2008/09

AUSTRALIAN AGRIBUSINESS GROUP

REWARDS GROUP PREMIUM TIMBER PROJECT 2009

Retail Investment Research – January 2009

OVERALL SUMMARY RATING ★★★★

The overall rating given to Rewards Group Limited (Rewards Group) and the Rewards Group Premium Timber Project 2009, 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 Corporate Governance Review, Part B Track Record Review and Part C Project Review including the disclaimers therein 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.

AAG and Grant Thornton Ratings

Overall Summary Rating –	★★★★
Part A – Corporate Goverance Review –	★★★★¼
Part B – Track Record Review –	★★★¾
Part C – Project Review –	★★★★

This report is valid until January 2010

Project Summary

The Project enables investors to participate in the production of teak and Australian sandalwood. The teak will be established in far north Queensland and will be harvested for sawlog production, while the sandalwood will be located in southwest Western Australia and will be harvested for use in joss sticks, furniture and essential oil production. Investors will be exposed to agricultural risks and there are numerous unknowns in the growing of the teak and sandalwood.

Project Details

Application Cost per Unit (ex GST)	$5,500
Min Number of Interests per Investor	1
Asset Ownership	Nil
Size of Unit	0.25 hectares
Maintenance Fees (ex GST) • Teak • Sandalwood	 12.2% of Net Sale Proceeds 12.3% of Net Sale Proceeds
License Fees (ex GST) • Teak • Sandalwood	 20.3% of Net Sale Proceeds 15.5% of Net Sale Proceeds
Finance available	Yes
AAG Est. Returns (IRR after tax) • Cash Basis • 12-month interest free loan	 9.3% (3.6% – 11.9%) 10.8% (4.1% – 13.9%)
Project duration	20 years
Commissions	Up to 10% of application monies
Project Size and Raising	2,250 hectares, $49.5 million
Close Date for Investment in the Project	30 June 2009
Product ruling	PR 2008/73

Underlying Comments

Ratings are awarded out of a maximum of five stars. A rating may include quarter stars. AAG and Grant Thornton have reviewed the answers to the self-assessment completed by the Directors and management of Rewards Group in November 2008. AAG and Grant Thornton have 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 refer to the separate reports and the terms, conditions and disclaimer contained therein.

PART A Grant Thornton Corporate Governance Review –

+ The Board has a good mix of relevant experience.
+ The company has invested further in improving its risk management practices.
+ The strategy setting process is structured and involves both the Board and management.
+ The operation of the Compliance Committee appears to be well structured.
- The use of joint managing directors can, in our view, impact accountability.
- RGL does not routinely use an external Custodian to manage Investor Funds.

PART B AAG Track Record Review –

+ Rewards Group is experienced in the Australian agribusiness investment market.
+ Rewards Group is currently in a relatively strong financial position with net assets totaling $73 million.
□ Dry conditions have impacted growth rates of previous sandalwood projects but results from preliminary non-forecast harvests are encouraging.
□ Inclement weather events have impacted on growth rates of the earlier teak projects. Improvements in site selection and management of the later released plantations have been noted by AAG.
□ Yield and price results from the company's tropical fruit and vineyard projects have been lower than forecast to date. In response, Rewards Group has taken steps to rectify these results to assist investors.
– Returns to investors in Rewards Group's brushwood projects are expected to be negatively influenced by the dry conditions which have impacted growth rates.

PART C AAG Project Review –

+ The investment is a diversified offering with investors receiving several income streams over the Project term from two separate crops located in distinct geographic zones.
□ The returns for the Project are lower than other projects of a similar nature. Returns are however very tolerant to changes in yield and price.
□ Rewards Group has sales agents in place for some of the teak and sandalwood products. The financial capacity of these companies could not be verified.
– The unknowns surrounding the management of teak and sandalwood and the yield and quality of timber that can be produced in plantations presents several significant agricultural and marketing risks to the Project.
– Fees are substantially higher than previous Rewards Group sandalwood and teak projects.

Beckmont Pty Ltd trading as Australian Agribusiness Group A.B.N 50 056 592 708
Level 5, 406 Collins St, Melbourne, 3000 Australia **ph** +61 3 9602 6500 **fax** +61 3 9642 8824 **email** info@ausagrigroup.com.au **web** www.ausagrigroup.com.au

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Rewards Group Limited

Part A - Corporate Governance Review

December 2008

Corporate Governance Rating

★★★★ ¼

Introduction

Businesses seeking external investment face greater scrutiny and pressure from stakeholders to ensure they are fulfilling their obligations. Heavy regulatory pressure has resulted in additional requirements on both large and small business in the way they conduct their business. Managed investment schemes are no different. Corporate Governance has been defined in many ways but in essence is the approach to overseeing the effective execution of a business. In this challenging investment environment, good corporate governance is all the more important.

This report reviews the Corporate Governance of Rewards Group Limited ("RGL") and Rewards Projects Limited ("RPL) the Responsible Entity. It follows a prior report in May 2007. The report (Part A) should be read together with Australian Agribusiness Group Track Record Review (Part B) and Project Report (Part C). The rating awarded is between one and five stars.

The report is based on a self assessment by directors and management of RGL and other information provided by them. The self assessment is enabled by a questionnaire provided by us which is completed and returned together with evidence supporting a number of the questions asked. The questionnaire includes examples of better corporate governance practice so that the directors can provide informed answers and so they can benchmark and improve the quality of their practices. Grant Thornton then reviews the answers and evidence provided and based on this information, produces this report and awards a rating. The ratings are not absolutely related to the questions because the nature of corporate governance practices will vary according to the size of the organisation and this is taken into account in awarding the rating. The assessment is based on three key areas of Governance for managed investment schemes, being:

- Board Oversight;
- Compliance Committee Activities; and
- Management Control.

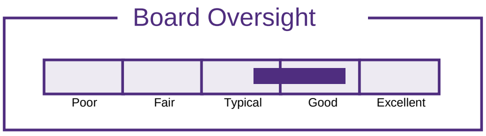
The report is based on answers provided in a questionnaire dated November 2008.

Background

RGL is an unlisted public company that develops, markets and manages agribusiness investments in plantation forestry and agriculture. RPL is wholly owned by RGL which has 3 other wholly owned subsidiaries; Rewards Lands P/L (holds project land), Rewards Management P/L (scheme manager) and QPR Capital Finance P/L.

Board Oversight

Board oversight encompasses matters including the qualifications, experience and independence of the Board, the effectiveness with which it operates, the information it receives and relies on in the conduct of its activities and the extent to which it has defined its role and that of management. On the basis of the answers provided by RGL and the additional information provided to us, we have rated Board oversight as follows:



RGL Board members and their experience:

Director	Comments
Andrew Radomiljac Executive Chairman Not independent	Andrew is joint managing director and has been with RGL for 8 years. He is a qualified forester, has a PhD in plantation sandalwood and an MBA. Prior to his current role with RGL, he worked with the W.A. Department of Conservation and Land Management as a research scientist. Andrew holds or controls 46% of the company's shares.
Craig Anderson Executive Not independent	Craig is joint managing director and has been with the business for 6 years. He is a qualified forester and has substantial experience in plantation forestry and the agribusiness industry, both as a senior executive of various agribusiness groups as well as a consultant. Craig holds or controls 39% of the company's shares
David Humann Non-Executive Independent	David is a Chartered Accountant and prior partner of an accounting firm, both in a professional services capacity and in senior executive roles. He is a chairman of two ASX listed resource companies and has held director roles with four other organisations.
Brian Aitken Non-Executive Independent	Brian is management consultant and Chairman of Partners at PKF Corporate Advisory. His experience ranges from roles in sales and marketing, divisional management and senior executive positions. He also has held directorships with a number of organisations and educational entities. Brian has broad experience in agribusiness.
Craig Burton Non-Executive Not independent	Craig has qualifications in both the law and securities industry. He is the director of a number of publicly listed organisations. He has practiced as a solicitor and more recently held executive/advisory roles for a number of organisations in the mining, telecommunications and forestry industries. Craig holds or controls 15% of the company's shares.

Three of the five directors are not independent. Although not ideal, this is a good recognition of the need for objective oversight in a privately held company. The directors have a good mix of relevant experience.

The Responsible Entity directors are the same as RGL with the exception that Craig Burton is not on that Board. This means there is a balance of independent and executive directors.

The independent oversight of investor interests is enhanced by a Compliance Committee that comprises a majority of independents.

Strengths in Board governance include:

- A clear Board Charter
- An annual strategy update process involving both the Board and management
- Delegations from the Board to management are well documented and were recently reviewed
- Legal compliance management appears to be appropriate for a company of this size
- Investor communication processes are comprehensive
- Risk management has improved since our last review with a structured process and reporting to the Board

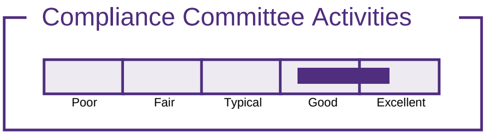
Areas where Board oversight could be improved include:

- The provision of operational information to the Board could be more structured, using tables and graphics and include comparisons to plan

- There is no formal process for assessment of Board or committee performance – we are informed that performance is in fact reviewed on a continuing basis however this is not necessarily documented
- There is no structured process for the review of the Joint Managing Directors' performance – we are informed that the Board reviews performance on a continuing basis
- While there is no internal audit function, we understand that the external auditors are asked on occasion to undertake additional work at the Audit Committee's request. This is not unusual for a company of this size.

Compliance Committee Activities

The Compliance Committee is an important element of any managed investment scheme because it protects investors by ensuring that the compliance plan is followed. The independence and experience of the members is essential to its effective operation as is the quality of the resources which support it and the findings of the auditors. On the basis of the answers given and the additional information provided to us, we have rated Compliance Committee activities as follows:



The Compliance Committee members are described opposite. They comprise two independent members and one executive. Their experience is appropriate with a good mix of commercial, financial management and trustee experience. The effective operation of the compliance committee is particularly important given that there is not a majority of independent directors on either the RGL or RGP boards.

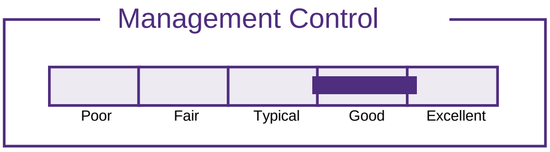
Committee Member	Comments
Anne Thoume Chairperson Non-Executive Independent	Anne holds a finance broking license, has qualifications in banking and finance, the securities industry, compliance and holds an MBA. She is the Chair of two other responsible entities and a compliance committee member for a number of other managed investment schemes. Anne also has a number of years experience in management roles within the trustee industry.
Ross Kestel Non-Executive Independent	Ross is a Chartered Accountant with 27 years experience who has practiced in areas including taxation, audit and general advisory. He has assisted in the public listing of a number of companies and has experience as a director of four public companies. He is also a member of the Compliance Committee of three other responsible entities.
Philip Olson Executive Not Independent	Philip is a Chartered Accountant and joined RGL in 2007. His background is mixed and includes audit and investigations, financial advisory, commercial management and CFO roles. He is the Operational Risk and Compliance manager for RGL.

Key factors that have been considered in our rating include:

- The majority of the Committee are independent of the Board and company enabling oversight on behalf of investors
- Dedicated resources support the Committee
- The Compliance Plan is reviewed annually
- The information provided to the Committee appeared to be of a good standard
- We were pleased to see the Committee Chair reports to the Board annually on the activities it has undertaken and minutes are also routinely provided to the Board
- While independent expert's reports are prepared in the first 14 months of each project, subsequent assessments are made every three years. It is becoming more common in the industry to undertake these reviews annually
- An external custodian is not used to monitor the use of investors funds however this is also becoming more common

Management Control

Management Control is assessed having regard to the experience and qualifications of management as well as the internal control it establishes over the strategic, operational, financial and compliance aspects of the company's operations. On the basis of the answers provided and the additional information provided, we have rated Management Control as follows:



Key factors that have been considered in our rating include:

- The structure of the business appears to be appropriate to the operations it undertakes however we believe that Joint Managing directors could impact the accountability of that leadership position. Management consider that they are fully accountable for the performance of the business
- While financial reporting was well presented and explained, we would like to have seen more structure in the operational reporting provided
- The business has sought accreditations appropriate to the products that it manages
- The policy framework is comprehensive and policies are readily accessible to staff through the intranet
- A comprehensive Business Continuity Plan has been prepared. A Disaster Recovery Plan also exists however it could be more detailed.

The basis on which ratings are assigned is set out below:

★ ★ ★ ★ ★	The company's corporate governance standards are of an exemplary standard and reflect better practice in all respects
★ ★ ★ ★	The company's corporate governance standards are of a high standard and reflect better practice in most respects however some minor exceptions were identified
★ ★ ★	The company's corporate governance standards are of a fair standard – a number of exceptions were identified
★ ★	The company's corporate governance standards are of a poor standard – a number of significant exceptions were identified
★	The company's corporate governance practices are totally ineffective

Disclosure and Disclaimer

We have not expressed any assurance in relation to the governance procedures reviewed in this self assessment because the procedures performed do not constitute either an audit or review in accordance with Australian Auditing Standards – rather it was an evaluation of a self assessment Had we performed additional procedures or had we performed an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements, other financial or non-financial matters might have come to our attention that would have been reported to you.

Our report has been prepared for use by Beckmont Pty Ltd trading as Australian Agribusiness Group ("AAG"). It may not be relied upon by any other party. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party, whether arising from breach of contract, tort (including negligence) or otherwise. Our report is based on information provided to us. It should be read in full and in complete understanding of the self assessment context in which it was prepared and must not be edited or distributed in part. Intending investors must conduct their own due diligence and seek their own independent advice which takes account of their individual circumstances before making any investment or acting upon any of the contents of our report.

Liability Limited by a scheme approved under Professional Standards Legislation.

2008/09

AUSTRALIAN AGRIBUSINESS GROUP

REWARDS GROUP LIMITED

PART B TRACK RECORD REVIEW – January 2009

B

Part B AAG Track Record Rating

★★★¾

Methodology

The Australian Agribusiness Group (AAG) Track Record Rating above is given out of a maximum of five stars. A rating may include quarter stars. This Track Record Review (Part B) should be read in conjunction with the Corporate Governance Review (Part A) and the AAG Project Review (Part C). This Track Record Review is designed to provide an Investor 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.

Management of Previous Projects (page B2)

- Rewards Group Limited (Rewards Group) was established in 1999 and is a privately owned diversified agribusiness funds management business with operations across a variety of agricultural sectors.
- Rewards Projects Limited (Rewards Projects), a subsidiary of Rewards Group, is the Responsible Entity (RE) for all Managed Investment Scheme (MIS) projects previously released by the company.
- The on-ground management for all Rewards Group's projects is either undertaken internally by Rewards Management Pty Ltd (Rewards Management) or outsourced to third parties.

Past Projects (page B4)

- Rewards Group has previously released 34 MIS projects in the sandalwood, brushwood, teak, tropical fruits, wine grape and berry industries.
- Rewards Group has raised approximately $262 million through the release of these projects and has 11,323 hectares of plantations, orchards and vineyards currently under management.

Marketing for Past Projects (page B6 – B11)

- Rewards Group has entered into contracts with a number of Asian buyers for the sale of first harvest material from the company's teak and sandalwood projects. The company has yet to secure sale contracts for later harvests from these projects.
- Rewards Group has an exclusive agreement with AusBrush Pty Ltd (AusBrush) for the purchase of material from the 2001 and 2002 Brushwood projects.
- Rewards Group's tropical fruits and strawberry projects are covered under a number of exclusive contract agreements, while all except 2 hectares of vineyards from the company's vineyard projects is subject to a contract with Constellation Wines Australia (Constellation).

Agricultural Performance and Returns (page B5 – B11)

- Given the length of time between now and final harvest from Rewards Group's sandalwood projects, it is very difficult for AAG to comment on the likelihood of investors in these projects achieving the forecast returns. Dry conditions have impacted on growth rates in the past but results from preliminary non-forecast harvests are encouraging.
- The returns to investors in Rewards Group's brushwood projects are expected to be influenced by dry conditions which have impacted on growth rates.
- Inclement weather events have impacted on growth rates of the earlier teak projects. Improvements in site selection and management of the later released plantations will assist investors in these project achieving forecast returns.
- Yield and price results from the company's tropical fruit and vineyard projects have been lower than forecast to date. In response, Rewards Group has taken steps to rectify these results including extension of project terms, waiving or deferral of management, marketing and performance fees.
- The results from the first two harvests of the Rewards Group Berry Projects were negatively impacted by unseasonable climatic events.

Disclosure and Risks (page B6 – B12)

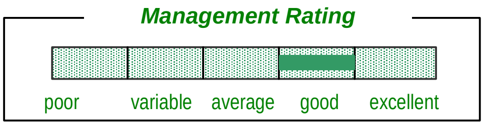
- Dry conditions have impacted the growth rates of plantations in the company's sandalwood and brushwood projects.
- Waterlogging and a major cyclone event impacted the survival rates of some small areas of Rewards Group's earlier teak projects.
- Inclement weather conditions have impacted both the quality and yield of fruit harvested from Rewards Group's horticultural and viticultural projects.
- Wine grape prices achieved by Rewards Group have generally been down on those forecast, in line with the general downturn in the domestic wine grape industry affecting some varieties affecting some varieties.

Taxation (page B12)

- All key dates and prescribed activities with respect to the product ruling were met for previous projects.
- All investors have received the forecast taxation deductions as outlined in the respective project offer document.

Beckmont Pty Ltd trading as Australian Agribusiness Group A.B.N 50 056 592 708
Level 5, 406 Collins St, Melbourne, 3000 Australia ph +61 3 9602 6500 fax +61 3 9642 8824 email info@ausagrigroup.com.au

1 Management of Previous Projects



1.1 Highlights

- 2008 – Rewards Group Limited (Rewards Group) records after tax net profit of $4.9 million.
- June 2008 – Rewards Group records MIS sales in excess of $43.3 million.
- 2006 – Rewards Group releases first berry project.
- 2003 – Rewards Group releases first vineyard and tropical fruits projects.
- 2002 – Rewards Group releases first tropical citrus projects.
- 2001 – Rewards Group releases first brushwood and teak projects
- 2000 – Rewards Group releases first sandalwood project.
- 1999 – Rewards Group is founded.

1.2 Group Experience

Rewards Group Limited (Rewards Group) was established in 1999 and is a privately owned diversified agribusiness funds management business. Rewards Group has released 34 Managed Investment Scheme (MIS) projects since 2000 in a variety of agricultural sectors including the sandalwood, brushwood, teak, tropical fruits, cold climate white wine grape and berry industries.

Rewards Projects Limited (Rewards Projects) is the Responsible Entity (RE) for the Managed Investment Scheme (MIS) projects, while Rewards Management Pty Ltd (Rewards Management) undertakes the on-ground management for all project operations. Both entities are subsidiaries of Rewards Group.

Rewards Group's previously released projects have raised in excess of $262 million, with the total area of plantations, orchards and vineyards under management covering approximately 11,323 hectares. Rewards Group has operations across several specific agricultural regions in Australia including in Western Australia, Queensland and Victoria.

Since AAG last reviewed Rewards Group's Track Record in December 2007, there has been one addition to the company's Board, with Brian Aitken joining as Non-Executive Director. AAG has been reviewing Rewards Group for several years and have a good understanding of the company's operations. The two joint Managing Directors of the company spend much of their time on-site which assists in keeping the Non-Executive Directors of the company well advised of the progress of each project under management. Rewards Group has advised AAG that all Non-Executive Directors of the company have visited at least one project site in the previous six months.

Brief summaries of the five members of Rewards Group Board are outlined below. We note that four of these members are also Directors of the RE.

Dr. Andrew Radomiljac, Joint Managing Director

B Sc (Forestry), PhD, MBA

Andrew Radomiljac is a qualified forester who completed a doctorate in plantation sandalwood in 1999 and co-founded Rewards Group in the same year. Prior to establishing Rewards Group, Andrew was employed by the Western Australian Department of Conservation and Land Management (CALM) for a period of eight years. Andrew is a Member of the Institute of Foresters of Australia and the Royal Agricultural Society of Western Australia. Andrew also acts as Director of the RE.

Craig Anderson, Joint Managing Director

B Sc (Forestry), Grad Dip (Bus Admin), Grad Cert (Bus)

Craig Anderson is a professional forester with 17 years experience in the forestry and agribusiness industries. Craig joined Rewards Group as joint Managing Director in 2002. Prior to joining Rewards Group, Craig Anderson was employed by Timbercorp Limited (Timbercorp) in the position of General Manager for Forestry. Before this, Craig was employed by Bunnings Treefarms and the Integrated Tree Cropping Group (ITC). Craig is also a Director of the RE.

Craig Burton, Non-Executive Director

B Juris, B Laws, Dip Fin Markets

Craig Burton co-founded Rewards Group in 1999 and has since then held the position of Non-Executive Director. Craig has a legal and financial management background and is experienced in public company administration, project development, financing and structuring. Craig is the current Corporate Director of mining company, Mirabela Nickel. In addition to his role on the Rewards Group Board, Craig also holds Directorship positions with Exco Resources, Albidon Limited, Golden Gate Petroleum Limited, Liberty Gold and Livingstone Petroleum Limited.

David Humann, Non-Executive Director

CPA, FCA

David Humann is a Chartered Accountant and Certified Practicing Accountant with over 40 years experience in the financial services industry. David spent much of his career at PriceWaterhouseCoopers where he held position such as Chairman and Senior Partner of the Hong Kong and China division and Managing Partner of the company's Asia Pacific Regional division. David was a member of the global firm's World Board of Directors and World Executive Management committee. David is currently Director of a number of mining related companies including Mincor Resources and Matrix Metals.

Brian Aitken, Non-Executive Director

NZIM

Brian Aitken had had an extensive career in senior executive positions in the packaging industry, international fresh produce marketing and meat processing and marketing both in Australasia and Europe. Brian spent 12 years as General Manager – Fresh Fruit Export for ENZA New Zealand Limited where he was responsible for marketing large volumes of fresh produce to over seventy countries and five years as CEO of WAMMCO International, a Western Australian co-operative that is one of Australia's largest exporters of lamb. Brian is currently employed as a strategic management consultant with PKF Chartered Accountants in Perth, a position he has held since 2000. Brian received the New Zealand Commemoration Medal for Services to New Zealand in 1990.

1.3 Financial Review

The financial strength and positioning of the RE and parent entity is of significant importance to investors in MIS projects and as such, AAG has undertaken a financial analysis of Rewards Group and its 2008 Annual Financial Report for this review.

As Table 1 suggests, Rewards Group strengthened its financial position in FY2008, increasing its net asset position by 10% to $73.2 million. Rewards Group's current ratio (1.0) continues to provide AAG confidence in its ability to meet its short term obligations.

Table 1 – Overview of Rewards Group's Consolidated Statement of Financial Position			
	2008 ($'000)	*2007 ($'000)*	*Change*
Current Assets	$48,467	$60,297	-20%
Non-current Assets	$92,457	$77,552	+17%
Total Assets	$140,924	$137,849	+3%
Current Liabilities	$46,731	$46,416	+1%
Non-current Liabilities	$20,945	$24,664	-15%
Total Liabilities	$67,676	$71,080	-5%
Net Assets	$73,248	$66,769	+9%
Current Ratio	1.04	1.30	-20%
Interest Bearing Debt : Equity Ratio	0.44	0.54	-18%

Table 2 compares Rewards Group's financial performance over FY2008 and FY2007. Rewards Group recorded an after tax profit of $6.5 million in FY2008, which was a significant decrease on FY2007 results (Table 2). The primary reason for the declining profit margin was the decrease in MIS sales that was booked in that year (27% decrease) in conjunction with increased project expenses payable during the year (reflected by 38% increase in total expenses).

Rewards Group's revenue has been reliant on new MIS business sales, contributing 60% of the company's total revenue in FY2008. With the certainty now reinstated for non-forestry MIS projects, Rewards Group is well positioned to provide a range of agricultural and forestry investments into the future. In addition, Rewards Group has advised AAG that they have diversified its revenue base into institutional capital from offshore investors, which will provide a more sustainable and diversified revenue base for the business.

Table 2 – Overview of Rewards Group's Consolidated Statement of Financial Performance			
	2008 ($'000)	*2007 ($'000)*	*Change*
MIS Sales Revenue	$43,213	$59,343	-27%
Other Revenue	$28,885	$17,731	+63%
Total Revenue	$72,098	$77,074	-6%
Total Expenses	$61,429	$44,643	+38%
Profit (b/t)	$10,669	$32,430	-67%
Profit (a/t)	$6,479	$22,692	-71%
EBITDA	$15,881	$37,322	-57%
MIS Sales : Total Revenue Ratio	60%	77%	-22%
Profit Margin	9.0%	29.4%	-69%
ROA	4.6%	16.5%	-72%
ROE	8.8%	34.0%	-74%
Interest Coverage	4 times	10 times	-56%

1.4 On-ground Manager

Rewards Projects sub-contracts the on-ground management activities of all Project operations to Rewards Management Pty Ltd (Rewards Management). Rewards Management employs relevant field staff for each operation and where it sees fit, outsources the on-ground management activities to third parties.

1.4.1 Forestry Operations

Rewards Group has operated in the forestry industry since 2000 and is considered an experienced manager of the three forestry crops it currently has under management. The on-ground management for the company's forestry operations is undertaken internally with Rewards Group's General Manager for Forestry, David Groom heading the division. Reporting to David in this position is Peter Grime, Project Manager for Sandalwood and Brushwood and Tony Sturre, Project Manager for Teak.

David Groom, General Manager - Forestry

B Sc (Forestry), MBA

David Groom is a professional forester with 15 years experience in the industry. David joined Rewards Group in 2006, prior to which he was employed by Timbercorp in positions including National Senior Manager – Projects and National Operations Manager. David also has prior experience as Operations Manager at ITC Limited and Senior Technical Officer at Bunnings Wesfarmers. David has in the past had business interests outside the forestry industry, having been a former Director and co-owner of medical group, Salus Complementary Health Group Pty Ltd.

Peter Grime, Project Manager – Sandalwood and Brushwood

Peter Grime joined Rewards Group in 2000 and has over 40 years experience in the forestry and agricultural industries. Prior to joining Rewards Group, Peter was employed by the Western Australian Department of Conservation and Land Management (CALM). Peter's experience at CALM included that of Area Coordinator of CALM Midwest and Wellington Sharefarms and Forester at the organisations Tasmanian blue gum estate at Pinjarra. Peter is also a former cotton grower at Kununurra in the Ord River district of northeast Western Australia.

Tony Sturre, Project Manager - Teak

Ass Dip App Sc (Forestry)

Tony Sturre has nearly 20 years experience in the forestry industry, much of which time has been spent in the tropics of far north Queensland. Prior to joining Rewards Group in 2002, Tony was employed by the Queensland Department of Primary Industries, holding the positions of Silvicultural Officer and Private Forestry Extension Officer. Previous positions also include Queensland Parks and Wildlife Services Ranger and Area Manager for Yates Forestry.

1.4.2 Horticultural Operations

Tropical Fruits

Rewards Group established itself in the horticultural industry in 2002 with the release of a Tropical Citrus project at Kununurra in northern Western Australia. Rewards Group has since released six further Tropical Fruits Projects and now has orchards under management across Australia including Dandaragan in southwest Western Australia, Childers and Kumbia in southeast Queensland and Mareeba in far north Queensland.

Given the diverse location and fruit crop of tropical fruit orchards under management, Rewards Management employs different on-ground management strategies for each region. The on-ground management of the Dandaragan and Childers / Kumbia orchards is undertaken internally with Neil Lantzke and Bill Hatton acting as Project Managers for the two regions respectively. In contrast, Rewards Management outsources the on-ground activities in the Kununurra and Mareeba regions, with Kimberley Sunrise Pty Ltd (Kimberley Sunrise) and Pool Haven Pty Ltd (Pool Haven) managing the orchards in these regions respectively.

Neil Lantzke, Project Manager – Dandaragan

B Sc (Ag) (Hons)

Neil Lantzke is an experienced agriculturalist who joined Rewards Group in 2006. Prior to joining Rewards Group, Neil was employed by the Western Australia Department of Agriculture, holding various positions including that of Project Manager Viticulture, Horticulture Development Officer and Research Officer. Neil has experience in the development of horticultural research programs, trial design and data analysis and has a strong family background in fruit sales and marketing.

Bill Hatton, Project Manager – Childers / Kumbia
Bill Hatton has been actively involved in the low chill stone fruit industry for a period of 20 years as both a grower and industry leader. In addition to his role at Rewards Group, Bill manages his own 60 hectare low chill stone fruit orchard at Bangalow in northeast New South Wales and is the current Chairman of Low Chill Australia Inc. Prior to joining Rewards Group, Bill was the Principle Consultant at Edenbridge Consulting Services, a horticultural consulting business.

Kimberley Sunrise, Project Manager – Kununurra
Kimberley Sunrise was established in 1995 by the Dobson family and along with managing in excess of 600 hectares of mangoes and grapefruit on behalf of Rewards Group and its investors, owns and manages a 128 hectare fruit growing property at Kununurra producing bananas, limes, red grapefruit and mangoes. Stewart Dobson and his sons Lachlan and Craig head the management at Kimberley Sunrise and all have had previous horticultural experience prior to commencing operations in Kununurra.

Pool Haven, Project Manager - Mareeba
Pool Haven and its principle, Alvise Brazzale has over 30 years experience in the mango industry and is the former owner and manager of the established mango plantation which Rewards Group purchased as the basis of the 2006 Tropical Fruits Project. Alvise has extensive practical farming and horticultural knowledge and is highly familiar with farming in the Mareeba region.

Berry Operations

Rewards Group has been involved in the berry industry since 2007 and currently has operations located at Caboolture in southeast Queensland and in the Yarra Valley, Victoria. Rewards Management undertakes the on-ground management of the berry operations internally, employing experienced berry growers as Farm Managers in both regions the company operates. They are supported by highly experienced technical staff and consultants employed by Driscoll-Oz Fresh Australia (Manager) Pty Ltd.

Jim Corrone, Project Manager – Victoria
Jim Corrone has more than 35 years experience as a berry grower in the Yarra Valley region of Victoria. Jim has worked in all areas of strawberry production, including involvement in strawberry breeding and importation programs, best practice expertise and post harvest quality management. Jim has been actively involved in industry leadership, including directorships of peak industry organisation at State level, including Victorian Strawberry Grower's Association, Victoria Strawberry Festival Committee and Victorian Strawberry Industry Certification Authority.

Angelo Pinna, Project Manager – Queensland
Angelo Pinna joined Rewards Group in November 2006 as Field Manager, before being promoted to Farm Manager for the Queensland properties in September 2007. Prior to joining Rewards Group, Angelo was a Farm Manager at his family's tobacco and horticultural operation at Caboolture for a period of ten years. Angelo also has experience outside the agricultural industry having been a former Franchisor of Pebble Tex.

1.4.3 Vineyard Manager

Rewards Group released two wine grape projects to investors in 2003 and 2004 and currently has 240 hectares of vine under management. Rewards Management continues to engage Gridline Holdings Pty Ltd (Gridline) to provide the on-ground management for these operations. Gridline is owned and operated by David and Monica Radomiljac, brother and sister-in law of Andrew Radomiljac, joint Managing Director of Rewards Group. They have been involved in the wine grape industry for 13 years and currently manage 145 hectares of vines in addition to the 95 hectares of vineyards managed for investors in the two Rewards Group MIS projects released to the investment market.

Under the management structure for Rewards Group's vineyard projects, Rewards Management directly employs two Vineyard Managers under the supervision of Gridline to manage the vineyards. Tim O'Connell and Craig Barnsby are the Vineyard Managers for the 2003 and 2004 Project vineyards respectively.

Craig Barnsby, Vineyard Manager – 2003 Project
Craig Barnsby has been involved with Rewards Group's vineyard operations since 2003. Prior to joining Rewards Group, Craig had spent four years as a Nursery Hand and two years as a Vineyard Labourer at Bellarmine Estate Vineyard at Manjimup.

Tim O'Connell, Vineyard Manager – 2004 Project
Tim O'Connell joined Rewards Group as Vineyard Manager of the 2004 Project in 2006. Tim had no specific viticultural experience prior to joining Rewards Group. Tim was previously employed by Warraine Park Orchards as Packhouse Manager (2003-2006) and by the Western Australian Forest Products Commission (FPC) as Acting Overseer Nursery Operations (1995-2003).

2 Past Projects

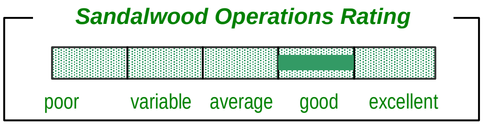
Rewards Group has released 34 MIS offerings to investors to date and currently manages approximately 11,323 hectares of plantation, orchard and vineyards on behalf of these investors (Table 3). As Table 3 suggests, the company has raised a total of $262 million of subscription monies from the release of these projects, including $43.3 million in FY2008.

Table 3 – Overview of Rewards Group's previous projects

Project Name	*Year*	*Location*	*Size (ha)*	*Funds Raised ($m)*
Berry 2008	2008	Caboolture, Qld; Yarra Valley, Vic	132.1	$14.9
Berry 2007	2007	Caboolture, Qld	51.7	$10.0
Tropical Fruits 2008	2008	Dandaragan, WA; Mareeba, Kumbia and Childers, Qld	134.8	$7.0
Tropical Fruits 2007	2007	Dandaragan, WA; Mareeba and Childers, Qld	127.6	$17.0
Tropical Fruits 2006	2006	Dandaragan & Kununurra, WA; Mareeba, Qld	190.3	$19.1
Tropical Fruits 2005	2005	Kununurra, WA	212	$14.8
Tropical Fruits 2004 – Wholesale*	2004	Kununurra, WA	90.0	$6.1
Tropical Fruits 2004 – Retail	2004	Kununurra, WA	105.0	$5.9
Tropical Fruits 2003 – Wholesale*	2003	Kununurra, WA	67.0	$4.0
Tropical Fruits 2003 – Retail	2003	Kununurra, WA	66.0	$4.7
Tropical Citrus 2002	2002	Kununurra, WA	50.8	$2.8
Premium Vineyard 2*	2004	Pemberton, WA	60.0	$2.0
Premium Vineyard 1*	2003	Pemberton, WA	37.7	$2.7
Teak 2008	2008	Tully, Qld	317.2	$10.5
Teak 2006 – release 2	2007	Tully, Qld	612.2	$20.1
Teak 2006 – release 1	2006	Tully & Innisfail, Qld,	449.2	$14.8
Teak 4 – release 2	2005	Tully & Innisfail, Qld	212.9	$5.9
Teak 4 – release 1	2005	Tully & Innisfail, Qld	812.4	$22.3
Teak 3 – release 2	2004	Tully, Qld	403.0	$8.9
Teak 3 – release 1	2003	Tully, Qld	30.5	$0.7
Teak 2001 – release 2	2002	Tully, Qld	7.8	$0.2
Teak 2001 – release 1	2001	Tully, Qld	30.0	$0.9
Brushwood 2002	2002	Meckering, WA	246.0	$3.3
Brushwood 2001	2001	Meckering, WA	144.6	$2.0
Sandalwood 2008	2008	Narrogin and Pingelly, WA	1,105.8	$10.9
Sandalwood 2007	2007	Pingelly, WA	1,251.0	$12.3
Sandalwood 2005 - Release 3	2006	Pingelly, WA	1,147.5	$11.5
Sandalwood 2005 - Release 2	2006	Pingelly, WA	495.5	$5.0
Sandalwood 2005	2005	Narrogin, WA	1,218.3	$12.2
Sandalwood 4 - Release 2	2004	Goomalling, WA	367.8	$3.1
Sandalwood 4	2003	Goomalling, WA	70.8	$0.6
Sandalwood 2002	2002	Goomalling, WA	79.2	$0.7
Sandalwood 2001	2001	Goomalling, WA	236.0	$1.9
Sandalwood Project 2000	2000	New Norcia, WA	760.0	$3.8
Total			*11,323*	*$262.1*

** = Wholesale Investment*

3 Sandalwood Operations



The slide bar rating above summarises our view of the past performance of this commodity for Investors and considers the likely future outcomes in the short term based on available data, site visits, discussions and other research.

3.1 Introduction

Rewards Group has released nine sandalwood projects since 2000 and currently has 6,732 hectares under management. The company's plantations are all located in the Western Australian wheatbelt region around the towns of New Norcia, Goomalling, Narrogin and Pingelly. Rewards Group is the largest grower of Australian sandalwood in the world.

3.2 Silvicultural Performance

Australian sandalwood (*Santalum spicatum*) is a unique species in that it is a hemi-parasitic tree which relies on host species such as acacia to grow. Although Rewards Group has several years experience in the establishment and management of plantation grown Australian sandalwood, in general there is limited knowledge associated with the science and best practice management behind the growing of sandalwood in plantations compared to other forms of conventional plantation forestry. Because of this, the management practices implemented by Rewards Group have evolved over time.

Rewards Group's earlier sandalwood projects were established at a planting density of between 1,200 and 1,800 sandalwood stems per hectare. Through natural losses, Rewards Group targeted a survival rate of approximately 500 sandalwood stems per hectare, a figure which the company has been able to exceed for these projects. Although survival rates have been achieved, drier than average conditions for a significant period of time since these plantations were established has resulted in some areas of plantation exhibiting reduced growth rates of the host and sandalwood species.

Inventory results of Rewards group 2000 project indicate that overall plantation performance was exceeding expectation. While it was evident during our recent site visit to these sites in November 2008 that areas may not meet final yields as expected, it is not possible to determine what impact this will have on the overall projects performance. Areas of reduced growth constitute a portion of the projects and oil yield is not necessarily directly correlated with volume growth.

Rewards Group's sandalwood projects released post-2003 were established at a stocking rate of 4,000 sandalwood stems per hectare. AAG believe that the dry conditions experienced across these sites have impacted on growth rates within these plantations to date, although survival levels have generally been at expected levels.

Under its original harvesting regime for the earlier sandalwood projects (2000, 2001 and 2002), Rewards Group intended to harvest the sandalwood plantations over a progressive period, commencing when the trees were 11 years of age. In light of the development of an export market for immature oil free sapwood and the high stocking of plantations, Rewards Group decided in 2003 that it would harvest these projects significantly earlier than anticipated (at age 5) and over a larger number of harvests per project.

Rewards Group commenced harvesting operations from the 2000 Project in late 2007, with final results provided by Rewards Group showing the company achieved a yield of 1,000 kg per hectare of sapwood material. Rewards Group has advised AAG that poorer quality sandalwood material was removed from this thinning operation, leaving the higher performing trees to continue growing to be harvested at later harvests when they will be higher value. Rewards Group is expected to commence harvesting sapwood from the 2001 Project in late 2009.

Following the decision of Rewards Group to harvest the 2000-2002 projects several years earlier than projected, the projects released 2003+ were established with the premise that the plantations would be harvested on a progressive basis between the ages of 5 and 18 years. Rewards Group has advised AAG that harvests from these projects are scheduled to be harvested as outlined in the project offer documents.

A real measure of the performance of sandalwood plantation and the means for returns to investors is the yield of heartwood from the plantation. The heartwood material holds the sandalwood oil and is the most valuable component of the sandalwood tree. Sapwood material contains lower amounts of sandalwood oil, and is therefore lower in value. Rewards Group is encouraged by the early harvest results of the 2000 Project where, although smaller trees were extracted, the material showed higher than expected heartwood quantities earlier than forecast.

3.3 Marketing Arrangements – Key points

- Rewards Group has off-take agreements with three Indian sandalwood buyers relating to a total of 6,450 tonnes of sandalwood sapwood logs that will be sold between 2008 and 2017. These companies are G.J Fragrance & Aromatics Limited, K.V Fragrances and Flower Perfumes Manufacturing Company, all of which are unlisted and not well known in Australia.

- Rewards Group has a Sales Agent Agreement with Jiwan International (Jiwan), under which Jiwan assists Rewards Group securing marketing contracts for sandalwood material up until 2015.

- No contracts have yet been secured for mature sandalwood material harvested from later harvests.

3.4 Returns

3.4.1 Costs

Rewards Group has advised AAG that for all projects previously released by the company, including the nine sandalwood projects, investors have not had to pay any extra costs.

3.4.2 Yield

Please refer to Section 3.2.

3.4.3 Price and price growth escalation factor

During the past decade, it has been evident that the price for sandalwood products has increased substantially, a trend which is largely a result of the continuing disparity between supply and demand.

In its internal financial models for previous sandalwood projects, Rewards Group has used price estimates between AU$1,500 per tonne of sapwood material and AU$10,000 tonne for mature product. All prices were forecast to move in line with inflation.

Rewards Group has advised AAG that a price of approximately AU$2,125 per tonne of sandalwood sapwood material was achieved from the harvest of the 2000 sandalwood project. Although not originally forecast in the project prospectus for this project, it is obvious that this price achieved (AU$2,125 per tonne) is greater than forecast for later projects for this material, even when price growth has been taken into consideration.

Although we are aware of similar prices currently being received for mature Australian sandalwood material (i.e. AU$10,000 per tonne), it is the price that is achieved at final harvest (several years away) which will provide an indication whether or not price growth has exceeded original expectations. The price achieved by Rewards Group at final harvest will ultimately depend on the quality of timber which is produced and how the industry reacts to the predicted increase in production in Australia from Rewards Group and other large scale MIS participants.

3.4.4 Inflation on costs

Rewards Group has assumed inflation rates of between 2.8% and 3.0% for previous projects. We believe theses estimates are valid given the average rate of inflation in the past decade (2.5%) and the Reserve Bank of Australia (RBA) mandated target rate of inflation (between 2.0% and 3.0%).

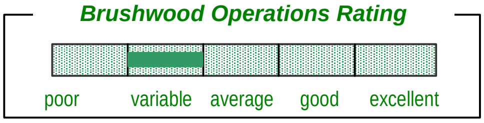
3.4.5 Likelihood of achieving the forecast returns for previous projects

Given the length of time between now and final harvest from Rewards Group's sandalwood projects, it is very difficult for AAG to comment on the likelihood of investors achieving the forecast returns. Results from preliminary non-forecast harvests are however encouraging.

3.5 Risks

It is evident that dry conditions have materialised and had some visible impact on the growth rates of Rewards Group's sandalwood resource. The full impact of these conditions on investors' yields and returns in the projects will not be fully known for several years.

4 Brushwood Operations



The slide bar rating above summarises our view of the past performance of this commodity for Investors and considers the likely future outcomes in the short term based on available data, site visits, discussions and other research.

4.1 Introduction

Rewards Group released two brushwood projects in 2001 and 2002 respectively, with the 391 hectares of plantation comprising the investments located at Meckering in the Western Australian wheatbelt.

4.2 Silvicultural Performance

The Rewards Group Brushwood projects were established under the premise that the brushwood and its coppice would be harvested progressively over the project term, with the first harvest for the two projects initially expected to take place in FY2007 and FY2008 respectively.

In the time since the Projects were established, the growth rates of the plantations have been impacted by dry conditions. As a result of the dry conditions and the subsequent poor growth rates, Rewards Group decided to delay the initial harvest of both projects, with the company commencing the harvest of the 2001 Project in the autumn of 2008 (harvest is still continuing), two years later than forecast. Rewards Group has advised AAG that the harvest of the 2002 Project will commence in the autumn of 2009.

Rewards Group has provided AAG inventory data for both the 2001 and 2002 projects, which we have outlined in Table 4. This suggests that yields, which we note are two years behind schedule, will be well down on original forecasts.

Table 4 - Overview of Rewards Group yield estimates for first thinning from 2001 Brushwood Project

Project	*Forecast volume for first harvest as per PDS*	*Actual Volume for first harvest based on inventory data*	*Change*
2001 and 2002 Brushwood projects	47.5 t/ha	28.0 t/ha	-41%

AAG visited the project sites in September 2007 and the impacts of the dry conditions on the brushwood plantations were clearly evident. Some areas were devoid of plants, while others had very low stocking. It is obvious that investors have been significantly impacted by the dry conditions. What is important for future returns to investors is the success of the coppice crop. Given the growth rates of the brushwood to date, AAG has significant concerns that future yields will not be met. This is highly dependent on rainfall conditions in the region.

4.3 Marketing Arrangements – Key points

- Rewards Group has an agreement with AusBrush Pty Ltd (AusBrush) for the purchase of material from the 2001 and 2002 Brushwood projects.

4.4 Returns

4.4.1 Costs

Please refer to Section 3.4.1

4.4.2 Yield

Please refer to Section 4.2.

4.4.3 Price and price growth escalation factor

Rewards Group has advised AAG that it is currently receiving a price equivalent to $380 per tonne for material being harvested from the initial harvest from 2001 Project. This compares to $313 per tonne which Rewards Group forecast at age 5 for the 2001 Brushwood Project (i.e. in 2006 dollars). When this price is increased to 2008 dollars at CPI levels ($331), it is evident that investors in this project have achieved prices in excess (15%) of original forecasts for the initial harvest from this project. Rewards Group has advised AAG that investors in the 2002 Brushwood project can expect a similar result when the initial harvest from their plantations commences in 2009.

Given the nature of the brushwood industry, it is difficult for AAG to comment on the likelihood of investors in the brushwood projects achieving the forecast prices for later harvests.

4.4.4 Inflation on costs

Please refer to Section 3.4.4.

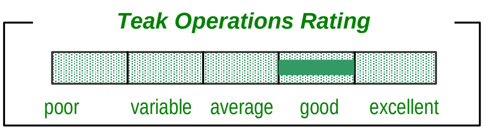
4.4.5 Likelihood of achieving the forecast returns for previous projects

Although the current price Rewards Group is achieving from the initial harvests of the brushwood projects is higher than forecast, the significantly below forecast yields and delayed harvest means that returns from this initial harvest will be well down on forecast for both projects. Because of the poor returns results to date, the success of the coppice crop over the remaining three harvests and the price received for these products will be critical to the success of the Project for investors. If yield projections from future harvests are not met, are delayed further, or prices are not achieved in line with those forecast, investors will not receive the forecast returns. Investors in these projects should consider this a very real possibility.

4.5 Risks

The primary risk which has materialised to investors in the brushwood projects to date is the period of dry conditions which has occurred over the term of the projects resulting in plant stress, delays in the timing of the initial harvest and lower than forecast yields for at least the remaining initial harvests.

5 Teak Operations



The slide bar rating above summarises our view of the past performance of this commodity for Investors and considers the likely future outcomes in the short term based on available data, site visits, discussions and other research.

5.1 Introduction

Rewards Group released its first teak project in 2001 and currently has approximately 2,875 hectares under plantation in far north Queensland.

5.2 Silvicultural Performance

The plantations comprising Rewards Group's 2001 Teak Project, which comprised both early and late investors, were established between 2002 and 2004 respectively. Although initial survival rates were as targeted, a very small proportion of plantations comprising this Project was replanted in 2008 with genetically improved clonal material as a consequence of extended periods of waterlogging and the influence from strong winds. The Independent Expert for Rewards Group, Dr. Nicholas Malajczuk, reports that the plantations which were not affected by waterlogging and wind are progressing well, while the newly replanted areas are currently showing good vigour for their stage of growth.

Under the original prospectus for this Project, investors were not expected to commence *commercial* thinning operations until 2013. Given that Rewards Group was able to source an appropriate market, Rewards Group decided to bring the first thinning of the plantations forward by five years to 2009.

Rewards Group's Teak Project 3 also comprised two types of investors with early growers having their plantations established in 2003 and late growers having their plantations established in the following year. The Independent Expert states that the plantations comprising the project have exhibited variable performance to date, with a small portion of plantation requiring replanting in 2008, which was done so with genetically improved clonal material. The Independent Expert states that on a whole they are in a healthy state, although there are parts of some plantations showing nitrogen deficiencies and damage from caterpillars. Rewards Group intends to commence the initial harvest of these plantations as outlined in the original prospectus (2011 and 2012).

The Rewards Group Teak Project 4 and 2006 – Release 1 plantings were established between November 2006-March 2007 and December 2007-March 2008 respectively, with Rewards Group stating that survival rates are in line with expectations and plantations are progressing well. The Rewards Group Teak Project 2006 – Release 2 is in the development phase with plantations expected to be established between December 2008 and March 2009.

5.3 Marketing Arrangements – Key points

- Rewards Projects has Sale and Purchase Agreements in place with three teak buyers including Huseinee Anik & Co Pvt Ltd, Royal Global Exports Pte Ltd and a group of four companies (Regency Wood Products, Associate Lumbers Pve Ltd, Jawahar Saw Mills and Farouk Sodagar Darvesh & Co). These companies are unlisted and not well known in Australia and we have no information pertaining to their financial capacity to complete any transaction.

- Under these agreements, Rewards Projects has agreed to sell 576,000 cubic metres of teak logs to each buyer over an 11 year period between 2010 and 2020. The thinnings from all previously released projects will be sold under these agreements. The company has yet to secure sale contracts for later harvests from these projects.

- Rewards Group has a Sales Agent Agreement with Berar Timber Industries (Berar), under which Berar assists Rewards Group securing marketing contracts for the teak material not already contracted for sale.

5.4 Returns

5.4.1 Costs

Please refer to Section 3.4.1

5.4.2 Yield

Please refer to Section 5.2.

5.4.3 Price and Price growth escalation factor

Teak is a valuable timber product with current worldwide demand exceeding available supply. As a result, prices for the timber product (most of which is harvested from native stands) have risen steeply over recent years. In previous projects, Rewards Group has assumed a timber price ranging between $150 m^3 for first commercial thinning product to $1,000 m^3 for timber harvested at clearfall harvest. The current price for logs harvested from Asia is currently receiving prices in excess of those forecast by Rewards Group.

It must be remembered however, that due to the fact that plantation grown teak timber may not achieve the quality of native grown product in terms of colour, heartwood and wood quality, the price received for this resource is currently discounted compared to the native grown product (Rewards Group allows for price discounts in its internal projections for its teak projects). Given this, the time between now and the first harvest of these plantations, and the unknowns to the relevancy of Asian timber prices, it is difficult for us to make comment on the likelihood of investors achieving targeted prices for their product.

5.4.4 Inflation on costs

Please refer to Section 3.4.4.

5.4.5 Likelihood of achieving the forecast returns for previous projects

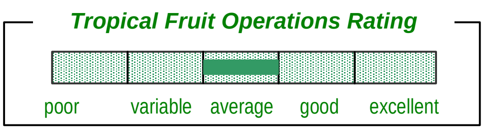
AAG believes that growth rates in Rewards Group's earlier teak projects are below those forecasted. Based on these observations, our view is that investors will struggle to make forecast returns in these projects if estimated prices are not met. Given excellent survival rates in later released projects, it seems as though improvements have been made in site selection and management of the plantations. Nevertheless, it is too early in the rotation of the later released projects to make any comment to the likelihood of investors achieving the forecast total returns.

5.5 Risks

Waterlogging has been an issue which has materialised in some of Rewards Group's earlier teak projects, resulting in the need for minor areas of plantation to be replanted. Teak is heavily intolerant of 'wet feet' which suggests that Rewards Group's may have made an error with some of its site selection for these projects affected by waterlogging to date. The impacts of strong wind events, a risk which is largely out of the control of management, is another risk which has materialised and affected the company's earlier teak projects.

Wind damage is an event that can be insured against. AAG recommends that investors in these projects maintain insurance for the unlikely event that cyclonic winds cause damage to the plantations. Rewards Group currently offer insurance for fire, hail, windstorm (inc. cyclones), malicious damage and theft.

6 Tropical Fruits Operations



The slide bar rating above summarises our view of the past performance of this commodity for Investors and considers the likely future outcomes in the short term based on available data, site visits, discussions and other research.

6.1 Introduction

Rewards Group has a total of 1,044 hectares of tropical citrus and tropical fruit orchards under management. Rewards Group's tropical fruits and citrus orchards are located in various regions of Australia including Kununurra in northern Western Australia (grapefruit and mango), Dandaragan in southwest Western Australia (stonefruit and mango), Mareeba in northern Queensland (mango) and Childers and Kumbia in southeast Queensland (stone fruit).

6.2 Horticultural Performance

The Rewards Group Tropical Citrus Project 2002 comprises 51 hectares of red flesh grapefruit orchard which was established at Kununurra in 2002.

Rewards Group commenced harvesting fruit from the Project in FY2005, recording yields above and prices below forecast (Table 5). Since this time, the volume of saleable fruit has continued to be substantially lower than forecast due to inclement weather conditions causing reduction in fruit quality and yields. At the same time, Rewards Group has achieved prices down on forecast (apart from FY2007), the net result being investors achieving returns well down on forecast. This must be of some concern to investors in the Project.

Table 5 –Fruit Yields (t/ha) and Fruit Prices ($/kg) for the Tropical Citrus Project 2002

Year	Proportion of Project by area	Forecast yields (t/ha)*	Actual yields (t/ha)*	Forecast price ($/kg)*	Actual price ($/kg)*
FY2005 - citrus	100%	1.0	1.2	$1.74	$1.53
FY2006 - citrus	100%	2.5	2.2	$1.79	$1.66
FY2007 - citrus	100%	5.0	1.2	$1.83	$2.61
FY2008 - citrus	100%	10.0	2.9	$1.88	$1.58

** = weighted average across particular variety*

The Rewards Group Tropical Citrus Project 2003 was also established at Kununurra, comprising approximately 11 hectares of mature mangos, 89 hectares of newly established mangos and the balance newly established red flesh grapefruit. Although mango yields have to date been significantly down on forecast, prices have exceeded original estimates (Table 6). The yields achieved from the harvest of grapefruit were higher than forecast in FY2007 and substantially lower in FY2008. The prices received for this product were well down in both harvest years.

Table 6 – Fruit Yields (t/ha) and Fruit Prices ($/kg) for the Tropical Citrus Project 2003

Year	Proportion of Project by area	Forecast yields (t/ha)*	Actual yields (t/ha)*	Forecast price ($/kg)*	Actual price ($/kg)*
FY2004 - mango	8%	0.47	0.17	$3.10	$5.30
FY2005 - mango	8%	0.75	0.41	$3.18	$3.53
FY2006 - mango	8%	1.0	0.15	$3.28	$3.92
FY2007 - mango - citrus	75% 25%	3.5 1.0	1.31 1.45	$3.37 $1.98	$3.15 $1.64
FY2008 - mango - citrus	75% 25%	6.3 2.3	1.04 0.13	$3.46 $2.04	$1.70 $1.58

** = weighted average across particular variety*

The Rewards Group Tropical Fruits Project 2004 is also located at Kununurra and includes both a mango and red grapefruit component. Yields from the initial harvest for the Project were well above forecast, while prices where in line with initial estimates (Table 7). Subsequent harvests of the mango crop have generally seen yields and prices being well down on forecast.

Table 7 – Fruit Yields (t/ha) and Fruit Prices ($/kg) for the Tropical Fruits Project 2004

Year	Proportion of Project by area	Forecast yields (t/ha)*	Actual yields (t/ha)*	Forecast price ($/kg)*	Actual price ($/kg)*
FY2005 - mango	7%	0.2	0.2	$3.50	$3.50
FY2006 - mango	7%	0.5	0.1	$3.60	$3.90
FY2007 - mango - citrus	80% 20%	0.7 N/F	0.1 0.02	$3.70 N/F	$3.02 $1.64
FY2008 - mango - citrus	80% 20%	2.1 1.0	0.5 0.1	$3.80 $1.87	$1.70 $1.58

** = weighted average across particular variety*

Investors received an un-forecasted return from the grapefruit component of the Project in FY2007, one year ahead of schedule. Yields and prices from the subsequent harvest were significantly down on those projected (Table 7).

Rewards Group's Tropical Fruits Project 2005 included mango and red grapefruit orchards of varying ages at Kununurra. Rewards Group has only harvested a small proportion of existing mango orchard to date, the net results of which have been well down on original projections (Table 8). Rewards Group has advised AAG that this established mango orchard were in poor condition when purchased from the previous landowner and one of the reasons for the poor results to date. As a result, Rewards Group implemented a significant restructuring program which included the removal of some parts of the tree canopy. Rewards Group expects yields from this component of the Project to improve in the coming harvests. The grapefruit and mango orchards which were established in 2005 are expected to come on line in FY2009.

Table 8 – Fruit Yields (t/ha) and Fruit Prices ($/kg) for the Tropical Fruits Project 2005

Year	Proportion of Project by area	Forecast yields (t/ha)*	Actual yields (t/ha)*	Forecast price ($/kg)*	Actual price ($/kg)*
FY2006 - mango	5%	0.2	0.1	$3.50	$3.90
FY2007 - mango	5%	0.5	0.3	$3.60	$2.93
FY2008 - mango	5%	0.7	0.2	$3.70	$1.70

** = weighted average across particular variety*

The Rewards Group Tropical Fruits Project 2006 included approximately 190 hectares of low chill stone fruit, red grapefruit and mango fruit lines of varying ages on orchards located at Kununurra and Dandaragan, Western Australia and Mareeba in far north Queensland. The yields and prices achieved from the two harvests of already established mangos have been poor which must be disappointing to investors (Table 9). Rewards Group has advised that the primary reason for the poor results to date from the mango component is due to the effects of *Anthracnose*, a disease which causes deterioration in fruit quality. Rewards Group has advised AAG that the disease must have been present in the orchard when the company took over the management. Rewards Group has now eliminated the disease from the orchards. The stonefruit component of the Project has shown early promise however, providing two non-forecast harvests to investors in FY2007 and FY2008.

Table 9 – Fruit Yields (t/ha) and Fruit Prices ($/kg) for the Tropical Fruits Project 2006

Year	Proportion of Project by area	Forecast yields (t/ha)*	Actual yields (t/ha)*	Forecast price ($/kg)*	Actual price ($/kg)*
FY2007 - mango - stone fruit	29% 17%	4.3 N/F	0.2 0.03	$3.50 N/F	$2.00 $1.33
FY2008 - mango - stone fruit	29% 17%	4.4 N/F	1.8 0.2	$3.60 N/F	$1.77 $4.36

** = weighted average across particular variety*

The Rewards Group Tropical Fruits Project 2007 comprised approximately 128 hectares of fruit orchards located at Dandaragan in southern Western Australia and Childers and Mareeba in southeast and far north Queensland respectively. Although Rewards Group recorded a reasonable harvest result from the first harvest of the established mango component located at Mareeba, the price received for the fruit was significantly down on forecast in line with the well documented poor year for mango prices in Australia, caused by the disparity between supply and demand (Table 10).

Table 10 – Fruit Yields (t/ha) and Fruit Prices ($/kg) for the Tropical Fruits Project 2007

Year	Proportion of Project by area	Forecast yields (t/ha)*	Actual yields (t/ha)*	Forecast price ($/kg)*	Actual price ($/kg)*
FY2008 - mango	29%	1.1	1.0	$3.50	$2.40

** = weighted average across particular variety*

The 135 hectares included in the Rewards Group Tropical Fruits Project 2008 comprised both established and newly established orchard across southwest Western Australia and southern and northern Queensland. At the time of releasing this report, Rewards Group had just completed the harvest from the 20 hectares of established stone fruit which formed part of the Project. Raw data provided by Rewards Group suggests that both yields and prices for this component were well above those originally forecast, which is a good result for investors in the Project. The 27 hectares of established mango orchard is also expected to provide investors a crop in FY2009, although we have not been provided any sales data to date.

6.3 Marketing Arrangements – Key points

- Rewards Projects has a Heads of Agreement with Global Rewards Pty Ltd (Global Rewards), a Rewards Group subsidiary. Under this Agreement, Global Rewards acts as agent to market the majority of the mango, grapefruit and stone fruit produced from the company's projects.

- Rewards Projects also has an Agreement with Mercer Mooney (MM) to carry out the fruit marketing services of the plum varieties produced from the Rewards Group Tropical Fruits Project 2006.

6.4 Returns

6.4.1 Costs

Please refer to Section 3.4.1

Investors in Rewards Groups Tropical Fruits projects have the cost of harvest including packing, transport and storage deducted from share of fruit sale proceeds. Rewards Group has advised AAG to date that these costs have been in-line to above those originally forecast to date. As expected, the primary reason for the higher than projected harvest costs has been the high picking costs due to the lower than expected volumes of fruit harvested from the orchards.

6.4.2 Yield

Please refer to Section 6.2.

6.4.3 Price and price growth escalation factor

It is evident that the prices achieved from the Tropical Fruits Projects have generally been down on those originally forecast and have not increased in line with inflation as predicted. If prices do not increase in line or greater than inflation going forward, investors will be significantly impacted.

6.4.4 Inflation on costs

Please refer to Section 3.4.4.

6.4.5 Likelihood of achieving the forecast returns for previous projects

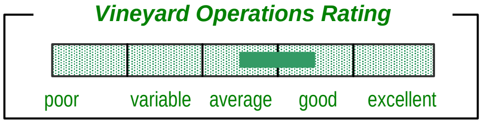
From a net return perspective, the harvest results from Rewards Group's Tropical Fruits projects have generally been poor to date, which is concerning to AAG. For investors to realise the forecast returns for these projects, Rewards Group will have to significantly improve on the results achieved to date.

To its credit, Rewards Group's has undertaken a number of initiatives to response to the underperformance in its Project released pre 2007. This includes the one year extension of projects, the waiving of marketing fees until the Projects become cash flow positive and the reduction in sales agency commissions payable by investors. AAG calculations show that given the initiatives implemented by Rewards Group and on the basis that forecast yields and prices are achieved going forward, investors will achieve forecast returns. We do note however, that investors will not achieve the forecast returns harvest results continue to underperform, regardless of the initiatives put forward by the company.

6.5 Risks

Rewards Group has achieved large variation in yields and prices for its fruit lines harvested to date. Lower than forecast yields can largely be attributed to seasonal conditions, particularly those for mangoes during the FY2006 harvest. Price variation has been quite evident from harvests to date, with the results from the FY2007 harvest being the best example. These lower than forecast prices were primarily due to the depressed market for the fruit lines as a result of supply being in excess of demand and in some cases, poor fruit quality on the market at that time.

7 Vineyard Operations



The slide bar rating above summarises our view of the past performance of this commodity for Investors and considers the likely future outcomes in the short term based on available data, site visits, discussions and other research.

7.1 Introduction

Rewards Group released two wine grape projects in 2003 and 2004, both of which were aimed at the wholesale investment market. The 98 hectares of vineyards currently under management are located at Pemberton in southwest Western Australia.

7.2 Viticultural Performance

The 2003 Vineyard Project comprises 35 hectares of vineyard including 25 hectares of Chardonnay and 10 hectares of Sauvignon Blanc. Rewards Group commenced harvesting the 2003 Vineyard Project in FY2005, recording yields and prices down on forecast (Table 11). According to the Independent Expert for the Project, this was the result of a cool summer and a subsequent late harvest, resulting in botrytis disease pressures.

Table 11 –Grape Yields (t/ha) and Grape Prices ($/t) for the Premium Vineyards 1 Project (2003)

Year	Forecast yields (t/ha)	Actual yields (t/ha)	Forecast price ($/t)	Actual price ($/t)
FY2005	6.0	2.8	$1,581	$1,550
FY2006	8.0	7.0	$1,598	$1,550
FY2007	10.0	7.3	$1,700	$1,550
FY2008	12.0	9.0	$1,747	$1,277

Subsequent vintages have produced improved yields, but still down on those originally forecast (Table 11). The fixed prices Rewards Group received in FY2006 and FY2007 were slightly below those forecast, while the price received in FY2008 was significantly down – primarily due to a substantial drop in Chardonnay prices paid by Australian wine maker (Table 11).

Rewards Group established the 2004 Vineyard Project with 36 hectares of Chardonnay and 12 hectares each of Sauvignon Blanc and Semillon. The yields and prices achieved from the initial harvest in FY2006 were down on forecast, which according to Rewards Group, was a result of poor bud set due to the unseasonable cool spring during the season. The subsequent harvests has provided yields more inline with forecast (Table 12).

Table 12 –Grape Yields (t/ha) and Grape Prices ($/t) for the Premium Vineyards 2 Project (2004)

Year	Forecast yields (t/ha)	Actual yields (t/ha)	Forecast price ($/t)	Actual price ($/t)
FY2006	6.0	4.0	$1,620	$1,500
FY2007	8.0	8.7	$1,620	$1,500
FY2008	10.0	8.9	$1,760	$1,277

Like the 2003 Vineyard project, the prices received from the FY2007 and FY2008 vintages were down on those forecast – with the reason for the poor price recorded from the latter harvest due to the substantial decrease in Chardonnay prices in that year.

7.3 Marketing Arrangements – Key points

- Rewards Group has all but 2 hectares of grapes from its Vineyard projects fully contracted to Constellation Wines Australia (Constellation) to 2010. The remaining 2 hectares is sold to Willow Bridge Estate (Willow Bridge) on an annual basis.

7.4 Returns

7.4.1 Costs

Please refer to Section 3.4.1

Investors in the Vineyard projects are responsible for sharing in the cost of harvest. Rewards Group has advised AAG that harvest costs have been in line with those originally forecast to date.

7.4.2 Yield

Please refer to Section 7.2.

7.4.3 Price

As the price analysis in Table 11 and Table 12 has showed, investors have received prices slightly to well down on those originally forecast to date. Considering the state of the wine industry in Australia during this period, where oversupply has caused prices to decline considerably, AAG considers this to be a typical result, assisted by Rewards Group initiating a fixed price contract in the early stages of both projects.

7.4.4 Inflation on costs

Please refer to Section 3.4.4.

7.4.5 Price growth escalation factor

Rewards Group has assumed no real price growth for its previously release wine grape projects. As discussed previously, the state of the wine market in past years has resulted in real price reduction.

Reduced water allocation, frost and low rainfall has resulted in reduced industry yields in 2007 and 2008 which has provided some real price growth. As reduced irrigation allocations continue to impact on yields, price recovery is possible in the short term, although the effect will be that Rewards Group's initial expectations will lag behind actual prices for at least the next few years.

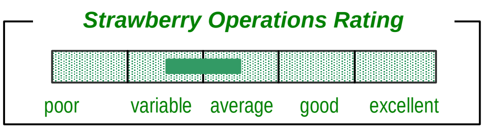
7.4.6 Likelihood of achieving the forecast returns for previous projects

Whilst Rewards Group's vineyards have performed well in comparison to other vineyards in the Pemberton region and the wine grape industry in general, the net returns achieved by investors in the vineyard projects have generally been down of those forecast to date. These projects are long term investments however, and the 2003 vineyard has just reached full production and 2004 vineyard has yet to reach peak production. The performance of these vineyards in the next two or three years will more accurately reflect the likelihood of investors achieving the projected returns. To do so, there will need to be a period of significant overperformance in order to catch up existing underperformance. Without overperformance, investors will not receive their expected returns.

7.5 Risks

Rewards Group's two winegrape projects have been impacted upon by difficult weather conditions in the past few years, which has been affecting the yields from the projects. The wine grape prices achieved from past projects have generally been down on original forecasts, but we note that this has been an industry wide issue.

8 Berry Operations



The slide bar rating above summarises our view of the past performance of this commodity for Investors and considers the likely future outcomes in the short term based on available data, site visits, discussions and other research.

8.1 Introduction

Rewards Group has released two Berry projects to the investment market to date. It currently has 81.5 hectares of strawberries under cultivation at Caboolture in southeast Queensland and 87.0 hectares of strawberries and 10.0 hectares of blueberries in the Yarra Valley region of southern Victoria.

8.2 Horticultural Performance

Rewards Group's 2007 Berry Project comprised 51.7 hectares of strawberries located at Caboolture. Rewards Group initiated the first harvest from this Project in FY2008, recording yields significantly down on original forecasts (Table 13). Rewards Group has advised AAG that this harvest result was the effect of a storm which hit the grove late in the growing season. The weighted average prices received by investors from the initial harvest were approximately 28% above those forecast (Table 13). This favourable price result was primarily due to the lack of supply from the Queensland growing season caused by the storm event which hit the region, highlighting the sensitivity of these projects to fluctuations in supply and demand.

Table 13 – Fruit Yields (t/ha) and Fruit Prices ($/kg) for the Berry Project 2007

Year	Proportion of Project by area	Forecast yields (t/ha)	Actual yields (t/ha)	Forecast price ($/kg)	Actual price ($/kg)
FY2008 - strawberries	100%	50.0	22.3	$6.31	$8.05

At the time of releasing this report, Rewards Group had just completed the second harvest from the 2007 Berry project and were waiting on final harvest statistics. Although final figures were unable to be provided at the time, Rewards Group did advise that final yields and prices were predicted to be below those outlined in the original PDS. The primary reason for this disappointing result was inclement weather conditions (which reduced yields) during the year and the resulting poor quality fruit (which reduced consumer demand and hence prices) harvested from the Project.

The 2008 Berry Project was established on land at Caboolture and Yarra Valley and comprised 117 hectares of strawberries and 10 hectares of blueberries. At the time of releasing this report, Rewards Group had just completed the harvest of the small component of strawberries located in Queensland from this Project, recording yields and prices below expectation. Rewards Group commenced harvest from the Yarra Valley grove in October 2008 and will continue harvesting from this component of the Project till May 2009. Rewards Group won't commence the harvest from the blueberry component of the Project until FY2010.

8.3 Marketing Arrangements – Key points

- Oz Fresh Pty Ltd (Oz Fresh) is the sole agent for the berries produced from the 2007 and 2008 Berry projects.

8.4 Returns

8.4.1 Costs

Please refer to Section 3.4.1

8.4.2 Yield

Please refer to Section 8.2.

8.4.3 Price

Please refer to Section 8.28.4.3.

8.4.4 Inflation on costs

Please refer to Section 3.4.4.

8.4.5 Price growth escalation factor

In respect to price growth, Rewards Group has assumed prices would move in line with inflation. AAG believes it is too early to say whether their estimates for price growth are valid.

8.4.6 Likelihood of achieving the forecast returns for previous projects

The net returns to investors in the 2007 Berry project were down on those forecast in the first two years of operation, while the 2008 Berry Project has been operational for less than six months. The two harvest results from the 2007 Berry project suggests that Rewards Group will have to outperform on forecast future returns to make up for the underperformance thus far.

8.5 Risks

It is evident from discussions AAG has previously had with Rewards Group, that the storm event which hit the Caboolture region in late 2007 had a significant impact on yields in the first harvest of the 2007 Berry Project. Going forward, weather events such as this and other physical and marketing risks may impact on yield or price between now and the project conclusions.

9 Taxation

According to Rewards Group, all key dates and prescribed activities with respect to the product rulings were met for previous projects with investors receiving the taxation deductions as outlined in the project offer documents. Rewards Group believes that the forecast deductions for past projects are still in line with the respective project offer documents.

All Rewards Group's projects up to and including those released in 2007 have been subject to ATO site visits with no issues forthcoming.

10 Exit Strategies for Past Projects

Initial investors in forestry MIS projects are allowed to trade their interests once they have been held for a period of at least four years. This allows investors in Rewards Group's previously released *forestry* projects the potential for liquidity. We do note however, that at the time of releasing this report, there was no highly visible private or industry 'secondary market' in operation. Nevertheless, we do expect such 'exchanges' to be in operation in the near future.

Rewards Group has advised AAG that it keeps a register of those investors interested in selling their investments. Although legislation allows trade in interests in forestry MIS projects, there is no such scope for investors in *non-forestry* MIS projects. Investors in Rewards Group's horticultural projects should therefore consider such investments illiquid.

11 AAG Opinion

The AAG use a model that has been developed in-house to rate Managed Investment Schemes. Numerous points of assessment are made to ensure the important aspects of a project and project manager are assessed on an even basis.

Ratings are out of five stars in quarter star increments.

The report should be read in its entirety and in conjunction with Part A – Corporate Governance Review (Grant Thornton) and Part B – Track Record Review (AAG).

The opinion of AAG is outlined throughout the report and a summary is found on page 1.

★★★★★	AAG believes that the Manager **will** achieve outcomes which substantially exceed the agri, risk or return results which are the average acceptable levels of performance appropriate for this asset class.
★★★★	AAG believes that the Manager **will** achieve agri, risk or return outcomes which exceed average acceptable levels of performance appropriate for this asset class.
★★★	AAG believes that the Manager **may** achieve agri, risk or return outcomes which meet minimum acceptable levels of performance appropriate for this asset class.
Less than ★★★	AAG believes that the Manager **will not** achieve agri, risk or return outcomes which are appropriate for this asset class.

12 AAG Profile and Contact Details

The Australian Agribusiness Group was formed in 1997 and provides expertise in research, investment management and agribusiness consulting nationally.

AAG is the leading provider of research into the Managed Investments Sector (MIS) in Australia. It's research is read by over 9,100 financial planners and is distributed by Standard and Poors.

AAG sources and manages investments in the Australian agribusiness sector on behalf of national and international clients.

AAG undertakes research reports, feasibility studies, consulting projects and assists in facilitating funding for private and public clients. It provides the management skills, expertise, staff and office support to develop, incubate and launch new agribusinesses.

AAG focuses on agribusiness and particularly the commercial aspects of this dynamic sector.

For more information about AAG, please visit our website at www.ausagrigroup.com.au.

2008/09

AUSTRALIAN AGRIBUSINESS GROUP

REWARDS GROUP PREMIUM TIMBER PROJECT 2009

PART C PROJECT REVIEW – January 2009

C

Part C AAG Project Rating

★★★★

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 Grant Thornton Corporate Governance 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.

Project Features

Application Cost per Unit (ex GST)	$5,500
Min Number of Interests per investor	1
Asset Ownership	Nil
Size of Unit	0.25 hectares
Maintenance Fees (ex GST) • Teak • Sandalwood	 12.2% of Net Sale Proceeds 12.3% of Net Sale Proceeds
License Fees (ex GST) • Teak • Sandalwood	 20.3% of Net Sale Proceeds 15.5% of Net Sale Proceeds
AAG Estimated Returns (IRR after tax) • Cash Basis • 12-month interest free loan	 9.3% (3.6% – 11.9%) 10.8% (4.1% – 13.9%)
Project duration	20 years
Close Date for investment in 2008/09	30 June 2009
Benefit Cost Ratio (@ 7%)	1.22 (0.71 – 1.49)
Breakeven when: • Teak price decreases by: • Teak yield decreases by: • S'wood price & yield decreases by	 92% (44% – >100%) >100% (55% – >100%) >100% (90% – >100%)
Product ruling	PR 2008/73

Management (page C3)

- The Responsible Entity (RE) is Rewards Projects Limited (Rewards Projects), a subsidiary of Rewards Group Limited (Rewards Group).
- Rewards Management Pty Ltd (Rewards Management) is another subsidiary and has been contracted by the RE to undertake the on-ground management services of the Project.
- Rewards Management has approximately 6,732 hectares of sandalwood and 2,875 hectares of teak under management planted since 2000. The company is considered an experienced manager of both species.

Fees (page C5)

- Although the upfront fee is high compared to other similar high value timber projects on the MIS market, it complies with Division 394 of the Tax Act in that at least 70% of all fees are directly spent on establishing and managing the forests.
- The back-end nature of the fee structure should heavily incentivise Rewards Group to perform.

Markets for this Project (page C4)

- As commercial teak plantations have only been recently established, Australia does not currently supply substantial volumes of timber resource to the world market.
- When large scale harvesting does commence in Australia, it is predicted that the product will be in relatively high demand on the global market.
- Overexploitation and lack of protection for the sandalwood resource has meant India and Australia are the only countries which have supplies of sandalwood of any significance.
- India sources all of its sandalwood resource from wild stands of Indian sandalwood (*Santalum album*), while Australia currently sources its sandalwood resource predominantly from native stands of Australian sandalwood (*S. spicatum*).
- Given recent planting trends of both species, Australia is set to dominate world supply of sandalwood products from the mid term onwards. This may place downward pressure on prices for sandalwood products going forward, unless new markets can be assessed and grown.

Marketing (page C5)

- Rewards Group has entered into contracts with a number of Asian buyers for the sale of first harvest material from both the teak and sandalwood components of the Project.
- Rewards Group has sales agents in place for both teak and sandalwood products which will assist in negotiating supply agreements for timber not already contracted for sale.
- The sales contracts entered into are positive, but reliant on future agreement for a FOB price, which may be beneficial if timber prices continue to rise.

Agricultural Parameters and Returns (page C2 & C6)

- Weeds have been an issue in isolated areas of plantations included in previous Rewards Group teak and sandalwood projects. Rewards Group must ensure good weed management to achieve target yields.
- The returns for the Project are low compared to other projects of a similar nature on the MIS market. The returns are however very tolerant to changes to yield and price due to the fact that investors pay lease and management fees as a proportion of harvest proceeds.
- One of the advantages of investment in the Project is the diversification that the investment offers. Investors can expect to receive several income streams over the Project term from two distinct crops located in distinct geographic zones.

Disclosure and Risks (page C11)

- The unknowns surrounding the management of teak and sandalwood and the yield and quality of timber that can be produced in plantations presents several agricultural and marketing risks to the Project.

Taxation (page C12)

- Rewards Group has received Product Ruling PR 2008/73 which outlines that 100% of the application fee is tax deductible in the year of subscription.

Beckmont Pty Ltd trading as Australian Agribusiness Group A.B.N 50 056 592 708
Level 5, 406 Collins St, Melbourne, 3000 Australia ph +61 3 9602 6500 fax +61 3 9642 8824 email info@ausagrigroup.com.au

1 Project Structure – What do I get?

1.1 What is the project?

The Rewards Group Premium Timber Project 2009 (ARSN: 133 719 123, the 'Project') enables investors to participate in the establishment, management and harvesting of two species of high value timber (teak and Australian sandalwood). The teak plantations will be located in far north Queensland and will be harvested for pole and sawlog production, while the sandalwood plantations will be located in southwest Western Australia and will be harvested for joss sticks, furniture and to a lesser extent, essential oil production.

Each Woodlot is 0.25 hectares in size and comprises 0.15 hectares of sandalwood and 0.1 hectares of teak. The Project offer is for 9,000 Woodlots, with the Responsible Entity (RE) having the right to accept oversubscriptions. The term of the Project is approximately 20 years, with investors expected to receive multiple income flows during this time.

Upon application, investors will enter into two agreements with the Responsible Entity (RE).

- *License Agreement* – allows the investors to rent the land on which the Woodlots are situated for the duration of the Project; and
- *Management Agreement* – enables the RE to prepare, plant, maintain, harvest and market the trees on behalf of investors.

1.2 What is the minimum subscription?

The minimum subscription for investors is one Woodlot.

There is no minimum subscription that must be reached, with the Project commencing regardless of how many Woodlots have been subscribed in the Project. Given the scale of Rewards Group's operations for sandalwood in southwest Western Australia and teak in far north Queensland, this is acceptable.

1.3 Can I share in any land/management ownership?

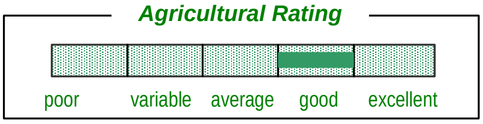
Investors are unable to directly share in the ownership of the land or the manager of the Project.

ASX listed property fund, ARK Fund Ltd (ARK Fund) will own some or all of the land associated with the Project. Investors can indirectly and incrementally participate in the ownership of some of the key land assets of the Project and other rural land assets by purchasing shares in ARK Fund.

1.4 Is there an exit strategy?

Initial investors in forestry MIS projects are allowed to trade their interests once they have been held for a period of at least four years. This provides investors in this Project the potential for liquidity. We do note however, that at the time of releasing this report, there were no highly visible 'secondary markets' in operation, although we expect such 'exchanges' to be operational in the near future. In general, sales of MIS timber investments which have occurred to date have tended to be at heavy discounts to the invested funds.

2 Agricultural Feasibility and Assumptions – Is it agriculturally sound?



2.1 Where is the project located?

Rewards Group will target two distinct locations for the establishment of plantations in the Project, with the teak expected to be established on properties in far north Queensland and the Australian sandalwood to be located on properties in the wheatbelt region of southwest Western Australia.

Teak is an exotic species to Australia and has only been grown on a large scale in the far north Queensland region for a period of ten years. Approximately 5,600 hectares are currently grown in the region by Rewards Group and other MIS operators. Although the areas in which Rewards Group intends to establish the teak plantations have similar rainfall and climatic patterns to where the species grows naturally, the limited history of growing teak in plantations provides some unknowns and subsequent additional risk to the investment.

Australian sandalwood is found naturally throughout the wheatbelt region of Western Australia. As it stands, there is thought to be approximately 13,000 hectares of Australian sandalwood being grown in plantations in the region. Rewards Group established its first Australian sandalwood plantation in the Western Australian wheatbelt region in 2000 and currently has approximately 6,732 hectares of the species under management. The fact that Rewards Group is growing a large area of sandalwood trees in the wheatbelt provides us confidence that the region, given the appropriate characteristics of the property, is suitable for growing the species in plantations.

2.2 What is the plantation management regime?

Given the silvicultural differences of the two species and contrasting environments in which they will be established, the plantation management regime for each will differ significantly.

2.2.1 Teak operations

Rewards Group will establish the teak (*Tectona Grandis*) plantations during the wet season beginning December 2010 from tissue culture plantlets selected from South East Asian breeding programs. The timing of establishment and size and quality of seedlings is crucial to the ultimate success of teak establishment. If on-ground management misses the optimum planting window or establish the plantations with poor quality seedlings, the chances of a successful establishment is greatly diminished. Rewards Group will need to be diligent in this respect.

Rewards Group states that it will establish the teak plantations on mounded rows at an approximate stocking of about 1,250 stems per hectare. In the year following establishment, the on-ground management team will undertake a plantation survival survey. Rewards Group reports that tube stock will be in-filled during the following wet season, with the overall number of surviving teak expected to be approximately 1,125 trees per hectare.

The tropical environment means that rapid weed growth is normal and an issue management must deal with effectively. The successful establishment and ongoing management of plantations in tropical regions is heavily dependent on stringent weed control. Rewards Group recognises the risk of weeds to these plantations and has a stated objective of diligent weed control prior to, and in the first 12 months following establishment. Rewards Group's weed control program will consist of cultivation and broad herbicide spraying prior to establishment and spot herbicide spraying post plant. Rewards Group's experience from the establishment of past teak projects will assist the company to implement a weed control regime which suppresses the growth of weeds in the formative years of the Project.

Given the leaching effect the tropical rainfall has on the soils in far north Queensland, the application of fertilsers is important in maintaining nutritional availability to teak trees as they establish themselves and grow. Rewards Group recognises this and will implement a fertiliser regime during the term of the rotation, taking into consideration the relative fertility of the sites and the demand of the plantations as assessed by foliar analysis. We note however, that fertiliser regimes in teak plantations in Australia are relatively unknown at this stage. However, Rewards Group's experience from the prior seven years of plantations will assist Rewards Group in management of this Project.

Under the harvesting regime proposed by Rewards Group, the teak trees will be harvested on a progressive basis between the tree ages of 6 (project year 8) and 18 years (project year 20), with the precise timing, number of trees per harvest and number of harvests determined by the RE at the relevant time. The tree will be cut at the base and the log will be trimmed to remove all branches. Rewards Group will be implementing a pruning regime for those trees selected to be harvested at clearfall. It is intended that a form prune will be conducted between tree age 1 and 2 years, with an additional 1 to 2 'lifts' to occur at tree ages 6, 10 and 14.

2.2.2 Sandalwood operations

The establishment techniques that Rewards Group will implement for the Australian sandalwood (*Santalum spicatum*) species will differ significantly from more conventional species such as *T. grandis*. Australian sandalwood is a hemi-parasitic species which requires a host tree root system as a means to survive and grow. Consequently, the sandalwood will be established with the pre-established host species *Acacia acuminata*, a species that is native to the Western Australian wheatbelt. Although AAG believes the establishment of several host species in the plantation would spread the risk of the Project, Rewards Group advises host trials conducted by itself and the Western Australian Conservation and Land Management (CALM) indicates that the current establishment plan is considered best practice.

Rewards Group has advised AAG that it has entered into supply contracts with several nurseries for the host species seedlings and specialist seed collection organisations for sandalwood seed. The seed will be obtained from trees in Rewards Group's sandalwood plantation seed production areas and from select remnant natural stands in the wheatbelt.

As part of Rewards Group's establishment regime, the host seedlings for the Project will be planted on the site in the winter of 2010 at an approximate planting rate of 1,100 hosts per hectare, while the sandalwood seeds will be directly sown adjacent to the host trees in the following autumn (2011) at a density of 4,000 seeds per hectare. Through an active thinning program and natural losses, Rewards Group will aim to have approximately 1,400 sandalwood stems per hectare at first commercial harvest.

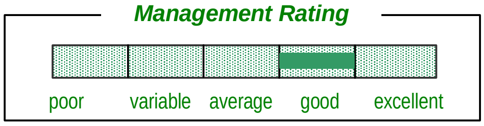
During the establishment and initial management phase of the Project, the RE will implement an extensive weed control regime, consisting of broadacre spraying, mounding and post planting weed control. The on-ground management team will continue to monitor for weeds, pests and diseases during the term of the Project and where required take immediate action.

The fact that there are two age classes and hence sizes of plants within the plantation (host and sandalwood plants) make weed control difficult. Recent plantation inspections by AAG of Rewards Group's previous projects suggests that adverse weather conditions led to sub-standard weed control in some young sandalwood plantations. Rewards Group reports that subsequent host tree growth has been reported as exceeding expectation in the higher rainfall conditions and sandalwood survival has not fallen below allowable limits. Rewards Group must be diligent in their weed control if they are to meet the obligations of the PDS.

The Independent Forester has advised in his report that there is limited knowledge in relation to the nutrient requirements of sandalwood and its host species. Under its current management regime, Rewards Group will apply a pre-emptive broad spectrum fertilser at establishment, with any remedial fertilisation undertaken if assessed by the on-ground management team to be beneficial to plantation growth.

Rewards Group will harvest the sandalwood trees on a progressive basis during the term of the sandalwood rotation with the precise timing, number of trees per harvest and number of harvests determined by the management team at the relevant time. As it stands, Rewards Group intends to harvest the sandalwood as a thinning at tree age 5 (project year 7), tree age 9 (project year 11) and tree age 13 (project year 15) and as clearfall at tree age 17 years (project year 19). Because the logs, roots and bole of the tree all contain saleable wood, the whole sandalwood tree will be pulled from the ground as part of the harvesting process. Rewards Group has advised AAG that it has already developed harvesting technology specifically for the purpose of harvesting the plantation sandalwood.

3 Management – who is running the business for me?



3.1 What is the Corporate Structure?

Rewards Projects Limited (Rewards Projects), a subsidiary of Rewards Group Limited (Rewards Group), is the Responsible Entity (RE) for the Project.

Rewards Projects outsources the on-ground management and harvest and sale of timber activities to Rewards Management Pty Ltd (Rewards Management). Rewards Management will further subcontract some of these services to unrelated third parties.

The ASX listed property fund, ARK Fund Ltd (ARK Fund) will own some of the land in the Project, as may Rewards Land Pty Ltd (Rewards Land). These entities will enter into an agreement to lease the land to Rewards Projects. We note that the Directors of Rewards Group are substantial shareholders of ARK Fund.

Investors are able to finance their investment in the Project through the RE and the Commonwealth Bank of Australia Limited (CBA).

3.2 Is the Responsible Entity Skilled and Experienced?

Rewards Group was established in 1999 and is a privately owned diversified agribusiness funds management business. Rewards Group's financial position continues to strengthen, with the company increasing its net asset position to $73 million at June 2008.

Rewards Group has operated in the Managed Investment Scheme (MIS) industry since 2000 and in this time has released 34 projects in a variety of agricultural sectors including the sandalwood, brushwood, teak, tropical fruits, wine grape and berry industries.

Rewards Group's previously released projects have raised in excess of $274 million, with the total area of plantations, orchards and vineyards under management covering approximately 11,323 hectares. Rewards Group has operations in several regions in Australia including those in Western Australia, Queensland and Victoria.

One of the advantages of Rewards Group has being a privately owned business is that the two Managing Directors of the company spend much of their time 'on-the-ground' and have been heavily involved in the development and management of this Project. For details on the Rewards Group Board of Directors please refer to Section 1.2 in the Part B Track Record Review.

3.3 Is the on-ground Manager Skilled and Experienced?

Rewards Group has been involved in the teak and Australian sandalwood industries for several years now and is considered a leader in both fields. Both species are relatively new to large scale plantations production, especially the teak industry, and Rewards Group continues to improve and fine tune the establishment and management practices it implements across these plantations.

Rewards Group's on-ground management team for its forestry operations is headed by the company's General Manager for Forestry, David Groom. Reporting to David in this position will be Tony Sturre and Peter Grime, who are the company's Senior Field Managers for Teak and Sandalwood respectively.

David Groom, General Manager – Forestry

B Sc (Forestry), MBA

- Professional forester with 15 years of industry experience.
- Previous National Senior Manager – Projects and National Operations Manager for Timbercorp Limited.
- Previous Operations Manager with ITC Limited.
- Previous Senior Technical Officer at Bunnings Wesfarmers.

Tony Sturre, Project Manager – Teak

Ass Dip App Sc (Forestry)

- 20 years of forestry experience, much of which time has been spent in the tropics of far north Queensland.
- Previously employed by the Queensland Department of Primary Industries, holding position such as Silvicultural Officer and Private Forestry Extension Officer.
- Former Ranger at Queensland Parks and Wildlife Services.
- Former Area Manager with Yates Forestry.

Peter Grime, Project Manager – Sandalwood

- 40 years experience in the forestry and agricultural industries.
- Previously employed by the Western Australian Department of Conservation and Land Management (CALM) in positions including Area Coordinator of Midwest and Wellington Sharefarms and Forester at the organisations Tasmanian blue gum estate at Pinjarra.
- Former cotton grower at Kununurra in the Ord River district of northwest Western Australia.

4 Market Overview – where will the product be sold?

4.1 Teak

Due to the lack of official data by major producing countries, the level of illegal logging and the variation between yields from plantation and native grown resource, it is difficult to report on global production of teak timber. Myanmar (Burma) is by far the largest producer of teak, with India, Indonesia, Sri Lanka and Trinidad and Tobago being other important producers. Due to export bans on most of the world's leading producers of teak, the proportion of teak timber that is traded on the world market is very low. Myanmar is the major exporter of teak (mostly from native plantations), with the Ivory Coast, Ghana, Thailand and Columbia being other major exporters (mostly plantation grown). The greatest demand and import pressure for harvested teak in the world comes from India, China and Thailand. These countries use the timber for items such as furniture, boat building and decking for European, North American and Australasian customers.

The majority of teak plantations in Australia have been established by MIS companies, with approximately 5,600 hectares of teak having been planted by these companies since 2000. Other countries where significant areas of teak have been established during the past decade includes Brazil (approximately 20,000 hectares) and Costa Rica.

As commercial teak plantations were only recently established, Australia does not currently supply large volumes of the timber resource to the world market. When large scale harvesting does commence in Australia, which isn't expected to occur for at least another 5-10 years, it is predicted that the product will be in relatively high demand on the global market. How the market reacts when large volumes of timber from both Australia and South and Central America comes on line remains to be seen, but will be a major factor to the returns achieved by investors in the Project.

4.2 Sandalwood

Indian sandalwood (*Santalum album*) and Australian sandalwood (*S. spicatum*) are the primary species of sandalwood harvested for processing purposes across the world. As the markets intertwine with each other, the market for Australian sandalwood cannot be looked at in isolation to the Indian sandalwood market. As such the following market commentary looks at both species of sandalwood.

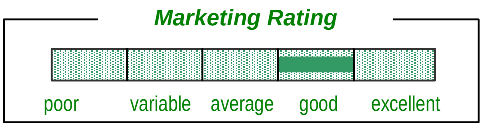
India and Australia are currently the primary supplies of sandalwood to the market. India sources all of its sandalwood resource from wild stands of *S. album*, while Australia currently sources its sandalwood resource predominantly from native stands of *S. spicatum*. The last decade has seen the establishment of large areas of both *S. album* and *S. spicatum* plantations within Australia. The first plantation grown Australian sandalwood product was harvested in 2008, albeit a thinning harvest for sapwood product. Based on conversations AAG has had with the major company's involved with Indian sandalwood production, it will be at least three years before any significant volume of plantation grown resource from this species comes on the market.

Sandalwood is versatile in that the processed material can be sold to a range of markets. The two primary markets for sandalwood (and the most valuable) are the oil and incense markets, with a small market also existing for woodcrafts. Due to its premium quality material, the sandalwood oil market has traditionally been based on Indian sandalwood, with the oil produced sold to the perfume and fragrance industries. The primary markets for Australian sandalwood have traditionally been the incense market, with oil production being a minor component of total production. In recent years however, as Indian sandalwood from the sub-continent has declined, Australian sandalwood has increasingly been used in oil production.

Due to commercial secrecy and illegal trade in the sandalwood market, attaining reliable information relating to international and domestic supply and demand is very difficult. India is currently the dominant producer of sandalwood oil, with heartwood and certain sapwood products also produced, although the exact volume is unknown. The majority of Australian sandalwood is exported to South-East Asia for the manufacture of incense or joss sticks, with the balance used in the production of sandalwood oil, an ever increasing element.

Given recent planting trends of both *S. album* and *S. spicatum* in the country and the dwindling native resource elsewhere in the world, the Australian sandalwood industry is set to dominate world supply of sandalwood products from the mid term onwards. Our understanding is that demand for the sandalwood product is extremely strong. However, how the sandalwood market reacts when the likely very large volume of sandalwood product from Australia enters the market is unknown. We expect downward pressures will be placed on prices of sandalwood products as a result of this large supply coming mostly from MIS operators. Resource management and strategic market planning by Rewards Group and the Australian industry in general, will determine the impact on prices when this does occur.

5 Marketing – how will the product be sold?



5.1 Teak operations

Rewards Group aims to produce pruned and unpruned poles and sawlogs from the multiple harvests the company will undertake over the term of the teak rotation.

To date, Rewards Group has entered and executed three Sale and Purchase Agreements relating to the purchase of logs produced from the company's teak resource. These sale agreements are only applicable to the first harvest from this Project and are for approximately 250,000 cubic metres of teak timber. Given the assumption that the Project is fully subscribed and based on AAG's forecast harvest production from the initial thinning, 100% of the teak harvested from this initial harvest is contracted. Rewards Group has yet to secure sale contracts for later harvests.

In relation to the sale of the remaining uncontracted timber from the initial harvest and timber to be sold from later harvests from the Project, Rewards Group will wait to see how the agreements with the below mentioned companies proceed before extending the agreements. Given ther time between now and these harvest operations, AAG is relatively comfortable with the position Rewards Group has taken. Rewards Group has a Sales Agency Agreement with Berar Timber Industries PVT Ltd (Berar Timber), under which Berar Timber will assist in negotiating marketing contracts for the uncontracted teak poles and logs. Berar Timber also provides Rewards Group monthly market reports pertaining to the teak pole and log market including any relevant auction data for the resource.

The sales arrangements Rewards Group has in place for the first thinning from this Project includes those with Huseinee Anik & Co Pvt Ltd (Huseinee), Royal Global Exports Pte Ltd (RGE) and a group of four companies from India (Regency Wood Products (Regency), Associate Lumbers Pvt Ltd (ALPL), Jawahar Saw Mills (Jawahar) and Farouk Sodagar Darvesh & Co (FSD)) joining together as one buyer for the Rewards Group agreement. The sales agreements entered into are positive, but are reliant on future agreement on a FOB price (in US dollars) and a long form of contract. These are by no means unsubstantial conditions precedent, but permit investors to benefit from any upside in timber prices.

Although we understand that the companies are well established with a long history in teak trading, the company's which Rewards Group has supply agreements are not well known to Australia. These companies are all based in India and Singapore and AAG can find very little public domain information on any of them. The value of the agreements will be seen in the ability of the companies to pay for the timber at the time of harvest. Dealing with overseas companies, particular those that are unlisted and located in non-Western countries, provides a number of commercial risks to investors in the Project.

5.2 Sandalwood operations

Rewards Group intends to harvest the sandalwood component of the Project approximately four times during the 17 year rotation. The markets Rewards Group will target for each harvest will vary according to the age of the timber and the processing and value adding opportunities available to the company at harvest.

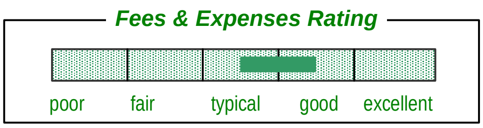
Rewards Group has a Sales Agent Agreement with Jiwan International (Jiwan), which sees Jiwan assist Rewards Group secure marketing contracts for sandalwood sapwood and potentially the marketing of later harvest's products from more mature stands of timber.

Rewards Group has to date entered into and executed three Sale and Purchase Agreements for the sale and purchase of 5 year old sandalwood sapwood logs produced from its sandalwood projects, which in the case of this Project, will be in 2016. These Agreements, which are with a number of major Indian sandalwood buyers including G. J. Fragrance & Aromatics Limited (G.J. Fragrance), Flower Perfumes Manufacturing Company (Flower Perfumes) and K. V. Fragrances, relate to approximately 1,500 tonnes of sandalwood sapwood. If the Project is fully subscribed and based on our assumptions for harvest yields at the initial harvest, approximately 70% of sapwood from this harvest will fall under the contracts in place.
The timber harvested from later harvests is yet to be secured under sale contracts.

Akin to the contracts in place for the teak component of the Project, the company's in which Rewards Group has contracted to purchase the sandalwood from the initial harvest are unlisted and not well known in Australia. This provides a number of commercial risks to both Rewards Group and investors in the Project. Again, we have no information pertaining to their financial capacity to complete any transaction.

Rewards Group has also advised AAG that the company is in discussions with a number of parties in India, China and Australia for mature product harvested from this and other sandalwood projects. We are also privy to information provided from Rewards Group that the company is in confidential discussions with a major sandalwood products trader on collaborative processing and value adding opportunities for sandalwood in Australia.

6 Fees and Expenses – What does it cost?



6.1 What are the subscription and on-going fees?

Investors will pay an application fee of $5,500 per Woodlot upon subscribing to the Project (Table 1). The upfront fee (equivalent to $22,000 per hectare) is high compared to other similar high value timber projects on the MIS market and is 26% higher than last year's projects on a similar basis. However, the Project complies with Division 394 of the Tax Act which requires RE's to provide full documentation to support that at least 70% of all fees are directly spent on establishing and managing the forests.

Table 1 – Fees and Expenses for the Project

Application Fee per unit	$5,500
Application Fee per hectare	$22,000
Maintenance Fees • Teak • Sandalwood	 12.2% of Net Sale Proceeds 12.3% of Net Sale Proceeds
License Fees • Teak • Sandalwood	 20.3% of Net Sale Proceeds 15.5% of Net Sale Proceeds
Pruning Fees	$60 per Woodlot per teak harvest indexed to CPI
Insurance	Optional
Average NPV of costs per hectare per year Note 1	$2,136 ($1,708 – $2,465)

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).

Under the fee structure, investors pay no ongoing lease or management fees. Maintenance and license fees are paid on a deferred basis as a proportion of net sale proceeds, while fixed pruning fees ($60 per Woodlot indexed to CPI) are paid at each teak harvest (Table 1).

There is a substantial back-end component to the fee structure which means that the RE has 'skin in the game' and has a heavy incentive to maximise returns.

AAG strongly suggests investors take out insurance to protect themselves against fire and other insurable risks and as such we have included estimates of these costs in our financial analysis (see Section 7.1.1 for more information). Insurance is compulsory for those using finance options available through the Project.

It is important to note that although investors are unlikely to pay any out of pocket fees or expenses under the current fee model for the Project, failure on the RE's behalf and subsequent appointment of another RE may result in additional fees being charged to investors.

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.

Figure 1 compares the PV of costs for this Project with other high value timber (HVT) projects offered in the previous 12 months.

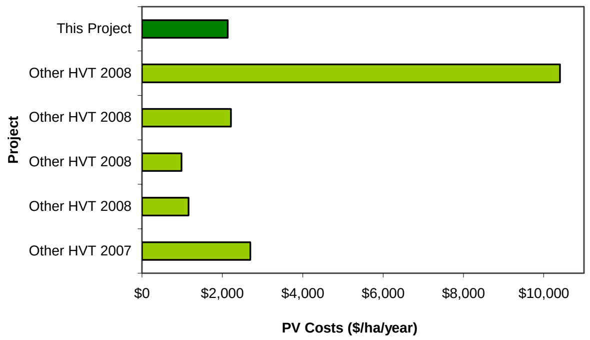


Figure 1 – Chart comparing the PV of costs ($/ha/yr) for the Project and other relevant projects AAG has reviewed over the past 12 months

If one were to exclude the outlier, the PV of costs for this Project are in line with other HVT projects outlined in Figure 1.

6.2 Is finance available?

The terms and conditions of the finance facilities available to investors are outlined in Table 2. We note that the 12-month interest free terms option is available through the RE only, while the Principle and Interest (P&I) loans are solely available through Commonwealth Bank of Australia (CBA).

Table 2 – Finance options for the Project

Option	Details
12-month interest free	• 12 monthly installments of $458 per Woodlot
2-year P&I loan	• There is an interest only option for all loan periods. • A choice between a fixed and variable rate (fixed rates will be determined June 30 2009). • Application fee of $250 plus 0.25% of application amount. • Maximum loan size of $500,000 per investor.
3-year P&I loan	
5-year P&I loan	
7-year P&I loan	
10-year P&I loan	
12-year P&I loan	
15-year P&I loan	

I=Interest, P=Principal

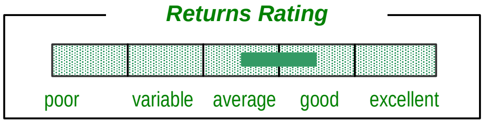
Given the current financial market environment, AAG strongly suggests that investors seek the advice of their advisors prior to committing to finance.

6.3 What commissions are paid?

Rewards Group has advised AAG that it may pay commissions or brokerage up to 8% of the application fees to financial planners and dealer groups. The RE may provide financial planners and dealer groups a further 2% of the upfront application fee if they provide particular marketing and administrative assistance. Rewards Group notes that these fees can either be paid on an upfront basis or over an equivalent 5 year trail period (i.e. 5% up front and 1% for five years).

AAG advises that operators in the in the agri MIS industry generally pay total commissions of between 5% and 15%. AAG would prefer to see commissions of between 5% and 8%.

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.

Those 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 due to the fact that 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. 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 cash flow calculator available from Rewards Group when considering the returns. It can be used to calculate returns based on their own considered underlying 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			
• Teak	Base less 20%	Refer to Table 4	Base plus 10%
• Sandalwood	Base less 20%	Refer to Table 5	Base plus 10%
Price			
• Teak	Base less 20%	Refer to Table 6	Base plus 20%
• Sandalwood	Base less 20%	Refer to Table 7	Base plus 10%
Inflation Rate	2.2%	2.5%	2.8%
Price Growth Escalation Factor			
• Teak	2.2%	2.5%	3.8%
• Sandalwood	1.2%	2.5%	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 for the fees payable by investors.

The costs of harvesting, transporting and storage will be deducted from each investors share of sale proceeds following each harvest of the teak and sandalwood plantations.

Rewards Group has commissioned Independent Forester, Professor Nick Malajczuk from Treetec Consulting Pty Ltd to provide an Independent Foresters report for the Project. For the teak component of the Project, Malajczuk has stated that harvest, loading and transport costs of trees with similar harvesting requirements in far north Queensland are currently in the range of \$45 m^3 and \$65 m^3. These costs concur with our expectations and are similar to the cost estimate assumed by other MIS operators in the teak industry. As harvesting costs are higher for thinning operations compared to those at final harvest (due to complexity and time cost), we have assumed Base Scenario harvest and transport costs of \$65 m^3 for first thinning, \$60 m^3 for second and third thinnings and \$55 m^3 for clearfall, with ±15% from the Base for each under the Lower and Higher Scenarios respectively.

In relation to the sandalwood component of the Project, Malajczuk has determined harvest, transport and loading costs on the basis of similar labour and transport requirements for general farming operations in the Western Australian wheatbelt (\$3.60 per tree). AAG has assumed this figure as our Base Scenario figure with ±15% as our Lower and Higher Scenario respectively.

Under the Management Agreement between the RE and investor, the RE may deduct and retain any cost associated with any remedial work necessary to return the plantation areas to good order following the final harvest. This includes the removal of all plant and equipment and any debris, branches, tree tops, wire, ropes and other rubbish (but not stumps) from the plantations. Under the Base and Lower Scenarios, we have assumed a cost of \$500 per hectare. For the Higher Scenario we have assumed that the cost of remedial work would be cheaper if it was sold to another forestry project, and have used a cost of \$300 per hectare.

AAG has included the cost of insurance in the calculations. Rewards Group has advised AAG that the cost is around \$25 per Woodlot in year 2. We have used this estimate and assumed an annual percentage increase reflecting the increased value of the sandalwood and teak timbers.

7.1.2 Yield and Quality

Teak operations

Teak (*Tectona grandis*) is native to South East and South Asia and can now be found in many of the tropical regions of the world. Teak has been grown in plantations for many decades, with the majority found in India and Indonesia. Teak plantations are also found in Africa, Central and South America, Fiji, Papua New Guinea and the Solomon Islands. Whilst teak has been trialled across a number of sites in Queensland, Western Australia and the Northern Territory since the late 1960's, it hasn't been until the last seven years that large scale plantations of the species have been established in the country.

Due to the young age of teak plantations that are currently under management, there is very limited growth data available on the species in Australia. Because of this, the yields assumed in this financial analysis should be viewed with caution.

Reported data for well managed teak plantations around the world indicate growth rates of 15 – 20 m^3/ha/yr are achievable. The Independent Forester for the Project, Dr. Nick Malajczuk, reports that growth rates within well managed plantations may vary from 15 – 20 m^3/ha/yr, with this range based upon yield data from government yield models and growth data from government plantings on sites in far north Queensland.

Rewards Group has outlined to AAG its target yield and volumes for each intended harvest in its internal model for the Project assume a merchantable yield equivalent to 16.55 m3/ha/year (Table 4).

Table 4 – Yield Assumptions for teak

	Year	*RG yield estimate (m^3/hectare)* *Note 1*	*AAG yield estimate (m^3/hectare)* *Note 1*
Teak Pole – 13 cm diameter	8	22.8	22.8
Teak Sawlog – 18 cm diameter	12	85.1	85.1
Teak Sawlog – 24 cm diameter	16	82.8	82.8
Teak Sawlog – 31 cm diameter	20	107.1	107.1

Note 1 – assuming merchantable yield of 16.6 m^3/ha/year

Our recent site visit tour to Rewards Group's teak plantations in October 2008 has provided us confidence that the Reward Group teak plantations and management practices have generally improved over time. As such we have used the Rewards Group target yield as our Base Scenario (Table 4). For the Lower and Higher Scenarios, we have used -20% and +10% respectively.

Sandalwood operations

Unlike yield estimates for Indian sandalwood (which is based on heartwood volume alone), yields for Australian sandalwood are generally based upon the total weight of saleable timber and includes both heartwood and sapwood material. Because of the different qualities of timber with in each tree, Australian sandalwood is generally graded according to the length, diameter and heartwood content of wood pieces. As it currently stands, there are no standard specifications for Australian sandalwood products, with the specifications for wood products generally negotiated between producers and buyers on an individual basis.

Lower grade products such as sapwood or timber containing minimal heartwood material is usually targeted towards the incense market, while higher grade product that contains higher proportion of heartwood marketed towards the oil market.

Rewards Group has assumed growth rates equivalent to approximately 618 kgs/ha/year for the Australian sandalwood in their financial modelling for the Project. These figures are supported by the Independent Expert and are similar to the growth rates assumed by another MIS company participating in the Australian sandalwood industry.
Rewards Group has advised AAG that commercial harvesting of the Australian sandalwood will commence five years after planting, with additional harvests expected to be undertaken at tree ages 9, 13 and 17. Table 5 outlines Rewards Group's yield assumptions for the sandalwood component of the Project given the assumed growth rate (618 kgs/ha/year) and based on harvests in these years. Overall, this ranges between approximately 0.7 kg/tree/yr and 0.9 kg/tree/yr.

Table 5 – Yield assumptions for Australian sandalwood

Project Year	*Tree Age*	*Trees harvested per hectare*	*Rewards Yield estimate (kg/ha) Note 3*	*AAG Yield estimate (kg/ha) Note 3*
7	5	600	2,110	2,110
11	9	400	3,200	3,200
15	13	150	1,640	1,640
19	17	250	4,180	4,180

Note 3 – assuming growth rate of 618 kgs/ha/year

Rewards Group has stated that they have based their growth rate estimate (618 kgs/ha/year) on government yield model calculations made on inventory data provided from six year old trees managed by Rewards Group. The inventory data shows growth of approximately 1.3 kg/tree/yr over the 6 years of growth. Whilst the inventory data provided by Rewards Group supports the growth rates proposed by Rewards Group, we do note that it is based on one year's data and is only from two plantations meaning a relatively small sample. In addition, the silvicultural approach Rewards Group will implement for this Project in relation to establishment rates and harvest regime differs from the plantations which formed the basis of the inventory data.

Despite the fact that is very limited public domain information supporting Rewards Group's growth rate forecasts, discussions with leading growers and experts in Australian sandalwood suggest that these growth rates are achievable with the appropriate silvicultural regime and good management. They note that improvements in establishment design, genetics and a greater understanding of the growth habits of the sandalwood species are the reasons behind this view. On this basis, AAG has used Rewards Group's forecast yields (618 kgs/ha/year) as our Base Scenario, although we do note that these growth rates must be treated with some caution given the limited supporting information. Given the unknowns of growing Australian sandalwood in large scale plantations, we have assumed -20% from the Base for the Lower Scenario. For the Lower Scenario, we have assumed +10% from the Base figure. There is a strong likelihood that growth rates will vary from the growth rates used in this analysis.

7.1.3 Price

Teak operations

Teak is a highly sought after timber species with a long history of trade. Due to the continuing depletion of supplies from native forests and lack of plantation resource to take up the slack, prices for teak timber have trended upwards in the past decade.

The prices received for teak timber is strongly influenced by a number of factors including the length and diameter of the teak log, colour, grain and texture. Plantation grown teak tends be smaller diameter logs with lower quality features and for this reason, tends to trade at a discount to the native grown product.

No teak has been sold at any notable volume from Australian plantations previously and as such, Rewards Group has had to rely on international sources for its pricing estimates. Rewards Group has advised AAG that the teak market categories it aims to target will depend upon the age of harvest. For the first harvest, Rewards Group aims to produce basic teak logs, which AAG is confident can be produced from this harvest. Rewards Group has commenced thinning from the earliest teak project under management, receiving prices equivalent to AU$380 m^3, which is greater than the AU250 m^3 used for the project financial modelling We have assumed a price of AU$250 m^3 in our financial analysis for this product.

For the later harvests, Rewards Group aims to produce sawlog quality timber. In estimating the price it will receive for its teak sawlog products, Rewards Group has used historical prices of sawing grade 4 (SG-4) product and applied price discounts to take into consideration the presumed lower quality features of the plantation grown product. SG-4 timber has traditionally been a native forest grade, with Rewards Group stating that in recent times it has been adopted for plantation sourced material in Indian markets. Given the unknowns of the teak market and the timber that will be grown from the Project at maturity, it is difficult for us to judge whether these standards of timber are achievable on a consistent basis.

The prices Rewards Group has assumed in its internal model are outlined in Table 6 and are based on teak prices published by the International Tropical Timber Organisation (ITTO) for teak logs sourced from Myanmar, converted to an Australian dollars per cubic metre basis (monthly according to the relevant exchange rate). Rewards Group has then discounted the price to take into account the fact that it is plantation based resource.

Table 6 – Price Assumptions for teak

Year	*Rewards Group price estimate (AU$/$m^3$)*	*AAG BASE price estimate (AU$/$m^3$)*
8	$250	$250
12	$500	$400
16	$1,000	$750
20	$1,250	$1,000

In determining the teak prices we have used in the financial analysis for the sawlog resource, we have also reviewed the published teak prices published by ITTO. The quantum of discount applied to the Myanmar native timber price is difficult to determine. The estimates we have used are lower than those used by Rewards Group and whilst Rewards Group believe these figures are conservative, we believe it prudent to be more conservative, given the limited knowledge of the teak industry in Australia and the unavailability of plantation pricing information. For the Lower and Higher Scenarios, we have assumed ±20% from the Base respectively.

Sandalwood operations

The Project is expected to produce sandalwood sapwood material from the initial harvests and heartwood material from later harvests. The heartwood is the central part of older trees and is where the majority of sandalwood oil is formed and harvested for medicinal and perfume manufacturing purposes. The sapwood, which is the outer part of the sandalwood tree contains much lower levels of oil than heartwood and as a result is of considerably less value. Sapwood features as an ingredient in scented tobacco, incense sticks/ joss sticks and is used for carved wood products and ornamental furniture.

Due to the nature of the international and domestic sandalwood market, obtaining reliable price statistics for sandalwood products is difficult. What we do know is that during the past decade, the price for sandalwood products has increased significantly. This trend is largely a result of the continuing disparity between supply and demand for sandalwood and its products.

The price for Australian sandalwood has traditionally been set by the Western Australian Forest Products Commission (FPC), the entity which manages the export sale and marketing of native harvested product from that state, and its sales agent, Westcorp Sandalwood Pty Ltd. However, due to increased competition from small Western Australian based exporters and oil processors in that state, the price received by sandalwood sellers has differed from the export price set by the FPC in the last couple of years. Going forward, the mechanisms that set the price paid for Australian sandalwood products will change further than is currently the case. As such, predicting the price that is paid for Australian sandalwood in five years, let alone twenty, is difficult.

The price paid for sandalwood material fluctuates significantly according to the quality of the timber that is sold. The FPC does not provide a clear pricing data set for the sandalwood product it markets, publishing only an average price across all grades of timber material harvested in that year. The average price across all grades of FPC marketed timber, as outlined in the entities annual report, was approximately AU$6,800 per tonne in 2007. Information provided to AAG suggests that prices of between AU$1,500 and AU$9,000 per tonne has traditionally been paid by the FPC.

The pricing assumptions assumed by Rewards Group have been set according to harvest age and the associated wood grade and quality. Sapwood is expected to be produced from the first thinning, with Rewards Group assuming a price of $1.50 per kg. Given that Rewards Group is currently receiving a price of $1.70 per kg for the same material, we are comfortable using this estimate as our Base Scenario in the financial analysis. At second thinning, Rewards Group intends to produce both sapwood and heartwood material and has assumed an average price of $4.00 per kg of timber harvested from this harvest. AAG believes this price to be a achievable price given the data provided to AAG and as such we have used it as our Base Scenario in the financial analysis (Table 7).

Table 7 – Price assumptions for Australian sandalwood

Harvest		*Rewards Group price estimate (AU$/kg)*	*AAG BASE price estimate (AU$/kg)*
Project year	*Tree Age*		
7	5	$1.50	$1.50
12	10	$4.00	$4.00
16	14	$8.00	$7.00
20	18	$11.00	$9.00

Rewards Group has assumed that higher quality sandalwood products will be harvested at later harvests, reflected by the prices the company has assumed in its internal financial analysis (Table 7). AAG has been in contact with a prominent buyer of Australian sandalwood who has provided current prices for each component of the sandalwood tree (i.e. butts, roots, small green logs etc). Calculating a weighted average of these components provides a figure much lower than the prices assumed by Rewards Group.

Given the unknowns of the sandalwood market going forward into the long term and the likely quality timber which will be harvested from mature harvests, AAG believes it prudent to remain conservative when it comes to estimating sandalwood prices for these products. The Base Scenario prices we have assumed for the third thinning operation and at clearfall are outlined in Table 7.

AAG has outlined the Base Scenario figures used in our financial analysis in the discussions above and as outlined in Table 7. In the financial analysis, we have assumed -20% and +10% from the Base for the Lower and Higher Scenarios respectively.

7.1.4 Inflation Rate

The average rate for inflation for the past 10 years was 2.5%, with the inflation rate measured for the year ending September 2008 running at 5.0%. 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

Teak operations

Prices for native forest grown teak logs have increased above inflation rates over the past decade, however, the available information for plantation grown product limits the ability to review prices for plantations grown product.

It is unrealistic for AAG to predict price growth for teak timber going forward. AAG has therefore taken a conservative stance and assumed that teak prices will increase in line with CPI under the Base and Lower Scenarios. For the Higher Scenario, we have assumed real price growth of 1%.

Sandalwood operations

The constrained supply of sandalwood on the world market has led to a significant rise in prices over recent years.

When determining price growth for sandalwood products going forward, one has to remember that the sandalwood market will be significantly different in the future than currently is the case. As discussed previously, significant volume of Australian grown plantation timber is expected to make its way to the market from the mid term onwards. As Australian product comes on line, investors are unlikely to experience the current growth in sandalwood prices. AAG continues to take the view that the current sandalwood price indexed to CPI is a reasonable basis for estimating the price for the sandalwood products at harvest. However, under the Lower Scenario we have used a declining real price of 1% give the likely increases in sandalwood volume.

7.1.6 Other Assumptions

Rewards Group has advised AAG that it intends to establish the teak plantations in the wet season commencing December 2010 and the sandalwood in the autumn of 2011 following the establishment of the host species during the winter of 2010. As a result, AAG has assumed in the financial analysis that the Project will run two years longer than the rotation length for both the teak and sandalwood species.

Under the current harvesting regime proposed by Rewards Group, the first and second commercial thinnings of the teak component will be undertaken at tree age 6 (project year 8) and at tree age 10 (project year 12) respectively. The plantations will be further thinned at tree age 14 (project year 16), with clearfall harvest expected to be conducted when the trees are 18 years of age (project year 20). For the sandalwood component, Rewards Group have assumed that the plantations will be harvested in project year 7 (tree age 5), project year 11 (tree age 9), project year 15 (tree age 13) and project year 19 (tree age 17). We have assumed these dates in our financial analysis.

7.2 What are the estimated returns?

The expected cash flows for investors participating in the Project (under Base Scenario assumptions) are illustrated in Figure 2.

Investors can expect to receive several lump sum payments during the term of the Project, with the primary source of income being the sale of teak from clearfall (project year 20) and thinning (project year 16) and clearfall harvest of sandalwood in year 19. Investors will also receive income from earlier harvests in project year 11, year 12 and year 15. Harvests in project year 7 and year 8 will provide minor income streams and hence these net cash flows in these years are barely visible in Figure 2.

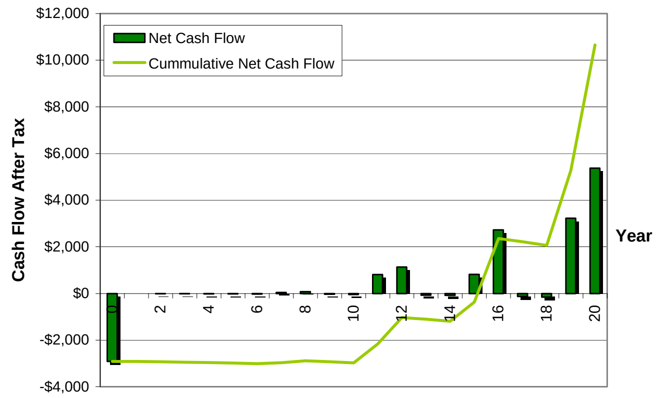


Figure 2 – Chart showing the net cash flow after tax and cumulative net cash flow after tax (@46.5%) under the Base Scenario

The annual insurance premiums AAG has assumed investors will pay during the course of the Project is the cause for the slightly declining cumulative cash flow between harvest revenues received by investors (Figure 2).

The split of gross income by crop type under the Base Scenario is illustrated in Figure 3. It is clear that teak, despite only accounting for 40% of plantation area, contributes a significant proportion of gross income.

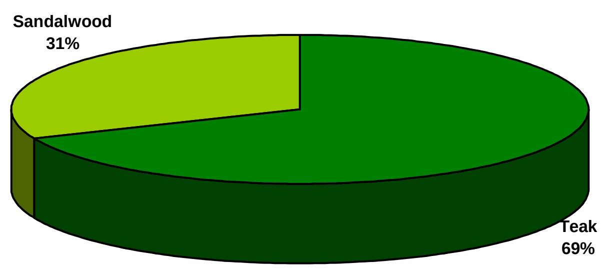


Figure 3 – Chart showing split of gross income by crop type under the Base Scenario

The potential returns for the Project under AAG assumptions are outlined in Table 8.

Table 8 – Rates of Return for the Project			
AAG Estimated Returns (IRR after tax @ 46.5%) Notes 1, 2	Lower	Base	Higher
Cash	3.6%	9.3%	11.9%
12-month interest free	4.1%	10.8%	13.9%

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.

AAG considers the returns for the Project under the Base Scenario to be low for a high value timber project (Table 8). The returns for the Project are robust however, reflected by the relatively narrow range of returns between the Lower and Higher Scenarios. This is primarily due to the fee structure in place which sees investors pay lease and management fees as a proportion of harvest proceeds.

For the benefit of comparison, we have also included the estimated returns under the 12-months interest free option. Although the geared returns are improved under all Scenarios, it is important to note that gearing has the potential to magnify the impact of losses as well as improve total returns (Table 8).

AAG has included a graph comparing the returns for this Project with other high value timber (HVT) projects released in the last 12 months (Figure 4). This graph should not be considered in isolation when comparing between projects.

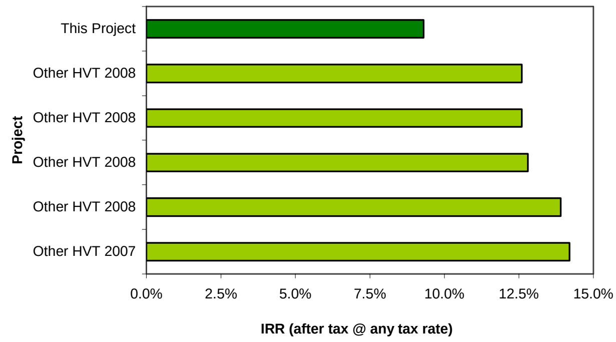


Figure 4 – Chart comparing IRR for this Project and other HVT projects released in past 12 months

Figure 4 shows that the returns for the Project are the lowest of the projects it is compared against.

7.3 What is the sensitivity of these returns?

The Project is very robust to changes in yield and/or price. As the slopes of lines in Figure 5 illustrates, a 20% deduction in teak and sandalwood prices or yields from the Base Scenario still provides investors with returns in excess of 8.0%.

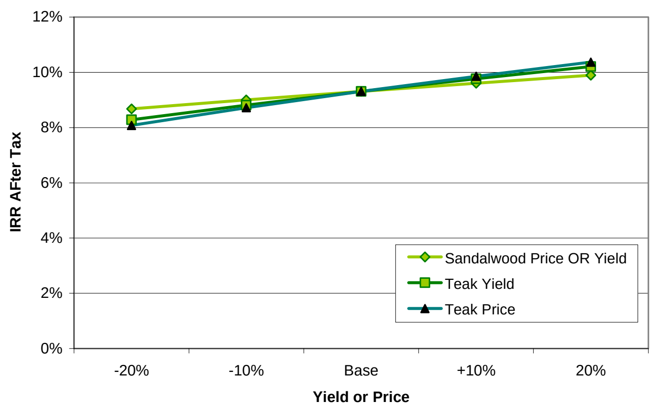


Figure 5 – Chart showing the impact of changes in yield and price on the Base Scenario returns at 46.5% tax rate.

The robustness of the Project to changes in yield/price is also illustrated by the threshold analysis results in Table 9. This shows that the Project needs a reduction in yield or price in excess of 82% for the teak component and over 100% for the sandalwood component under the Base Scenario to produce a zero return situation.

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 means that 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 for the Project are relatively low for a forestry project of its type, but expected given the returns under our assumptions.

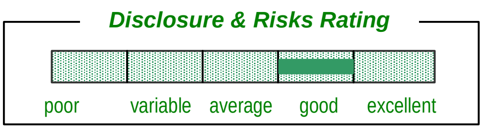
Table 9 – Financial Analysis and Sensitivities for the Project (Cash Basis)

	Lower	Base	Higher
Benefit Cost Ratio @ 7% Note 1	0.71	1.22	1.49
Breakeven Point (yrs)	19	16	15
Threshold analysis Note 2 – Teak Price	44%	92%	>100%
Threshold analysis Note 2 – Teak Yield	55%	>100%	>100%
Threshold analysis Note 2 – Sandalwood Price & Yield	90%	>100%	>100%

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 Project does not breakeven until year 16 under the Base Scenario and a year earlier under the Higher Scenario. Investors can expect to breakeven in year 19 following the clearfall of the sandalwood component under the Lower Scenario.

8 Disclosure and Risks



8.1 Disclosure

The compliance committee Rewards Group has in place for the Project comprises three members including internal member Phil Olsen and external members, Anne Thoume and Ross Kestel.

Phil Olsen joined Rewards Group as Risk and Compliance Manager during 2007. Phil holds an engineering degree and is a Chartered Accountant with over 20 years experience in finance and audit control. Phil is a former Group Financial Controller at Great Southern Limited, General Manager Finance at Endeavor Healthcare Limited and State Commercial Manager at Brambles Australia Ltd.

Anna Thoume is experienced in the commerce, banking and trustee industries. In the past, Anne has acted as both Manager and Company Secretary of a major international bank, has worked as a General Manager for a Singaporean trust company and as Manager of Perpetual Trustees W.A. Ltd. Anne is currently the Chairperson and Director of Primary Securities Ltd and Australian Growth Managers Limited, both of which act as contract RE's for agri and forestry MIS. AAG is familiar with several company compliance committees which Anne currently sits.

Ross Kestel is a Chartered Accountant and Certified Practicing Accountant and has been a Director of the accounting practice Nissen Kestel Harford since July 1980. Ross is currently Director and Company Secretary of a number of public companies involved in mineral exploration, mining, property development and manufacturing. Ross is also involved sits on the compliance committee for several viticulture and construction projects.

8.2 Reporting to Investors

Rewards Group has advised AAG that during the term of the Project it will provide investors an Annual Report, Bi-Annual Independent Expert Reports, pre-harvest reports, distribution reports and quarterly Rewards Group company newsletters. Investors will also have access to Rewards Group's secure website which provides investors with regularly updated information regarding the company and its current projects.

8.3 Risks

One of the advantages of investment in the Project is the diversification that the investment offers. Investors can expect to receive several income streams over the Project term from two distinct crops located in distinct geographic zones. As such, the likelihood of any one agricultural or marketing risk event impacting on return outcomes for this Project is considered smaller than that of a single crop investment offering.

8.3.1 Agricultural Risks

Although Rewards Group has several years experience in the teak and Australian sandalwood industries, the knowledge associated with the science and best practice management underpinning the growing of the two species in plantations is limited compared to more conventional forms of plantation forestry. As such, AAG believes the risks of investors not achieving the predicted yields and quality of timber as a major risk to the Project.

Agricultural risks which we believe could impact on yields and quality of plantations include those that are inherent to agriculture such as drought, extreme temperature, fire, wind and frost. These risks can be greatly minimised by the management team establishing plantations in regions appropriate to the specific crop being grown as well as the sourcing of appropriate insurance. Rewards Group currently offer insurance cover for fire, hail, wind (inc. cyclone), malicious damage and theft.

Other risks which AAG considers influential to yields include the impact of weeds, pests, diseases, salinity and nutrient deficiency. We note that these risks can largely be mitigated by the on-ground management team implementing best management practices. One of the key benefits of investing in the Project is the diversification of plantation locations and crop types, with the chances of any one risk impacting on returns reducing as a result.

One of the greatest risk to the yields for the sandalwood component of the Project is low rainfall. Successive years of dry conditions has impacted on growth rates for several Rewards Group's sandalwood plantations established in the past decade. If plantations included in this Project were to suffer from extended periods of low rainfall, there is a significant risk that investors' returns would fall as a result.

The timing of establishment and quality of nursery stock that is planted has a significant influence on the success of establishment and performance of the plantations in later years. Rewards Group and other forestry companies have had issues in the past with poor establishment with both the sandalwood and teak species and there is a risk that investors plantations may be affected if Rewards Group doesn't implement a successful establishment regime for the plantations included in this Project.

The control of weeds in the establishment phase of any timber plantation is a key to its successful establishment. This is especially true of plantations in the far north of Australia, where rapid weed growth can be encountered without the right management techniques. The impact of weeds on plantation growth has been noted in isolated areas in prior Rewards Group plantations and management will need to be on top of this risk if investors are to achieve the target returns.

Plantations for the Project will be established in areas where bushfires can occur and as such, there is a risk that a bushfire could cause damage to plantations involved in the Project. Cyclone damage is also a risk to the teak plantations located in far north Queensland, with the Bureau of Meteorology stating that cyclones and thunderstorms that are associated with the break of the wet season regularly occur in these regions.

8.3.2 Management Risks

Management risks include losing key management staff to the Project which in turn may impact upon the performance of investors in the offering. Although the number of people with skills and experience in managing Australian sandalwood plantations is limited throughout the world, Rewards Group has several years experience in the industry and has over time, built up a team with strong technical and practical skill and knowledge. Going forward, AAG believes the company has the resources to cover the loss of key management staff.

Although Rewards Group has been involved in the teak industry for a similar time as it has been involved in the sandalwood industry, the number of people with experience and skills in the teak industry is more limited. As a result, the ability of Rewards Group to cover the loss of key management staff for the teak component of the Project is greater and a real risk to investors.

Losing key advisors or entities to the Project is another management risk. Although Rewards Group is currently in a relatively strong financial position, things can change over time, and given the long term nature of the Project, the financial support of the company can never be guaranteed. The impact of Rewards Group going insolvent, how small the risk may seem, would have significant ramifications for investors in the Project. Under the terms of the head lease, the lessor could terminate the lease if license payments are not made.

In terms of marketing activities, if the company's which Rewards Group have off-take agreements breach or default, it would be necessary for the Rewards Group to secure an alternative buyer which may affect or delay returns to investors.

8.3.3 External Risks

For any forestry project, the main external risk is the failure to achieve the estimated price for the harvested timber.

As no teak has been sold on any notable scale from Australian plantations, Rewards Group's pricing assumptions is based on data from international sources for a particular grade of teak product sold in Myanmar. There remains some unknowns as to the quality of teak product that can be grown in plantations and as such the price received by investors may differ significantly from those projected by Rewards Group in the PDS.

Given recent planting trends of sandalwood in Australia, the domestic industry is set to dominate world supply of sandalwood products from the mid term onwards. How the industry reacts to the predicted increase in production will ultimately depend on consumer demand for the product, the volume of supply from India and Indonesia and competition from alternative products. Our understanding is that demand for the sandalwood product is extremely strong. Nevertheless, in the event that the sandalwood industry is unable to absorb the predicted increase in supply, there is a real risk that downward pressures will be placed on prices received for the product.

It is likely that the majority of the teak and sandalwood product harvested from the Project will be placed on the export market. As a result, an appreciating Australian currency at the time of sale may devalue the product in Australian terms and is therefore a risk to these investors.

Other external risks to the Project include changes to government legislation and native claims over the properties. Community risk is also a risk to the Project, with particularly to plantations located in far north Queensland, where negative reaction to the continuing acquisition of sugar-cane properties by forestry companies, including Rewards Group, is strong.

9 Taxation

9.1 Is there a product ruling?

Rewards Group has received Product Ruling PR 2008/73 confirming that all expenditures for the Project including establishment, lease and management fees, insurance and interest on borrowings will be 100% tax deductible.

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.

10 AAG Opinion

The AAG use a model that has been developed in-house to rate Managed Investment Schemes. Numerous points of assessment are made to ensure the important aspects of a project and project manager are assessed on an even basis.

Ratings are out of five stars in quarter star increments.

The report should be read in its entirety and in conjunction with Part A – Corporate Governance Review (Grant Thornton) and Part B – Track Record Review (AAG).

The opinion of AAG is outlined throughout the report and a summary is found on page 1.

11 AAG Profile and Contact Details

The Australian Agribusiness Group was formed in 1997 and provides expertise in research, investment management and agribusiness consulting nationally.

AAG is the leading provider of research into the Managed Investments Sector (MIS) in Australia. It's research is read by over 9,100 financial planners and is distributed by Standard and Poors.

AAG sources and manages investments in the Australian agribusiness sector on behalf of national and international clients.

AAG undertakes research reports, feasibility studies, consulting projects and assists in facilitating funding for private and public clients. It provides the management skills, expertise, staff and office support to develop, incubate and launch new agribusinesses.

AAG focuses on agribusiness and particularly the commercial aspects of this dynamic sector.

For more information about AAG, please visit our website at www.ausagrigroup.com.au.

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 28 February 2006.

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 (inc. GST) for the first project for each project manager and then $17,325 per project (inc. GST) 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 Industry Complaints Service (FICS)
PO Box 579, Collins St West
Melbourne VIC 8007
or call them on 1300 780 808

8. You can contact us by

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

2008/09

AUSTRALIAN AGRIBUSINESS GROUP

REWARDS GROUP PREMIUM TIMBER PROJECT 2009

Retail Investment Research – January 2009

Beckmont Pty Ltd trading as Australian Agribusiness Group A.B.N 50 056 592 708
Level 5, 406 Collins St, Melbourne, 3000 Australia ph +61 3 9602 6500 fax +61 3 9642 8824 email info@ausagrigroup.com.au