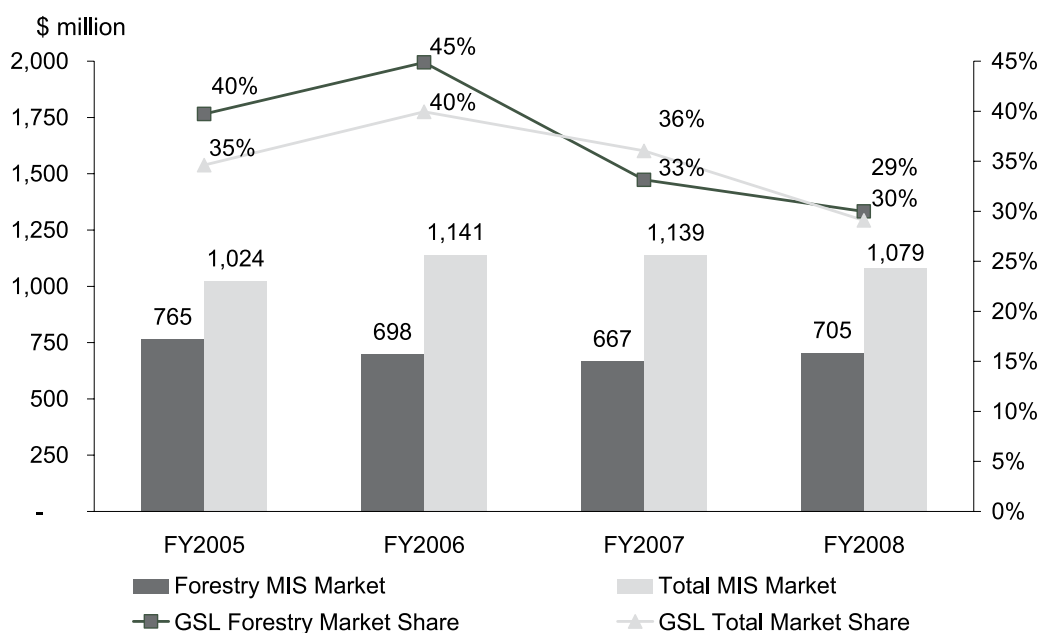


Note: Past performance is not an indication of future performance.

In 2008, GSL's share of the estimated total Australian MIS market was 29%, which was impacted by GSL's decision not to offer its cattle product in the 2008 year.

Source: AAG 2007/8 end of year survey. Note that annual market sales include ongoing payments made through sales in earlier years (e.g. similar to GSL's 2008 almond project structure).

Figure 4.2.2 Australian Historical Total MIS and Forestry MIS sales 2005-2008



Source: AAG 2007/8 end of year survey. Note that annual market sales include ongoing payments made through sales in earlier years (e.g. similar to GSL's 2008 almond project structure).

Note: Past performance is not an indication of future performance.

Horticultural MIS projects

GSL manages a number of historical horticultural MIS projects. Each project has slightly differing project features as summarised in the table below:

Project Type	Project Expiry	Hectares	GSL Revenue Share	Ownership of Land
Almond				
2006	2026	266	Yr 3 – 20: 4.5%	GSL & GSL Managed Fund
2007	2026	287	Yr 1-2: Fixed Fee of \$8,727/ha Yr 3 - 20: 4.5%	GSL & GSL Managed Fund
2008	2027	781	Yr 1-4: – Fixed Fee of \$8,727/ha Yr 5-20: 4.5%	GSL & GSL Managed Fund
Non Project	n/a	467	100%	GSL
Total		1,801		
Vineyards				
2004	2024	179	Yr1-3: 100% Yr 4-20: 45%	GSL
2005	2025	343	Yr1-3: 100% Yr 4-20: 45%	GSL
2006	2026	250	Yr1: 40% Yr2-3: 45% Yr 4-20: 50%	GSL
2007	2027	635	Yr1: 40% Yr2-3: 45% Yr 4-20: 50%	GSL
2008	2028	922	Yr1-20: 45%	GSL & GSL Managed Fund
Non Project		130	100%	GSL
Total		2,459		
Olives				
2005	2025	241	Yr1-4: 100% Yr 5-20: 45%	
2006	2026	612	Yr1-4: 100% Yr 5-20: 45%	
2007	2027	896	Yr1-4: 100% Yr 5-20: 40%	
2008	2028	1,020	Yr1-4: 100% Yr 5-20: 40%	
Non Project		137	100%	
Total		2,906		

Vineyards, olives and almonds reach full maturity at around age 5-8 years, and at maturity GSL would expect to receive greater revenues through its share of these revenues under the MIS project structures. All horticultural MIS projects were originally structured so as to deliver GSL sufficient revenue at maturity to cover the ongoing operational costs associated with the project.

Horticultural MIS Projects	FY2009	
Operating Revenues	\$m	26.2
Operational Expenditure	\$m	50.0
Capex	\$m	8.9

Compared to FY2008, GSL has begun implementing a number of cost reduction initiatives which are expected to deliver annualised costs savings. These cost savings measures include:

- In FY2008, 535 hectares of almonds were planted bringing the total estate size up to 1,801 hectares. In FY2009 the average operational expenditure cost per hectare is expected to increase by \$401 per hectare driven by increasing operational expenditure requirements as the orchards mature (such as additional water licence fees and plant and equipment) offset partially by a more efficient operating cost profile and benefiting from economies of scale within the almond business. FY2008 featured 535 hectares of new almond establishment, however as GSL is not expecting to offer an almond project in FY2009 no material establishment costs are expected to be incurred in FY2009. In addition, the almonds operational expenditure will be subject to a level of cost cutting and reduced inputs without compromising required horticultural practices.
- Vine operating costs, which include one off establishment costs and annual operating expenditure, are expected to decrease in FY2009 by approximately \$3,276 per hectare compared to FY2008. This is driven by a lower establishment programme and a reduction in overall operational expenditure. As GSL is not expecting to offer a vine project in FY2009 no material establishment costs are expected to be incurred in FY2009. In addition the vines operational expenditure will be subject to a level of cost cutting and reduced inputs without compromising required horticultural practices. All of the above measures are expected to save GSL approximately \$7.5 million in FY2009. This offsets the increased maintenance requirements resulting from a larger vines estate.
- Olive costs are expected to fall by \$928 per hectare in FY2009. This is partially driven by reduced establishment costs as no new olive projects will be established in FY2009. In addition, the olives operational expenditure will be subject to cost cutting, reduced inputs and will utilise sheep grazing as an alternative for weed control without compromising required horticultural practices. These cost cutting measures are expected to save GSL approximately \$1.8 million in FY2009.

Agricultural Funds Management

During FY2008 GSL acquired Rural Funds Management Limited, an established agricultural funds management business. GSL is currently focussing on attracting fund inflows into GSL's Rural Opportunities Fund (ROF).

As at 30 June 2008, GSL's agricultural funds management business has assets under management of \$231 million. GSL earns fees on assets under management as well as fees on fund inflows and for managing developments undertaken by managed funds. As this is a relatively new business, GSL does not believe it has sufficient basis by which to forecast fund inflows and therefore revenues associated with ROF. However, as a whole, assuming no new funds inflows or outflows, GSL expects its agricultural funds management business to make a marginal positive contribution before allocation of any corporate costs.

FY2009 Agricultural Investment Services - Central Services

Agricultural Investment Services - Central Services		FY2009
Total cost*	\$m	19.1

*excluding sale commissions as these can not be predicted

Agricultural Investment Services central services cover a wide range of functions necessary to service and grow GSL's Agricultural Investment Services business. The costs include sales and marketing staff, state-based sales offices, research costs, sales and marketing programs and materials, fund reporting and compliance costs.

GSL has begun to implement a number of cost reduction initiatives which are expected to deliver annualised costs savings in FY2009. These include savings arising from a restructure of the sales, marketing and distribution team which took place in July 2008 and which resulted in the redundancy of 47 staff providing an annualised salary cost saving of approximately \$4.8 million before performance related bonuses.

Other savings are expected from initiatives being implemented to more efficiently market and support the sale of agricultural investment services which are expected to supplement savings in the development, printing and distribution of the 2008 scheme product disclosure statements and related marketing and project support materials due to the reduction in the number of MIS schemes being offered in FY2009.

4.3 Cattle

For both of the Cattle Projects, GSL is responsible for all operating costs associated with managing the cattle and providing sufficient land on which to stand project cattle and GSL is entitled to 50% of cattle sale proceeds.

In the event the Scheme Proposals for the Cattle Projects are successfully implemented, GSL would have rights to 100% of future cattle sale proceeds.

As discussed in Section 2.5, GSL may decide to sell some or all of its cattle assets to reduce GSL's overall gearing. If this occurs the guidance below will no longer be appropriate.

		Existing GSL	2006 Project	2007 Project	Total**
Breeding herd	#	5,000	62,000	66,000	133,000
Total herd	#	10,000	101,000	106,000	217,000
Average sale price	\$/head	679	535	511	531
Proceeds from cattle sales	\$m	8.5	19.0	17.8	45.3
GSL share of MIS sales+	\$m	18.4	(9.5)	(8.9)	0.0
Total Revenue	\$m	26.9	9.5	8.9	45.3
Cattle operating expenses	\$m	29.0	-	-	29.0
Cattle property leases costs	\$m	25.1	-	-	25.1
Total Operating Costs	\$m	54.1	-	-	54.1
Capex	\$m	2.5	-	-	2.5

** Assuming the Scheme Proposals for the 2006 Project and 2007 Project are successfully implemented.

+ GSL share of net proceeds of the 2006 Project and the 2007 Project.

The above selected costs exclude biological asset movements and non operating costs such as corporate overhead allocations, financing costs and tax

Cattle sales revenue is derived from the number of cattle sold. Cattle values are generally based on a price per kg. Prices vary based on the nature and location of the cattle market and the characteristics of the cattle being sold. Weights vary based on age, sex, breed, location and general condition of cattle and is impacted by the availability of feed.

The decision on the timing of when to sell cattle is based on a number of factors including market conditions, market availability, views on future market conditions, availability of cattle feed on properties and seasonal factors dictating the ability to muster cattle at various times of the year. Therefore forecast cattle sales shown above are based on an "average" season but are subject to change based on changes in these factors.

GSL is responsible for all cattle operating expenses under the Cattle Projects. Therefore the success of the Scheme Proposals or Individual Offers in relation to these Projects will have no material impact on GSL's cattle operating costs. Operating costs relate to items including staff, mustering costs, replacement of breeding herd and bulls, maintenance, ear tags, cattle transport and management costs.

Many of the inputs required to run GSL's cattle properties increased in price in FY2008. In particular, fuel, fertilizer and steel have seen significant increases in price. To counter this GSL has initiated measures including programmes to more efficiently manage fuel and power usage, review weaner management and work with the forestry division to generate operational efficiencies.

4.4 Corporate Services

Corporate Services		FY2009
Total Costs*	\$m	34.5

* Excludes Transaction Costs relating to the Scheme Proposals and the Individual Offers

The majority of activities and costs in the corporate services division relate to the corporate governance and management of GSL and include functions and activities common to most ASX listed companies of GSL's size, including board and senior management, company secretarial, compliance, insurance, legal, risk, health & safety, information systems, human resources and head office costs.

GSL expect corporate services costs to reduce in FY2009 from initiatives aimed at increasing efficiencies and streamlining some functions by up to \$1.5 million. This process began in July 2008 with the redundancy of 6 staff from the central services group.

With respect to insurance, should the Scheme Proposals be successful then GSL will be responsible for insuring the relevant timber and cattle assets. GSL does not expect this additional insurance coverage will materially impact its existing level of insurance premiums.

5. GSL Capital Structure and Share Price History

5.1 Current capital structure of GSL

Issued shares

As at 8 October 2008, the last Trading Day before the Announcement Date, GSL had 329,290,129 ordinary shares on issue.

Options

As at 8 October 2008, the last Trading Day before the Announcement Date, GSL had the following options on issue:

Number of Options	Expiry Date	Exercise Price
4,670,000 (management performance rights Series 1)	17 December 2009	\$0.00 (subject to performance hurdles)
1,417,500 (management performance rights Series 2)	1 March 2011	\$0.00 (subject to performance hurdles)
3,245,000 (management performance rights Series 3)	20 December 2011	\$0.00 (subject to performance hurdles)
3,550,000 (management performance rights Series 4)	25 November 2012	\$0.00 (subject to performance hurdles)

5.2 Capital structure if all Scheme Proposals successful

The successful implementation of the Scheme Proposals will ensure a common investor base in each of GSL and the Projects.

Pursuant to the success of all Scheme Proposals, there will be a significant change to the capital structure of GSL going forward. Investors in each of the Projects, through their listed GSL Shares, will own a substantial part of the GSL business and therefore be leveraged to the returns of the broader GSL including rights to any future dividends.

The capital structure of GSL will be a function of the successful implementation of each of the Scheme Proposals or the level of acceptances of the Individual Offers. The capital structure of GSL following the successful implementation of the Scheme Proposals presented in this Section is for illustrative purposes only. It is provided as a guide to assist project investors in each of the Projects in considering the effect of the Scheme Proposals on GSL. Investors in each of the Projects are provided the opportunity to accept the Individual Offer for their Project regardless of whether the Scheme Proposal for their Project is implemented and therefore the number of GSL Shares issued in total may vary from the capital structure shown in this Section 5.2.

The number of GSL Shares provided to project investors in a Project will vary depending on the VWAP of GSL Shares on the ASX for the Reference Period before the Project Investors' Meeting Date, subject to a floor GSL Share price of \$0.50 and a ceiling GSL Share price of \$1.00.

Figure 5.2.1 GSL capital structure if all Scheme Proposals implemented (100% success)

Project	GSL Shares to be issued per Woodlots or Drovers in a Project at floor GSL Share price (\$0.50) ¹	GSL Shares to be issued per Woodlots or Drovers in a Project at ceiling GSL Share price (\$1.00) ¹	Total GSL Shares to be issued for all Woodlots or Drovers in a Project at floor GSL Share price (\$0.50) ² (million)	Total GSL Shares to be issued for all Woodlots or Drovers in a Project at ceiling GSL Share price (\$1.00) ² (million)
1998 Project	4,606	2,303	47.0	23.5
1999 Project	5,466	2,733	68.7	34.4
2000 Project	4,958	2,479	211.2	105.6
2001 Project	3,520	1,760	49.2	24.6
2002 Project	3,464	1,732	63.4	31.7
2003 Project	3,806	1,903	200.0	100.0
2006 Project	5,910	2,955	89.0	44.5
2007 Project	5,602	2,801	87.3	43.7
Total Scheme Proposals¹			816.0	408.0
Total Existing GSL Shares ²			329.3	329.3
Proforma GSL Shares on Issue ³			1,145.3	737.3

¹ If a project investor has any amounts owing to GSMAL in relation to the Project (for example GST or insurance premiums), then a trading lock will be placed on the GSL Shares until the amounts are repaid. Refer to Section 9.7 of this Prospectus for more detail.

² GSL Shares on issue as at 8 October 2008

³ Assumes the successful implementation of all of the Scheme Proposals.

5.3 Dividend policy

The GSL Directors will reassess the dividend policy after the Project Investors' Meetings. The amount and payment of any future dividends will be subject to GSL's surplus cash position. Past dividends are no indication of the payment of any future dividends.

5.4 Recent price history of GSL Shares

GSL Shares are quoted on the ASX. The highest and lowest recorded sale prices of existing GSL Shares on ASX during the four months immediately preceding the last Trading Day before the Announcement Date (8 October 2008), and the respective dates of those sales, were:

Date	Highest Price \$	Date	Lowest Price \$
10 June 2008	1.38	18 Sept 2008	0.285

The latest recorded sale price of GSL Shares on the last Trading Day before the Announcement Date was \$0.53 (on 8 October 2008).

5.5 Share price graph

The share price performance of GSL over the past 12 months has been negatively affected by a number of factors including:

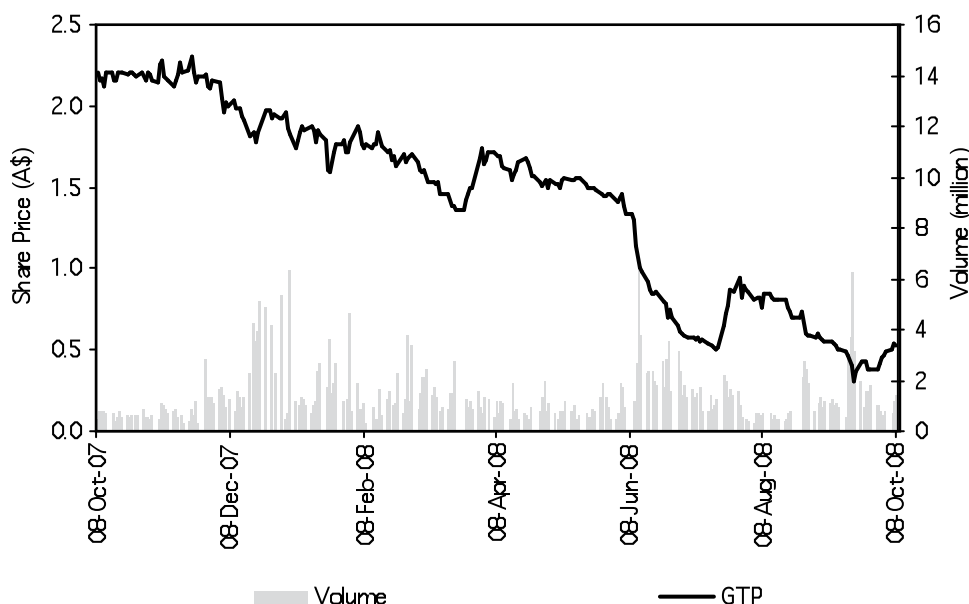
- Uncertainty surrounding the future tax deductibility of non-forestry MIS projects;
- A drop in MIS sales between FY2007 and FY2008 of 24%;
- A fall in profit margins due to higher capital and operating costs being experienced across the industry;
- Global equity market turmoil including significant negative sentiment towards the financial services industry; and
- GSL's largest shareholder, the Ospraie Fund, publicly indicating that it is closing its flagship hedge fund and selling down investments over 3 years.

The GSL Shares being offered to project investors in each of the Projects are trading near historical lows and represent an opportunity for project investors to benefit from the expected benefits of the successful implementation of the Scheme Proposals. Based on the growth prospects, a more stable earnings profile and an improved balance sheet, the GSL Directors believe that there is scope for the value of your investment to increase following implementation of the Scheme Proposals.

Subject to the success of all Scheme Proposals, the transaction is significant enough to be considered company transforming in terms of size and nature. In this case project investors in each of the Projects will effectively be receiving shares in the combined group as opposed to the existing stand alone GSL. If all Scheme Proposals are successfully implemented, GSL is expected to gain the maximum exposure to each of the benefits outlined in Section 2.5 of this Prospectus. If all of the Scheme Proposals are not successful, the full potential of these benefits is not expected to be realised as discussed in Section 7 of this Prospectus.

This graph shows the closing price of GSL Shares on ASX August 2007 up to the Announcement Date.

Figure 5.5.1 Closing price of GSL Shares as traded on the ASX



6. Other effects of the Scheme Proposals

6.1 Effect on GSL Shareholders

Existing GSL Shareholders who are not investors in any of the Projects will not receive any of the GSL Shares under the Scheme Proposals. This will mean that the issue of GSL Shares to investors in each of the Projects will result in their shareholding in GSL being diluted.

6.2 Effect of the Scheme Proposals on GSL Note holders

TREES and RAPT

As at the date of this Prospectus, GSL had the following debt instruments on issue:

Class	Number	Face Value	First Reset Date
TREES2	799,000	\$100 per TREES2	31 October 2009
TREES3	1,247,000	\$100 per TREES3	31 October 2010

(a) TREES

In October 2004 the company issued 800,000 Transferable REset Exchangeable Securities series 2 or TREES2, each with a face value of \$100 raising \$80,000,000 before issue costs. At the discretion of the GSL Directors each TREES2 pays a preferential non-cumulative franked coupon payable semi-annually in arrears.

In October 2005, GSL issued a third hybrid security series, Transferable REset Exchangeable Securities series 3, or TREES3. A total of 1,247,000 TREES3 with a face value of \$100 each were issued raising a total of \$124,700,000 before issue costs. TREES3 pays a preferential cumulative unfranked coupon payable semi-annually in arrears.

TREES2 and TREES3 are perpetual (but subject to holder conversion and redemption rights in certain circumstances), subordinated reset convertible notes with no fixed maturity (but with fixed reset rates) and TREES3 are redeemable at the option of GSL (TREES2 and TREES3 are subject to GSL conversion rights in certain circumstances). TREES2 has no cumulative coupon obligations and TREES3 has a cumulative coupon obligation. The distributions on TREES2 and TREES3 are recognised in the income statement of GSL as interest expense. The coupon rates for TREES2 and TREES3 are 6.4% and 7.75% respectively.

A holder can convert TREES2 by notice of at least 35 Business Days and 25 Business Days for TREES3 (but in each case no more than 6 months) prior to a reset date.

If a conversion notice is issued in relation to a reset date, TREES will convert to ordinary shares in GSL in a number determined by the formula in the respective trust deeds which is based upon the VWAP of GSL Shares for the period of 20 Business Days immediately preceding the conversion date and applying a conversion discount of 5%. The minimum number of conversion shares is 24.05 GSL Shares per TREES2 and 25.75 GSL Shares per TREES3.

In the case of a conversion notice for TREES2, GSL can elect to procure a third party purchaser for TREES2 rather than convert.

The Scheme Proposals will not trigger separate/new holder conversion or redemption rights in respect of TREES2 or TREES3 or an adjustment to the terms of the TREES2 or TREES3.

(b) RAPT

In August 2006 GSL entered into a structured finance transaction in which GSL received \$211,691,000 net of issue costs through the issue of debentures and purchased a held-to-maturity investment for \$75,036,000. The transaction is structured such that the cash flows GSL receives from the held-to-maturity investment are expected to be sufficient to meet the obligations of the transaction through to 2012 including the payment of interest not capitalized. The amount to be repaid in August 2012 including capitalized interest will total \$257,670,000. The borrowings are limited in recourse to the held-to-maturity investment and specified investment property land within Great Southern Property Trust, a wholly owned entity of GSL.

The Scheme Proposals will not entitle any financier to require earlier repayment of RAPT facility amounts.

6.3 Effect of the Scheme Proposals on corporate debt

GSL has a syndicate bank corporate facility in place which at 30 June 2008 was fully drawn to \$350,000,000. On 26 September 2008, GSL secured bank approval for: (a) support for the Scheme Proposals; (b) a 13 month extension to the maturity of \$120,000,000 of facility borrowings from September 2009 to 31 October 2010; and (c) commitments for an additional \$30,000,000 of bank debt. For further information refer to Section 3 of this Prospectus.

6.4 Effect of the Scheme Proposals on voting power in and control of GSL

As at 22 October 2008, the top 20 shareholders in GSL and their shareholdings were as follows:

	Name	Number of Shares Held*	% of Issued Shares
1.	HSBC Custody Nominees (Australia) Limited - A/C 3	65,377,620	19.85
2.	HSBC Custody Nominees (Australia) Limited	27,708,865	8.41
3.	JSJA Holdings Pty Ltd	27,356,049	8.31
4.	West Star Holdings Pty Ltd	13,231,650	4.02
5.	ANZ Nominees Limited	9,193,419	2.79
6.	National Nominees Limited	8,482,612	2.58
7.	Latitude Holdings Pty Ltd	8,291,196	2.52
8.	Citicorp Nominees Pty Ltd	7,979,092	2.42
9.	J P Morgan Nominees Australia Limited	6,124,681	1.86
10.	Forbar Custodians Limited	2,646,193	0.80
11.	Baldy Bay Pty Ltd	2,336,629	0.71
12.	Ace Property Holdings Pty Ltd	1,982,005	0.60
13.	Merrill Lynch (Australia) Nominees Pty Ltd	1,541,187	0.47
14.	Wallbay Pty Ltd	1,516,700	0.46
15.	Zazu Holdings Pty Ltd	1,250,000	0.38
16.	Argo Investments Limited	1,237,806	0.38
17.	Mr Cameron Arthur Rhodes + Mrs Belinda Christine Rhodes	1,233,333	0.37
18.	Jinespri Pty Ltd	1,150,000	0.35
19.	Mr David Graham Lethbridge + Mrs Margaret Hilda Lethbridge	1,127,584	0.34
20.	Queensland Investment Corporation	1,126,390	0.34
	Total	190,893,011	57.96%

* Note: some of the registered holders of GSL Shares in the above table may hold those GSL Shares as trustee or custodian for a beneficial owner. Refer to table below for substantial shareholders of GSL.

The following table sets out the substantial shareholders of GSL as at 22 October 2008:

Investor	Number of ordinary Shares Held	% of Issued Shares
Ospraie Management	65,377,340	19.9%
Mr and Mrs John C Young	49,572,142	15.1%

Note: the percentage interest and the shareholding in the above table may change if investors in each of the Projects who receive GSL Shares acquire or dispose of GSL Shares.

Note: project investors in each of the Projects should refer to substantial shareholder notices released to the ASX for further details of the shareholding of the substantial shareholders set out in the table above.

Note: refer to Section 9.8 and Section 9.9 for further information on the interests and benefits of GSL Directors.

7. Investment Risks

Subscribers for GSL Shares under each of the Scheme Proposals or Individual Offers need to be aware of the risks outlined below.

7.1 Risks of the Scheme Proposals and the Individual Offers

Project investors should consider the following risks in relation to the Scheme Proposals and the Individual Offers:

Scheme Proposals are not implemented

The full potential of the benefits set out in this Prospectus arising on the implementation of the Scheme Proposals are only expected to be realised in the event that all, or a large majority, of the Scheme Proposals are implemented or Individual Offers are accepted. If the Scheme Proposals are not implemented and only a low proportion of the Individual Offers are accepted, the realisation of these benefits will be limited and GSL's operations will not be materially different from its position pre transaction as outlined in Section 2.2 of this Prospectus.

Exchange of future income for GSL Shares

Through the successful implementation of each of the Scheme Proposals or by accepting the Individual Offers, project investors will be disposing of their right to the future income in respect of each of those Projects in exchange for GSL Shares.

Exposure to share market risk

The value of the project investor's new asset being GSL Shares, will be subject to both general and specific stock market trends, and over time the value of GSL Shares can be expected to fluctuate. These risks are discussed in further detail in Section 7.3 of this Prospectus.

Exposure to new business risks

Project investors are currently exposed to the risk factors impacting their specific project only. If each of the Scheme Proposals are approved, or the project investors accept the Individual Offers, project investors, through their ownership of GSL Shares will become exposed to business risks which impact other parts of the GSL business. These risks are discussed in more detail in Section 7.2 of this Prospectus.

Significant issue of GSL Shares

The implementation of each of the Scheme Proposals and the Individual Offers will result in GSL issuing a significant number of GSL Shares to project investors, including some project investors who may not have wanted to participate in the Scheme Proposals, but were bound to do so under the terms of the Scheme Proposals. Some project investors may not wish to retain the GSL Shares issued to them and may subsequently sell them on the ASX. If such sales are material, the additional supply of GSL Shares may have an adverse effect on the market price of GSL Shares.

Transaction costs

If the Scheme Proposal is approved, transaction costs will be payable by GSL. In the event the Scheme Proposals are not approved, GSL will still be liable for certain costs. More details of transaction costs associated with the Scheme Proposals and the Individual Offers are contained in Section 3.2 of this Prospectus. GSMAL's reasonable transaction costs will be covered by GSL.

Conditions to implementation of the Scheme Proposals or Individual Offers

Each of the Scheme Proposals will only be implemented if the Resolutions in respect of each Project are approved. All of the Scheme Proposals and the Individual Offers will only be implemented if certain other conditions precedent in the Implementation Agreement are satisfied or waived including the approval of GSL Shareholders. While GSL and GSMAL are not aware of any matter which would, as at the date of this Prospectus, cause the implementation conditions to be breached or unfulfilled, there is a risk that due to matters outside its control, those conditions will not be satisfied.

The material conditions to the implementation of the Scheme Proposals and the Individual Offers under the Implementation Agreement are:

- (a) no Material Adverse Change or Prescribed Occurrence is in existence, and neither GSMAL nor GSL is in breach of its obligations under the Implementation Agreement at 5.00pm on the day before the date of the Project Investors' Meetings;
- (b) the GSL Directors do not change or withdraw their recommendation to GSL Shareholders to vote in favour of the issue of GSL Shares in relation to the Scheme Proposals and Individual Offer at the GSL Shareholders meeting;
- (c) the GSMAL Independent Directors do not change or withdraw their recommendation to project investors to vote in favour of each Scheme Proposal at each Project Investors' Meeting;
- (d) GSL Shareholder approval;
- (e) for the Scheme Proposals only, in respect of each of the Projects, the project investors in that Project pass the Resolutions at the relevant meeting by the requisite majorities; and
- (f) for the Individual Offers only, in respect of each of the Projects, the project investors in that Project do not pass the Resolutions at the relevant meeting by the requisite majorities.

Change in relative attractiveness of the Scheme Proposals or Individual Offers

On the last Trading Day prior to the Announcement Date, GSL Shares closed at \$0.53 on the ASX. If the VWAP of GSL Shares in the Reference Period is below the floor price of \$0.50, the Scheme Proposals involve project investors being issued GSL Shares at a fixed ratio of GSL Shares for each Woodlot or Drove held in each of the Projects. It is possible that post the announcement of the Scheme Proposals but before the Project Investors' Meeting there will be movements in the traded price of GSL Shares below the floor price which could affect the relative attractiveness of the Scheme Proposals for Project Investors.

Corporate restructuring implementation

Implementation of the Scheme Proposals involves a level of corporate restructuring. Due diligence has been undertaken (including obtaining expert professional advice) in relation to the legal and commercial effects of each of the Scheme Proposals and the necessary steps to implement them upon approval. Nevertheless, there is a risk that project investors could seek to challenge the validity of the Scheme Proposals in a court or that the Scheme Proposals may have unforeseen legal or commercial consequences for GSL, GSMAL, the Projects and/or project investors.

7.2 GSL Business Risks

The future performance of GSL is subject to a number of key business risks. Many of the risks discussed in this Section are common to the tax effective agribusiness market sector and already affect GSL. However, some of them will be new or greater in potential impact than currently exist in GSL. These risks include, but are not limited to, the following:

Tax effective MIS sales risk

GSL's business model currently relies heavily on sales of tax effective MIS products. There is a risk that sales of future tax effective MIS products will be lower than has been experienced in previous years. If poor MIS sales are experienced during 2009, this is likely to place pressure on GSL's cashflow and could potentially result in a breach of banking covenants. This risk is contributed to by a number of factors including the ATO's decision not to issue non-forestry products rulings, the reliance on the ATO to issue forestry product rulings, the general competitive landscape for tax effective MIS products, more negative general economic conditions and the impact of the scheme proposals on future sales by highlighting factors that have negatively impacted returns for past tax effective MIS projects.

Tax effective MIS product sales are dependent upon GSL obtaining ATO product rulings in respect of each product it offers to the market. In February 2007, the ATO altered its interpretation of the tax deductibility of non-forestry MIS projects and as a result is no longer issuing product rulings for non-forestry MIS products. However, as outlined in section 2.2 the offering of new non-forestry MIS products is not a key component of GSL's business going forward and GSL does not intend to offer non-forestry tax effective MIS products for sale in 2009.

Unlike the change in the ATO's position regarding non-forestry MIS, in relation to forestry MIS, greater certainty has been provided through specific facilitating legislation. Future forestry tax effective MIS sales are reliant on GSL obtaining a product ruling under this new legislation. GSL has a track record of being able to structure its products accordingly and obtain the necessary ATO product rulings as demonstrated by its consistent market leading position. Despite this market position and track record, there is a risk that the ATO may not grant product rulings in relation to future tax effective MIS projects. It should be noted that the ATO has already awarded a number of forestry product rulings for the 2009 financial year including GSL's 2009 HVT product.

GSL's tax effective MIS business operates in a dynamic and competitive environment with a number of providers offering differentiated tax effective MIS products. GSL's future sales levels will be contingent on GSL continuing to develop products which are competitive in terms of price, returns and agricultural focus. GSL has retained its market leading position for a number of years and is confident in management's ability to continue to adapt to market developments and retain this position. The ATO's recent decision not to award future product rulings to non-forestry products has the potential to consolidate GSL's market leading position given its long term focus on forestry tax effective MIS products.

A significant driver of annual tax effective MIS sales is the state of the Australian economy. Poor economic performance, negative sharemarket returns or an uncertain outlook for individual investors has the potential to negatively impact tax effective MIS sales. Recent deterioration of global economic conditions may have a flow on effects that may lead to reduced tax effective MIS sales in the future.

The process of GSL offering project investors in the Projects the opportunity to exchange their project interest for GSL shares has focussed project investors on the factors that have negatively impacted returns including woodchip prices, plantation yields and cattle prices. This focus has the potential to impact future tax effective MIS sales due to negative perceptions regarding returns being transferred to GSL's future MIS products, notwithstanding that GSL's current products have been restructured to address these concerns.

Ongoing MIS obligations

GSL has been a leading player in the tax effective agricultural MIS market for a number of years and, as a result is responsible for the management of 36 ongoing projects – 8 of which are the subject to the Scheme Proposals. GSL has obligations to maintain these 36 existing projects in accordance with the relevant PDS requirements. These obligations essentially include the provision of the land and the ongoing maintenance of these projects which results in ongoing expenditures including; lease payments, debt service costs, personnel costs and business overheads. The ability to meet these obligations has depended on a number of factors including the ability of the business to make annual tax effective MIS sales, the ability to raise capital and GSL's share of revenues from its MIS projects.

Operational and agricultural risks

The success of GSL will be impacted by the returns from its plantation and cattle assets. These businesses are subject to the following operational risks:

- a agricultural, beef and pulp commodity price fluctuations;
- b climatic factors and acts of God such as: drought, flood, hail, bush fires and other extreme weather conditions;
- c change in water regulations;
- d availability, cost and timing of acquisition of further agricultural properties;
- e operating cost inflation in respect of its ongoing MIS products given its revenue is earned up-front with an ongoing obligation to pay future operating costs;
- f pests and diseases;
- g water sustainability; and
- h asset liquidity.

GSL has significant plantations in the Tiwi Islands which is located in an area that is prone to cyclone conditions and may be damaged or destroyed by wind. Prior to GSL's acquisition of the Tiwi Island Forestry Project in March 2005, Category 4 Cyclone Ingrid, one of the worst cyclones to pass Australia in the last 100 years, passed directly through the Tiwi Islands and caused damage to young Acacia mangium plantations and the destruction of older Acacia mangium plantations. The plantations were not insured for wind damage at that time and therefore no insurance recoveries were achieved.

Retention of key personnel

GSL has enjoyed a relatively stable workforce that has accumulated a significant number of years experience in the MIS and forestry industries. Through GSL's management, GSL has developed significant commercial, agricultural and operational expertise, which, combined with a diversified distribution network form a key part of GSL's strength and position in the market place. Any changes that could impact the relationships that underpin this distribution network or their ability to distribute GSL's products could impact GSL's continuing ability to sell its product.

Land availability and valuation

The ongoing tax effective MIS business of GSL is in part dependent upon sourcing sufficient agricultural land of suitable quality and specifications in a suitable location to meet MIS investor demand. GSL has a demonstrated track record of being able to identify and secure such land, and has full time land acquisition managers to fulfil the functions of land acquisition. Notwithstanding this, there is a risk that suitable land may not be available in the future at the required time.

Land prices have been subject to price increases in the past. There is a risk that future increases in land prices could reduce the competitiveness of GSL's products and/or its margins or limit the size of GSL's future projects, thereby restricting GSL's future revenues and earnings. This risk is in part mitigated by the value impact this would have on GSL's significant land assets, and the availability of GSL land for second rotation.

Health, safety & environmental compliance risk

GSL is subject to ongoing compliance with State and Commonwealth health, safety and environmental laws and regulations, and changes to those laws and regulations.

GSL's operations on Melville Island are subject to regulation under the Environment Protection and Biodiversity Conservation Act 1999 (Cth) (**EPBC Act**). An approval is held under the EPBC Act in relation to the Melville Island forestry operations jointly with the Tiwi Land Council.

Auditing undertaken in relation the Melville Island operations has identified a compliance issue with the establishment of plantations around buffer zones. As a result new environmental conditions have been imposed under the relevant EPBC Act approval requiring GSL to undertake rehabilitation works as necessary and funding (of up to \$1.35 million over 3 years) to the Tiwi Land Council for use in the Indigenous Rangers Program. GSL does not believe this issue is likely to materially impact the company or the environment. GSL takes its environmental responsibilities very seriously and is proactively working with the Northern Territory and Commonwealth government's in relation to the investigation and appropriate resolution of this issue.

Other than the issue noted above, the directors are not aware of any significant issues relating to environmental regulations during the period covered by this report that are likely to result in a material impact to the consolidated entity or the environment.

Pulpwood product risk

During 2008, GSL restructured its pulpwood tax effective MIS project, and created a new pulpwood based investment product known as Future Forestry Investment (FFI). Part of the restructured product involved selling land from GSL to a land trust in which investors could acquire units.

In June 2008, the ATO made a media release stating it had some concerns over land trust arrangements and some of the ATO's issues remain unresolved. This ATO media release did not directly affect GSL's 2008 pulpwood product as GSL had already received a product ruling. However, whilst issues remain unresolved, it is considered unlikely that the pulpwood product, structured in its 2008 form, would receive a product ruling for 2009 or subsequent years. The ATO's concerns were focussed on the deductions claimed by the issuer of the product as opposed to the structure of the product in the hands of MIS investors.

The ability for GSL to generate future sales from offering a pulpwood product depends upon its ability to structure the project in a form that meets the requirements of the taxation legislation and the ATO's interpretation of that legislation. Whilst GSL is confident this will be possible, the level of 2009 pulpwood product sales will depend on its ability to do so and the timeframe in which this occurs. There is a low risk that GSL will not be able to structure a pulpwood product in a way that provides appropriate returns to GSL and is acceptable to project investors.

Infrastructure approvals

GSL currently manages 11,600 and 25,500 hectares of MIS plantations on behalf of project investors on Kangaroo Island and Tiwi Island respectively. There are no current stockpiling and shiploading facilities in place to allow the export of woodchips once harvest commences in approximately 2014. GSL intends to construct these export facilities. The failure to construct these facilities will impact GSL's ability to export woodchip from the islands in a cost effective way, thereby impacting the net harvest proceeds payable to those project investors and GSL's 5.5% share.

Securing loans for future MIS investors

GSL, through its subsidiary Great Southern Finance Pty Ltd, offers loan finance to investors in its MIS products subject to the satisfaction of certain eligibility requirements. In recent years these loans have been predominately funded from a financing arrangement with Bendigo and Adelaide Bank Limited (previously Adelaide Bank Limited) under which there is no credit recourse to the GSL group on any loan securitised. GSL has in place a credit approved term sheet for MIS loan funding in FY2009. Depending upon the final agreed terms GSL may or may not be required to provide credit support for future MIS loans. GSL expects to confirm its loan terms and funding partner before the end of the 2008 calendar year.

Potential dilutive effects of conversion of TREES2 or TREES3

The TREES2 and TREES3 described in Section 6.2(a) of this Prospectus give holders the right to convert their TREES2 or TREES3 into GSL Share in certain circumstances up to 6 months prior to a reset date. The first reset date is 31 October 2009 in respect of TREES2 and 31 October 2010 in respect of TREES3. If the holders of TREES2 or TREES3 convert their TREES into GSL Shares, this will have a significant dilutive effect on the number of GSL Shares on issue at that time including the GSL Shares issued to project investors pursuant to the implementation of the Scheme Proposals or the Individual Offers, which may negatively impact the GSL Share price. The number of GSL Shares which a TREES will convert into is based upon the VWAP of GSL Shares for the period of 20 Business Days immediately preceding the conversion date and applying a conversion discount of 5%.

Under the terms of the TREES3, GSL may at any time purchase TREES3 with the agreement of the holder. If TREES3 were repurchased, less TREES would be converted into GSL Shares and the dilutive impact would be reduced.

Uncertainty surrounding position of major shareholder

During September 2008, GSL's largest shareholder, Ospraie Group, publicly indicated that it is closing its flagship hedge fund and selling down investments over a 3 year period. GSL has had no formal direct communication from the Ospraie Group, however while the uncertainty surrounding Ospraie Group's position exists, this may have an effect on the GSL Share price.

7.3 General investment risks

Through the successful implementation of each of the Scheme Proposals or by accepting the Individual Offers, investors in the Projects will be acquiring GSL Shares. Investors in each of the Projects will then be exposed to a number of risks associated with holding GSL Shares.

Share market conditions

As GSL Shares are quoted on the ASX, the price of GSL Shares will be subject to numerous influences that may affect both the trend in the share market and the share prices of individual companies. Global share markets are currently experiencing significant levels of volatility. These effects could positively or negatively affect the GSL Share price. In addition, GSL Shares carry no guarantee as to the payment of dividends or other return of capital.

Economic conditions

Economic conditions, both domestic and global, may affect the performance of GSL. Factors such as currency fluctuation, inflation, interest rates, supply and demand and industrial disruption have an impact on operating costs, raw materials prices and share market prices.

GSL's future possible revenue and GSL Share price can be affected by these factors, all of which are beyond the control of GSL and the GSL Directors. In addition, GSL's ability to raise additional capital, should it be required, may be affected.

Future capital needs and additional funding

The future capital requirements of GSL will depend on many factors including the results of timber growth, timber processing requirements and available options, the success of future MIS sales and potential sales of selected cattle properties. Should GSL require additional funding, there can be no assurance that additional funds will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, may have a material adverse affect on GSL's business and its financial condition and performance.

Government policy and change in law

Industry profitability can be affected by changes in government policy and law relating to agriculture and forestry products which are beyond the control of GSL. GSL is subject to and must comply with the requirements of the Corporations Act, ASIC policy, Australian Financial Services License requirements and the Listing Rules. Changes to legislation or policy and procedures may impact upon GSL, its results, its business operations or have other unforeseen implications.

Any change in Government support for the plantation timber industry or introduction of other policy may affect the viability or profitability of GSL's forestry MIS projects or affect the ability to sell the timber at maturity.

One of the main risks associated with GSL's owned and managed assets generally is securing and maintaining adequate water supplies as a lack of water directly impacts agricultural productivity and potentially the viability of agricultural enterprises. GSL assesses water access and water security as a critical component of managing and operating agricultural enterprises however there is a risk that future changes in government policy may result in a reduction of the overall amount of water entitlements available in some regions of Australia or may result in the licensing or other regulation of previously unregulated activities such as plantation forestry. Any reduction in available water entitlements has the potential to reduce the ability produce or increase the cost of production, and is likely to result in decreased returns and negatively impact the value of those assets affected.

Taxation regulation

The business of GSL may be affected by adverse changes in taxation legislation or policy (including the system of Product Rulings), or perceived changes in legislation, policy and regulation. Any changes may affect an investor in a forestry MIS projects' ability to claim a full tax deduction for application monies paid in investing in the forestry MIS project, which in turn would be likely to affect demand for future forestry MIS projects. Any perceived or likely change in policy or regulation may also affect forestry MIS investor demand.

8. Opportunities

GSL Directors believe that GSL has a number of future potential opportunities as outlined below. These opportunities are not dependent upon the successful implementation of the Scheme Proposals, however, in some cases, GSL will be better placed to capitalise on these opportunities if the Scheme Proposals are successfully implemented.

ATO Non-forestry test case

In February 2007, the ATO altered its position on the tax deductibility of non-forestry MIS projects and as a result is no longer issuing product rulings for non-forestry MIS products. The industry is currently contesting the ATO's position in the Australian Federal Court which is unlikely to be settled for some months. GSL believes the industry has a very strong case to be successful in the test case, however, the significant uncertainty created by the ATO's position has resulted in interruption of the business conducted by tax effective MIS product providers including GSL in respect of its non-forestry MIS products.

If the Federal Court upholds the industry's appeal, GSL is well positioned to continue its non-forestry MIS business and will consider whether to continue to structure and sell non-forestry MIS products.

Infrastructure Development

Irrespective of the successful implementation of the Scheme Proposals, as GSL's owned and managed plantation estate matures, GSL will have the opportunity to develop significant forestry infrastructure for harvesting, haulage and processing. Over the next 5 years and beyond, this infrastructure will be used to support the harvesting of GSL's forestry products. In addition, GSL will aim to generate a return from infrastructure investment via the processing of product from other third party plantations as has already been evidenced by GSL's operation of its 50% owned Hansol woodchip and export facility.

Industry Consolidation

Given the benefits achievable through scale, GSL believes that there is the potential for consolidation within the forestry sector. Following the successful implementation of each of the Scheme Proposals, GSL will have improved financial strength and flexibility, better positioning itself to capitalise on any potential future opportunities in this regard. Further, as owner of both the tree land and tree assets, GSL will be better placed to investigate potential asset swaps, with the aim of improving scale benefits in geographic areas in which GSL already has significant scale.

Biomass

GSL has already signed exclusive biomass harvest residue offtake rights agreements with both Pacific Energy Limited and Western Australian Biomass Pty Ltd thereby potentially increasing the returns earned from plantation harvesting. GSL is working with Pacific Energy Limited with the aim of creating a longer term alliance for the building and developing of further biomass renewable energy projects using GSL biomass as the energy fuel. These ongoing developments reflect one aspect of GSL's strategy to better maximise the returns from its significant land and plantation assets.

Franking Credit Balance

As at 30 June 2008, GSL had an unused franking income tax credit balance of \$159.4 million. This gives GSL the potential to pay fully franked dividends and franked TREES2 and TREES3 coupons up to this level, subject to cash availability. Please note GSL has made no commitment to pay future dividends. The declaration and payment of any future dividends will be determined by GSL directors in accordance with its dividend policy.

9. Other information

9.1 Calculation of number of GSL Shares issued under Scheme Proposals and Individual Offers

The number of GSL Shares that each project investor will receive under the Scheme Proposals and Individual Offers will depend on the VWAP of GSL Shares on the ASX for the Reference Period before the Project Investors' Meeting Date.

- (i) If the VWAP of GSL Shares on the ASX for the relevant period is the floor price of \$0.50 or below, the maximum number of GSL Shares per Drove or Woodlot in a Project will be a set number as set out in column 3 of the table in Section 1.1.
- (ii) If the VWAP of GSL Shares on the ASX for the relevant period is the ceiling price of \$1.00 or above, the minimum number of GSL Shares per Drove or Woodlot in a Project will be a set number as set out in column 4 of the table in Section 1.1.
- (iii) If the VWAP of GSL Shares on the ASX for the relevant period is between the floor price of \$0.50 and the ceiling price of \$1.00, the number of GSL Shares each project investor will receive will be calculated using the following formula:

$$N = \frac{C}{X}$$

where:

N = the number of GSL Shares (rounded up to the nearest whole number);

C = the Consideration set out in the table below per Woodlot or Drove multiplied by the number of Woodlots or Drove (or part thereof) held by the project investor; and

X = the VWAP of GSL Shares on ASX for the period of 5 Trading Days commencing on the date that is 8 Trading Days before the date of the Project Investors' Meeting.

Consideration where VWAP of GSL Shares during the Reference Period is between the floor price and ceiling price

Project	Consideration per Woodlot or Drove in a Project
1998 Project	\$2,303
1999 Project	\$2,733
2000 Project	\$2,479
2001 Project	\$1,760
2002 Project	\$1,732
2003 Project	\$1,903
2006 Project	\$2,955
2007 Project	\$2,801

9.2 Terms and conditions of the Individual Offers

On 15 October 2008, GSL and GSMAL entered into the Implementation Agreement under which the parties agreed that GSMAL will propose the Scheme Proposals to project investors in each of the 8 Projects and the parties will implement the Scheme Proposals in accordance with the terms and conditions of the agreement. The agreement also contemplates the making of the Individual Offers by GSL and the facilitation of the Individual Offers by GSMAL.

The material terms and conditions to the Individual Offers are:

- approval of GSL Shareholders for the issue of the GSL Shares in relation to the Individual Offers;
- in respect of each of the 8 Projects, the project investors in that Project not passing the Resolutions at the relevant meeting by the requisite majorities and therefore the Scheme Proposal in relation to that Project is not implemented;
- no Material Adverse Change or Prescribed Occurrence is in existence, and GSMAL nor GSL is in breach of its obligations under the Implementation Agreement at 5.00pm on the day before the date of the Meeting; and
- the GSL Directors do not change or withdraw their recommendation to GSL Shareholders to approve the issue of GSL Shares in relation to the Individual Offers.

Project Investors may withdraw their acceptance of the Individual Offer by notice in writing to GSL at any time until the Individual Offers Closing Date (5pm (WDST) on 11 December 2008), which is 10 calendar days after the Project Investors' Meeting date.

If a Scheme Proposal for a Project is not implemented, by completing and returning the blue Acceptance Form and thereby accepting the Individual Offer, each project investor in the Project will appoint GSL as their attorney to enter into a transfer deed with GSMAL, the GSL group entity acquiring the interest and GSL (Transfer Deed). Under the Transfer Deed:

- (a) Each project investor will transfer to the GSL group entity all of the project investor's right, title and interest under the relevant agreement relating to the project investor's Drove and Progeny for the Cattle Projects and under the relevant agreement relating to the project investor's Woodlot for the Plantations Projects.
- (b) In exchange for the transfer of a project investor's interest, GSL agrees to pay to that project investor the Consideration per Woodlot or Drove in a Project multiplied by the number of Woodlots or Drovers (or part thereof) held by the project investor. That amount will be settled by the issue of GSL Shares which the project investor will agree to hold subject to, and be bound by, the provisions of the constitution of GSL.
- (c) Subject to GSMAL or GSL being aware of a Financier holding a security over the project investor's Woodlot or Drove and Progeny, GSL will:
 - (i) issue GSL Shares as settlement of the payment of cash consideration per Woodlot or Drove to the project investor; and
 - (ii) procure that Computershare provides the project investor with a holding statement evidencing the registration of GSL Shares in the name of the project investor.
- (d) If GSL is aware that any Financier holds a security over the project investor's Woodlots or Drovers and Progeny, GSL will issue the number of GSL Shares that the Financed Project Investor is entitled to receive to the Escrow Nominee to be held in accordance with the Escrow Arrangements until GSL receives notification of the repayment or refinancing of the financing.
- (e) The number of GSL Shares that each project investor will receive is as set out in Section 9.1.
- (f) The project investor and GSMAL, as lessor and responsible entity of the relevant Project respectively, will each release the other from all claims they may have against the other in respect of, or in any way arising from the project investor's interest and in the case of the GSMAL release, which arise after the date of transfer only.
- (g) Until the register of project investors in a Project is updated following the transfer, the project investor agrees that the GSL group entity acquiring the interest is beneficially entitled to any rights or benefits that arise from the project investor's Woodlot or Drove or Progeny and the project investor instructs GSMAL to pay any such rights or benefits to the GSL group entity.
- (h) All stamp duty and cattle duty (if applicable) payable on the Transfer Deed will be payable by GSL.
- (i) On and from the date of execution of the Transfer Deed the project investor:
 - (i) covenants and agrees not to sell, transfer, encumber or otherwise grant rights or interests over their Woodlot or Drove and Progeny, to any person other than a member of the GSL group, and GSMAL must decline to record in the register of the Project any such transfer;
 - (ii) represents and warrants to GSL and the GSL group entity acquiring the interest that the project investor has not assigned, and will not assign, any of the project investor's Woodlots or Drovers and Progeny (or any part of them) to another person prior to the transfer date;
 - (iii) irrevocably appoints the GSL group entity as the Project Investor's proxy for the purposes of exercising any voting rights which the project investor may have immediately prior to the transfer date; and
 - (iv) agrees that if it is entitled to receive any insurance proceeds in relation to their Woodlot or Drove and Progeny between the Announcement Date and the date of transfer, the project investor will pay, or direct GSMAL to pay, such insurance proceeds to the GSL group entity acquiring the interest.
- (j) If there is any Amount Owing by the project investor to GSMAL under its agreement relating to its Woodlot or Drove and Progeny and GSMAL nor GSL are aware that a Financier holds a security over the project investor's Woodlots or Drovers and Progeny, the GSL Shares the project investor is entitled to, will be placed in a holding lock until the amount is repaid or other arrangements with GSL or GSMAL are made.

9.3 Effect of financing arrangements on the Scheme Proposals and Individual Offers

Financing arrangements generally

Project investors who have financed their investment in Woodlots or Drovers in an arrangement where their Woodlots or Drovers and Progeny are secured in favour of a financier will need to make appropriate arrangements with their financier in respect of the transactions contemplated by the Scheme Proposals and the Individual Offers. These arrangements may involve arranging for the provision of substitution security or repaying or refinancing the relevant financing.

Project investors with lending or security arrangements affecting their investment in Woodlots or Drovers should contact their financier.

Arrangements with the Notified Financiers

Prior to the date of this Prospectus, Adelaide Bank and Great Southern Finance (**Notified Financiers**) have each indicated that if the investment of a Financed Project Investor in Woodlots or Drovers and Progeny is subject to a security interest in their favour in connection with loans they have made to that Financed Project Investor (each a **Loan**), then they will separately make contact with the Financed Project Investor in relation to that security and the associated financing arrangements.

It should be noted that each Notified Financier has indicated that the implementation of the Scheme Proposals and acceptance of the Individual Offers may breach the terms of a Loan relating to the continued operation of a Project and to the non-disposal of an interest in Woodlots or Drovers and Progeny. In that regard, each Notified Financier has indicated to GSL that they will not act in relation to such potential breach (a **Forbearance**) by a Financed Project Investor provided that the Financed Project Investor enters into documentation when requested by the Notified Financier including security arrangements over issued GSL Shares (a proposal in respect of which will be mailed to Financed Project Investors separately by the relevant Financier).

The Notified Financiers have also indicated that:

- (a) their Forbearance is dependent on, and subject to, GSL ensuring that it will issue the GSL Shares to a nominee of GSL (being the Escrow Nominee) to be held in accordance with the Escrow Arrangements (except where finance has been repaid or refinanced prior to the time of issue of the GSL Shares); and
- (b) if a Financed Project Investor repays their Loan in full (including all interest and fees) prior to 30 June 2009, they will not be charged any break costs.

The effect of the Scheme Proposals and Individual Offers on Financed Project Investors

Under the terms of the Scheme Proposals and the Individual Offers, Financed Project Investors (that is, project investors that have financed their investment in Woodlots or Drovers with or through Adelaide Bank, Great Southern Finance or another Financier in circumstances where GSL or GSMAL is aware of the taking of a security in favour of the Financier) will not receive their GSL Shares until appropriate arrangements with the Financier have been made.

All GSL Shares to be issued to a Financed Project Investor upon implementation of the Scheme Proposals or Individual Offers will be issued to the Escrow Nominee (that is, a nominee of GSL) who will hold the GSL Shares in escrow in its name with a CHESS sponsor nominated by it, and subject to the terms of an escrow arrangement under which that nominee is not obliged to accept instructions from Financed Project Investors in respect of any dealing in the GSL Shares (including, without limitation, an instruction to sell the GSL Shares or to transfer the GSL Shares to another CHESS sponsor) until instructed to do so by the relevant Financier (**Escrow Arrangements**).

Further, GSL, as the Financed Project Investor's attorney appointed pursuant to the terms of the Scheme Proposals described in the Explanatory Memorandum and for the Individual Offers using the Power of Attorney described in Section 9.17 of this Prospectus, will enter into a deed of interim charge in relation to the GSL Shares issued to the Financed Project Investor in favour of the relevant Financier.

In addition, without limiting any of GSMAL's or GSL's other rights arising from the implementation of the Scheme Proposals or Individual Offers, if a Scheme Proposal is implemented or Individual Offer accepted, each Financed Project Investor will be deemed to have:

- (a) acknowledged and agreed that the Financier's existing charge or security interest over the Financed Project Investor's investment in Woodlots or Drovers and Progeny extends to any GSL Shares issued by GSL to the Financed Project Investor (or to the Escrow Nominee on behalf of the Financed Project Investor);
- (b) agreed to provide an interim charge over the legal and beneficial interest held by the Financed Project Investor (or Escrow Nominee) in those GSL Shares in a form reasonably required by the Financier; and
- (c) in the case of the Notified Financiers, for valuable consideration received in the nature of the procuring by GSL of the Forebearance, irrevocably appointed GSL as the attorney of each Financed Project Investor (in accordance with the terms of the Scheme Proposals and the Power of Attorney described in Section 9.17 of this Prospectus) to execute such a charge and any other document necessary or desirable to assure to the Financier an appropriate security interest in the GSL Shares.

9.4 Rights and liabilities attaching to the GSL Shares

The following is a summary of the more significant rights attaching to the GSL Shares, which following implementation of the Scheme Proposals or acceptance of the Individual Offers, investors in the Projects will hold. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities attaching to the GSL Shares. To obtain such a statement, persons should seek independent legal advice.

Details of the rights attaching to the GSL Shares are common to all GSL Shareholders in GSL and are set out in the Constitution of GSL, copies of which are available for inspection at GSL's registered office during normal business hours.

(a) Voting

Shareholders are entitled to receive notice of and attend all meetings of GSL Shareholders other than meetings at which only holders of another specified class are entitled to vote. Upon a show of hands every person present and entitled to vote on the motion has one vote. On a poll GSL Shareholders are entitled to one vote for each fully paid GSL Share held and in respect of which the GSL Shareholder is entitled to vote.

Where two or more persons hold a GSL Share or the same GSL Shares jointly, any one of them present or represented by proxy may, in the absence of the others, vote such GSL Share or GSL Shares but, if more than one of such persons is present or represented and vote, they shall vote such GSL Share or GSL Shares together as one or not vote such GSL Shares at all.

(b) Dividends

Subject to the Corporations Act, the GSL Directors may from time to time declare dividends payable to the GSL Shareholders according to their rights and interests in GSL.

GSL Shareholders are entitled (subject to the rights of preference GSL Shareholders) to receive any dividends. In the event of the liquidation, dissolution or winding up of GSL or other distribution of property or assets for the purpose of winding up, receive the property and assets of GSL remaining after deduction for the debts and liabilities of GSL and the costs, charges and expenses of the winding up.

Dividends may be paid in money or property or by issuing GSL Shares or options to acquire any such GSL Shares.

(c) Transferability

No transfer of any GSL Shares need be recorded in the register of transfers where the transfer is not in registrable form or a refusal to register the transfer is permitted under the Listing Rules (whether or not GSL is then a listed company) or the SCH Business Rules.

(d) Issue of GSL Shares

Subject to the Constitution of GSL, the Listing Rules and the Corporations Act, the GSL Directors may issue GSL Shares which GSL is then authorised to issue to such persons and for such consideration as the GSL Directors shall determine.

(e) GSL Directors

The GSL Directors are elected at each annual meeting of GSL Shareholders and serve for 3 years or until they are required to retire as part of the longest serving third of GSL's board under GSL's Constitution.

9.5 Foreign Project Investors

No offer is being made under this Prospectus to project investors with a country of residence (as shown by their address on the Register) outside of Australia or New Zealand as at the date of this Prospectus. Foreign Project Investors are ineligible to participate in the Individual Offers and cannot be issued GSL Shares pursuant to this Prospectus.

However, Foreign Project Investors are still able to vote in favour or against the Resolutions. In the event the Scheme Proposal in which a Foreign Project Investor participates is approved, the entitlement of a Foreign Project Investor to GSL Shares will be dealt with in the following way:

- (a) GSL will issue to the Sale Agent the GSL Shares that would have otherwise been issued to the Foreign Project Investor.
- (b) The Sale Agent must as soon as practicable (and in any event within 30 Business Days after the issue date of those GSL Shares) sell those GSL Shares on the ASX and pay to Computershare (GSL's share registry) the average proceeds of sale (after deduction of any applicable brokerage (1% of gross proceeds), taxes and charges) of all the GSL Shares sold on behalf of all Foreign Project Investors in the Projects, multiplied by the number of GSL Shares to which that Foreign Project Investor would have been entitled.
- (c) GSL will then procure the payment to each Foreign Project Investor of the amount provided by the Sale Agent for that Foreign Project Investor. Payment will be made by cheque:
 - (i) in Australian currency drawn on an Australian bank; and
 - (ii) sent by post to the Foreign Project Investor within 7 days after the date of issue of those GSL Shares.

Payment in accordance with the above fully satisfies and discharges all GSL's obligations to a Foreign Project Investor in relation to their entitlement to GSL Shares under a Scheme Proposal. The Sale Agent and GSL take no responsibility for the price at which any GSL Shares are sold on ASX.

9.6 2009 Insurance Obligations for Plantations Projects

Project investors in the Plantations Projects' annual insurance premiums fall due on 30 September 2008. GSMAL arranges insurance on behalf of the project investors. Historically, GSMAL then invoices project investors for these monies in October or November. Invoices for this year's insurance renewal for the Plantations Projects will not be issued until such time as the outcome of the vote at the Project Investors' Meetings is known. If the vote is successful then GSMAL will bear the cost of the insurance and project investors will not be invoiced. If the vote is not successful then shortly after that GSMAL will issue the annual insurance invoices.

9.7 Effect of Amount Owing

If project investors have any Amount Owing in respect of their Woodlots or Drove (including in the nature of unpaid GST or insurance premiums) and GSL or GSMAL are not aware that any Financier holds security over the project investor's Woodlot or Drove and Progeny, it is a term of the Scheme Proposals that the GSL Shares issued will be subject to a holding lock effected by Computershare in accordance with ASX Listing Rule 8.10.1(i). GSL will instruct Computershare to retain the holding lock on the GSL Shares until such time as the Amount Owing are paid in full to GSMAL or another relevant GSL group company, or other arrangements satisfactory to GSMAL or GSL (as appropriate) are made.

9.8 Interests of GSL Directors, advisers and promoters

(a) GSL Directors and promoters

Other than as set out in Section 9.9, no GSL Director or promoter of GSL (or entity in which they are a partner or director) has, or has had in the two years before the date of this Prospectus, any interests in:

- the formation or promotion of GSL;
 - property acquired or proposed to be acquired by GSL in connection with its formation, its promotion or the Scheme Proposals or the Individual Offers; or
 - the GSL Shares to be issued under the Scheme Proposals or the Individual Offers,
- no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to:
- any GSL Director to induce him or her to become, or to qualify as, a GSL Director; or
 - any GSL Director or promoter of GSL (or entity in which they are a partner or director) for services which he or she has provided in connection with the formation or promotion of GSL or the Scheme Proposals or the Individual Offers.

(b) Advisers

Except as set out in Section 9.9 below, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds, or held at any time during the last 2 years, any interest in:

- the formation or promotion of GSL;
- property acquired or proposed to be acquired by GSL in connection with its formation or promotion or the Scheme Proposals or the Individual Offers; or
- the GSL Shares to be issued under the Scheme Proposals or the Individual Offers.

9.9 Disclosure of interests, fees and benefits received by certain persons

(a) GSL Directors interests in GSL Shares or options

GSL Directors or their related entities have the following interests in GSL Shares or options over GSL Shares as at the date of this Prospectus:

GSL Director	GSL Shares	Options over GSL Shares
David Griffiths	130,000	Nil
John Young	49,572,142	Nil
Alice McCleary	19,606	Nil
Peter Mansell	54,819	Nil
Mervyn Peacock	10,964	Nil
Cameron Rhodes	1,333,333 (511,111 direct interest, and 822,222 indirect interest)	1,775,000 Comprising: <ul style="list-style-type: none"> • (500,000 Management Performance Rights Series 1 expiring 17 December 2009; • 175,000 Management Performance Rights Series 2 expiring 1 March 2011; • 450,000 Management Performance Rights Series 3 expiring 20 December 2011; and • 650,000 Management Performance Rights Series 4 (options) expiring 25 November 2012, all exercisable at \$0.00 subject to performance hurdles)
Phillip Butlin	1,181,110 (787,580 direct interest and 393,530 indirect interest)	1,625,000 Comprising: <ul style="list-style-type: none"> • (500,000 Management Performance Rights Series 1 expiring 17 December 2009; • 175,000 Management Performance Rights Series 2 expiring 1 March 2011; • 450,000 Management Performance Rights Series 3 expiring 20 December 2011; and • 500,000 Management Performance Rights Series 4 (options) expiring 25 November 2012, all exercisable at \$0.00 subject to performance hurdles)

(b) Interests of GSL Directors in the Projects

As at the date of this Prospectus, the GSL Directors directly or indirectly held the following interests in the Project:

GSL Director	Interest in Projects
David Griffiths	Nil
Cameron Rhodes	2000 Project – 18 Woodlots 2002 Project – 4 Woodlots 2003 Project – 6 Woodlots
Phillip Butlin	Nil
Alice McCleary	2006 Project – 4 Drove
John Young	Nil
Peter Mansell	Nil
Mervyn Peacock	Nil

The effect of the Scheme Proposals on the Woodlots or Drove held by GSL Directors is the same as its effect on the Woodlots or Drove held by all other project investors. Those GSL Directors (other than GSL Directors who are also directors of GSMAL who are excluded from voting at the Project Investors' Meetings) that hold Woodlots or Drove intend to vote in favour of the Scheme Proposals at the Project Investors' Meetings, in the absence of a superior proposal.

(c) Advisers

Macquarie has acted as corporate adviser to GSL in connection with the Scheme Proposals and the Individual Offers. In aggregate, GSL has paid or agreed to pay Macquarie a fee of \$900,000 to the date of this Prospectus, and has agreed to pay Macquarie a success based fee of 0.7% of the value of the Scheme Proposals approved or Individual Offers accepted (excluding disbursements and GST) (if a minimum threshold of approval and acceptances is reached) for these services.

Freehills has acted as legal adviser to GSL in connection with the Scheme Proposals and the Individual Offers. In aggregate, GSL has paid or agreed to pay Freehills approximately \$850,000 (excluding disbursements and GST) for these services to the date of this Prospectus. Further amounts may be paid to Freehills in accordance with its normal time-based charges.

Ernst & Young have acted as the Independent Accountant to GSL with respect to historical and proforma financial information in connection with the Scheme Proposals and the Individual Offers and has prepared the Independent Accountant's Report included in Section 11 of this Prospectus. In aggregate, GSL had paid or agreed to pay Ernst & Young approximately \$515,000 (excluding disbursements and GST) for these services to the date of this Prospectus.

Ernst & Young Transaction Advisory Services Limited have acted as the Independent Accountant with respect to financial year 2009 guidance in relation to the Scheme Proposals and the Individual Offers and have prepared the Independent Accountant's Report on Financial Year 2009 Guidance included in Section 12 of this Prospectus. In aggregate GSL has paid or agreed to pay Ernst & Young Transaction Advisory Services Limited approximately \$240,000 (excluding disbursements and GST) for these services to the date of this Prospectus.

9.10 Consents and Disclaimer

(a) The following persons have given, and before lodgement of this Prospectus with ASIC have not withdrawn, their consent to be named in this Prospectus in the form and context in which they are named:

- (i) Macquarie – as corporate adviser to GSL;
- (ii) KPMG Corporate Finance – as Independent Expert to the Scheme Proposals and the Individual Offers;
- (iii) Freehills – as legal adviser to GSL;
- (iv) Ernst & Young – as Independent Accountant to GSL with respect to historical and proforma financial information;
- (v) Ernst & Young Transaction Advisory Services Limited – as Independent Accountant to GSL with respect to financial year 2009 guidance;
- (vi) Computershare – as the share registry of GSL;
- (vii) GSMAL Independent Directors – as the independent directors of the responsible entity of the Projects;
- (viii) GHD - as independent forestry specialist;
- (ix) Adelaide Bank – as a Financier; and
- (x) Great Southern Finance – as a Financier.

(b) Ernst & Young has given and before lodgement of this Prospectus with ASIC has not withdrawn its consent to the inclusion of its Report in this Prospectus and inclusion to the references to its audit of the statutory financial statements as at 30 September 2007 in Section 3 of this Prospectus.

(c) Ernst & Young Transaction Advisory Services Limited has given and before lodgement with ASIC has not withdrawn its consent to the inclusion of its Report in this Prospectus.

(d) GHD has given and before lodgement of this Prospectus with ASIC has not withdrawn its consent to the inclusion to the statements attributed to it in Section 2.5 of this Prospectus.

(e) Adelaide Bank has given and before lodgement of this Prospectus with ASIC has not withdrawn its consent to the inclusion to the statements attributed to it in Section 9.3 of this Prospectus.

(f) Great Southern Finance has given and before lodgement of this Prospectus with ASIC has not withdrawn its consent to the inclusion to the statements attributed to it in Section 9.3 of this Prospectus.

(g) Each person referred to in this Section 9.10

- (i) does not make, or purport to make, any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than those statements referred to above next to that person's name as consented to by that person;
- (ii) has not authorised the issue of the Prospectus; and
- (iii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements, or materials in, or omissions from, this Prospectus other than as described in this Section 9.10 with that person's consent.

9.11 ASX

Within 7 Business Days after the date of issue of this Prospectus, application will be made to ASX for the maximum number of GSL Shares to be issued under this Prospectus to be listed for quotation by ASX. If official quotation for the GSL Shares to be issued under this Prospectus is not granted by ASX within three months after the date of this Prospectus, GSL will not issue any GSL Shares. In this case, you will retain your Woodlots or Doves.

9.12 CHESS

GSL participates in the Clearing House Electronic Subregister System (CHESS). ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules, ASTC Settlement Rules and ACH Clearing Rules.

Under CHESS, investors in each of the Projects will not receive a certificate but will receive a statement of their holding of GSL Shares.

If you are a sponsored holder, ASTC will send you a CHESS holding statement. The CHESS holding statement will set out a number of GSL Shares issued to you under this Prospectus, provide details of your holder identification number and the participant identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your holding statement will be dispatched by Computershare and will contain the number of GSL Shares issued to you under this Prospectus and your security holder reference number.

A CHESS holding statement or issuer sponsored holding statement will routinely be sent to GSL Shareholders at the end of any calendar month during which the balance of their shareholding changes. GSL Shareholders may request a statement at any other time. However, a charge will be made for additional holding statements.

9.13 Litigation

GSL is not currently involved in any litigation which the GSL Directors believe has or is likely to have a material adverse effect on its business or its business operations. Except as disclosed in this Prospectus, the GSL Directors are not aware of any circumstances that might reasonably be expected to give rise to any such litigation. Refer to Section 8 of this Prospectus for further information on the ATO non-forestry test case.

9.14 Disclosure required for the Individual Offers

For the purposes of the Individual Offers, the following information is provided under Section 1019I of the Corporations Act:

- the price at which GSL wishes to purchase project investors' Woodlots or Drove – under the Individual Offers, GSL is offering the Consideration which will be settled by the issue of GSL Shares as set out in Section 1.1;
- a fair estimate of the value of project investors' Woodlots and Drove as at the date of the Individual Offer, and an explanation of the basis on which that estimate was made – in calculating the Consideration, GSL considers the value attributed to a Woodlot or Drove to be fair and has based this value on the net present value of internal estimations of projected yields and revenues for each Woodlot and Drove and considers the assumptions underlying these projections to be reasonable;
- the period during which the Individual Offers remain open – the Individual Offer remains open until 11 December 2008, which is greater than one month after the opening date of the Individual Offers (on 5 November 2008); and
- the Individual Offers cannot be withdrawn within one month of the date of the Individual Offers.

9.15 Regular reporting and disclosure requirements

GSL is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. As a disclosing entity, GSL is subject to regular reporting and disclosure obligations. Broadly, these obligations require:

- the preparation of both yearly and half yearly financial statements, a report on the operations of GSL during the relevant accounting period together with an audit or review report thereon by GSL's auditor; and
- the immediate notification to the ASX of any information concerning GSL which it becomes aware of and which a reasonable person would expect to have a material effect on the price or value of the GSL Shares, subject to certain exceptions.

Copies of documents lodged with ASIC in relation to GSL may be obtained from, or inspected at, an office of ASIC.

GSL will provide a copy of each of the following documents, free of charge, to any person who asks for it during the period from the date of issue of this Prospectus until the Individual Offers Closing Date:

- GSL's annual report for the year ended 30 September 2007 (being GSL's most recent annual report lodged with ASIC before the date of this Prospectus);
- GSL's half-yearly financial report for the six months ended 31 March 2008; and
- any continuous disclosure notices given by GSL after the lodgement of the annual financial report referred to above with ASX and before the lodgement of the copy of this Prospectus with ASIC.

All requests for copies of the above documents should be addressed to the Company Secretary, Great Southern Limited, 16 Parliament Place, West Perth, Western Australia, 6005. The above information may also be obtained from GSL's website at www.great-southern.com.au or the ASX website at www.asx.com.au. GSL's ASX code is GTP.

9.16 Privacy notification

By filling out the green Proxy Form and blue Acceptance Form to apply for GSL Shares you are providing personal information to GSL.

The *Privacy Act 1988* (Cth) regulates the way GSL collects, uses, disposes of, keeps secure and gives people access to their personal information.

GSL is committed to respecting the privacy of your personal information.

GSL collects, holds and uses that personal information in order to process your application, and if the Scheme Proposals become unconditional, to administer your shareholding in GSL, including:

- GSL setting up and maintaining a register of GSL Shareholders in accordance with the Corporations Act;
- GSL paying dividends to you;
- GSL communicating with you, such as sending you annual reports, notices of meetings and any other document which GSL wishes to send to you as a GSL Shareholder;
- GSL carrying out general administration including monitoring, auditing, evaluating, modelling data, dealing with complaints and answering queries; and
- GSL complying with its legal and regulatory obligations.

If you do not provide the information requested in the green Proxy Form and blue Acceptance Form, GSL may not be able to process or accept your application for GSL Shares.

Your personal information may also be used from time to time to inform you about other GSL products and/or services which it is considered may be of interest to you.

Your personal information may also be provided to other GSL companies on the basis that they deal with such information in accordance with GSL's privacy policy.

Your personal information may be provided to GSL's agents or service providers on the basis that they deal with such information in accordance with GSL's privacy policy.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be disclosed are:

- Computershare for ongoing administration of the share register. Computershare is contracted by GSL to maintain the register;
- printers and mail houses for the purposes of preparation and distribution of documents to you and for handling mail;
- professional service providers such as lawyers, accountants, auditors, consultants, and other professional advisers for the purpose of administering, and advising on, the GSL Shares and for any associated actions; and
- other companies where GSL believes it is more efficient to outsource services or functions to those companies.

Your personal information may be provided to certain third parties. The types of third parties that may be provided with your personal information, and the circumstances in which your personal information may be disclosed, are:

- your financial adviser or broker (other than your tax file number information) in connection with services provided to you by your adviser or broker;
- government, regulatory authorities or other people when permitted or required by law, such as ASIC or people inspecting the share register in accordance with the Corporations Act;
- the ASX; and
- in certain circumstances and with safeguards to respect your privacy, potential or actual purchasers of an interest in GSL or GSL's business or any part thereof.

You have the right to gain access to your personal information held by, or on behalf of, GSL, subject to certain exemptions under the law.

A reasonable charge for providing access to personal information may be charged for providing access to personal information.

You can request access to your personal information by telephoning or writing to the GSL Company Secretary as follows:

Address: 16 Parliament Place, West Perth, Western Australia, 6005

Telephone: (08) 9320 9700

Facsimile: (08) 9321 9288

9.17 Power of attorney – Acceptance of an Individual Offer

Each project investor who accepts an Individual Offer and completes the Acceptance Form will appoint GSL as its attorney on the following terms (**Power of Attorney**). The terms of the appointment of GSL as the attorney set out below are incorporated into the blue Acceptance Form for the Individual Offers.

In accepting an Individual Offer, the project investor:

(a) grants GSL power to:

- (i) make, do and sign all acts, deeds and things as may be necessary to procure the transfer of the project investor's interest in the relevant Scheme Project to Great Southern Cattle Managers Pty Ltd (**GSCM**) if the relevant Scheme Project is a Cattle Project or to Great Southern Plantation Holdings Pty Ltd (**GSPH**) if the relevant Scheme Project is a Plantation Project, including entering into and executing on the project investor's behalf:
 - (1) a Transfer Deed between the project investor, GSMAL, GSL and GSCM or GSPH (as the case may be) on the terms set out in Section 9.1 of the Prospectus; and
 - (2) a deed of interim charge between the project investor and any Financier under which the project investor will charge the project investor's (or the Escrow Nominee's) legal and beneficial interest in GSL Shares received under the acceptance of the Individual Offer by way of security for any finance outstanding in respect of the project investor's Woodlot or Drove, in favour of the Financier until such time as the project investor provides separate security to the Financier or the outstanding finance is repaid or refinanced (**Deed of Interim Charge**);
- (iv) date the Transfer Deed and the Deed of Interim Charge and complete the blank spaces in the schedules thereto;
- (v) make and initial any necessary alterations to the Transfer Deed and the Deed of Interim Charge which are not prejudicial to the project investor's interests in the considered opinion of GSL;
- (vi) make, do and sign all acts, deeds and things as may be necessary to procure the stamping of the Transfer Deed and the Deed of Interim Charge (if required) with the power to instruct GSL's solicitors to assist them in this regard;
- (vii) vary the provisions of the Transfer Deed and the Deed of Interim Charge, provided that the variation:
 - (1) in the opinion of GSL is not likely to be to the detriment of the project investor's interests in the Transfer Deed or the Deed of Interim Charge;
 - (2) will in the opinion of GSL enable the Transfer Deed or the Deed of Interim Charge to be better administered or managed in the interests of the relevant Scheme Project investor;
 - (3) is in the opinion of GSL required as a matter of continuing compliance with relevant statutory requirements; or
 - (4) is agreed between the project investor and GSL,
- (b) agrees at all times to keep GSL indemnified against all claims, demands, costs, expenses, damages and losses of any type arising as a result of the exercise of the Power of Attorney;
- (c) undertakes to ratify all that GSL lawfully does or causes to be done under the Power of Attorney; and
- (d) agrees that the Power of Attorney granted by way of the project investor's signature on the Acceptance Form will remain in full force and effect until the later of:
 - (i) the Transfer Deed is entered into; or
 - (ii) until:
 - (1) new security arrangements have been entered into with the relevant Financier in respect of GSL Shares; or
 - (2) the Financier's outstanding amount in respect of the project investor's Woodlots or Drovers has been repaid or refinanced in full,whichever occurs first,
- provided always that GSL's powers under this power of attorney shall not remain in effect beyond two years after the Individual Offer Closing Date; and
- (e) agrees that this power of attorney takes effect as if granted by you by way of deed signed, sealed and delivered by you.

10. Authorisation

This Prospectus is authorised by each GSL Director and signed by David Griffiths, Chairman and Cameron Rhodes, Managing Director, pursuant to consent under Sections 351 and 720 of the Corporations Act.

Dated:

Signed for and on behalf of GSL



David Griffiths
Chairman



Cameron Rhodes
Managing Director

11. Independent Accountants Report on Historical and Proforma Financial Information



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

23 October 2008

The Directors
Great Southern Limited
16 Parliament Place
West Perth WA 6005

Dear Sirs / Madam

Independent Accountant's Report

1. Introduction

We have prepared this Independent Accountant's Report ("Report") at the request of the Directors of Great Southern Limited hereafter referred to as (the "Company" or "GSL") for inclusion in a Prospectus to be dated on or about 23 October 2008 relating to an offer to investors in the following projects:

Project	ARSN
Great Southern Plantations 1998	092 780 204
Great Southern Plantations 1999	092 452 849
Great Southern Plantations 2000	085 669 361
Great Southern Plantations 2001	089 958 029
Great Southern Plantations 2002	095 343 963
Great Southern Plantations 2003	099 131 825
Great Southern 2006 Beef Cattle Project	118 784 026
Great Southern 2007 Beef Cattle Project	118 784 115

for the investors to exchange their Woodlots and Drovers for shares in the Company.

Expressions defined in the Prospectus have the same meaning in this report.

2. Scope

We have been requested to prepare an Independent Accountant's Report covering the following financial information:

- ▶ Historical financial information comprising the historical consolidated Balance Sheets of GSL as at 30 June 2008 and 30 September 2007 and the historical consolidated Income Statements, Statements of Changes in Equity, Cash Flow Statements and selected notes and information in respect of these statements for the 9 months interim period ended 30 June 2008 and the year ended 30 September 2007 as set out in Section 3.1 of the Prospectus; and
- ▶ Proforma financial information comprising the proforma consolidated Balance Sheet of GSL as at 30 June 2008 and proforma consolidated Income Statement for the nine month interim period then ended which assumes completion of the contemplated transactions as at that date as set out in Section 3.2 of the Prospectus.

The Historical financial information as at 30 September 2007 and for the year then ended has been extracted from the audited statutory financial statements of GSL which were audited by Ernst and Young and on which an unmodified audit opinion was issued. No adjustments have been made to the audited statutory financial statements.

The Historical financial information as at 30 June 2008 and for the 9 month interim period then ended has been derived from GSL's underlying books and records.

The Directors have prepared and are responsible for the Historical and proforma financial information. We disclaim any responsibility for any reliance on this report or on the Historical and proforma financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the full Prospectus.

Review of Historical Financial Information

We have conducted an independent review of the Historical financial information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Historical financial information is not presented fairly, in all material respects, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements and has been limited to reading of relevant Board minutes, inquiries of management personnel, analytical procedures applied to the financial data and certain limited verification procedures. These procedures do not provide all of the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical financial information.

Review of Proforma Financial Information

We have conducted an independent review of the Proforma financial information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- a. the proforma consolidated Balance Sheet and proforma consolidated Income Statement has not been prepared on the basis of the assumptions set out in Section 3.2 of the Prospectus; and
- b. the Proforma financial information has not been prepared applying the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the proforma transactions set out in Section 3.2 of the Prospectus had occurred at 30 June 2008.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements and has been limited to reading of relevant Board minutes, reading of contracts and other legal documents, inquiries of management personnel and analytical procedures applied to the financial data. We have also determined whether the proforma transactions form a reasonable basis for the preparation of the proforma consolidated Balance Sheet and proforma consolidated Income Statement. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Proforma financial information.

3. Review Statements

Historical Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that the Historical financial information of GSL as set out in Section 3.1 of the Prospectus is not presented fairly, in all material respects, in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, including the financial position of GSL as at 30 June 2008 and 30 September 2007 and its performance as represented by the results of its operations and its cash flows for the nine months ended 30 June 2008 and year ended 30 September 2007.

Proforma Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the Proforma financial information as set out in Section 3.2 of the Prospectus:

- a. has not been prepared on the basis of the assumptions as set out in Section 3.2 of the Prospectus of GSL as at 30 June 2008, and
- b. has not been prepared applying the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the proforma transactions set out in Section 3.2 had occurred on that date.

4. Subsequent Events

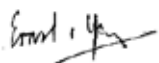
Apart from the matters dealt with in this Report and having regard to the scope of our Report, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of the Company subsequent to 30 June 2008 have come to our attention which require comment on or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

5. Disclosure

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Ernst & Young provides audit and other advisory services to the Company, and will receive a professional fee for the preparation of this Report.

Consent to the inclusion of the Independent Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully



Ernst & Young

12. Independent Accountants Report on Financial Year 2009 Guidance



**Ernst & Young Transaction
Advisory Services Limited**

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2192
www.ey.com/au

Part 1 - Independent Accountant's Report on Financial Year 2009 Guidance

23 October 2008

The Directors
Great Southern Limited
16 Parliament Place
WEST PERTH WA 6005

Dear Sirs & Madam

Independent Accountant's Report on the Financial Year 2009 Guidance

1. Introduction

We have prepared this Independent Accountant's Report ("Report") at the request of the Directors of Great Southern Limited ("GSL" or the "Company") for inclusion in a prospectus to be dated on or about 23 October 2008 ("the Prospectus") relating to the proposed exchange of interests in selected Managed Investment Schemes for shares in GSL. The Report has been prepared in relation to the financial information included in Section 4 of the Prospectus, entitled "Financial Year 2009 Guidance" (the "Directors' FY2009 Guidance").

Expressions defined in the Prospectus have the same meaning in this Report.

The nature of this Report is such that it can be given only by an entity, which holds an Australian Financial Services Licence under the Corporations Act. Ernst & Young Transaction Advisory Services Limited holds the appropriate Australian Financial Services Licence. This Report should be read in conjunction with our Financial Services Guide, which is set out in Part 2.

2. Scope - Review of Directors' FY2009 Guidance

Consistent with your instructions, we have undertaken a review of the Directors' FY2009 Guidance and have prepared this Report for inclusion in the Prospectus.

The Directors are responsible for the preparation and presentation of the Directors' FY2009 Guidance, including the best-estimate assumptions, on which they are based. The Directors' FY2009 Guidance has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Directors' FY2009 Guidance to which it relates for any purposes other than for which it was prepared.

Our review of the Directors' FY2009 Guidance was conducted in accordance with the Australian Auditing and Assurance Standards applicable to the review of prospective financial information. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary. These procedures included discussion with the Directors and management of GSL and have been undertaken in order to state whether, on the basis of the procedures performed, anything has come to our attention that would cause us to believe that:

- (a) the Directors' best-estimate assumptions within the Directors' FY2009 Guidance do not provide a reasonable basis for the preparation of the Directors' FY2009 Guidance;
- (b) in all material respects, the Directors' FY2009 Guidance is not properly compiled on the basis of the best-estimate assumptions; and

- (c) the Directors' FY2009 Guidance is not presented fairly in accordance with the recognition and measurement principles (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies of GSL disclosed in Section 3.1 of the Prospectus.

The Directors' FY2009 Guidance has been prepared by the Directors to provide investors with guidance on specific operating revenues and expenditures and on capital expenditures. Accordingly, the disclosures included in Directors' FY2009 Guidance relate only to selected items and do not represent a complete forecast of all relevant revenues and costs of the Company. In particular, the Directors' FY2009 Guidance does not include the accounting treatment of land and biological assets which may result in material impacts to the income statement, or any revenues and expenditures associated with the future level of Managed Investment Scheme ("MIS") sales by GSL. Also excluded is the accounting impact of a number of non-operational matters, including (but not limited to) share based payments, financing costs, finance revenues, MIS revenues, taxation, depreciation and amortisation.

The Directors' FY2009 Guidance is based on GSL's operating budgets for the year ending 30 September 2009 and are subject to the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. Because of these factors, there was a considerable degree of subjective judgement involved in the preparation of the Directors' FY2009 Guidance. Accordingly, actual results may vary materially from those disclosed in the Directors' FY2009 Guidance and the variation may be materially positive or negative. Accordingly, investors should have regard to the Risk Factors set out in Section 7 of the Prospectus.

Our review of the Directors' FY2009 Guidance, which is based on best-estimate assumptions, is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Directors' FY2009 Guidance included in Section 4 of the Prospectus.

3. Review Statement

Based on our review of the Directors' FY2009 Guidance as set out in Section 4 of the Prospectus, which is not an audit, and based on an investigation of the reasonableness of the Directors' best-estimate assumptions giving rise to the Directors' FY2009 Guidance, nothing has come to our attention which causes us to believe that:

- (a) the Directors' best-estimate assumptions within the Directors' FY2009 Guidance do not provide a reasonable basis for the preparation of the Directors' FY2009 Guidance;
- (b) the Directors' FY2009 Guidance is not properly compiled on the basis of the Directors' best-estimate assumptions; and
- (c) the Directors' FY2009 Guidance is not presented fairly in accordance with the recognition and measurement principles (but not all of the disclosure requirements) of applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies of GSL.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of GSL and the Directors. If events do not occur as assumed, actual results achieved and distributions provided by GSL may vary significantly from the Directors' FY2009 Guidance. Accordingly, we do not confirm or guarantee the achievement of the Directors' FY2009 Guidance, as future events, by their very nature, are not capable of independent substantiation.

4. Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of GSL have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

5. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services Limited does not have any interest in the outcome of the proposed exchange of growers interest in selected managed investment schemes into shares in GSL, other than in connection with the preparation of this Report and participation in due diligence process. Ernst & Young Transaction Advisory Services Limited will receive a professional fee for the preparation of this Report. Ernst & Young acted as statutory auditor of GSL for the year ended 30 September 2007 and half year ended 31 March 2008 for which Ernst & Young received a market based fee. Ernst & Young has also prepared an Independent Accountant's Report on the Historical and pro-forma financial information for inclusion in the Prospectus.

The Directors of GSL have agreed to indemnify and hold harmless Ernst & Young Transaction Advisory Services Limited, Ernst & Young and its employees from claims arising out of misstatement or omissions in any material or information supplied by the Directors.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited



Ken Pendergast
Director and Representative

This Financial Services Guide Forms Part of the Independent Accountant's Report

Part 2 - Financial Services Guide

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Accountant's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1 and is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in the Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the Report having regard to your own objectives, financial situation and needs before you act on the advice in the Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue the Report in connection with a financial product of another person. Our Report includes a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charged a fee for providing the Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide the Report. Our fee for the Report are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

Contacting Ernst & Young Transaction Advisory Services	Contacting the Independent Dispute Resolution Scheme:
AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

13. Glossary

13.1 Definitions

\$ means Australian dollars.

Acceptance Form means the blue acceptance form accompanying this Prospectus.

Adelaide Bank means Bendigo and Adelaide Bank Limited (ACN 068 049 178) and each of its subsidiaries or related bodies corporate.

Amount Owning means any amount owing (including any GST on that amount as defined in the GST Act) by a project investor to GSMAL or GSL under the Woodlot Agreements or Lease, Management and Agistment Agreements.

Announcement Date means the date the Scheme Proposals were announced to ASX, being 9 October 2008.

ASTC Settlement Rules means the operating rules for the settlement processing facility for ASX's market.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691).

ASX Market Rules means the operating rules for the ASX market.

ATO means the Australian Taxation Office.

Auditor means Ernst & Young.

BDMt means bone dry metric tonne.

Business Day means a business day as defined in the Listing Rules.

Cattle Projects means the 2006 Project and the 2007 Project.

CGT means Capital Gains Tax as determined by the ATO.

CGU means cash generating units.

CHESS means Clearing House Electronic Subregister System for the ASX.

Computershare means Computershare Investor Services Pty Limited (ABN 48 078 279 277).

Consideration means the cash amount equal to:

- (i) if the VWAP of GSL Shares on the ASX for the relevant period is the floor price of \$0.50 or below, the fixed maximum number of GSL Shares per Drove or Woodlot in a Project set out in column 3 of the table in Section 1.1 multiplied by the VWAP of GSL Shares.
- (ii) if the VWAP of GSL Shares on the ASX for the relevant period is the ceiling price of \$1.00 or above, the fixed minimum number of GSL Shares per Drove or Woodlot in a Project set out in column 4 of the table in Section 1.1 multiplied by the VWAP of GSL Shares.
- (iii) if the VWAP of GSL Shares on the ASX for the relevant period is between the floor price of \$0.50 and the ceiling price of \$1.00, the fixed amount per Drove or Woodlot in a Project set out in column 1 of the table in Section 1.1.

Constitution means the constitution of GSL as amended from time to time.

Constitutional Amendments Resolution means the resolution to be put to investors in each of the Projects at the Project Investors' Meetings to amend the constitutions of the Projects to allow for the transfer of Woodlots or the cancellation of Drove of investors in the Projects in exchange for GSL Shares as set out in the Notice of Meeting and Explanatory Memorandum.

Corporations Act means the *Corporations Act 2001* (Cth).

Drove means the rights, titles, interests, claims (present and future), privileges, other benefits and obligations of an investor under the Lease, Management and Agistment Agreement and the PDS for, or in relation to, a Cattle Project.

Ernst & Young means Ernst & Young with respect to Historical and Proforma financial information.

Ernst & Young Transaction Advisory Services Limited means Ernst & Young Transaction Advisory Services Limited with respect to FY2009 guidance.

Escrow Arrangements means the escrow arrangements for GSL Shares issued in exchange for the Woodlots or Drove of a Financed Project Investor and otherwise described in Section 9.3 of this Prospectus.

Escrow Nominee means a nominee of GSL for the purposes of the Escrow Arrangements.

exchange means the mechanism whereby project investors agree to surrender their Drove (in the case of the Cattle Projects) or transfer their Woodlot (in the case of the Plantations Project) (as the case may be) in exchange for the Consideration, and concurrently (subject to arrangements made for Foreign Project Investors) the project investor subscribes for that number of GSL Shares described in Section 9.1. GSL agrees that the subscription amount due by the project investor will be set off against the Consideration payment for each Woodlot or Drove (as the case may be).

Explanatory Memorandum means the explanatory memorandum accompanying the Notice of Meeting sent to each investor in the Projects

in relation to the Scheme Proposal for that project and the Individual Offers and includes the Annexures.

Financed Project Investor means a project investor whose Woodlots or Doves and Progeny are secured in favour of a financier in circumstances where the financier has the benefit of a charge or other security interest (of which GSMAL or GSL is aware) in or over the Woodlots or Doves and Progeny.

Financier means a person that has provided finance to a Financed Project Investor for their investment in Woodlots or Doves, and includes Adelaide Bank and Great Southern Finance.

Foreign Project Investor means a project investor in any of the Projects who is resident in a country outside Australia and New Zealand on the date of this Prospectus (as shown on the Register for a Project).

FY2005 means the financial year ending 30 September 2005.

FY2006 means the financial year ending 30 September 2006.

FY2007 means the financial year ending 30 September 2007.

FY2008 means the financial year ending 30 September 2008.

FY2009 means the financial year ending 30 September 2009.

GAAP means Generally Accepted Accounting Principles.

GHD means GHD Australia Pty Ltd.

GMt means green metric tonnes.

Great Southern Finance means Great Southern Finance Pty Ltd (ACN 009 235 143).

GSCM means Great Southern Cattle Managers Pty Ltd (ACN 113 922 660).

GSL means Great Southern Limited (ACN 052 046 536) and its subsidiary companies.

GSL Director means a director of GSL.

GSL Material Adverse Change means any matter, event or circumstance that is, or is reasonably likely to be, materially adverse to:

- (a) the operations or financial condition (including contingent liabilities) of GSL, including its profitability or prospects;
 - (b) the ability of GSL to perform its obligations under the Implementation Agreement; or
 - (c) the ability of GSL to carry on its business in substantially the same manner as carried on as at the date of Implementation Agreement (other than as contemplated by the Implementation Agreement or the Scheme Proposals),
- other than a matter, event or circumstance that is required to be done or procured by GSL pursuant to the Implementation Agreement or that was fully and fairly disclosed to or otherwise known by, apparent to or reasonably ascertainable by GSMAL.

GSL Prescribed Occurrence means (other than as required by the Implementation Agreement or the Scheme Proposals or with the consent of GSMAL) the occurrence of any of the following between the date of the Implementation Agreement and 5.00pm on the day before the Project Investors' Meeting:

- (a) any of the matters set out in sub-section 652(1) or (2) of the Corporations Act occur in respect of GSL (where GSL is, for the purposes of those sub-sections, the "target"); or
- (b) GSL becoming aware of:
 - (i) a misleading or deceptive statement in the Prospectus;
 - (ii) an omission from the Prospectus of information required to be included by the Corporations Act; or
 - (iii) a new circumstance that has arisen since the Prospectus was lodged with ASIC that would have been required to be included by the Corporations Act if it had arisen before the Prospectus was lodged with ASIC,

that is materially adverse from the point of view of a project investor.

GSL Share means a fully paid ordinary share in the capital of GSL.

GSL Shareholder means a holder of a GSL Share.

GSMAL means Great Southern Managers Australia Limited (ACN 083 825 405).

GSMAL Independent Directors means the independent Directors of GSMAL described in the Explanatory Memorandum.

GSMAL Material Adverse Change means any matter, event or circumstance that is, or is reasonably likely to be, materially adverse to:

- (a) the operations or financial condition (including contingent liabilities) of any one of the Projects;
- (b) the ability of GSMAL to perform its obligations under the Implementation Agreement; or
- (c) the status of any approvals by regulatory authorities which have been granted and affect the Scheme Proposals or the Individual Offers, other than a matter, event or circumstance that is required to be done or procured by GSMAL pursuant to the Implementation Agreement or that was fully or fairly disclosed to or otherwise known by, apparent to or reasonably ascertainable by GSL.

GSMAL Prescribed Occurrence means (other than as required by the Implementation Agreement or the Scheme Proposals or Individual Offers) the occurrence of any of the following between the date of the Implementation Agreement and 5.00pm on the day before the Project Investors' Meeting date:

- (a) GSMAL making any change to the constitution of any of the Projects;
- (b) GSMAL for or on behalf of investors in any of the Projects disposing, or agreeing to dispose, of the whole, or a substantial part, of the scheme property of any one of the Projects;
- (c) GSMAL creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of the scheme property of any one of the Projects otherwise than:
 - (i) in the ordinary course of business; and
 - (ii) a lien which arises by operation of law or legislation securing an obligation that is not yet due;
- (d) a court making an order for the winding up of any one of the Projects; or
- (e) the project investors of one of the Projects resolving to wind up that Project otherwise than in accordance with the Scheme Proposals.

GSPH means Great Southern Plantation Holdings Pty Ltd (ACN 132 912 184).

Historical financial information means the information described with that term in Section 3.

Implementation Agreement means the implementation agreement dated 15 October 2008 between GSMAL and GSL.

Implementation Resolution means the resolution to be put to investors in each of the Projects at the Project Investors' Meeting to approve the implementation of the Scheme Proposal for that Project as set out in the Notice of Meeting and Explanatory Memorandum.

Independent Accountant means Ernst & Young with respect to Historical and Proforma financial information, and Ernst & Young Transaction Advisory Services Limited with respect to financial year 2009 guidance.

Independent Expert means KPMG Corporate Finance.

Independent Expert's Report in relation to a Project, means the report of the Independent Expert dated 13 October 2008 (with certain amendments included as requested by ASIC after that date), a concise summary of which is included in Annexure 1 of the Explanatory Memorandum for that Project, and a full copy (including the Technical Report) of which may be obtained by project investors free of charge by contacting the Project Investor Information Line during office hours – 1300 652 672 (toll free) from within Australia or +61 3 9415 4884 from outside Australia.

Individual Offers means the offer, subject to the Scheme Proposal for one of the Projects not being approved, by GSL to project investors in that Project to purchase the Woodlots or Doves and Progeny of such investors with a registered address in Australia or New Zealand on the terms and conditions set out in Section 1.4 and 9.2 of this Prospectus.

Individual Offers Closing Date Individual Offers Closing Date means 5pm (WDST) on 11 December 2008.

KPMG Corporate Finance means KPMG Corporate Finance (Aust) Pty Ltd (ABN 43 007 363 215).

Lease, Management and Agistment Agreement means in respect of Doves, the Lease, Management and Agistment Agreements executed by each project investor and GSMAL, as responsible entity and lessor in relation to their Project.

Listing Rules means the official listing rules of ASX.

Macquarie means Macquarie Capital Advisers Limited ABN 79 123 199 548.

Material Adverse Change means a GSL Material Adverse Change or a GSL Material Adverse Change.

MIS means managed investment scheme and has the same meaning given to that term in the Corporations Act.

New GSL means GSL following the implementation of the Scheme Proposals.

Notice of Meeting means the notice of meeting convening the Project Investors' Meeting for each of the Projects set out in Annexure 4 to the Explanatory Memorandum.

NTA means net tangible assets per GSL Share.

Official List means the official list of ASX.

PDS or Prospectus means product disclosure statement or prospectus for a Project and has the meaning given to that term in the Corporations Act.

Plantations Projects means the 1998 Project, the 1999 Project, the 2000 Project, the 2001 Project, the 2002 Project and the 2003 Project.

Power of Attorney means the appointment of GSL as a project investor's attorney in accordance with Section 9.17 of this Prospectus.

Pre-Announcement Price means the last trading price of a GSL Share on ASX before the Announcement Date, being \$0.53 on 8 October 2008.

Prescribed Occurrence means a GSL Prescribed Occurrence or a GSMAL Prescribed Occurrence.

Proforma Financial Information means the information described with that term in Section 3.

Progeny means the offspring and any further offspring derived from the breeding cows leased by GSMAL to a project investor in a Cattle Project under the relevant Lease, Management and Agistment Agreement.

Project Investors' Meeting means the meeting of project investors in one of the Projects to be convened by the Notice of Meeting to consider the Scheme Proposal in respect of that Project.

Projects means:

• 1998 Project	Great Southern Plantations 1998	ARSN 092 780 204
• 1999 Project	Great Southern Plantations 1999	ARSN 092 452 849
• 2000 Project	Great Southern Plantations 2000	ARSN 085 669 361
• 2001 Project	Great Southern Plantations 2001	ARSN 089 958 029
• 2002 Project	Great Southern Plantations 2002	ARSN 095 343 963
• 2003 Project	Great Southern Plantations 2003	ARSN 099 131 825
• 2006 Project	Great Southern 2006 Beef Cattle Project	ARSN 118 784 026
• 2007 Project	Great Southern 2007 Beef Cattle Project	ARSN 118 784 115

Prospectus means this document.

Proxy Form means the green proxy form accompanying the Notice of Meeting.

Register means the register of project investors in any one of the Projects.

Reference Period means the 5 Trading Day period beginning on the date that is 8 Trading Days prior to the Project Investors' Meeting Date.

Resolutions means the Constitutional Amendments Resolution and the Implementation Resolution.

ROF means the Great Southern Rural Opportunities Fund (ARSN 099 573 627).

Sale Agent means Macquarie Securities (Australia) Limited (ABN 58 002 832 126) (AFSL 238947), or its nominee, being the agent that GSL has appointed to sell the GSL Shares on behalf of Foreign Project Investors.

Scheme Proposals means the proposals under which the Woodlots or Doves of project investors in the Projects would be exchanged for GSL Shares as a result of the Resolutions being passed and Scheme Proposal means the proposal for one of the Projects.

Trading Day has the same definition as set out in the Listing Rules.

Transfer Deed means the deed described in Section 9.2 of this Prospectus.

TREES means TREES2 and TREES3

TREES2 means the 800,000 Transferable REset Exchangeable Securities series 2 each with a face value of \$100 issued by GSL in October 2004.

TREES3 means the 1,247,000 Transferable REset Exchangeable Securities series 3 each with a face value of \$100 issued by GSL in October 2005.

VWAP means volume-weighted average price.

WDST means Australian Western Daylight Savings Time.

Woodlot means the rights, titles, interests, claims (present and future), privileges, other benefits and obligations of a project investor under a Woodlot Agreement and the PDS or Prospectus for, or in relation to, the Plantations Projects.

Woodlot Agreement means in respect of Woodlots either;

- (a) a lease and management agreement; or
- (b) a forest right and management agreement; or
- (c) a land and management agreement together with either a lease or a forest right agreement.

13.2 Interpretation

In this Prospectus and in the green Proxy Form and blue Acceptance Form, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a Section, annexure and schedule is a reference to a Section of and an annexure and schedule to this Prospectus as relevant;
- (f) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) headings and holdings are for convenience only and do not affect the interpretation of this Prospectus;
- (h) a reference to time is a reference to time in Perth, Western Australia;
- (i) a reference to writing includes e-mail and facsimile transmissions; and
- (j) a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

GSL Corporate Directory

GSL Directors	Company Secretary
<p>David Griffiths (Non Exec. Chairman)</p> <p>Cameron Rhodes (Managing Director, CEO)</p> <p>Phillip Butlin (Executive Director)</p> <p>John Young (Non Exec. Director)</p> <p>Alice McCleary (Non Exec. Director)</p> <p>Peter Mansell (Non Exec. Director)</p> <p>Mervyn Peacock (Non Exec. Director)</p>	<p>Neil Hackett</p>
Registered Office	Share Registry
<p>Great Southern Limited 16 Parliament Place West Perth, WA 6005</p> <p>Project Investor Information Line: 1300 652 672 (toll free) from within Australia or +61 3 9415 4884 from outside Australia during office hours</p> <p>INTERNET ADDRESS: www.great-southern.com.au</p> <p>ASX Code: GTP</p>	<p>Computershare Investor Services Pty Limited Level 2, 45 St Georges Terrace Perth WA 6000</p> <p>Proxy Fax (08) 9323 2033</p>
Corporate Advisers	Legal Advisers
<p>Macquarie Capital Advisers Limited No. 1 Martin Place Sydney NSW 2000</p>	<p>Freehills Level 36, QV1 Building 250 St Georges Terrace Perth WA 6000</p>
Independent Accountant – with respect to historical and proforma financial information	Independent Accountant – with respect to financial year 2009 guidance
<p>Ernst & Young The Ernst & Young Building 11 Mounts Bay Road Perth WA 6000</p>	<p>Ernst & Young Transaction Advisory Services Limited The Ernst & Young Building 11 Mounts Bay Road Perth WA 6000</p>

Annexure 4 – Notice of Meeting



GREAT SOUTHERN
MANAGERS AUSTRALIA LIMITED

.

ACN 083 825 405

Notice of Meeting of Project Investors

A Meeting of Project Investors in

GREAT SOUTHERN PLANTATIONS 1998

ARSN 092 780 204

**will be held at 9.00 am (WDT) on 1 December 2008
at the Parmelia Hilton, 14 Mill Street, Perth**

**This Notice of Meeting
is dated
23 October 2008.**

This Notice of Meeting is annexed to an Explanatory Memorandum. Also annexed to the Explanatory Memorandum is an Independent Expert Report, an Independent Taxation Opinion and a Prospectus issued by Great Southern Limited under Chapter 6D of the Corporations Act. The Explanatory Memorandum and its Annexures have been prepared to assist Project Investors in Great Southern Plantations 1998 (ARSN 092 780 204) in determining whether or not to vote in favour of the Resolutions set out in this Notice of Meeting. The Explanatory Memorandum and its Annexures are intended to be read in conjunction with this Notice of Meeting.

NOTICE OF MEETING

Notice is hereby given that a meeting of the Project Investors of the 1998 Project will be held at the Parmelia Hilton, 14 Mill Street, Perth on 1 December 2008 commencing at 9.00 am (WDT) (**Meeting**).

If you are unable to attend the Meeting, you are encouraged to complete and return the enclosed green Proxy Form in accordance with the instructions on that form. The completed green Proxy Form must be received by post to Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001 Australia or by facsimile to (08) 9323 2033 by no later than 9.00 am (WDT) on 28 November 2008.

Project Investors should read the Explanatory Memorandum and its Annexures in full. Terms defined in the Explanatory Memorandum have the same meaning in this Notice of Meeting.

For the reasons discussed in Section 7.7 of the Explanatory Memorandum, it is proposed that the Meeting of Project Investors will be held concurrently with the meetings of project investors in respect of each of the other Scheme Proposals.

AGENDA

The following resolutions to be considered at the Meeting are explained in the accompanying Explanatory Memorandum.

Resolution 1 – Constitutional Amendments Resolution

To consider, and if thought fit, pass the following resolution as a *special* resolution:

“That the Project Constitution be amended by inserting a new clause 46A in the form set out in section 7.2 of the Explanatory Memorandum in order to introduce into the Project Constitution a written procedure for the implementation of a binding arrangement (which will be used to effect Your Scheme Proposal), with the amendment taking effect immediately at the time the Responsible Entity lodges the amendment with ASIC.”

Resolution 2 – Implementation Resolution

If Resolution 1 is passed, then to consider, and if thought fit, pass the following resolution with approval from a majority in number of Project Investors present in person or by proxy and casting at least 75% of the votes cast on the resolution:

“That Project Investors approve the Arrangement on the terms and conditions set out in section 7.3 of the Explanatory Memorandum as a binding arrangement in accordance with clause 46A.2 of the Project Constitution.”

Voting restrictions

In accordance with section 253E of the Corporations Act, GSMAL and its associates (as defined in the Corporations Act) are not entitled to vote their interests on a resolution at the Meeting if they have an interest in the resolution or matter other than as a Project Investor. Clause 46A of the Project Constitution (as modified if Resolution 1 is approved) also provides that GSMAL and its associates are not eligible to vote on Resolution 2. For the purposes of section 253E of the Corporations Act, Mr Cameron Rhodes, Mr Phillip Butlin, all related bodies corporate of GSMAL (including Great Southern Limited), and each director or company secretary of a related body corporate of GSMAL, are considered associates of GSMAL with interests in the Resolutions other than as Project Investors. Accordingly, they, together with GSMAL, are not eligible to vote their interests on the Resolutions.

Under clause 46A of the Project Constitution (as modified pursuant to Resolution 1), a Project Investor is not eligible to vote on Resolution 2 if they have an interest in, or receive a benefit from, the outcome of the arrangement other than in their capacity as a Project Investor of the 1998 Project.

Merely holding GSL Shares will not mean that a Project Investor will be precluded from voting on the Resolutions.

Entitlement to vote

Subject to the voting restrictions listed above, GSMAL has determined that for the purposes of the Corporations Act, the persons eligible to attend and vote at the Meeting are those persons who are registered Project Investors of the 1998 Project at 9.00 am (WDT) on 28 November 2008.

On a show of hands, each Project Investor has one vote. On a poll, each Project Investor has one vote for each Woodlot held.

Proxies

In accordance with section 252V of the Corporations Act, Project Investors are advised that:

- each Project Investor of the 1998 Project who is entitled to attend and cast a vote has a right to appoint a proxy to attend and vote for the Project Investor at the Meeting;
- if a Project Investor is entitled to cast 2 or more votes, that Project Investor may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportions or number is not specified, each proxy may exercise half of the votes (provided that any fractions of votes that result will be disregarded); and
- a proxy need not be a Project Investor of the 1998 Project.

In accordance with section 252Z of the Corporations Act, Project Investors are advised that for the purposes of receipt of Proxy Forms, Proxy Forms must be:

- (1) received by post to Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001 Australia; or
- (2) received by facsimile at facsimile number: (08) 9323 2033,

no later than 9.00 am (WDT) on 28 November 2008.

A green Proxy Form is enclosed with this Notice of Meeting.

By order of the GSMAL Board.



Steven Cole
Independent Chairman
Great Southern Managers Australia Limited

Dated 23 October 2008

Directory

GSMAL

Great Southern Managers Australia Limited
ACN 083 825 405
AFSL number 240787

16 Parliament Place
West Perth WA 6005

Postal Address:
PO Box 1378
West Perth WA 6872

Project Investor Information Line

1300 652 672 (toll free) from within Australia
+61 3 9415 4884 from outside Australia

Independent Expert

KPMG Corporate Finance Pty Ltd
Level 31, Central Park
152-158 St Georges Tce
PERTH WA 6000

Independent Tax Adviser

KPMG
Level 31, Central Park
152-158 St Georges Tce
PERTH WA 6000

Solicitors to GSMAL

Clayton Utz
Level 27, QV1 Building
250 St Georges Tce
PERTH WA 6000

GSL

Great Southern Limited
ACN 052 046 536
16 Parliament Place
West Perth WA 6005
www.great-southern.com.au

For personal use only

Great Southern Managers Australia Limited

PO Box 1378 West Perth WA 6872

T. 08 9320 9700 / 1800 258 348 F. 08 9321 9288 / 08 9321 1666

gsp@great-southern.com.au www.great-southern.com.au