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Dear Adviser,

MACQUARIE ALMOND INVESTMENT 2011

Macquarie Alternative Assets Management Limited ("MAAML") has enclosed a research report on the Macquarie Almond Investment 2011 offer prepared by Australian Agribusiness Group ("AAG") and commissioned by MAAML.

The report reflects the observations and conclusions of AAG about the Macquarie Almond Investment 2011 offer. The report was prepared in part based on information provided by the relevant entities in the Macquarie group as well as AAG's own expertise and other information and expertise accessed by AAG. The report is not the work of, nor does it necessarily reflect the views of, MAAML or any other member of the Macquarie group. No company in the Macquarie group nor any of their respective officers or employees makes any warranty in relation to, or accepts any responsibility or liability arising in relation to, the content of the report.

The report has been prepared for the use of licensed financial advisers. It has not been prepared for the use of individual investors and advisers and brokers should not pass on extracts or conclusions from such information to their clients.

An invitation to apply for interests in the Macquarie Almond Investment 2011 offer is made by MAAML in the Product Disclosure Statement ("PDS") dated 28 April 2011. The PDS is available at www.macquarie.com.au/almondadviser, at No. 1 Martin Place, Sydney or by phoning 1800 080 033. In deciding whether to acquire or continue to hold an investment in the Macquarie Almond Investment 2011, any potential investor should obtain the PDS and consider its contents.

Kind regards
Macquarie Alternative Assets Management Limited

This information is provided for the use of licensed financial advisers only. In no circumstances is it to be used by a person for the purposes of making a decision about a financial product or class of financial products.

This is general advice only and does not take account of any investor's objectives, financial situation or needs. Before acting on this general advice, an investor should therefore consider the appropriateness of this general advice having regard to their particular situation. We recommend investors obtain financial, legal and taxation advice before making any financial investment decision.

AUSTRALIAN AGRIBUSINESS GROUP

MACQUARIE ALMOND INVESTMENT 2011 (EARLY GROWERS)

Retail Investment Research – May 2011

OVERALL SUMMARY RATING ★★★★

The overall rating given to Macquarie Alternative Assets Management Limited and the Macquarie Almond Investment 2011 (Early Growers), which is outlined above, is based upon the ratings given for each of the individual parts (Part A, B & C) as outlined below. Investors should seek their own advice and read the project PDS, Part A Finance & Management Review, Part B Track Record Review and Part C Project Review including the disclaimer herein before making an investment decision. If a supplementary is issued or a material change impacts on the Project, AAG reserve the right to withdraw or alter this report and/or ratings.

Underlying Ratings

Overall Summary Rating –	★★★★
Part A – Finance & Management Review –	★★★★¾
Part B – Track Record Review –	★★★★
Part C – Project Review –	★★★¾

Date: This report is valid at 17 May 2011

Project Summary

Investors in this project become growers of almonds in the Robinvale district of northwest Victoria. The term of the project is 22 years, with investors receiving their first income stream in the first full year given the orchard was established in 2008 and 2009 and harvested in March 2011. However, the project does not break even until year 11 on a cumulative after tax cash flow basis. Investors will be exposed to general agricultural risk. Investors returns will be highly dependent on the global almond price which in Australia is strongly dependent on the USD:AUD exchange rate. The application price per almond lot is considered to be high.

Project Details

Application Cost per Unit (ex GST)	$7,960
Min Number of Interests per investor	One
Asset Ownership	Nil
Size of Unit	0.25 hectares
Management Fees (ex GST)	Refer to Table 1 – Part C
Lease Fees (ex GST)	Refer to Table 1 – Part C
Finance available	Yes
AAG Est. Cash Returns (IRR after tax)	**(Early Growers)**
• Cash Basis	9.3% (Nil – 21.7%)
• 12-month interest free	11.7% (Nil – >20%)
Project duration	22 Years
Commissions	Up to 12% of application monies
Project Size and Raising	220 ha or $7m
Close Date for Investment	15 June 2011
Product ruling	PR2011/7

Underlying Comments

Ratings are awarded out of a maximum of five stars. A rating may include quarter stars. AAG has reviewed the answers to the self-assessment completed by the Directors and management of Macquarie Alternative Assets Management Limited in April 2011. AAG has also assessed the reasonableness of the responses made by the Directors and management in awarding them the underlying ratings. The ratings should not be taken in isolation and readers must read the separate reports.

PART A Finance & Management Review –

+ MAAML and MFPML have highly developed internal reporting systems which inform directors and senior management of asset performance in both its almond and forestry operations.
+ The Macquarie Group reported NPAT of $A1.093b for FYE 31 March 2010.
+ MAAML and MFPML compliance is of a very high standard and is supported from Macquarie Group compliance resources.
+ The on-ground management of Macquarie's almond and timber projects is of a very high standard.
□ The MAAML Board does not have members who are agriculture/forestry qualified.

PART B Track Record Review –

+ Infrastructure on the Macquarie almond orchard is of a very high standard
+ Macquarie has entered into long term off-take agreements with third parties for 100% of the product harvested from the company's forestry and almond projects.
+ The Almond orchard is in very good condition despite minor flooding.
□ Overall, the schemes have generally performed well with some exceptions.
– Almond and timber yields are generally lower than PDS forecast
– Some risks have materialised in forestry projects which has had an impact on growth rates.

PART C Project Review –

+ MAAML has an experienced on-ground management team.
+ The MAAML almond orchard has benchmark standards in infrastructure and modern orchard equipment.
+ Investors in the project receive their first income in their first full year of investment.
□ We consider the returns for the project to be low given the level of risk associated with variable almond prices, but the 12-month interest free payment option increases the returns materially.
□ There are limited investor protection mechanisms in place in case of Macquarie insolvency, but the parent entity is seen as being currently financially strong.
– Fees associated with an investment in the project are high and there is no land or asset ownership.
– Investors in the project will be exposed to variable almond prices which are influenced by the USD:AUD exchange rate.

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Part C Project Review	pages C1 – C10

Disclosure and Disclaimer

AAG nor any of its Directors or employees have any involvement with any of the companies outlined within the PDS/prospectus for this Project other than through the normal commercial terms of undertaking this review. AAG has received a standard and fixed fee for undertaking this report from MAAML. We do not warrant a rating outcome or project sales. This document has been prepared for use by Financial Planners and Investors. AAG notes that this report is for information purposes only; it does not constitute stand-alone advice. The user must undertake their own research prior to any investment decision and such investment decision is made entirely on the recognisance of the investor. This report is not a warranty, express or implied of any outcome. AAG makes every reasonable effort to ensure that this report is accurate and reasonably reflects the facts. We undertake this review without fear or favour and no warranty is given to MAAML as to the outcome of the process culminating in this report, although MAAML has been given the opportunity to comment on this report prior to publication. Information is sourced from industry experts, private and public sector research, public domain sources and the web, as well as from the substantial in-house resources of AAG. AAG and its employees disclaim any liability for any error, inaccuracy or omission from the information contained in this report and disclaim any liability for direct or consequential loss, damage or injury claimed by any entity relying on this information, or its accuracy, completeness, currency or reliability. AAG point out that this industry, project and all commercial activity is affected by the passage of time, management decisions, income, yield and expense factors which may affect the rating or opinion provided. In reading this report the user accepts this statement and sole responsibility for the impact of such change on their investment decisions.

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AUSTRALIAN AGRIBUSINESS GROUP

MACQUARIE GROUP LIMITED

PART A FINANCE & MANAGEMENT REVIEW – April 2011

A

Part A Management & Finance Rating

★★★★¾

Methodology

The Part A Management & Finance Rating above is given out of a maximum of five stars. A rating may include quarter stars. This Part A Report should be read in conjunction with the Part B Track Record Review and the Part C Project Review. This Finance & Management Review is designed to provide a clear independent third party assessment of the quality and stability of the operators of this project. AAG undertake a significant level of due diligence to arrive at our opinion, relying on material provided by the promoter, third parties and our own qualifications, experience and resources. We note that actual returns paid are one important element of track record, but not the sole focus of this report or rating.

Highlights (page A2)

⇒ July 2010 – Macquarie Alternative Funds Management Ltd records MIS sales of $32.9m, up 81% on FY09 results.

⇒ April 2010 – Macquarie Group Ltd announces 12% increase in NPAT to $1.093b for FY10.

⇒ March 2010 – Macquarie Group completes its $1.2b institutional share placement offer.

⇒ January 2010 – Macquarie Group completes acquisition of Delaware Group adding $315b to Macquarie's assets under management

⇒ April 2009 – Macquarie Alternative Assets Management Ltd (MAAML) successfully completes its first commercial harvest of its almond MIS projects

⇒ November 2008 – Macquarie Agricultural Funds Management was formed bringing together the combined agricultural funds management divisions within the Macquarie Group

⇒ 2006 – Macquarie releases its first almond Managed Investment Scheme (MIS) project.

⇒ 2003 – Macquarie releases its first hardwood woodchip MIS project.

⇒ 2002 – Macquarie Alternative Assets Management Limited established as an entity within the Macquarie Group Limited

⇒ 1996 – Macquarie is listed on the Australian Stock Exchange (ASX).

⇒ 1969 – Macquarie Banking Group Limited is established.

Management (page A2)

⇒ Senior management are experienced in the management of horticulture and forestry assets.

⇒ The recruitment of Darren Shelden as General Manager of Forestry in 2009/10 is a welcome addition to the Macquarie management team.

⇒ MQG, MAAML and MFPML have highly developed internal reporting systems which inform directors and senior management of asset performance in both its almond, forestry and banking operations.

⇒ Macquarie uses its own staff to manage its almond orchards and outsources the management of its forestry assets to two third parties.

Compliance (page A4)

⇒ MAAML and MFPML are highly resourced within the broader context of the Macquarie Group.

⇒ No material breaches have been recorded on the MAAML or MFPML compliance registers in the past 2 years.

⇒ The recruitment of Joe Flex as Head of Compliance is a welcome addition to the MAAML and MFPML Compliance Committees.

⇒ Compliance meetings have in-depth agendas for meetings which are held monthly.

Finance (page A5)

⇒ Macquarie Group is regulated by APRA (Australian Prudential Regulation Authority), as the non-operating holding company of a licensed Australian Bank.

⇒ Retail banking deposits increased 16% from $13.4b to $15.5b as a result of growth in interest in Macquarie's structured products.

⇒ The Macquarie Group reported NPAT of $A1.093b for the FYE 31 March 2010.

⇒ As at 31 March 2010, Macquarie had over $A326 billion in assets under management.

Management & Finance Ratings

The following ratings represent AAG's view of the key areas.

	Poor	Variable	Average	Good	Excellent
Management				■	
Compliance					■
Financial					■

1 Highlights

Established in 1969 the ASX listed Macquarie Group Limited (ASX Code: MQG) stands as one of Australia's leading investment bank with a market capitalisation of over $12.5 billion. The Group has a diversified international operating base with significant activities in corporate finance, treasury, commodities, equities markets, funds management and property. In the financial year ending March 2010 Macquarie announced an AUD$1,093 million profit, despite the global downturn.

The Macquarie subsidiary, Macquarie Alternative Assets Management Limited (MAAML), founded in 2002, is the Responsible Entity for the Group's almond and forestry managed investments. The first hardwood woodchip project was released to the market in 2003, and subsequent projects followed including the diversification into almond orchards at Macquarie's Robinvale properties. Since 2003 Macquarie has raised over $237m in subscription funds and has released four almond projects and eight hardwood woodchip projects, in total developing in excess of 20,600 hectares under management, throughout Victoria.

2 Management

2.1 Group Experience

The Macquarie Group is Australia's largest investment banks and is a leading provider of investment and financial products and services in Australia and internationally. The parent entity of the group, Macquarie Group Limited (Macquarie), is listed on the Australian Securities Exchange (code: MQG) and is one of the top 20 ASX listed companies with a market capitalisation of $12.5 billion at 28 March 2011.

The Macquarie Group has vast experience in funds management with over $326 billion (2009: $216 billion) in assets under management, covering a largely diversified range of sectors including cash, fixed income, currency, property, equities, infrastructure and private equity. Macquarie commenced its first MIS Eucalypt Project in 2003 and later in 2006 released its first Almond Investment.

The Macquarie Group through its wholly owned subsidiaries, MAS (Macquarie Agricultural Services), MAAML (Macquarie Alternative Assets Management Ltd) and MFPML (Macquarie Financial Products Ltd), been actively participating in the development and on ground management of horticulture and forestry agri-managed Investment Schemes (MIS) which have raised over $237 million in subscription funds for its Almond and Forestry projects.

In 2008, the Group formed Macquarie Agricultural Funds Management (MAFM) which is collectively responsible for Macquarie's agricultural funds management operations. MAFM currently has over $1 billion in agricultural funds under management and manages more than 3 million hectares of land with over 175 staff across Australia. Since establishment in 2006 Macquarie's wholly owned subsidiary Paraway Pastoral Co currently manages over 20 large scale properties which have the capacity to stock over 200,000 cattle and the same numbers of sheep.

To date, Macquarie has released twelve MIS projects, including eight hardwood woodchip projects and four almond projects totalling in excess of 21,000 hectares under management. Macquarie's forestry projects incorporate a Land Trust component which enables investors to own the underlying land assets, whilst the almond land and orchards are owned by Macquarie subsidiary MacFARM. Macquarie's Almond projects operate on an annual payment model requiring investors to pay the operating costs for their orchard units and receive annual net harvest income.

For the earlier forestry projects released by Macquarie (2003 and 2004 projects) the Responsible Entity (RE) for both the tree projects and the Land Trusts was Macquarie Alternative Assets Management Limited (MAAML). Since 2005 however, Macquarie changed the structure so that two separate RE's were used to manage the forestry projects, with MAAML used for the Tree Project and Macquarie Financial Products Management Limited (MFPML) used for the Land Trust. MAAML acts as the sole RE for all four almond projects released by the group.

Overall, Macquarie is an experienced manager of MIS and wholesale agricultural investment offerings.

2.2 Directors MAAML & MFPML

The directors of MAAML and MFPML display a broad range of well developed skills in capital markets, finance, legal and taxation. None of the directors have specific qualifications in relation to agriculture or forestry, but we note the experience gained in managing almond, timber and pastoral investments.

The MAAML and MFPML Board meetings are separately held on a quarterly basis. The Board meetings are well attended by all Directors which we consider an important factor in informed decision making and corporate oversight. Directors are provided with Board Information Packs seven days prior to the Board sitting. The Information Packs are prepared by senior management and contain a range of highly detailed data relating to the performance and operating specifics of its almond, forestry and pastoral investments.

In our review of the Board packs, we note that the information contains high level analysis of on-ground progress through to comprehensive notes on major influences on the investments and any impending risks which may be likely to affect the interests of investors. Topics within the packs include: industry analysis, weather/rainfall monitoring, budgeting for almonds and forestry, capital expenditure progress, staffing matters and market updates on each commodity. On reviewing the content of the board packs, we note that they are of very high standard providing the Board with a high level of information.

A Board Charter has been adopted by both MAAML and MFPML, placing an emphasis of recognition of its position within the Macquarie Group. This charter identifies a clear process by which conflicts of interest are identified and treated. The Charter delineates Directors obligations and responsibilities to investors. Macquarie has informed AAG that no Director within MAAML or MFPML has ownership rights. A nominal amount of units in the Macquarie Forestry Investments dating from 2003 to 2006 have been purchased by Directors Anthony Abraham and Peter Lucas.

On a divisional level Macquarie Group subsidiaries are required to maintain high standards of reporting to the Group's risk management and compliance division. We are informed that this division oversees all compliance functions across the group, independently of the Compliance Committee. MAAML and MFPML Directors are required by divisional policy to follow Macquarie risk assessment practices through the ORSA (Operational Risk Self Assessment) process. On reviewing this process, AAG is confident that the level of risk management in place within the Funds Management division is a very high standard indicative of an APRA regulated institution.

The Board of MAAML and MFPML incorporate 3 and 4 directors respectively, with some overlap between each Board. In February 2011, Sam Mosse MAAML/MFPML Director resigned from both Boards and has been replaced by Antony Clubb. No other changes to the Macquarie management structure have occurred since our previous review conducted in January 2010. The members of the MAAML and MFPML are outlined below.

Anthony Abraham, Director of MAAML

B Eco, LLB, LLM, ACA

Anthony Abraham is a Chartered Accountant with 18 years experience in the banking and finance sector. Anthony commenced working for the Macquarie Capital Products Division of Macquarie Capital Group in 1990, and in his current position as Executive Director has overall responsibility for Macquarie's retail agribusiness operations. Prior to joining Macquarie, Anthony was employed in the tax consulting division of what is now known as KPMG.

Peter Lucas, Director of MAAML and MFPML

B Com, ACA

Peter Lucas, a Chartered Accountant of 17 years with 15 years banking and finance experience, joined the Macquarie Capital Products Division of Macquarie Capital Group in 1996, and has been an Executive Director since 2001. Prior to joining Macquarie Peter was employed as Assistant Treasurer with the Capital Markets division of Qantas Airways Limited for four years.

Bill Fox, Director of MFPML

B Behavioural Sc

Bill Fox joined Macquarie in 1998 to develop a portfolio of structured wholesale investments in the area of research and development. Bill moved into retail structured products in 2001 where he was also responsible for the development of various MIS offer documents. Bill became the product Manager of Macquarie Fusion Funds in 2004, which has raised over $1 billion to date.

Jason King, Director of MFPML

BCom (Fin), LLB

Jason King joined Macquarie in 2002 after seven years in the Financial Services Tax division at PricewaterhouseCoopers in Sydney and London. Jason has specialised in the area of taxation law for over 11 years and is responsible for the development and manufacture of structured capital protected products for the retail Australian market, including the Macquarie reFleXion® Trusts.

Antony Clubb, Director of MFPML and MAAML

BCom

Antony joined Macquarie in 2006 after 9 years at consulting firm Accenture to take charge of a portfolio of projects in the Macquarie Investment Lending division. From 2008 he also took on operational management responsibility for the loan administration and custodian functions. In 2010, Antony became primarily responsible for the product development and management of the structured capital products offered by the Investment Lending business, including Geared Equities Investment (GEI) and Equity Lever.

All directors of MAAML or MFPML are executive, implying a deficiency of Non-Executive (independent) appointments to both Boards. The appointment of **two** independent Directors to each Board would substantially improve oversight and introduce external opinion to the task of managing investors' funds. Whilst not imperative, nor a mandated corporate governance regulatory guideline, AAG would prefer to see a balance of independence on both Boards.

At a Parent level, the Macquarie Group Limited Board has a majority of independent directors, with its members coming from high profile professional appointments across a range of industries.

2.3 On-ground Manager

2.3.1 General Overview

Macquarie operates horticultural and forestry managed investment schemes, and other agricultural land assets at various locations throughout Australia valued at over $1 billion. A significant investment has been made over the past decade in recruiting and developing its highly qualified team of over 175 staff, some of which are principally based in Macquarie's Sydney office, while on-ground staff occupy a number of regional offices in NSW, VIC and QLD. The Macquarie team currently manages a range of agricultural land assets covering more than 3.5 million hectares for a number of different managed funds and trusts.

Macquarie's MIS business has generated over $237 million in funds raised from retail projects in both its almond and forestry managed investments covering over 21,600 hectares of land in Victoria. AAG considers Macquarie's on-ground operations to be highly efficient, through utilising state-of-the-art technology to monitor equipment movement, growing conditions, weather, costs and production. Little expense has been spared in developing the almond orchard to what is widely considered an industry benchmark in Australian almond production.

The Macquarie on ground management team is divided between its almonds and forestry operations, with each division headed by a senior General Manager responsible for reporting back to the MAAML and MFPML Boards and overseeing on-ground operations and new project development. The General Managers responsible for each division are required to report back to their respective Boards with comprehensive analysis on a monthly basis.

MAAML has structured the management of its assets into key business units, keeping horticulture and forestry operations separate. Macquarie has established two separate entities; Macquarie Forestry Services Pty Ltd (MFSPL) and Macquarie Agricultural Services Pty Ltd (MASPL).

The Senior General Managers charged with the task of running Macquarie's Almond and Forestry operations are Chris Grieg and Darren Shelden, respectively. Chris and Darren are highly experienced in their respective fields, both having applied practical knowledge.

Overseeing the Almond and Timber on-ground operations is Head of Global Operations, Jason Silm. Jason is a Director of MFSPL and MASPL and reports directly to the MAAML and MFPML Boards. Jason provides a good communication channel for both Chris Grieg and Darren Shelden and we are advised is regularly "on the ground" visiting the various assets on a monthly basis.

Jason Silm, Head Global Operations Management

B Bus

Jason Silm has experience in the management of agribusiness operations in the horticulture industry. Prior to joining Macquarie in 2007, Jason was the Chief Operating Officer and Director of the Panda Ranch Group, a stone fruit supply chain manager. Jason has had no previous experience in the almond, forestry, beef, cattle or cropping industries until starting at Macquarie.

2.3.2 Forestry Operations

Macquarie subsidiary, Macquarie Forestry Services Pty Ltd (MFSPL) is the entity charged with the responsibility of overseeing all plantation management services. Headed by National Operations Manager Jason Silm and General Manager (Forestry) Darren Shelden, the principal role of the division is to oversee work undertaken by forestry contractors Midway Ltd and McEwans Contracting Pty Ltd. The Responsible Manager for the MFSPL is Darren Shelden.

Darren Shelden, General Manager - Macquarie Forestry Services
B Sc (For) (Melb)

Darren is a professionally qualified forester with 14 years experience in a number of companies in the forestry sector. Darren commenced his career in 1997 working for North Forest Products in Tasmania, where he spent a short period in inventory control was and then employed by Forestry Tasmania as a Senior Forester. In August 1999, Darren commenced working with Timbercorp Forestry in the Hamilton area. In his 10 year tenure with Timbercorp Darren was responsible for a significant number of plantations and staff, including the management of over 80,000 hectares of forestry plantations across Victoria, South Australia and Western Australia. Darren has been Macquarie's General Manager of Forestry since January 2010.

All Macquarie on-ground forestry management and plantation development is outsourced to private contractors - Midway Ltd, (for plantations located in the Geelong and Gippsland regions) and McEwens Contracting Pty Ltd for plantations located in the Portland region. Overseeing the forestry contractors on a daily basis and ultimately accountable for forestry management is Macquarie General Manager of Forestry Darren Shelden.

Darren Shelden is a welcome addition to the Macquarie Forestry team as he brings a wealth of internal experience and silvicultural management capability to the Macquarie team, whereas these skills previously sat outside the Macquarie Group. Darren is invited by appointment to report monthly to the MFSPL and MASPL Boards on the progress and on-ground management of the forestry assets.

Midway Ltd

Midway manages the Gippsland and Geelong plantations for Macquarie. Midway was established in 1980, and was formed by a group of 16 Victorian hardwood saw millers and is now a fully integrated forestry company involved in all aspects of the forestry business. Midway currently owns or manages over 30,000 hectares of timber plantations through central Victoria on behalf of itself and third parties including Macquarie and Japanese companies, Mitsui & Company Limited and Nippon Paper Industries Limited.

Midway also owns and manages a processing, chipping, stockpiling and loading facility at Geelong Victoria from where it has direct access to the export loading facility. During the past financial year Midway exported approximately 2.5 million tonnes of both hardwood and softwood woodchips, including chips sourced from its own plantations. The company also owns a 1.3 million cubic tonne capacity processing facility located in the Portland region. This facility will be integral to processing the timber from the Macquarie plantations when harvesting commences in approximately 7 years.

The Midway management team responsible for Macquarie's forestry plantations is overseen by the company's Chief Operations Officer, Stephen Roffey and the Company's Project Manager for the Macquarie Projects, Kevin Johnson. Both have extensive experience in the Forestry sector working in consulting and project development for large institutions.

Stephen Roffey, Chief Operations Officer

B Sc (For) (ANU), GDip Bus Admin

Stephen Roffey has been involved in the forestry sector for over 27 years. Stephen commenced his career in 1984 as an experimental scientist with the CSIRO in Canberra working on native tree research programs. Two years later, Stephen joined Forests NSW where he was responsible for overseeing the Eden district overall management and the supervision of over 45 staff. In 1994 Stephen joined Midway as Resources Manager, where he has been responsible for woodchip production and resource purchases. In 2010, Stephen was appointed as the Company's Chief Operations Officer.

Kevin Johnson, Project Manager – Macquarie Projects

B For Res, MBA

Kevin Johnson has in excess of 20 year's forestry experience in Australia and southern USA. Kevin has been employed by Midway since 2004 in a number of positions including land analysis and procurement (four years) and his current role of Project Manager of the Macquarie investment plantations (1 year). Previous experience includes over six years as a Senior Consultant with Pöyry Consulting and Management Forester with the Georgia Forestry Commission in the USA.

McEwens Contracting Pty Ltd

McEwens is a privately owned contracting business located in Mount Gambier, South Australia. McEwens was established in 1996 and have since been involved as a contractor in the establishment and/or ownership of 13,500 hectares of hardwood plantations in the Green Triangle, of which 7,500 hectares is under management for Macquarie. McEwens also provide plantation management services for a number of other listed and non listed plantation forestry managers, superannuation companies and individual growers.

The founder of McEwens, Patrick McEwen, heads the management team. Patrick has over 40 years experience in the farming and forestry sectors. Over the past two decades, Patrick has been actively involved in challenging agricultural policy development, namely through community representation, through holding various positions in Local, State and National organisations including the South Australian and National Farmers Federations.

McEwens is structured as a contracting business rather than an on-ground management company such as Midway. Jason Silm and Darren Shelden oversee these plantations, directing McEwens on key management deliverables of the plantation. Macquarie's independent forester, David Geddes is an additional resource often drawn on to provide forestry advice to the management team. David Geddes is also Macquarie's Principal Consultant called on to prepare annual review on past Eucalypt projects for MIS growers.

2.4 Almond Operations

The on-ground management of Macquarie's almond operations is undertaken internally by Macquarie Agricultural Services Pty Ltd (MASPL). The entity was established in 2005 with the scope of managing MAAML's extensive almond orchards. MASPL employs an experienced management team headed by its General Manager, Chris Greig and Operations Manager, Wayne Hazel. Macquarie's National Operations Manager for Agribusiness, Jason Silm, provides additional on-ground strategic and administrative support to the division. AAG is advised that the MAAML Board have visited the orchard on a number of occasions maintaining a high level of oversight of the almond and other nearby horticultural operations.

Chris Greig, General Manager – MAS

Chris Greig has in excess of 41 years horticultural experience, 19 years of which has been spent in the almond industry. Between 1977 and 1990, Chris was the General Manager of Kyndalyn Park (now Select Harvests) where he was responsible for establishing and managing 1,000 hectares of almond orchard and the company's hulling, cracking and packing plant. After spending a decade in the wine industry, Chris returned to Select Harvests as General Manager for a further two years, before joining Macquarie in 2006.

Brian Slater, Almonds Asset Manager – MAS
Bag Sc (Hons), Grad. Dip. (Ag)

Brian Slater has over 25 years experience in horticulture and agricultural industries. Brian has an honours degree in Agriculture and a Graduate Diploma in Agriculture. From the 1990's until 2009, Brian worked as an Agronomist/ Horticulturalist and Consultant, with a special interest in the areas of soil surveying and plant nutrition. This included being employed by Timbercorp Ltd as a Horticulturalist and providing technical support for over 20,000ha of horticultural crops, including almonds, olives, wine and table grapes, citrus, mangoes, and avocados.

Wayne Hazel, Operations Manager - MAS

Wayne Hazel is highly experienced in both the horticultural and agricultural industries. Wayne has spent much of his professional career working with Select Harvests, commencing as an apprentice in 1978 before being promoted to Farm Manager in 1984, a position he held for six years. Between 1990 and commencing with MAS in 2006, Wayne managed a cereal farm cropping 4,250 hectares and managed a seasonal broad-acre spraying company, Hazel Herbicide Spraying Co.

3 Compliance

The Responsible Entity (RE) for a Managed Investment Scheme (MIS) is required to produce a Compliance Plan for that project. The Compliance Plan outlines the procedures the RE will use to ensure that it complies with the Corporations Act, the scheme Constitution and ASIC policies. The RE must lodge a copy of the Compliance Plan with ASIC.

This compliance review is based on a self assessment undertaken by Macquarie in relation to an AAG Management and Finance questionnaire dated February 2011 and an internal visit to Macquarie offices by AAG. During this visit, compliance and finance documents along with internal systems and processes undertaken by Macquarie were reviewed. These systems are of very high standard which is expected of a financial institution governed by the Australian Prudential Regulation Authority (APRA).

The role of the Compliance Committee is a fundamental one as it exists to review the company's performance against the Compliance Plan. Essentially the Compliance Committee's role is to ensure investors' interests are being "looked after". Since the resignation of Sam Mosse in February 2011, Joe Flex has since assumed the role of chairing the compliance committee.

On AAG's recent visit to Macquarie's offices in Sydney, we were briefed on the compliance processes and standards employed by the group. From this briefing we are confident with the level of detail and internal hurdle requirements necessary in the planning of each MIS project developed by Macquarie. The level of detail required by internal audit and compliance is that expected by an APRA and ADI (Australian Deposit taking Institution) regulated company.

Responses to AAG's questionnaires indicate a strong level of internal assessment processes which incorporate audit, compliance and risk management. Prior to the release of any project, Macquarie is subject to stringent internal auditing of all facets of the project by various departments. These departments within the broader Macquarie Group are highly specialised in their field and are well resourced. Assessments undertaken do not involve staff from MAAML which provides a greater level of independence and objectivity within their assessment. This builds on Macquarie's strong culture of risk management, and adherence to banking standard governance.

The members of the Compliance Committee for MAAML and MFPML are outlined below. The Compliance Committee includes two external members and one internal member. The Compliance Committee covers a range of Macquarie investments, including almonds and forestry MIS.

Joe Flex, Chair of Compliance Committee

B Com (UNSW), CPA, F Finsia

Joe Flex, an experienced insurance and private equity specialist, joined Macquarie in 2007 as head of Regulatory Compliance for Macquarie Funds Management Group. Prior to working with Macquarie, Joe was Head of Risk Solutions for Investment Management at BT Financial Group, and was employed by Deutsche Asset Management Risk and Compliance in both London and Sydney. Earlier in his career, Joe was employed by Barclays, Royal Sun Alliance and AMP Capital Investors where he spent 8 years.

James McNally

B Bus Ag, Dip Law

James has spent a majority of his career working in the property sector as a registered valuer and licensed real estate agent. James worked at Perpetual Trustees Australia Limited (5½ years) where he was the Trustee's representative for various listed and unlisted property trusts. Recently James was appointed as responsible officer and director of Real Estate Capital Partners Managed Investments Ltd. James is also a director of Australian Leisure and Entertainment Property Management Ltd a listed public company which manages a portfolio of hotel assets throughout Australia. James has been consulting to the funds management industry with MIA Services Pty Limited since 1999 and has no experience within agricultural operation or practice.

Brendan Howell,

B Eco

Brendan worked at Greenwood Challoner & Co for 4 years from 1985, as a Chartered Accountant primarily focused on audit activities, taxation and general accounting. Brendan has also held positions with Inner West Realty and Perpetual Trustees Australia Limited where he worked closely with property trusts leading a medium sized team of analysts. Since 1998 Brendan has worked independently in his co-owned firm MIA Services Pty Ltd, as an independent compliance committee member and director of several unlisted companies that act as responsible entities.

Notwithstanding the highly experienced compliance team members, we (again) highlight that the Compliance Committee has no operational experience in agriculture, and they appear to be theoretically based. The Compliance Committee will therefore be dependent on management for this skill set.

The Committee members display a range of complementary skills in the areas of law, accounting and finance. The range of members skills are relevant to MAAML, in administrative and operational activities, allowing for a micro and macro view of the critical analysis and oversight of MAAML's compliance matters, which draws on extensive experience in funds and asset management.

The Compliance Committee has scheduled monthly meetings, with additional sittings as required. In the past financial year the Committee attended 16 Compliance Committee meetings. The two Compliance Committee members are external, providing independence from the daily operations at MAAML. The members of the Compliance Committee are well resourced with access to MBL's Group resources ensuring directors of the RE fulfil their fiduciary obligations.

The level of reporting on compliance matters to both the board of directors is of very high standard, reporting in a methodological approach, with any deviation to the compliance plan, clearly reported with appropriate mitigating strategies outlined within their reports. On review of MAAML and MFPML compliance AAG have reviewed MAAML, MFPML and MASPL breach registers for the 18 months ending 30 November 2010. Five breaches were reported for the period, all of which were associated with minor timing related issues, none of which have any material impact on investors or on future returns of either almond or forestry projects.

4 Finance

4.1 Macquarie Group Limited – Parent Company

Macquarie Group Limited is one of Australia's leading investment banks, operating an international network of branches employing over 15,400 (March 2009: 12,716) staff. Aside from its corporate banking operations, Macquarie has a highly diversified international operational base, operating in industries, including infrastructure, corporate finance, treasury, and commodities. During the past two years Macquarie has maintained its business model of balancing its corporate advisory, banking, funds and asset management activities despite turbulent financial markets after the fallout of the GFC *(Global Financial Crisis)*.

In the past 12 months, Macquarie boosted staff numbers by 15% resulting from the acquisition of American and Canadian financial institutions Delaware and Blackmont, respectively. These notable acquisitions coincided with other key strategic market advances including, commencement of Banking Services in Korea and securities trading platform in Hong Kong. During the financial year Macquarie bolstered its balance sheet position by raising $A1.2 billion through a fully subscribed institutional placement and share purchase plan. We are informed that this injection of cash has provided additional funding to pursue market opportunities and reduce debt levels across the group.

Over the past year Macquarie managed to strengthen its balance sheet position after reconciling GFC fallout lingering over the past 2 years. A marginal fall in the Group's total asset position by -2% or $4b was counter balanced by a reduction in total liabilities by -4% driven predominantly from reductions in lending from other financial institutions (Table 1). Overall, Macquarie's net asset position increased by 23% or $2.23b for the financial year ending March 2010.

Table 1 – Overview of MGQ's Consolidated Statement of Financial Position

	2009 ($m)	*2010 ($m)*	*% Δ PCP*
Total Assets	149,144	145,940	-2%
Total Liabilities	139,584	134,171	-4%
Loan Capital	2,538	2,008	-21%
Net Assets	9,560	11,769	+23%
Regulatory Capital[1]	10,200	11,800	+16%

Note [1]: The level of Regulatory Capital held by Macquarie exceeded minimum requirements mandated by APRA by 16% or $4 billion (MQG, 2010 Annual Report)

Over the past financial year the Macquarie Group has bolstered its regulatory capital position by 16% or $4 b to $11.8 b (2009: $10.2b). The Macquarie Group is required to maintain a minimum level of regulatory capital of $7.8b, as instructed by APRA. This additional level of regulatory capital being held in reserve is in response to a forecast in regulatory reform likely to take place over the FY11-FY12 financial years. Macquarie notes that this current position reflects Macquarie's conservative approach to financial management in times of market uncertainty.

Table 2 outlines MBL's consolidated statement of financial performance for the 2008/09 and 2009/10 financial years ending 31 March 2010. We note that this data is somewhat out of date and look forward to the FY 2011 results being available soon.

The 2010 financial year saw Macquarie's aggregate revenue streams improve by 20% or $1.11b to on the previous corresponding period, increasing revenues to $A6.638b. Significant revenue growth for Macquarie has occurred where the Banking division has re-entered equity markets in the United States and key Asian markets. This has been helped by improving general economic conditions worldwide since the GFC. Organic business growth within the Group in key overseas business units has seen revenue derived from business outside Australia grow by 43% to a total of $A3.35billion, representing 52% of total group income.

Six out of the seven operating divisions within Macquarie have improved markedly as business units recovered from depressed global financial markets and business restructuring activities. Figure 1 outlines the performance of each division according to divisional contribution to net profit after tax.

A key driver of Macquarie profits is the Fixed Income, Currencies and Commodities Group which continued to expand into new and emerging markets riding a wave of high commodity and resource prices. This division improved on FY09 by 62%, delivering a total contribution of 33% or $827m to the Group's NPAT. Increased appetite for exchange rate hedging and other financial derivative tools backed by the division contributed to successful gains made over the past financial year in this division.

Strong performance by the Macquarie Banking and Financial Services Group (Figure 1), was the result of its repositioning towards new and emerging Asian markets. This division reported a 360% turnaround to deliver a 10% contribution to NPAT for MQG of $261m (2009: -$99m loss). This marks a significant recovery since our review, when the Banking and Financial Services Division was ailing amidst widespread restructuring within debt and equity markets brought on by the GFC. Announcements by Macquarie advising of entry into various Asian banking markets will provide additional revenue streams for the division.

Macquarie's Corporate and Asset Finance Division was the second best performing business unit, delivering a 300% turnaround from FY09, contributing a total of $264m or 10% to Net Profit (2009: $66m). A large growth trend in asset re-financing and corporate debt reconsolidation contributed to this outperformance which once struggled to gain traction in the asset finance market.

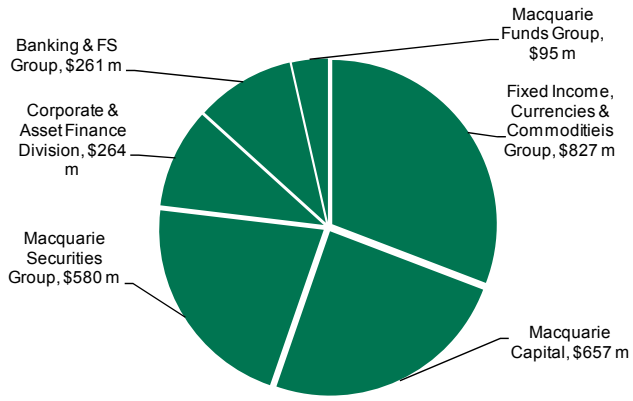

Figure 1 Macquarie Operating Group and divisional FY10 Contribution to NPAT ($m) (MQG Annual Report)

The Real Estate Banking (REB) Division of the Macquarie Group continued to run at a substantial loss, costing the Group $152 million for FY10. The loss accrued within the division was predominantly driven by the recognition of impairments of underperforming assets which have been earmarked for sale. Despite the loss, the business unit improved on FY09 results (loss of $362m) after a number of toxic asset sales were realised. The REB Division reported that the FY11 result is forecast to improve as large development projects undertaken by the division are sold and its debt facilities are restructured.

In line with our previous review, Macquarie continues to carry a substantial $833m in group wide impairments as a result of pending discounted asset sales in various loan book portfolios and managed funds at or below market value.

The proportion of agribusiness MIS sales revenue to total operating revenue within the Macquarie Group continues to be less than 1% as reported in the MAAML FY10 statutory accounts. The scale of the Macquarie Group and its controlled entities show that it is clear that it is not reliant in any way on ongoing agribusiness MIS sales to maintain profitability. Macquarie has advised AAG that it intends to remain focused on targeting approximately $35-40m in annual agribusiness MIS sales.

Table 2 – Overview of MQG's Consolidated Statement of Financial Performance

	2009 ($'m)	***2010 ($'m)***	***% Δ PCP***
MIS Sales Revenue	18.1	32.9	+81%
Other Revenue	5,507	6,605	+20%
Total Revenue	5,526	6,638	+20%
Total Expenses	4,537	5,344	+18%
Profit (b/t)	989	1,294	+31%
Profit (a/t)	974	1,093	+12%
EBITDA	6,586	4,916	-25%
MIS Sales : Total Revenue Ratio	0.3%	0.5%	+51%
Profit Margin	17.6%	16.5%	-7%
Costs to Income	82%	81%	Little Change
ROA	0.65%	0.75%	+15%
ROE	10.3%	9.3%	-9%
Interest Coverage	1.2 times	1.4 times	16%

Macquarie's operating expenses for the period increased by 18% to $5.34b, primarily as a result of the Delaware and Blackmont acquisitions. This resulted in an overall increase in employment related expenses by 31% or $740m. Macquarie reports that the performance of both recently acquired business units in the United States and Canada are on track to forecast returns for FY11.

Given financial institutions do not publish current and non-current assets and liabilities, AAG has used costs to income analysis (outlined in Table 2) to present the current proportion of costs incurred versus income received across the group for financial years FY09 and FY10. The Macquarie Group's conservative position over the past 12 months has been reflected in a negligible fall in its costs to income ratio, a movement from 82% to 81%.

Outperformance from the Group's key business units improved Macquarie's NPAT by 12% rising to $1.2b for FY10 (FY09: $974m). Significant restructuring throughout the group required the sale of toxic and underperforming assets. However, this caused no major erosion to the underlying asset position of Macquarie. This has improved the Group's ROA by 15%, increasing to 0.75%. A reduction of new investments activity and the retention of "surplus" cash lowered the Group's ROE by 9% to 9.3% (2009: 10.3%). The Group's interest coverage position improved by 15% rising by 0.2 points for the financial year ending 31 March 2010, driven largely by a substantial fall in interest related expenditure of 36% or $1.97billion.

Table 2 outlines Macquarie's net debt position and trend over the past four financial years. Since the GFC Macquarie has managed to control its debt position by undertaking various restructuring activities involving the divestment of underperforming assets and business units. The net debt being carried by Macquarie over the past two years has been flat, indicative of a relatively quiet period in the merger and acquisitions business which commonly require substantial cash injections.

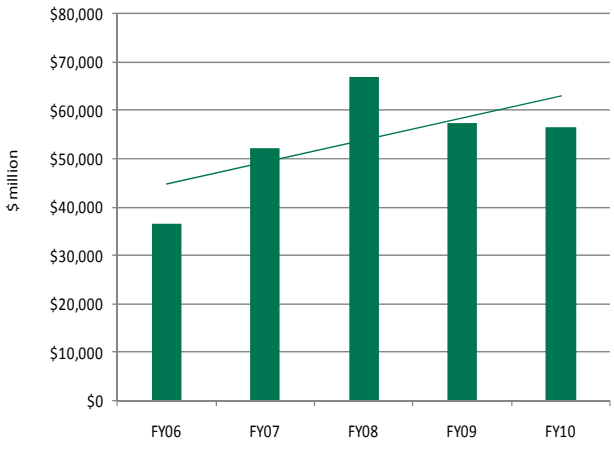

Figure 2 MQG Net Debt Analysis (Bloomberg)

Although difficult to compare in terms of scale against other firms operating in the MIS sector, other operators have sustained significant shortfalls in working capital which in some cases has led to corporate failure and external administration. Over the last reported financial year the Macquarie Group has achieved its two year goal of non-performing asset divestments while continuing to build shareholder value.

The Macquarie Group's Debt to Equity ratio (Figure 3) has fallen by over 27% in the three years end 31 March 2010, signalling an ongoing improvement (reduction) in debt levels.

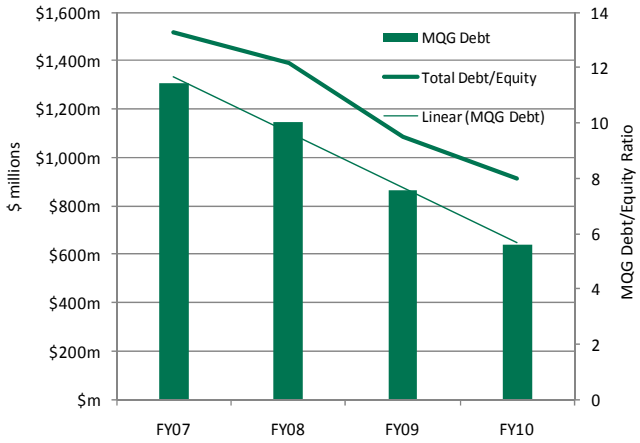

Figure 3 MQG Debt to Equity (Bloomberg)

The Macquarie Group's cash position has been variable over the past four years, with significant retention of cash over the past financial year, outlined in Figure 4. Over the past 12 months Macquarie reports that it has undertaken fewer (large) corporate transactions which has resulted in higher levels of cash being retained within the group. In the financial year ending FY10 the Group's end of year cash position was just over $8.2b in both cash and equivalent assets.

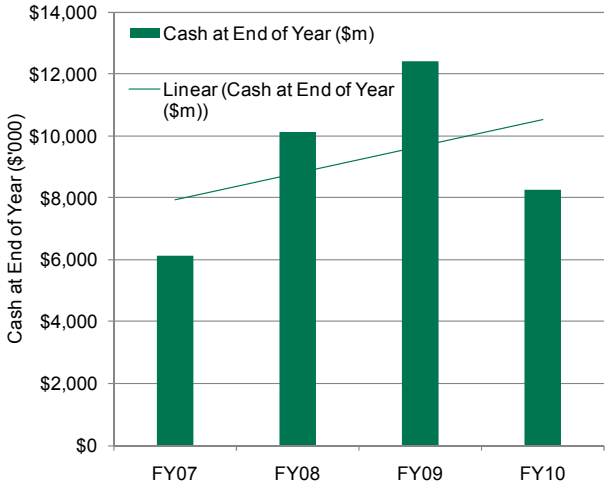

Figure 4 MQG Year End Cash Position

The ongoing position by the Macquarie Group has been widely tipped by brokers and banking analysts to be improving amidst growing confidence in equity and debt markets internationally. Macquarie has reported in its H1FY11 accounts that major acquisitions made late in 2009 are performing well and widely expected to make above forecast returns to the Group when Macquarie report its full year FY11 results in April 2011.

4.2 Macquarie Alternative Assets Management Ltd – Responsible Entity

MAAML a wholly owned subsidiary of the Macquarie Group Limited acts as the Responsible Entity for both the almonds projects and the eucalypt (tree) projects.

AAG has reviewed the statutory accounts for MAAML and MFPML. The financial performance of both MAAML and MFPML in the FYE 31 March 2010 based on audited financial statements demonstrate a net loss of $1.31m and $610,000, respectively. We note that both entities do not directly employ staff and instead follow standard Macquarie subsidiary procedures by repaying key operational expenses through internal transfers. MAAML advised AAG that in FY10 its group service charge decreased by 80% to $2.06m. The reduction in the group service charge from $9.875 m in FY09 was the due to the entity carrying less cash over the period. This level of variation on group service charge would suggest that it is within the control of management to set.

On review of the Macquarie accounts and deposit records, AAG sighted cash amounts in deposit accounts with Macquarie Treasury which Macquarie noted represent sufficient cash reserves for each project issued by MAAML/MFPML, for the duration of each project. Upon reviewing the composition of the MAAML provisions for future management and maintenance expenses, Macquarie has factored in a range of likely expenses foreseeable by on-ground management and fund management requirements. We have been advised that MAAML makes these provisions to ensure suitable cash reserves are held to meet all of its future and ongoing expenses for all of its existing agribusiness MIS projects. The adequacy of these financial provisions is monitored regularly by MAAML's internal finance department and audit teams on a quarterly basis. AAG has not reviewed the adequacy of these funds.

Whilst the Macquarie Group is not allowed under APRA conventions, to guarantee MAAML's financial performance or position, we have been advised that MBL provides staff and other resource support to its subsidiary on an arms length basis.

Macquarie has advised AAG that it has less than a 1.0% grower default rate on the payments due in its agricultural managed investments which limits any potential cash drain on MAAML's finances. This is a commendable position which few MIS Company's achieve.

Macquarie has advised that MAAML maintains a zero net debt position, has no external borrowings, and maintains minimal internal borrowings from MBL to service cash flow requirements.

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AUSTRALIAN AGRIBUSINESS GROUP

MACQUARIE ALTERNATIVE ASSETS MANAGEMENT LIMITED

PART B TRACK RECORD REVIEW – April 2011

B

Part B Track Record Rating

★★★★

Methodology

The Part B Track Record Rating above is given out of a maximum of five stars. A rating may include quarter stars. This Part B Report should be read in conjunction with the Part A Management & Finance Review and the Part C Project Review. This Track Record Review is designed to provide a clear independent third party assessment of the quality of past performance of the operators of this project. AAG undertake a significant level of due diligence to arrive at our opinion, relying on material provided by the promoter, third parties and our own qualifications, experience and resources. We note that actual returns paid are one important element of track record, but not the sole focus of this report or rating.

Past Projects (page B1)

⇒ Over the past 8 years, Macquarie has released twelve MIS offerings, including four almond and eight forestry projects, all of which are located in Victoria.

⇒ Macquarie has a skilled on-ground management team for both its forestry and almond projects.

⇒ The Macquarie almond orchard has been well managed and sets the industry benchmark for almond production.

Markets and Marketing for Past Projects (page B4)

⇒ Long term supply agreements are in place for both the Macquarie almond and forestry investments. These contracts are for 100% of the almonds and timber harvested from past projects; the price paid for each commodity is at the market price.

⇒ Despite falling demand for woodchips, the price per bone dry metric tonne has remained constant at $207.40. Reduced exports of woodchips into Japan resulting from the earthquake and tsunami will be temporary and are expected to have little long term impact on supply.

Infrastructure for Past Projects (page B4)

⇒ The infrastructure supporting the Macquarie almond orchard is industry leading. All equipment necessary to operate and harvest the orchard is company owned.

⇒ Macquarie's contracted purchaser of woodchip, Midway, has existing infrastructure in the Geelong catchment for woodchip export and a joint venture arrangement in Portland.

Agricultural Performance (page B2 & B7)

⇒ Past Macquarie projects have performed well despite recent wet weather and the effects of numerous years of low rainfall totals.

⇒ The effect of generally lower than average rainfall has reduced growth rates across Macquarie's plantations to varying degrees.

Returns (page B5 & B8)

⇒ 2010/11 Inventory projections for the 2003 and 2004 forestry projects are within range of 200-215 GMT (Green Metric Tonnes) forecast at harvest. This is below initial targets but the first trees are approximately 5 years away from harvest, and growth may vary during this time.

⇒ The 2006 and 2007 almond projects have been harvested twice since their establishment. The 2006 project underperformed in 2010 by 38% as a result of an irrigation failure.

⇒ The 2007 almond project performed very well, delivering 1,160kg/ha or 19% above the PDS target of 972 kg/ha.

Risks (page B4 & B8)

⇒ Both Macquarie's almond and forestry projects are subject to agricultural and climatic risk.

⇒ The Macquarie forestry projects have generally been impacted by below average rainfall and some site selection issues over the past seven years.

Taxation (page B10)

⇒ For previous Forestry and Almond projects, all prescribed activities with respect to the product rulings or agreed ATO timings have been met to date.

⇒ Macquarie reports that investors have received the expected taxation deductions as outlined in the project offer documents for previous projects in accordance with the Product Rulings issued

Track Record Ratings

The following ratings represent the average of performance of Macquarie's projects in each of the Company's underlying commodities.

		Poor	Variable	Average	Good	Excellent
Past Projects	[1]A				■	■
	[1]F				■	
Infrastructure	A					■
	F				■	
Markets & Marketing	A				■	
	F				■	
Agricultural Performance	A				■	
	F				■	
Risks	A				■	
	F			■		
Returns	A				■	
	F			■		
Taxation	A					■
	F					■

Note 1: A = Almonds F = Forestry.

1 Past Projects

Since offering its first forestry MIS project in 2003, MAAML has established itself as a leading plantation manager with over 21,700 ha across 8 timber projects located in the Geelong, Ballarat, Gippsland and Portland regions.. In 2006, MAAML launched its first retail MIS Almond Project commencing with the development of 313 ha which raised just under $11 million in subscription funds. To date MAAML has over 960 ha of almond orchards planted in the Robinvale region, located approximately 470 kilometres North West of Melbourne.

Retail MIS offerings developed by MAAML to date have generated over $241 million in subscription funds to date. Table 1 outlines Macquarie's past projects including the area and funds raised each project.

Table 1 – Overview of Macquarie's previous projects

Project	*Year*	*Location*	*Size (ha)*	*Funds Raised ($m)*
Almonds				
Almond 2009[1]	2009	Robinvale, Vic	178	$5.7
Almond 2008	2008		87	$3.3
Almond 2007	2007		382	$14.0
Almond 2006	2006		313	$10.8
Sub Total			*960*	*$33.8*
Forestry				
Forestry 2010	2010	Portland, Vic	2,419	$28.4
Forestry 2009	2009		602	$6.6
Forestry 2008	2008		1,316	$14.2
Forestry 2007	2007	Geelong, Gippsland & Portland, Vic	2,848	$29.0
Forestry 2006	2006		3,981	$39.7
Forestry 2005	2005		4,904	$51.2
Forestry 2004	2004		3,627	$30.8
Forestry 2003	2003		1,067	$8.0
Sub Total			*20,764*	*$207.9*
Total			***21,763***	***$241.7***

Note 1 – The 2009 Macquarie Almond Project incorporates a late grower offering which was continued into FY10 under Product Ruling PR2009/49.

Over the past two years Macquarie's projects have gained substantial traction in generating investor interest, recording a 330% increase in the forestry project, a rise in sales from $6.6m in FY09 to $28.4m in FY10. A combination of lower competition in the MIS market, limited available finance for MIS (except with the Macquarie products), the strength of the Macquarie Bank Ltd and its differentiated project model which incorporates land ownership can be attributed to this rise.

Macquarie's forestry projects incorporate a registered land trust which owns the underlying land asset for grower investors. This method of project structuring provides additional security to investors in the event of insolvency at the RE level, as Macquarie maintains its independence by not owning or having registered mortgages over the land for project funding purposes.

The management of agriculture originated assets (over $1.0 billion) continues to be a very small part of the overall assets under management of the Macquarie group (over $A326 billion). For more information please see Part A section 2.1.

2 Forestry Operations

2.1 Introduction

Macquarie commenced the development of its managed forestry investments in 2003, and has since developed a large portfolio of plantations under management. The main species planted in the Geelong, Gippsland and Portland Regions in Victoria, is Tasmanian Blue Gum (*Eucalypts globulus*) with some small areas of Shining Gum (*E. nitens*). Most properties selected have been previously used for cattle grazing and dairy farming.

Since developing the forestry estate, Macquarie has commissioned the services of Independent Forester Mr. David Geddes of Geddes Management Pty Ltd (Geddes) to review and comment on the performance of the Macquarie projects. His FY10 annual report dated 23 March 2011, forms the basis of yield estimates provided by Macquarie.

2.2 Silvicultural Performance

Inventory assessments are an integral component of Macquarie's silvicultural management regime. Assessments are undertaken approximately 12 months after planting and then follow when the trees are approximately 3, 5, 7 and 9 years of age. Undertaking the assessments at different time periods during the term of the project provides a snapshot of tree health and overall performance measured in green metric tonnes (GMT). Prior to the tree reaching five years of age, results from inventory assessments cannot be accurately relied on to form an opinion of merchantable yield at harvest.

Since establishing the first Eucalypt project in 2004 through to the plantings undertaken in 2010, Macquarie's projects have been subject to sustained reduced rainfall conditions (Figure 1) which has constrained growth rates and caused tree losses on some of the Projects. Projects located in Hamilton and Casterton planted from 2004-2008 have been subject to reductions in rainfall by 10% and 12%, respectively, against the long term average. Other issues associated with site selection coupled with low rainfall have contributed to underperformance. According to Geddes, the dry conditions across a large proportion of the plantations has resulted in reduced growth rates.

New growth has been reported since December 2010 as average rainfall exceeded the Ballarat 10 year average of 632.7mm (Figure 1). Geddes indicated in his report that depending on the level of future rainfall, some projects may suffer reduced merchantable timber yield by up to 20%, as trees suffering from drought induced stress will require 12 to 18 months to recover lost growth.

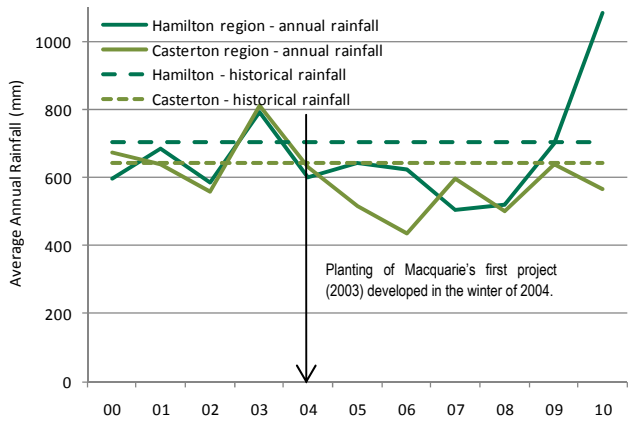

Figure 1 Historical rainfall for Ballarat and Casterton (70% of Macquarie's Plantations by area)Source: BoM

AAG has been advised that above average rainfall during 2010 to present across key growing areas is creating positive signs across all projects with approximately 600 mm of new growth across the estate. As a result of improved rainfall some projects require remedial maintenance to remove the substantial weed growth that has occurred. AAG has been advised that this work is currently being undertaken where necessary to minimise any impact on tree growth.

Macquarie's past forestry project estimated yield rates are outlined below in Table 2.

Table 2 – Overview of Macquarie's yield estimates the forestry projects between 2003 – 2010

Project	*Original Target GMT*[1]	*Estimated GMT at harvest*	*% of total plantation base*
2010	220-230 GMT	Not yet planted	12%
2009	220-230 GMT	Too Young	3%
2008	220-230 GMT	Too Young	6%
2007	220-230 GMT	Too Young	14%
2006	220-230 GMT	213-226 GMT	19%
2005	220-230 GMT	198-210 GMT[2]	24%
2004	220-230 GMT	207-220 GMT	18%
2003	220-230 GMT	206-218 GMT	5%

Note 1 – Estimates are based on Green Metric Tonnes (GMT) at age 10 years.
Note 2 – Estimates for the 2005 Geelong component are 198-210 GMT, trees planted in the Portland region are too young to provide meaningful results.

2.2.1 2003 Forestry Project

The 2003 project undertaken by Macquarie was planted in June 2004. The 1,067 ha project is located in the Ballarat (60%), Otway Ranges (31%) and Gippsland (9%) regions.

The Independent Forester David Geddes notes in his Annual Review of Macquarie Forestry investments dated the 31 March 2011, that dry conditions in the Geelong and Gippsland regions has reduced his estimated forecast merchantable yield at harvest to 206-218 GMT/ha. Geddes outlines general tree health being acceptable with very good signs of recovery after recent heavy rainfall. Geddes further notes that the project has a good chance at recovering lost yield and achieving its original growth targets as outlined in the product disclosure statement (PDS).

2.2.2 2004 Forestry Project

The 2004 Macquarie forestry project encompasses 3,627 ha of plantations which are divided between Ballarat (31%), Geelong (36%), and Gippsland (36%) regions. Three year inventory data estimated by Geddes at 207-220 GMT suggests growth rates may be lower than forecast. Five year inventory data will be available in mid 2011.

2.2.3 2005 Forestry Project

The 2005 project saw the establishment of 4,904 ha in Portland (39%), Gippsland (34%), Ballarat (26%) and Geelong (1%).

In the Geelong and Gippsland regions five year inventory data suggests a merchantable yield at 10 years of 198-210 GMT. Midway reported a number of issues including reduced growth levels due to poor weed control across the 2005 project. In addition, the Portland plantations are on one property which has had a series of issues relating to poor site selection. Geddes notes in his report that the harvest of the project may be delayed by approximately one year to allow for the replanted trees to reach harvest age.

A portion of the plantation was damaged by fire in the Strzelecki Ranges. Investors who held insurance were paid out net proceeds from insurance on their affected plantation lots. The result of the fire damage has reduced the project area to 4,871 ha.

2.2.4 2006 Forestry Project

The 2006 project saw the establishment of 3,981 ha in Ballarat (47%), Gippsland (19%), Strzelecki Ranges (7%) and Geelong (2%) regions.

Geddes reports that the plantations are located in higher rainfall areas. Recent inventory assessments suggest these plantations are on their way to achieving 213-226 GMT which is close to PDS targets. Geddes has outlined that the plantation has responded very well to increased rainfall in the planting regions with some weed growth being addressed to minimise any potential growth impacts on trees.

2.2.5 2007 Forestry Project

There was a total 2,848 ha established across 8 properties which were planted in winter of 2008, predominantly across the Portland region, with a small proportion of the project planted in the Gippsland and Geelong regions.

AAG has been advised that trees which were damaged by frost in 2008 have since recovered. Trees which were killed have since been replanted and are reportedly growing well. The project is still too young to report on inventory results. A 3 year inventory measurement for the Project is scheduled to be undertaken in the second half of CY2011.

2.2.6 2008 Forestry Project

The 2008 project saw the development of 1,316 ha in the Portland region. The first assessment on the project outlines a very good survival rate of 923 trees/ha, up 3% on the PDS target of 900 trees/ha. Minor animal browsing reported in 2009 has been remedied with tree guards proving to be successful in limiting tree deaths. Trees are reported to be in very good health.

2.2.7 2009 Forestry Project

There was in total 602 ha developed across six properties in the 2009 project, all planted in the Portland region. Trees in the project are in good condition with limited animal browsing due to the installation of tree guards and upgraded fencing to minimise any browsing issues at establishment.

2.2.8 2010 Forestry Project

Macquarie is currently finalising land requirements for the 2010 project to be planted in June-July of this year. The land acquired thus far is currently being cultivated and fertilised.

2.3 Infrastructure

When harvesting is to be undertaken in approximately 11.5 years from the date of planting, it is expected that contactors organised by Midway will be used. Midway currently uses a number of harvesting contractors in Geelong region which could be utilised for harvesting Macquarie's projects.

A number of options are available for harvesting the projects. Wood chipping can occur in the field or at static chippers at either the facility owned by Midway or Gunns. In Geelong, Macquarie is relying on the use of Midway's static chipping facility in Geelong as well as the export facility also owned by Midway. The facility, which is owned and managed by Midway, is capable of processing, chipping and stockpiling woodchips, which can then be loaded via a facility owned by Midway at Geelong harbour for export. No other static chipping alternatives presently exist in this area. Infield chipping is an option but the Midway loading facility would be required to be used for export.

Midway's woodchip mill at Myamyn, near Heywood north of Portland will provide a viable option for processing timber produced from the Macquarie projects. The woodchip mill was commissioned in August 2009 and has the capacity to process 1.5 million tonnes of hardwood woodchip per annum. Macquarie also has the option to in-field chip its trees using local contractors.

In the alternative, Macquarie may utilise the second facility built and operated by Gunns Limited. This static loading facility has the operating capacity of 500,000 tonnes.

For projects located in the Gippsland area, it is likely the trees will be sold to Paper Australia under an existing off-take agreement between Macquarie and Paper Australia.

The presence of sound existing infrastructure in both Geelong and Portland that is within a reasonable distance of the forestry plantations is an important consideration for investors as it provides certainty that infrastructure is present to process the timber at harvest.

The relative close proximity of Macquarie's projects to these facilities reduces the risk of lower stumpage prices being received as a result of higher haulage costs, which may happen in projects which have plantations located a significant distance from existing infrastructure facilities. The Macquarie Forestry projects located in the Geelong and Portland regions will therefore benefit from the existing processing facilities owned by Midway and Gunns in these areas.

2.4 Markets for previous forestry projects – market specific information

2.4.1 Hardwood Woodchip

⇒ Japan continues to be Australia's most important woodchip market, accounting for 85% of Australia's exports in FY2009/10. Australia's main competitors in the Japanese market are South Africa and Chile, which have greater levels of un-restricted access to native forest products and lower cost

⇒ In 2010, Australia's exported 80% of its hardwood woodchips into the Japanese market, which now accounts for 35% of all Japanese woodchip buying. In total Australia exported 4.5 million tonnes of hardwood woodchip in CY2010.

⇒ Recent earthquake and tsunami events in Japan have temporarily reduced woodchip demand from Japan in response to an uncertain economic environment within the country. This adjustment in demand is expected to be temporary and have little to no effect on long term demand in Japan.

⇒ The planned phase out of native forest logging in Tasmania will increase demand for certified plantation grade timber. Industry Edge, a timber industry analyst, forecasts a reduction in the surplus of woodchip supply in 2013-15 to 8 million tonnes from an initial 12-15 million tonnes.

⇒ Woodchip prices have been maintained over the past 2 years at $207.40 BDMT (Bone Dry Metric Tonne).

2.5 Marketing Arrangements – Key points

Timber from the past Macquarie projects located in the Geelong and Portland regions are the subject of signed off-take agreements with Midway Pty Ltd (Midway). Plantations located in the Gippsland regions have an off-take agreement to supply timber to Paper Australia Pty Ltd (Paper Australia).

For each of the Macquarie Forestry projects, off-take agreements have been entered into for the sale of the projects timber before trees are planted. This provides a good degree of security for investors in past projects with regard to volume, but sale price varies with the market.

2.6 Project Risks

The level of direct agricultural risk in Macquarie's Forestry project is impacted by the locations of the plantations along with site specific parameters i.e. soil, sub climate, along with the plantation management regime. A number of risks have materialised within Macquarie's plantations, some of which have been beyond the control of plantation managers.

The largest impact on tree growth over the past 18 months has been the prior 4-5 years of sustained dry conditions. Plantations located in the Ballarat and Gippsland regions have sustained significant periods of low rainfall as outlined in Figure 1. Geddes noted in his annual report to growers that plantations in these regions have suffered significant setbacks in growth and reported some plantations located in these lower rainfall areas to be "seriously" underperforming. Despite constraints on growth, Geddes noted that due to higher than average rainfall over the past year, and the effect of the La Nina weather cycle, plantations have a good chance to recover over the next 3-4 years provided dry conditions do not return.

The 2005 project which has been highlighted in our past reviews, continues to underperform as a result of poor site selection, animal browsing and frost. AAG has been advised that these plantations have improved over the past 12 months and that remedial works including additional fertiliser and weed management has improved the outlook for the project.

Projects located in East Gippsland continue to be plagued by outbreaks of a fungal leaf condition known as *mycosphaerella*. This has required ongoing targeted chemical applications to control the damage to tree foliage. Geddes noted in his 2011 report that the on-going nature of the leaf blight has had an "adverse" impact on growth. Given there is little control over the disease, it usually takes 1-2 years for trees to recover from the leaf condition, during which this time growth rates will be reduced. At this stage, Geddes notes that trees are likely to make a full recovery.

The threat of fire is prevalent in all forestry investments. In early 2009 a wild fire which broke containment lines in the Strezlecki Ranges in Victoria destroyed <1% of Macquarie's 2005 project. This was the first instance of fire related risk which required an insurance claim in Macquarie's forestry investments. Investors in this project who had insurance were compensated for the loss of their tress.

Macquarie has advised that its on-ground managers Midway and McEwans regularly maintain fire breaks and have advanced fire management plans.

2.7 Returns

2.7.1 Costs

The Macquarie Forestry Investment Tree Project is structured such that investors are required to make only an upfront payment on application, and are not expected to incur any ongoing costs. For those investors wishing to rely on the part of the Product Ruling 2011/2 that confirms they are carrying on a business of primary production, they are required to take out and pay for annual insurance on their plantation lots, which MAAML will arrange at cost to the investor.

The constitution governing Macquarie's Forestry projects indicates investors are responsible for the payment of any additional costs which may be incurred or borne by the Responsible Entity, which may include the distribution of additional fertiliser or to conduct additional plantation management activities as and when required. Macquarie has advised AAG that additional costs such as these would only occur in an unusual situation and only if it was deemed in the investor's best interests for these costs to be incurred. In our view, the addition of mid-rotation fertiliser should be part of the original project costs.

As at March 2011, investors in Macquarie's forestry investments have not been required to contribute additional fees for the management of their investments.

2.7.2 Yield

Please refer to Silvicultural Performance in Section 2.2.

2.7.3 Inflation on costs

Within Macquarie's internal models, inflation estimates between 2% and 3% have been applied.

AAG believes these estimates are appropriate given the average rate of inflation in the past 10 years (2.9%) and the Reserve Bank of Australia (RBA) mandated target rate of inflation (between 2% and 3%).

2.7.4 Price growth escalation factor

Macquarie has advised AAG that the stumpage prices published in the representative PDS for its previous projects range between a low of $37.00 per GMT (Green Metric Tonnes) (in the 2003 project) to a high of $50.56 per GMT (in the 2008 project). Later projects have applied prices of $47.07 per GMT (2009) $49.65 per GMT (2010) and $47 per GMT (2011) (Figure 2).

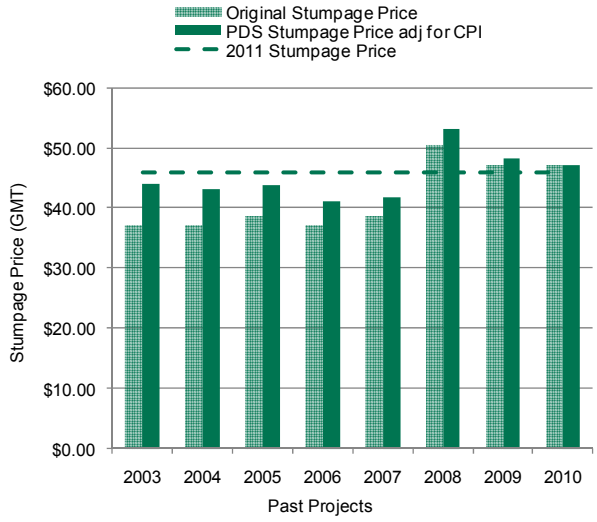

Figure 2 Price growth of past Macquarie projects indexed to CPI

When adjusting past stumpage prices for the effects of inflation to arrive at a 2011 price (outlined in Figure 2), the expected stumpages for those projects range between $41 and $53 per GMT. With the exception of its 2008 project which used a high PDS price of $50.56/GMT, the stumpage prices originally published in their respective PDS's (even when the prices are adjusted to 2011 with CPI), are on average 4% below the AAG Base Case stumpage price of $46/GMT.

On the basis of Macquarie's current independent experts report estimate of $44-48 per GMT as the current stumpage, investors in Macquarie's earlier projects (i.e. before 2008) are on track to receiving stumpage prices that are either in line or above expectations.

The ultimate stumpage price paid by Midway will be dependent on the net fibre yield present in the timber at harvest. Recently some non-Macquarie plantations harvested in at least the Ballarat region have been found to not reach the minimum pulp yield specifications required to sell the product as plantation grade timber and so the prices able to be achieved have been substantially discounted. This is a new issue and something that management has little to no control of.

2.7.5 Land

The differentiating factor of Macquarie's Forestry Investment's is the structure which allows investors to own the underlying land used for the tree projects. Land is bought through an investment in the *Macquarie Timber Land Trusts,* which are established for each project. In past projects, investors have had the opportunity to acquire an interest in the underlying plantation land at a reduced price in comparison to market value. Prices paid by investors to acquire a one hectare interest in the Macquarie Timber Land Trusts have ranged from $1,300 per plantable hectare (in the 2003 project) to up to $2,000/plantable hectare (in the 2009 Project).

Macquarie has advised AAG that it has a policy of not providing land valuations on Land Trust Units. In some regions where higher rainfall has been recorded, in particular the Gippsland region, land prices have appreciated from the date of purchase, though in recent years have remained relatively flat.

In the event annual growth rates in the tree projects underperform, capital growth in the underlying land asset has the ability to offset returns.

The average land values which are likely to be realised at the sale of the land trust, or the underlying properties, following final harvest will vary substantially and depend on the location of the properties. Furthermore prices paid will also depend on whether the land is being used for a second rotation or is being converted back to pasture.

Extensive analysis of land remediation costs by AAG indicates that assuming the land is relatively flat, costs of between $800/ha and $1,500/ha can be expected. This range is a calculated estimate on engaging local contractors with the requisite equipment to undertake the remediation works.

2.8 Likelihood of achieving the forecast returns for previous projects

Projects released between the years 2003 to 2006 account for over 65% of the Macquarie's plantation base. It appears that (with the exception of the 2005 project) as outlined above, yields are close to PDS expectations and prices (subject to quality) are at or above expectations. In time this may change either way depending on the project risks, including fibre quality/quantity, as discussed above, which may materialise. The more recent plantings are too young to make any sensible comments about yields or growth rates.

As at the time of the release of this report, on the basis of the information provided by Macquarie and our own research, we believe investors in the oldest three forestry projects have a reasonable chance of achieving returns close to original expectations. The degree to which these projects respond to higher levels of ground moisture will be critical in achieving PDS targets.

AAG still believes it too early to make any accurate predictions to the final yields, and ultimately the returns, that investors in these projects will achieve.

As a result of risks materialising in the 2005 Project, poor survival rates will result in lower than forecast yields and a harvest delay of one year. The degree to which trees respond to additional fertiliser and recent rainfall will determine the impact on final returns.

In light of the poor survival rates on the Portland plantings in the 2005 Project, this will likely result in substantially reduced yields or at the very least delayed harvest. Accordingly, Tree Project returns will also likely be below expectations for this project.

For projects released since 2006 it is too early in the rotation to determine the likelihood of investors achieving forecast returns.

3 Almond Operations

3.1 Introduction

Macquarie offered its first almond project in 2006, developing 313 ha in the Robinvale region which has grown to approximately 960 ha with subsequent projects, spread across four properties. On top of the MIS projects established, MAAML has a further 150 hectares of company owned trees which will be made avaiable to the 2011 Project.

Located approximately 470 kilometres North West of Melbourne, the Macquarie almond orchard has been established with a view to achieving and exploiting economies of scale, technology and operational efficiency. The orchard is managed by a highly competent team of over 50 full time and seasonal staff. We met several of these staff, in operations, planning, harvesting, water management and farm management during AAG's site visit. The team appears to have a strong skill set, high motivation and a strong expectation of a very sound result despite the issues set out below.

In March 2011, AAG visited the Macquarie orchards located on the "Caernarvon" and "Margooya" properties. Despite significant rainfall during January-February 2011 orchards on both properties were in very good condition. Trees across all projects are showing strong signs of growth with approximately 120cm of new growth per tree visible throughout the orchard. Some areas however showed the effects of flooding: in some areas trees will die and in other areas growth rates will be set back though the trees will likely recover. Macquarie farm staff worked hard to minimise the effect of flooding: we saw numerous pumping and drainage sites shifting water to non-planted low lying areas. It is worth pointing out that the rainfall experienced by these orchards was unprecedented and repeated in at least two significant rainfall events. The results achieved despite these rain events will be a testament to the outstanding efforts of the on farm team led by Chris Grieg.

The ground cover throughout the orchard has been well maintained with few in-row weeds appearing to obstruct almond collection process which was being undertaken. Surrounding the orchard Macquarie has managed to keep end of road thoroughfares well maintained for un-obstructed orchard management and OHS measures. The orchards are very well presented, managed and are as good as any we have seen either in Australia or the USA.

On meeting key staff at the orchard we were impressed by the research work being undertaken by asset manager Brian Slater into the correlation analysis of almond tree trunk size and yield projections. This work has been tested over the past three years and has been effective in planning bee requirements, fertilizer application and forecasting crop size.

3.2 Horticultural Performance

Despite a significant period of low water allocations over the past five years, Macquarie has been able to successfully develop an industry leading almond orchard which has benefited from high quality irrigation delivery allowing trees to develop a well balanced canopy and tree structure. Over the past five years additional irrigation water has been purchased to supplement the shortfall in low irrigation allocation years. This has been at a small additional cost to investors.

Macquarie's past almond projects and their respective yields are outlined below in Table 3

Table 3 – Overview of Macquarie's yield estimates the almonds projects between 2006 – 2010

Project Year	*Original PDS Target*		*Actual Yield Achieved*	*Variation from PDS*
2009	These projects are forecast to be harvested in March 2011.			
2008				
2007	2009	216kg/ha	176kg/ha	Down 23%
	2010	972kg/ha	1,160kg/ha	Up 19%
2006	2009	440kg/ha	404kg/ha	Down 9%
	2010	1,520kg/ha	1,100kg/ha	Down 38%

Despite yields being below PDS targets in 2010, the projects listed in Table 3 are still in their early years.

3.2.1 2006 Almond Project

The 2006 Almond project was the first almond offering for Macquarie and covered 313 ha. It delivered mixed results during the establishment phase as a result of low quality planting stock. Targeted areas were replanted soon after with two year old trees at Macquarie's cost. Macquarie has outlined it has sought higher grade seedlings from alternative suppliers since this project, and have achieved lower seedling mortality rates within the first 12 months in later projects.

Site inspections conducted by AAG in March 2011 shows very good progress in these trees which are producing good nut sizes and even tree growth. Despite being down by 38% on PDS yield targets (Table 3), Macquarie outlined that higher than expected nut sizes in the premium 22/24 size category recovered some of this yield shortfall and will likely increase the financial returns to growers.

Macquarie attributes the fall in yield to an irrigation and fertigation issue which constrained water flow to selected blocks. This reduction in water and fertigation supply resulted in lower nut yield, but had no effect on the tree structure. The fertigation issue was identified through extensive irrigation valve testing at MAS, and measures were taken to rectify the situation upon identifying the valve issue. This issue is not expected to cause any long term effects on yield at the orchard.

3.2.2 2007 Almond Project

The 2007 Almond Project consisted of 382 ha of almond orchard, of which 187 ha was established in 2006, with the remainder planted in the following year. MASPL reported no adverse issues in the establishment of the 2007 project (2007 plantings).

On inspection, the trees in the 2007 have well developed structure and were well loaded with fruit. Despite the first year of harvest being down on PDS targets by 23%, the second harvest in 2010 produced a 19% increase on the PDS target of 972 kg/ha to 1,160 kg/ha. Results for the 2011 harvest will be known later this year and reported in grower newsletters.

3.2.3 2008 Almond Project

The 2008 project saw the development of 87 ha, planted in June 2008. Scholefield Robertson in its independent horticultural report dated September 2009 outlined good performance and strike rate of the trees to date. Recent rainfall of 250mm caused a minor amount of damage, the full extent of which is yet to be calculated. The first harvest for the 2008 project is expected in 2011 with a PDS target of 440kg per hectare.

On viewing this project in March 2011, the project appeared to be carrying a heavy load of fruit. The tree structure of the 2008 project appeared to be holding the crop load well with little to no breakages.

3.2.4 2009 Almond Project

The 2009 project incorporated established almond trees remaining from the 2008 project providing an advantage to investors of potentially receiving an early income. In total 179 ha was developed under a product ruling which incorporated a 2009 Late Grower offering.

Independent Experts Scholefield Robertson report that a very good strike rate was achieved 12 months after planting and newly planted trees are progressing very well, developing well balanced tree structure. Trees were (fortunately) planted in raised mounds which prevented losses resulting from recent flooding at the orchard. The first commercial harvest of the trees is expected in February-April of this year with a PDS target of 440kg/ha.

Increased irrigation allocations and above average rainfall has been a welcome relief to the orchard. Over the past three years Macquarie has been able to secure additional irrigation water to supplement the orchard which minimised any impact to tree structure as a result of reduced irrigation allocations.

3.3 Infrastructure

The land, water and orchard assets used for the development of the Macquarie almond orchard are owned by Macquarie Farm Assets and Resources Management Limited (MacFARM). Farm equipment and other farm machinery required to manage the day to day operations of the almond orchards are owned by MASPL (Macquarie Agricultural Services Pty Ltd).

The day to day management of the orchard is controlled by a number of highly skilled staff which utilise a range of software applications to remotely control irrigation, fertigation and soil condition. All expenditure, work scheduling and production is tracked by SAP software. Macquarie's commitment to cost control at the orchard is a clear industry benchmark, which has seen approximately $1.5m saved in Operating Costs to investors over the past 12 months.

On our inspection in March 2011, AAG inspected a number of new items of harvest equipment which had been added to the extensive list of orchard assets, most of which are relatively new. Prior to the acquisition of new equipment, staff from operations through to executive management are incorporated into the selection process along with equipment manufacturers. This provides a high level of due diligence expected of a horticultural operation managing orchards on behalf of investors.

Macquarie has advised AAG that it has the requisite equipment to undertake all harvesting without the requirement to source outside harvesting contractors.

Upon harvesting the orchards, almonds are transported to Simarloo located in Renmark, SA for hulling and cracking. Once this process is undertaken, the separated almond kernel is transported to Almondco, also located in Renmark for grading, processing and packing. Macquarie has a close working relationship with Almondco which has allowed orchard teams to improve nut quality through a number of trial programs and other initiatives.

3.4 Markets for previous almond projects – market specific information

⇒ The Australian almond industry has expanded six-fold since 1999, with total plantings now at 29,200 ha, 8,400 ha of which are yet to reach maturity.
⇒ Global production of almonds reached 863,000 tonnes in 2009.
⇒ Australian almond production has increased significantly in the decade to 2010 by 269% or 20,000 tonnes. The increase in production can be attributed to a range of investment vehicles (particularly MIS) channeling funds into the establishment of almond orchards over the last 10 years, and the potential to achieve some of the highest yields in international agriculture.
⇒ Almond production in Australia is currently divided between VIC (66%), SA (20%), NSW (11%) and WA (3%), and in 2010 produced a total of 38,344 tonnes. Australian production is forecast to grow by 200% or 60,000 tonnes by 2015, accounting for the recent level of new almond grove development and projected sustained level of plantings over the next six years.
⇒ India remains Australia's key export market for almonds valued at over $36m, or 8,627 kg, representing 22% of total production.
⇒ Despite all of the above, the global almond market is still heavily influenced by the production out of California which produces 85% of global production annually.

3.5 Marketing Arrangements – Key points

- Macquarie has entered into an Almond Crop Supply Agreement with Almondco Australia Limited (Almondco), to which 100% of the company's almond crop is sold. Market prices apply to almonds sold to AlmondCo. Quality levels, nut sizes, variety and cleanliness of inward nuts are contributing factors in determining price.
- Almondco markets and process over 13,000 tonnes of almond annually, representing around 30% of Australia's total production.

3.6 Project Risks

In January-February, approximately 250mm of rainfall was recorded at the weather station location on Macquarie's Margooya orchard, resulting in some parts of the orchard being flooded. Staff were required to pump water out of low lying areas to minimise tree deaths. AAG has been advised that as a result of water retention in small zones of the orchard, approximately 3% of the entire Macquarie Almond estate or 28 ha have been killed and will require replanting. Trees for these areas have been ordered and will be planted in the spring of 2011.

On inspection of the tree damage, areas killed off by low lying water has been minimised by swift action from on-ground staff by pumping away water from affected trees. Arial imaging provided to AAG of the Macquarie orchard indicates areas badly damaged by flooding were in low areas but were not previously considered a risk to the orchard. Prior to replanting the trees Macquarie will install new drainage where practicable and increase tree mounds to improve drainage.

Other risks which have occurred in past years have been predominantly associated with the impact of drought, tree selection, frost and pest issues.

In our previous review we highlighted the impact of poor tree selection in the 2006 project. This project now appears to be on track to achieving its PDS forecasts this year despite being below forecast in the 2009 and 2010 harvest periods (Table 3). The trees appear to be in very good condition having established a solid upper tree structure which provides for effective light and airflow through the canopy. Since the previous issue of selecting poor grade trees, Macquarie reports that it has implemented rigorous selection criteria for the purchasing of trees, which includes due diligence on nursery practices and independent testing.

The risk profile surrounding the availability of irrigation water for the next 12 months is low. Irrigation entitlements are forecast to be 100% for the 2011 growing season. In the event dry conditions return over the nest 2-3 years, Macquarie has a significant base of irrigation licence entitlements which have the capacity to adequately irrigate its orchards in times of low water allocations. Water efficiency measures introduced at the orchard has allowed MacFARM to conserve water and acquire additional carry-over entitlements through savings in operational expenditure. In future, if additional water is required to be purchased, some of these costs may be passed on to investors in these projects.

Frost can be a major problem in the Robinvale region, especially at budburst and flowering stages. A large frost event has the ability to reduce yields significantly. To date minor frost events have had little if no impact on Macquarie's almond orchards. Wind, hail and the lack of bees are potential risks in Macquarie's almond projects.

3.7 Returns

3.7.1 Costs

Apart from the additional costs of purchasing temporary water, Macquarie has advised there have been no additional out of pocket costs which investors have occurred as a result of increased project development/operational costs. Replanted trees as a result of the flooding events reported earlier will be at the cost of the Investor.

In the event higher costs are incurred through the management of the almond projects, it is within the projects constitutions to charge these amounts to the investor.

3.7.2 Yield

Please refer to Section 3.2

3.7.3 Inflation on costs

Please refer to section 3.7.3.

3.7.4 Price growth escalation factor

The world almond price is strongly influenced by almond production in the USA, which produces a very large proportion of global almond supply. Demand for almonds on an international scale is moderately elastic, with the end user rapidly responding to changes in price. These factors have historically caused significant fluctuations in the price of almonds internationally.

A significant issue influencing price this year will be the effect of the exchange rate between the AUD:USD. If the exchange rate continues to trade at or above parity against the USD, producers of almonds will be forced to accept a lower price per kilogram as the price paid to farmers in Australia is set in US dollars.

Despite the current high exchange rate, industry analysts benchmark almond prices on a long term exchange rate average of AUD:USD $0.80.

Figure 3 outlines the performance of Australian almond prices over the past 15 years. The highest point achieved in the market was in FY06 when the net price paid to growers reached A$9.15. The substantial rise in price during this time was the result of record low inventory levels arising from low production in California coupled with demand outpacing supply on an international basis.

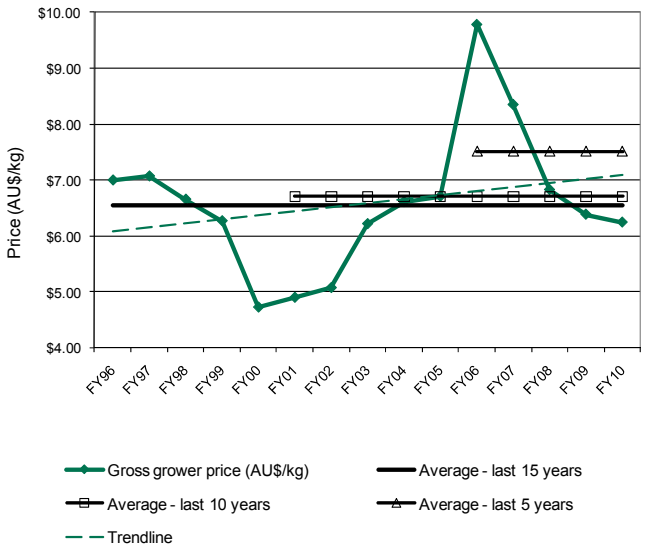

Figure 3 Average gross price returned by growers supplying Almondco between 1995/96 and 2009/10 (if assuming processing and marketing costs of $0.70/kg in 2011 dollars) Source: Almondco

Previous Projects have assumed a gross almond price of up to $7.00 per kg indexed to CPI. Whilst the current almond prices are well below those previous prices, it is the prices achieved over the long term for these 20+ year projects that will be the key test, rather than short term price instability. The disparity between the forecast returns and actual returns increases for every year that prices are lower than forecast. The ability to recoup the widening (yield) shortfall decreases over time, creating the potential for average outcomes over time to be amended only with significant outperformance in yields and significant increases in prices. In the event the AUD remains at parity with the USD prices paid to growers will continue to be affected.

3.8 Likelihood of achieving the forecast returns for previous projects

As at the time of the release of this report, on the basis of the information provided by the Macquarie and our own research, we believe investors have a reasonable chance of achieving returns close to, or in line with original expectations. Our primary concern pertaining to investors returns is the impact of the prevailing exchange rate against the AUD/USD on almond prices. If the exchange rate maintains its position at or above parity, prices paid to growers will invariably fall as a result. We note that in some circumstances growers may be rewarded for larger nut sizes.

The current performance of the almond yields viewed on the March 2011 site inspection are promising for future crops. The current harvest which is being undertaken may exceed PDS targets as kernel size and weight is above those achieved in the past.

Given Macquarie's projects have been recently established and only two harvests of almonds have occurred, it is still too early to comment on the likelihood of investors achieving their forecast returns.

4 Disclosure and Risks

4.1 Risks

As with any agricultural projects, there are a range of risks which can have a material impact on project yields and returns. Some risks have materialised within Macquarie's forestry and almond projects. The climatic effects of low water allocations and frost have contributed to poor survival and reduced growth rates in Macquarie's forestry projects.

Heavy rainfall outside the control of Macquarie's control has resulted in approximately 3% of the orchard trees being killed by water logging. Whilst climatic risks are generally out of the control of the manager and are risks associated with all agricultural investments Macquarie has been extremely active in minimising the impact. Macquarie has taken the opportunity to install further drainage and monitor tree performance under these particular conditions.

Further project specific risks are outlined in Forestry Investment Risks in Section 2.6 & Almond investment risks in Section 3.6.

4.2 Investor Communication

Macquarie provides a range of investor communication mediums, including an interactive website which provides investors the ability to receive updates for both forestry and almond projects. Macquarie also distributes annual and quarterly reports providing progress updates and any issues which have arisen throughout the season.

4.3 Exit Strategies

Initial investors in forestry MIS projects are allowed to sell their interests at any time. Once a Tree Project Interest has been held for a period of at least four years from the end of the financial year of investment, an investor has the ability to exit a project early, and will not forfeit any tax benefits provided for under the product ruling. This allows investors in Macquarie's previously released *forestry* projects the potential for liquidity. We do note however, that at the time of releasing this report, there was no private or industry '*secondary market'* in operation.

Although legislation allows trade in interests in forestry MIS projects, there is no such scope for investors in *non-forestry* MIS projects, such as Macquarie's almond projects. Investors in these projects should consider such investments continue to be illiquid.

5 Taxation

Macquarie has informed AAG that for the 2003 and 2007 Forestry project projects and the 2007 and 2008 Almond projects, all prescribed activities with respect to the product rulings have been met to date. For the 2004 and 2005 Forestry projects and 2006 Almond project, unseasonably dry conditions meant that Macquarie delayed planting to beyond the dates set out in the product rulings. For the 2006 Forestry project, above average rainfall meant that planting on one property was delayed outside the bounds of the respective product ruling. Permission was given by the Australian Tax Office (ATO) for the extension of the planting period and as such we understand that this did not compromise the taxation benefits for investors.

Macquarie reports that investors have received the expected taxation deductions as outlined in the project offer documents for previous projects. Macquarie expects the future taxation deductions will be in line with the project offer documents.

Macquarie has advised that the ATO visited a number of the Forestry project plantations and conducted an audit of the project, with no issues forthcoming. The ATO has also previously conducted a site visit and audit of the 2006 and 2007 Almond projects in mid 2006 and 2007 respectively. The ATO reported no issues in relation to the Projects.

AUSTRALIAN AGRIBUSINESS GROUP

MACQUARIE ALMOND INVESTMENT 2011 (EARLY GROWERS)

PART C PROJECT REVIEW – May 2011

C

Part C Project Rating

★★★¾

Methodology

The AAG Project Rating above is given out of a maximum of five stars. A rating may include quarter stars. This Project Review (Part C) should be read in conjunction with the AAG Management & Finance Review (Part A) and the AAG Track Record Review (Part B). This Project Review is designed to provide comment on the PDS offering to give an investor a clear independent third party assessment of the quality of this project. AAG undertake a significant level of due diligence to arrive at our opinion, relying on material provided by the promoter, third parties and our own qualifications, experience and resources to provide a sound understanding of this offer.

Management (page C3)

⇒ The Responsible Entity (RE) is Macquarie Alternative Assets Management Limited (MAAML), a subsidiary of Macquarie Group Limited (Macquarie Group).

⇒ MAAML has extensive experience in developing almond orchards, evident in the 960 hectares developed to date.

⇒ Macquarie released its first Managed Investment Scheme (MIS) in 2003 and currently has over $237 million of subscription funds under management in both almonds and forestry investments.

⇒ Macquarie's on-ground management team is highly experienced and knowledgeable in almond orchard operations.

Fees (page C5)

⇒ The project incorporates annual management fees which are indexed to CPI.

⇒ Orchard management fees are charged based on actual costs incurred by Macquarie plus a percentage of Net Sales Proceeds.

Markets for this Project (page C4)

⇒ Almond production in Australia has increased substantially over the past 12 months rising by 40%, from 26,140 kg to 36,500 kg in the 2010 season.

⇒ Australia is forecast to overtake Spain as the second largest almond producer by 2016, when recently planted orchards reach full maturity.

⇒ The demand for almonds has continued to rise in line with increased supply over the past five years

⇒ The high Australian dollar will impact farm-gate prices received by Australian growers.

Marketing (page C4)

⇒ MAAML has entered into an Almond Crop Supply Agreement with Almondco Australia Limited (Almondco) in which 100% of the almond crop harvested from the Project sold to Almondco at market price.

⇒ Almondco is one of Australia's two major almond processing and marketing groups, selling approximately 45% of the nation's annual crop.

⇒ Almondco is an unlisted public company which is predominantly grower owned.

Agricultural Parameters and Returns (page C2)

⇒ Returns for this Project are highly contingent on the price of almonds.

⇒ Returns for the Project can be improved by utilising one of three finance options being offered by Macquarie, but this will also amplify any downside risks.

⇒ Threshold analysis suggests that the Project is highly sensitive to any change in almond yield and/or price.

⇒ Returns may be affected if the USD:AUD exchange rate remains close to parity.

Disclosure and Risks (page C10)

⇒ Security of irrigation water is considered a large risk to the success and viability of the Project. Investors' returns will be impacted if water allocations were consistently reduced during the Project term.

⇒ Almond price volatility will have an impact on investor returns.

Taxation (page C11)

⇒ MAAML has received Product Ruling PR 2011/7 for Early Growers (those that invest in the Project before the 15 June 2011).

⇒ This Product Ruling outlines that 100% of the application monies for Early Growers is deductible in the initial year.

Project Sub Ratings

The following ratings represent AAG's view of the key areas.

	Poor	Variable	Average	Good	Excellent
Agricultural Rating				■	■
Management				■	■
Markets & Marketing				■	
Fee & Expense Rating			■	■	
Returns			■	■	
Disclosures & Risks		■	■		
Taxation					■

1 Project Structure – What do I get?

1.1 What is the project?

The Macquarie Almond Investment 2011 (ARSN: 150 304 993, the 'Project') enables investors to invest in a large scale commercial almond orchard located at Robinvale in northwest Victoria. The term of the Project is approximately 22 years, with investors expected to commence harvest operations in the first year of investment given at least 77% of Grower's orchards are planted with trees established in 2008 and 2009. In the event of strong investor demand a further 50 hectares of new orchard may be established.

The Responsible Entity (RE) for the Project is targeting the sale of up to 880 Almond Lots (220 ha), each of which will be 0.25 hectares in area.

Under the Project Constitution, investors will engage MAAML to manage the Almond Lots and carry on the almond growing business on their behalf. A license agreement will be issued by MAAML that registers grower's interest in their almond lots for the duration of 22 year project.

Investors do not own the underlying assets that are part of this Project.

1.2 What is the minimum subscription?

The minimum subscription for investors to subscribe to the Project is **one** Almond Lot, which represents a ¼ hectare of almond orchard. There is no minimum subscription that is required to be raised for the Project to proceed as the almond trees in the project have been pre-established. This project can proceed irrespective of how many Almond Lots are subscribed to by investors.

1.3 Can I share in any land/management ownership?

Investors are not able to share in the ownership of the land and irrigation assets involved in the investment.

1.4 Is there an exit strategy?

There is no current secondary market for interests in the Project. An investment in this Project should be considered illiquid.

1.5 How are investors' funds handled?

An investor's contribution will be held in a custodial account until MAAML allocates the investor an Almond lot. At that time, funds are transferred to MAAML as RE of the project and applied to pay the fees owing to MAAML.

MAAML states that it sets aside adequate funds through financial provisions for each separate project to ensure MAAML can meet its obligations as RE of the project. The level of these provisions is monitored regularly by Macquarie's finance team in conjunction with MAAML directors.

We note that whilst the funds may be separately identifiable in Macquarie's record keeping, they are not scheme property and as such if Macquarie becomes insolvent these funds would not be able to be accessed by a replacement RE. We view the current financial strength of the Macquarie Group and the annual fee payment model of the Project as key risk mitigants for this project.

Whilst insolvency is seen as a potential issue, albeit as a low risk, the fact the project is an annual costs model could mean there may only be a short period where any replacement RE would not have sufficient cash to run the project. In an insolvency event, growers may be required to fund any shortfall for any year in which a change of RE occurs. At the end of the year the replacement RE could simply invoice Investors the next annual operating cost amount and the project may continue. That said, we have seen other Almond projects that were also annual fee growing models fail when the RE went into Administration.

2 Agricultural Feasibility and Assumptions – Is it agriculturally sound?

2.1 Where is the project located?

The Project will be located on land owned by Macquarie, located approximately 20 kilometres southeast of Robinvale in northwest Victoria. The project will be specifically located on a property called *'Margooya'*. The land, irrigation entitlements and associated equipment are owned by Macquarie's wholly owned subsidiary, **Macquarie Farm Assets and Resources Management Limited (MacFarm)**.

Northwest Victoria is subject to a Mediterranean and or semi-arid climate characterised by dry hot summers and mild winters. These climate characteristics, in conjunction with good access to irrigation water from the Murray River makes northwest Victoria a very suitable region in which to establish and grow almond orchards. A large proportion of Australia's almond crop and key processing facilities are also located in the region.

Macquarie has over 1,100 hectares of almonds currently growing in the Robinvale area, with approximately 960 hectares for existing Almond Projects. Up to 220 hectares of almond orchard is available to be included in this Project with the large proportion having already been established, and range in tree age from 2 to 3 years (i.e. planted in 2008 and 2009). On our recent visit to the orchard in March 2011, the orchards were generally in very good condition, and appeared to be operationally sound. Despite significant rainfall received at the orchard over the summer of 2010/11, only relatively small areas were inundated, and, the trees appear to have good structure and were carrying a good sized crop for their age.

The *Margooya* property is gently undulating, with dune and swale formations running east to west. The Independent Expert notes in his report some of the risks associated with the soil types and topography which characterise the property include drainage hazards, frost risks and wind issues on more exposed parts. Some of the drainage hazards have come to light in heavy rains received in February 2011. These areas will have extensive remediation work undertaken and then be re-planted where practicable. We have been advised by Macquarie that these trees and remedial earth works will be undertaken prior to Spring in 2011.

The Robinvale region where the orchard is located is prone to frosts during the winter months and into the spring. This can have a significant impact on budburst and at flowering where the initial stage of fruit formation commences. Any substantial interruption to the flowering of an almond orchard caused by frost or wind can substantially affect production for the following season. This is a real risk to returns each year.

Irrigation entitlements required for the project will be owned by MacFarm. A maximum of 12.5 ML per hectare will be procured by Macquarie to then be leased to this project. This amount is in line industry standards in the Sunraysia and Riverland districts. Irrigation water will be sourced from the Murray River and will be pumped to on-site storage dams on the property. Macquarie has previously installed irrigation infrastructure for the orchard. The pumping, delivery and monitoring systems are a very high quality, and monitored by Macquarie's on-ground team on a 24hr basis during the whole of the irrigation season. If water allocations fall below annual requirements, then additional costs will be charged to Investors in the form of temporary water purchases and this will impact returns.

2.2 What is the orchard management regime?

At full subscription, the Project will comprise 220 hectares of almond orchard. Approximately 170ha of the orchard was developed in the winter of 2008 and 2009 and planted to three almond varieties ; Non-Pareil (50%) and pollinator varieties Carmel and Price occupying (33%) and (17%). This combination of almond varieties is widely used in Australia and according to the Independent Expert provides for good levels of production and marketability.

The planting density is 324 trees per hectare and is common to the industry providing adequate space for future tree development and sufficient row width for harvesting and orchard management to be undertaken.

Macquarie will manage and maintain the orchard by training and pruning, weed spraying, supply of irrigation and fertigation, management of the irrigation infrastructure, pest and disease control and introduction of bees for pollination. We are advised by Macquarie that the pollinator bees will be supplied by a third party contracted to supply the service on an annual basis.

The existing irrigation infrastructure at the site of the project is an industry benchmark. Macquarie has invested substantially to ensure irrigation activities are undertaken efficiently and effectively. The almond orchard is irrigated by dual drip irrigation lines which have two dripper outlets spaced every 600mm.

Once production commences, the almonds will be harvested by a mechanical shaker in about mid-February to mid-April. The almonds will then be left to dry on the floor of the orchard for approximately 3 to 10 days until they have reached a moisture content of approximately 5%, when they will be mechanically swept to the centre of the row, picked up and transported to a hulling cracking plant at Simarloo in Renmark. After this process is complete, the almond kernels will be trucked in 500kg bins to Almondco, also located in Renmark for grading and further processing.

3 Management – who is running the business for me?

3.1 What is the Corporate Structure?

The Responsible Entity (RE) for the Project is **Macquarie Alternative Assets Management Limited** (MAAML), a subsidiary of **Macquarie Group Limited** (Macquarie).

MAAML outsources the day-to-day management of the Project to **Macquarie Agricultural Services Pty Ltd** (MAS), a subsidiary of Macquarie. **Scholefield Robinson Horticultural Services Pty Ltd** (Scholefield Robinson) has been appointed by MAAML to provide horticultural and technical advice to MAS and will act as the Independent Expert for the Project.

Another Macquarie subsidiary, **Macquarie Farm Assets and Resource Management Ltd** (MacFARM), owns the land, orchard assets and water licenses and is responsible for establishing the Project orchard. These assets are leased to MAAML who sub-leases them to investors. The structure of annual lease and management fee payments provides some future protection for investors if Macquarie were to become insolvent.

The RE has entered into a long term Supply Agreement with **Almondco Australia Limited** (Almondco), who will process, market and sell the harvested product on behalf of investors. Almondco is an unlisted public company based in Renmark, South Australia, mostly owned by its extensive network of growers.

Investors are able to gear their investment through **Macquarie Bank Limited** (Macquarie).

3.2 Is the Responsible Entity Skilled and Experienced?

Macquarie was established in 1969 and is a leading provider of investment and financial products and services in Australia and abroad. The group has substantial experience in funds management and has over $A317 billion (as at 31 December 2010) in assets under management invested across a wide range of sectors including cash, fixed income, currency, property, equities, infrastructure and private equity. Macquarie is a top 20 ASX listed company.

Macquarie has been a participant in the agri MIS industry since 2003 and has released twelve agri projects to date, including eight hardwood woodchip projects and four almond projects. Overall, the Macquarie MIS operations account for a negligible proportion of total Macquarie revenue. To date Macquarie has raised over A$237m in MIS forestry and almond projects. More information on the Macquarie Group Limited and the Responsible Entity can be found in the Part A Management and Finance Review.

3.3 Is the on-ground Manager Skilled and Experienced?

The on-ground management of its almond operations is undertaken by Macquarie Agricultural Services Pty Ltd (MAS). MAS was created in 2005 to managed the increased horticultural operations being developed by Macquarie, with almonds being a core part of the business. At present MAS manages 960 hectares of almond orchards on behalf of retail investors, with a further 170 ha, of company owned trees which are being used as a part of this project.

MAS has shown it is highly capable in the management of its almond assets, utilising best practice management systems and modern farming equipment. MAS has a highly experienced management team, headed up by General Manager Chris Grieg. During our recent site inspection in March 2011, we were impressed with the level of co-ordination, planning, and in-depth and detail in the overall management of the almond orchard. A significant investment by Macquarie over the past 6-7 years is apparent with state of the art orchard management systems and equipment being utilised.

A key part of MAAML's strategy has been to engage **Scholefield Robinson Horticultural Services Pty Ltd** (Scholefield Robinson) as the company's Independent Horticulturalist. Scholefield Robinson has been engaged to review MAAML's orchard development plans and review new orchards over their first 12 months of operating. After the establishment period Scholefield Robinson provides investors with a report detailing the progress of the orchard and any issues which may be of concern.

Summaries of credentials for the key management staff can be found in Part A Management and Finance Review.

Chris Greig, General Manager – MAS
Refer to Part A Section 2.3.1

Brian Slater, Almonds Asset Manager – MAS
Bag Sc (Hons), Grad. Dip. (Ag)
Refer to Part A Section 2.3.1

Wayne Hazel, Operations Manager - MAS
Refer to Part A Section 2.3.1

4 Market Overview – where will the product be sold?

The United States, in particular California, continues to produce 80% of almonds grown world-wide in 2010. Spain, Turkey, Greece and Australia are the other major producers of almonds. The Australian almond industry has expanded six-fold since 1999 with total plantings of 28,000 hectares, 8,400 of which are yet to reach maturity.

Almond production in Australia has increased substantially over the past 12 months rising by 40%, from 26,140 kg to 36,500 kg in the 2010 season. Australia is now the third largest producer of almonds internationally, producing 5% of total production, behind Spain which produces 188.5 tonnes or 11% of global production.

Demand for almonds has been growing substantially over the past 5 years, with carrying volumes in global markets falling, reflecting a likely supply deficiency. Changing consumer diets and increased awareness has significantly reduced global stockpiles of almonds, with demand now outpacing supply capabilities. China, India and the Middle East represent the largest growing markets for almonds, recording the highest growth in consumption over the past 12 months.

The outlook for the Australian almond industry is positive with increased infrastructure investment by processing companies, Almondco and Select Harvests Limited being developed over 2010/12. The benefit of Australia having counter seasonal production is a major advantage for Australian almond producers exporting to European countries. Key importers of Australian grown almonds include India, UK, New Zealand and Spain.

The high Australian dollar is one of the bigger threats to grower profitability given almonds are traded in US dollars. A softening of the Australian dollar will certainly help improve almond prices.

5 Marketing – how will the product be sold?

MAAML has entered into a long term Almond Crop Supply Agreement with Almondco Australia Limited (Almondco). The crop supply agreement covers the sale of investors' almond crop from the Project orchards. Under the agreement, Almondco will purchase 100% of the almond crop harvested from the Project for the term of the Project.

AAG has viewed the Almond Crop Supply Agreement, which states that Almondco will endeavour to sell the almonds within 18 months of the nuts being harvested. Under the arrangement between MAAML and Almondco, Almondco does not guarantee any prices for almonds produced from the Project and instead investors will receive proceeds according to the market price paid at the time of sale.

Almondco is one of Australia's largest almond processing, packaging and marketing groups, and currently sells approximately 45% of the Australian crop. Almondco is a grower based organisation located at Renmark in South Australia and is supplied by over 140 growers from the main growing areas in Southeast Australia, all of which have a share in the company. On our recent tour of Almondco in March 2011, we inspected a large scale development currently being constructed to improve processing and storage capabilities.

We were advised by Almondco's General Manager, Brenton Woolston, that the company intends to increase its domestic sales of almonds to supermarkets, snack food and ingredient manufacturers to improve returns paid to growers as the impact of the high Australian dollar is curbing gains made from export sales.

6 Fees and Expenses – What does it cost?

6.1 What are the subscription and on-going fees?

The fees for the 2011 Macquarie Almond investment are outlined in Table 1.

An investor in the project can expect to pay an up-front fee equivalent to $31,840 per hectare (Table 1). In comparison to the previous corresponding investment offering (2009 Macquarie Late Growers), the upfront fee is approximately 17% higher. Compared to recent sales of similar age almond orchards, this fee is considered to be high. However, the structure of the project provides investors with an opportunity to enter the almond business, something they would not be able to do at small scale on their own. Furthermore, the Project offers investors the opportunity to invest in an orchard that is expected to harvest its first crop in 2011.

This project encompasses annual management fees payable by investors over the term of the project. The first management fee in the year of subscription is deemed to be the initial upfront fee, while a fixed management fee is payable in FY2012 and FY2013 of $3,000 and $2,500, respectively (excluding GST) (Table 1). A deferred management fee is also payable over the term of the project. This fee is charged out on a percentage of Net Proceeds as outlined in (Table 1), and is payable from FY2012 onwards.

An RE fee of $100 is payable from FY2011, and is indexed to CPI on an annual basis from FY2016 through to the end of the project.

From FY2014 onwards, investors pay an operating fee to the RE on a 'cost recovery' basis to remedy the operating expenses incurred by MAAML in running the orchard. These operating expenses include (but not limited to), managing the almond orchard, fertilisers, pesticides, herbicides, labour and sub-contracting (where necessary) (Table 1).

We are advised by MAAML that the costs are charged out to investors on an estimate basis for the year in advance and are adjusted against actual costs the following year. The operating fees charged to investors will vary according to the changes in season which may require varied management strategies by MAS.

Given the level of infrastructure employed by Macquarie at the orchard, significant efficiencies in irrigation and fertigation will minimise costs to investors over the long term. Such efficiencies were achieved in the 2006 project where Macquarie passed on operating cost savings to investors of approximately 10% in the past financial year.

Table 1 – Fees and Expenses for the Project

Application Fee per Interest	$7,960
Application Fee per hectare	$31,840
Fixed Management Fees ⇒ FY2011 ⇒ FY2012 ⇒ FY2013	 $7,960 $3,000 $2,500
Deferred Management Fee ⇒ FY2011-FY2014 ⇒ FY2015+	 5.0% of Net Proceeds 9.0% of Net Proceeds
Operating Fee ⇒ FY2014+	Estimated farm operating costs with adjustment for actual costs for each specific year
License Fee ⇒ FY2011 ⇒ FY2012-FY2014 ⇒ FY2015+	 $40 $500 $1,100 indexed to CPI
RE Fee ⇒ FY2011+	 $100 indexed to CPI from 2016
Insurance	Compulsory, but no additional cost
Average NPV of costs per hectare per year Note 1	$10,668 ($N/A – $10,453)

Note: all costs exclude GST
Note: other projects include those in the previous financial year
Note 1: NPV = net present value of application costs, ongoing lease and management fees and marketing expenses assuming Base Scenario assumptions (figures in brackets are the Lower and Higher Scenarios).

Investors will also pay a staged licence fee to the RE, as outlined in Table 1. After FY2015, this fee is indexed to CPI from a base of $1,100 per almond lot. This equates to a rental of upwards of 10% p.a. to the land and water owner.

MAAML has advised AAG that it will arrange appropriate insurance to cover investors against loss caused by fire, frost and hail. We note that flood damage is not covered under insurance. In the event that a flood (similar to what occurred in February 2011), insurance will not cover tree deaths caused by water logging or erosion.

As projects vary in fee structure and amounts charged, we use a present value (PV) of costs (@7%) per hectare per year to compare between projects. To be clear, the PV of costs is the sum of all future costs of the projects (excluding harvesting and production costs) discounted to a present day value at 7% discount rate.

6.2 Is finance available?

Macquarie Bank Limited is a provider of finance to the Project. Investors are able to gear 100% of their application fee and investment loan application fee. All loans with Macquarie are full recourse in nature and will be secured by the investors units in the Project. Investors will be subject to the Macquarie Bank's credit assessment criteria. We note that Macquarie is one of very few MIS operators in 2011 offering a finance facility for investors to gear their investment.

Finance options available to investors in the Project are outlined in Table 2.

Table 2 – Finance options for the Project

Option	*Indicative Interest Rates*	*Details*
12 months interest free	0%	⇒ 1% of loan amount – application fee ⇒ 12 equal monthly payments of the principal amount borrowed
5 year P & I	10.99%	⇒ There are no application fees for P & I loans. ⇒ Interest rates will be fixed for the life of the loan and are indicative only. Rates for the project will be announced at 30 June 2011.
7 year P & I	12.99%	

I=Interest, P=Principal

Given the current financial market environment, AAG strongly suggests that investors seek the advice of their advisors prior to committing to finance.

6.3 What commissions are paid?

Macquarie informs AAG that MAAML and MFPML may pay commissions to financial planners and dealer groups between to 5% to 10% of investor's application monies. Where a financial planner has undertaken significant marketing of the product, the entities may pay a further 2% to 4% of the amount investors invest, subject to not exceeding a combined maximum of 12%. Whilst the level of commissions paid by Macquarie are within the normal range, other operators in the sector are looking to reduce their commissions in line with ASIC's recommendations in Consultation Paper 133.

7 Returns – What will I get back?

7.1 What are the underlying assumptions to the returns?

AAG generally model three scenarios when analysing a project's returns expectations:

- The Base Case scenario is our best estimate of the returns;
- The Lower Case scenario is a lower scenario based on the lower end of the underlying assumptions. This scenario is not necessarily the lowest returns possible, but is at the lower (not lowest) end of the potential sensible range of returns estimates; and;
- The Higher Case scenario is a higher scenario based on the higher end of the underlying assumptions. This scenario is not necessarily the highest returns possible, but is at the higher (not highest) end of the potential sensible range of returns estimates.

Actual returns may fall outside of these ranges.

Investors who are more risk averse, should focus on the Lower Scenario in their investment decisions and conversely, those investors who have a greater appetite for risk should focus on the Higher Scenario. This is because the Lower Scenario has a greater chance of being exceeded than the Higher Scenario.

Average investors should focus on the Base Scenario outcomes with an understanding of the potential for variation, generally within the range of the Lower and Higher outcomes, but should note that returns may fall outside of the range specified.

Table 3 outlines a summary of the underlying assumptions used in the financial analysis for this project. It is not meant to be limiting or absolute in the values outlined and should be used with caution and read in conjunction with the entirety of this report.

Investors and financial planners should refer to the comprehensive cash flow calculator available from MAAML when considering the returns. A range of inputs can be entered including the exchange rate for varying periods to model the potential volatility in returns on a given set of assumptions.

Table 3 – Underlying Assumptions Used in the Financial Analysis

	Scenario		
	Lower Note 1	**Base** Note 2	**Higher** Note 3
Project Costs	Refer to Section 6		
Yield	Base less 10%	Refer to Table 4	Base plus 10%
Price	Base less 15%	$6.21/kg	Base plus 15%
Inflation Rate	2.2%	2.5%	2.8%
Price Growth Escalation Factor	1.7%	2.0%	2.8%

*Note **1** – Towards the lower end of the potential range (not necessarily the lowest)*
*Note **2** – For use in quoting a base case assumption (not necessarily exactly between the Lower and Higher figures).*
*Note **3** – Towards the higher end of the potential range (not necessarily the highest)*

7.1.1 Costs

Please refer to Section 6.1.

As outlined, investors in the Project are required to pay the costs of operating the orchard from 2014 or year 3 onwards. The costs applied to the financial modelling used within this report are based on actual operating costs incurred from operating past almond projects. Costs are expected to change according to the age of the trees and the climatic conditions and management issues present during each season.

In this project, MAAML has assumed processing and marketing costs incurred from Almondco are included in the gross prices.

7.1.2 Yield and Quality

Yields being targeted by MAAML (Table 4) are similar to those in their previous MIS offerings. On our recent site inspection in March 2011, it was evident that an early crop was present on the 2008 and 2009 plantings. Given the recent above average rainfall we would expect the trees to increase their growth and further improve their yields.

Scholefield Robinson, the Independent Horticultural Expert for the project, has supported the yield forecasts assumed by Macquarie. Scholefield Robinson has noted in their report included in the PDS that annual yields will vary due to climatic and growing cycles but should be attainable over the long term.

The yield assumptions which have been used in AAG's financial model reflect those forecasted by the Independent Expert Report prepared by Scholefield Robinson, are outlined below in Table 4.

Table 4 –Yield Assumptions used in the Financial Analysis

Tree Age	Yield per Hectare
3	0.44 t/ha
4	1.52 t/ha
5	2.32 t/ha
6	3.30 t/ha
7	3.46 t/ha

To date Macquarie has undertaken two harvests of its 2006 and 2007 plantings. Despite being below PDS forecast yield in 3 out of 4 project harvests in 2009 and 2010, we are advised by Macquarie it is forecasting a positive return in the 2011 harvest which has been recently completed.

The 2010 harvest results for the 2007 and 2008 projects indicated almond kernel sizes produced were well above the standard produced by Almondco's growers. In most cases, producing a larger kernel has correlated into improved returns for growers in these projects. It can be expected that as the trees in this project mature yields will stabilise. Returns data provided to AAG supports this claim.

In our financial modelling, we have used the yield profile outlined in Table 4 as our Base Scenario, with ±10% for the Lower and Higher Scenarios respectively.

7.1.3 Price

The international almond price is quoted in US dollars as a result of the concentration of global almond production in California. Given this concentration, any variance in production can affect prices in Australia significantly. The exchange rate between the US dollar (USD) and Australian Dollar (AUD) will have a major influence on the price received by Australian growers.

Other key factors which can influence price include the size and quality of the almond kernel. Larger nut sizes and those of higher quality attract premium prices. Climatic conditions and irrigation management play a major role in the size and quality of the nut that is produced. Growers which use computerised irrigation and fertigation management systems have better (overall) orchard control and an improved chance at achieving larger sizes and better quality almonds.

Macquarie has provided AAG with the average net return to growers supplying almonds to Almondco, the marketer of almonds produced from this Project, over the last 15 years. These represent the sale price for all varieties and grades less all processing and marketing costs. AAG has adjusted the data for the costs of processing and marketing (estimated to be $0.70/kg) to produce a farm-gate price or gross price (Figure 1).

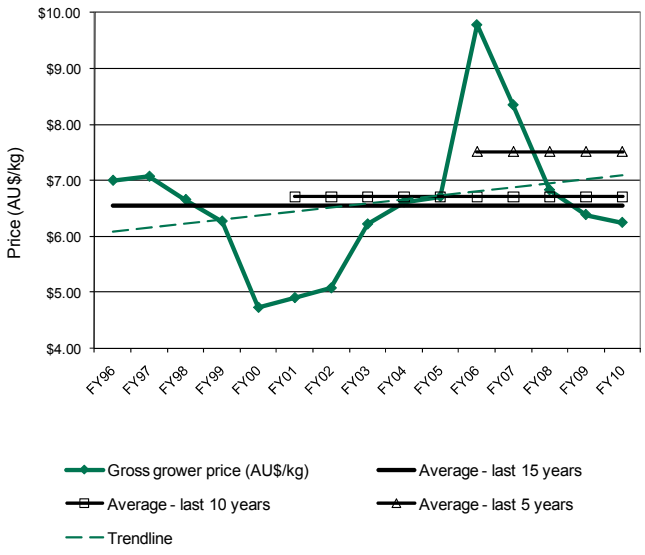

Figure 1 – Chart showing the average gross price returned by growers supplying Almondco between 1995/96 and 2009/10 (if assuming processing and marketing costs of $0.70/kg in 2011 dollars)

Figure 1 shows some of the significant variance in price which has occurred over the past 15 years. The price volatility outlined represents shifts in demand for almonds which at various times has created supply pressure causing large spikes in prices.

Based on our assumptions of processing and marketing costs of approximately $0.70/kg and prices paid by Almondco to its growers between $4.70/kg and $9.80/kg, growers have received an average price farm-gate price of $6.71/kg over the past 10 years. Over the past five years growers have received a higher price due to high prices paid in 06/07, achieving an average price of $7.51/kg.

Based on our discussions with Almondco in March 2011, we have been advised that almond prices in the short term (paid to growers) will be highly dependent on the position of the USD:AUD exchange rate. On reviewing plantings in key growing regions internationally, we expect production to increase substantially. Given demand has outpaced supply in recent years, in the event that demand flattens out there is a risk that prices may fall.

We have based our Base Scenario estimate upon a number of factors including the average almond price over the past decade (as shown in Figure 1), and increasing prices over time. We have assumed on a conservative basis that Macquarie will achieve a minimum price premium of 3%, due to the quality orchard management systems which are in place – to date they have received an average of 12% above the Almondco average price.

AAG has used a base price of $6.01/kg (calculated on a 10 year average of $6.71/kg minus $0.70/kg processing and marketing costs) *plus* a 3% or $0.20/kg price premium which results in a net price forecast of $6.21/kg in our Base Scenario with a ±15% applied for the Lower and Higher Scenarios to account for price volatility which will invariably occur.

Investors must consider that the prices outlined have only been used for estimating potential returns.

Actual prices achieved could vary substantially from our estimates which would impact on overall returns to investors.

7.1.4 Inflation Rate

Inflation will impact on the costs and fees payable in this Project.

The average rate of inflation for the past 10 years is 2.5%. The Reserve Bank of Australia (RBA) has a mandated target rate for inflation of between 2% and 3%. Using the mandated target rate as a guide, we have used the midpoint (2.5%) as our Base Scenario and 2.2% and 2.8% as our Lower and Higher Scenarios respectively.

7.1.5 Price Growth Escalation Factor

Trend analysis undertaken on the data supplied by Almondco and outlined in Figure 1 shows that almond prices have generally averaged 2.5% p.a. growth over time. During the period of analysis CPI has generally averaged in excess of 3.0% indicating that real almond prices have in fact declined marginally over time (i.e. failed to move in line with inflation). AAG research suggests that few commodities sustain a long term trend of real price growth. On this basis we have assumed real price decline of 0.5% for the Lower and Base Scenarios. For the Higher Scenario, we have assumed that price growth will keep in line with inflation. We note that this has an impact on returns in this project, and have accordingly maintained a conservative position with respect to this variable.

7.2 What are the estimated returns?

The Project is an annuity style investment offering with investors expected to receive income from the sale of almonds from year 1 onwards (Figure 2). It is likely that investors will not receive positive net cash flow until year 3. That is, it is likely that income will outweigh expenses from year 3 onwards. In the initial two years of the project almond sale income will not be sufficient to pay the management and lease fees.

Investors should note that this analysis is modelled on a theoretical basis, and that annual fluctuations in yield and/or price could impact on annual returns. On a cumulative Net Cash Flow basis, it is likely that the project will break even from year 11 under our Base Scenario. On the higher scenario this period may be reduced to 6 years, but we note that given the current market climate the prices used in the Higher Scenario are presently unattainable. The Project does not break even under the Lower Scenario.

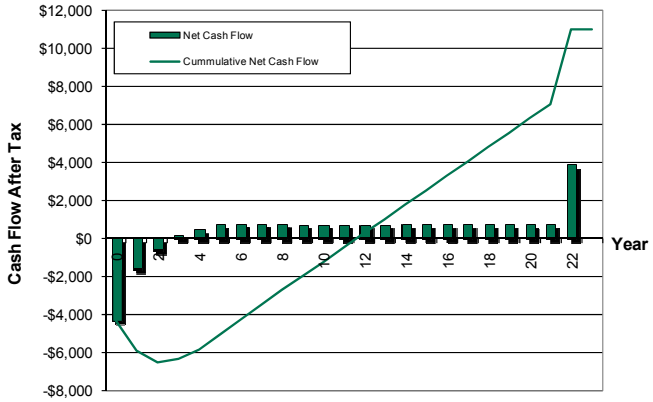

Figure 2 – Chart showing the net cash flow after tax and cumulative net cash flow after tax (@46.5%) under the Base Scenario

In our financial modelling, we have assumed that 100% of the almonds are sold in the year after harvest. This is the reason for investors receiving income in the year following Project termination (i.e. year 22) (Figure 2).

Table 5 outlines the potential returns for the Project based on our underlying assumptions outlined in Section 7.1.

Table 5 Rates of Return for the Project (IRR after tax @ 46.5%)

AAG Estimated Returns Notes 1 & 2	Lower	Base	Higher
Cash	Nil	9.3%	21.7%
12-month interest free loan	Nil	11.7%	N/A[3]

*Note **1** – As a standard across all projects, AAG Adjusted Returns assumes all GST is rebated and all tax is refunded in the year the expense is paid.*
*Note **2** – AAG Estimated Returns uses the ranges and variables as outlined in the Section 3.1.*
*Note **3** – Due to the nature of the cash flows an IRR cannot be derived.*

AAG believes the Base level returns for the Project are acceptable for a horticultural offering (Table 5). Returns can be improved materially through the use of 12-month interest free option at no cost to the investor.

We note that the returns in this project are very sensitive to changes in yield and/or price. The very significant range in potential returns for the project of a negative return under the Lower Scenario and a very high return under the Higher Scenario should indicate to potential investors that this project carries a high level of risk. Investors should consider whether the after tax returns illustrated match this level of risk.

7.3 What is the sensitivity of these returns?

Figure 3 illustrates the impact of changes in yield OR price as well as operating costs on returns for the Project under the Base Scenario at 46.5% tax rate.

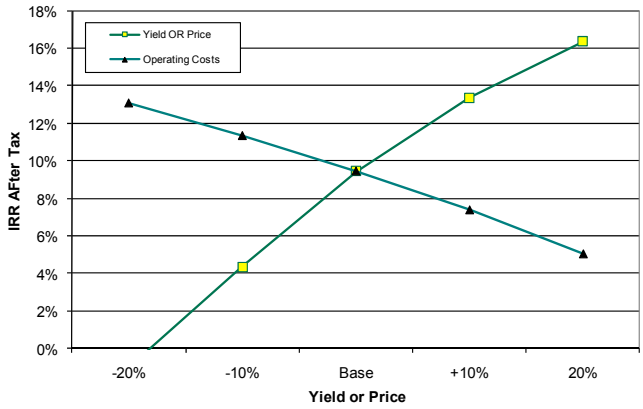

Figure 3 – Chart showing the impact of changes in yield and price on the Base Scenario returns at 46.5% tax rate.

The slopes of the lines outlined in Figure 3 suggests that this Project is highly sensitive to changes in yield OR price and relatively less sensitive to variations in operating costs. The threshold analysis outlined in Table 6 show that investors only require a decline in yield OR price of greater than 20% to be averaged for each year of the project for them to not produce a positive return (Table 6). The Project only requires a 14% decline to be averaged each year over the life of the project in yield AND price together for investors to breakeven.

We note that this margin may be substantially affected by the current exchange rate position if it were to be maintained at or above parity with the USD.

A benefit cost ratio (BCR) is the ratio of the value of benefits to the value of costs (discounted at 7%). A BCR of less than a value of one means that the costs of the project over time outweigh the benefits paid while conversely a BCR value of greater than one indicates the benefits outweigh the costs after accounting for the time value of money. Larger positive BCR's mean that the benefits significantly outweigh the costs. A BCR of 1.0 equates to a before tax return of 7%.

The BCR's outlined in Table 6 for this Project are considered acceptable for a horticultural investment and a reflection of the estimated returns.

Table 6 – Financial Analysis and Sensitivities for the Project (Cash Basis)

	Lower	Base	Higher
Benefit Cost Ratio @ 7% Note 1	0.75	1.04	1.46
Breakeven Point (yrs)	Nil	11	6
Threshold analysis Note 2 – Yield or Price	Nil	-20%	-46%
Threshold analysis Note 2 – Yield and Price	Nil	-14%	-34%

*Note **1** Excluding any shares, options. Up front cash and before tax basis.*
*Note **2**: Threshold analysis is the % reduction in price or yield where break even occurs (i.e. when IRR =0%)*

The breakeven point for the Project under our Base and Higher Scenario assumptions is year 11 and year 6 respectively. Under the lower scenario the investment would fail to break even.

Given improvements in rainfall in eastern Australia over the past 12 months, we have not considered the price of irrigation water to be a material issue in this project. We are advised by Goulburn Murray Water that irrigation allocations in the Robinvale region are likely to be at 100% for FY2011/12. Whilst it is possible that drought conditions may return, we see no immediate need to factor in significant margins for the acquisition of additional irrigation allocations or temporary water purchases. However, if additional water is required to be purchased then this would impact returns.

8 Disclosure and Risks

8.1 Disclosure

MAAML and MFPML have a joint Compliance Committee in place which oversees their obligations under the scheme constitution and the Corporations Act. The Compliance Committee meets on a scheduled quarterly basis and at other times if required. More information on the functions and composition of the Compliance Committee can be found in Part A Management & Finance Review.

8.2 Reporting to Investors

MAAML has advised AAG that at the completion of each year it will provide investors with an Annual Orchard Report detailing the on-ground activities which have taken place across the orchard and a summary of the general market outlook for both the domestic and international market for almonds including price information. Over the past six months MAAML has been proactive in advising investors of various events which have arisen, including the recent flooding which occurred in February. Investors will also receive an Annual Tax Statement for their investment.

After the first 12 months of the project operating, MAAML's Independent Horticultural Expert will prepare a report to investors summarising the performance of the orchard and any issues which may have arisen. Whilst this report is favourable to investors, AAG highly recommends the commissioning of an Independent Horticultural Annual Report of all almond projects, to provide investors with a second opinion of their investments performance.

8.3 Risks

8.3.1 Summary of Major Risks

The table below is a summary of the major risks involved. Whilst common risks are outlined below, there may be other risks involved in this project, some of which are discussed in more detail in the following sections.

Table 7 – Summary of the major risks involved

Risk	Risk Level		
	Low	Moderate	High
Not achieving yield			
History of the crop			
Climatic			
Project duration			
Management's finances			
History of management with crop			
Infrastructure			
Crop price			
Project structure			
Government policies			

8.3.2 Agricultural Risks

The main agricultural risks associated with growing and producing almonds include those that may affect growth rates of the almond trees and the volume and quality of almonds produced from each harvest. The key factors which may influence almond yield and quality includes natural weather events such as, extreme heat or cold, excessive wind, consistent heavy rain, flooding, frost and constant humidity. All of these issues can substantially impact almond yield and quality. In most cases the risks outlined are out of the MAAML's control.

In the event of constant rain during harvest time, the process of air drying almonds can add an additional processing cost of 10-15 cents per kilogram dried. Whilst it isn't favourable to air dry almonds on an on-going basis, this process would be undertaken at the Simarloo hulling and cracking plant in Renmark.

Appropriate site selection is a mitigating factor against frost and flooding which can have a significant impact on returns. Selecting land which has been independently vetted by Scholefield Robinson is a good insurance policy against these risks.

Other agricultural risks that may affect the overall success of the Project orchard include weeds, insects, pests and diseases, all of which are controllable with the right management practices. Soil nutrition is another important factor which can affect growth. On our site inspection in March 2011, we were shown Macquarie's approach to managing its orchards, which includes a comprehensive orchard scheduling system which covers nutrition, irrigation, fertigation, harvesting and annual orchard management functions including pruning. We are confident that all practicable orchard management functions will be well managed by Macquarie in minimising risks which may eventuate.

8.3.3 Management Risks

Management risks includes losing key management staff. Following AAG's site visit in March 2011, it was clear that Macquarie has developed a highly skilled and competent orchard management team. We are advised that in the most roles throughout the orchard operations are undertaken by at least two people, which minimises the risk of staff loss.

Potential counterparty risk is MAAML's connection with Almondco, the purchaser of almonds produced from this project. In the event the agreement with Almondco is terminated from either end, MAAML will need to source an alternative buyer and processor of its almonds. At this stage there are few options which have the capacity to handle the volume of nuts grown by MAAML.

We are of the opinion the counterparty risk between MAAML and Almondco is low. Based on our discussion with Almondco, both organisations are closely involved in ongoing improvement in almond quality, with Macquarie installing new moisture testing equipment to get a faster indication of potential harvest time. From our assessment of the financial statements provided by Almondco, the company is in a solid financial position with low levels of debt.

From the insolvencies of previous managers of horticulture MIS projects, the long term financial strength of an operator is an important consideration in projects such as the 2011 Macquarie Almond Investment. The financial strength of the Macquarie Group is a key risk mitigant in this Project, with total MIS sales for the Macquarie Group accounting for less than 1% for overall revenue.

8.3.4 External Risks

The failure to achieve the budgeted price for the hulled and cracked almond kernel is the key external risk to investors in this Project. As previously outlined, the key lever affecting price at present is the exchange rate position of the USD:AUD. In the event the exchange rate remains at or above parity, there may be large reductions in prices paid to growers. Forecasting future rates is clearly a very difficult past time given the significant ranges and constantly changing forecasts offered by the exports.

Given the concentration of almond production in the United States, any variation (production increases or losses) will have an effect on the international almond price. We note that whilst demand has maintained its pace with supply, any decrease in the demand for almonds in favour of a substitute nut would most likely result in downward pressure on the quoted prices internationally.

9 Taxation

9.1 Is there a product ruling?

MAAML has received Product Ruling PR 2011/7 for Early Growers in the Project (those that invest in the Project before 15 June 2011). This Product Ruling outlines that investors in the Late Grower Project will receive 100% tax deduction on the application fee in the initial year.

9.2 How does the product ruling system work?

A product ruling is a binding statement by the Australian Taxation Office (ATO) regarding deductions of fees available under the current Australian Taxation Laws for an investment in a particular project. If there are material changes made to the expenditure, timing and establishment of a particular project, then that particular product ruling ceases to have any effect.

The product ruling system provides certainty to potential investors in the MIS industry confirming the taxation benefits for a particular project, where the scheme manager complies with the commitments made.

Australian Agribusiness Group Financial Services Guide

We are required to give this FSG to retail clients under the requirements of our Australian Financial Services License. It is an important document and provides you with information about Australian Agribusiness Group (AAG) to help you decide whether to use the financial services that we provide. This FSG explains the services we can offer to you and the types of products we offer. It also explains how we are remunerated in relation to those services and includes information on our internal and external complaints handling procedures.

You may also receive other documents in relation to the financial products which we may provide advice on, from other parties.

A Statement of Advice (SOA) describes the type of advice being given, and must be provided where an adviser is giving personal advice. As detailed below, Beckmont does not provide personal advice and therefore will not provide an SOA.

A Product Disclosure Statement (PDS) is a document which contains information about a particular financial product which will assist you in making an informed decision about that product. However, as we do not issue, sell, or offer to issue or sell financial products, or give personal advice, we are not required to provide a PDS.

This FSG is dated 5 August 2009.

1. Who are we?

Beckmont Pty Ltd (ABN 50 056 592 708) (Beckmont) trading as Australian Agribusiness Group (AAG) is licensed under the Corporations Act to provide particular financial services to you on its own behalf. These may be provided to you by Beckmont representatives.

Beckmont's Australian Financial Services License number is 244307.

2. What financial services do we offer?

Beckmont can provide, for the purpose of preparing research reports in relation to primary production managed investment schemes, financial product advice for interests in primary production managed investment schemes (excluding investor directed portfolio services) to retail and wholesale clients.

Beckmont does not provide personal financial advice. As such our employees and representatives will not be taking into account your personal objectives, financial situation and needs. If you require personal financial product advice, please consult a financial planner.

3. How can you do business with us?

You can register for access to our research and information on primary production managed investment schemes via our website (www.ausagrigroup.com.au). Information is accessed via that site by a personal login name and password.

4. How are we remunerated for the services we provide?

Wholesale clients do not currently pay anything for access to our services.

Retail clients pay a maximum $69 for access to each project report.

5. What commissions, fees or other benefits are received?

Beckmont is paid a standard and fixed fee by project managers (i.e. the product providers of agribusiness managed investment schemes) of $29,920 for the first project for each project manager and then $17,325 per project thereafter for that project manager. Any associated travel, accommodation and reimbursements are additional to this charge.

Employees of Beckmont Pty Ltd do not receive particular payments or commissions in respect of the authorised services and are employed on a salary basis in respect of these services.

You may receive advice from financial planners and dealer groups to whom we provide research. These financial planners and dealer groups do not receive remuneration from us, nor we from them.

6. How do we safeguard your private information?

Your privacy is important to us. In general we may collect information about you to manage your access to our website. You can access our Privacy Policy at our website (www.ausagrigroup.com.au).

7. What should you do if you have a complaint?

Please contact our Compliance Officer on (03) 9602-6500.

Our staff will review the situation and if possible resolve it immediately. If the matter has not been resolved to your satisfaction, please contact the Managing Director by writing to:

The Managing Director
Australian Agribusiness Group
Level 5, 406 Collins St
Melbourne VIC 3000

If, after giving us the opportunity to resolve your complaint, you feel we have not resolved it satisfactorily, you may be able to lodge a complaint with:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
or call them on 1300 78 08 08

8. You can contact us by

- phone on (03) 9602-6500
- fax on (03) 9642-8824
- visiting www.ausagrigroup.com.au
- writing to us a Level 5, 406 Collins St
  Melbourne VIC 3000
  email on info@ausagrigroup.com.au

AUSTRALIAN AGRIBUSINESS GROUP

MACQUARIE ALMOND INVESTMENT 2011 (EARLY GROWERS)

Retail Investment Research – May 2011

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