Adviser Edge

2008 GRAIN CO-PRODUCTION PROJECT

INDEPENDENT ASSESSMENT

This report has been prepared for financial advisers only

Scope
Adviser Edge independent assessments are conducted by Barik Pty Ltd trading as Adviser Edge Investment Research (Adviser Edge) which has developed a key industry sector review process that follows a methodology developed specifically for this asset class.

Key Principles
The underlying principles of the assessment process are to:
– identify the long term commercial potential of the project;
– evaluate project management's capabilities, previous performance in the specific industry and the stability of the organisation;
– evaluate identified markets (domestic and international –existence, stability and growth potential);
– benchmark key performance assumptions and variables against industry and other MIS projects;
– weigh up the relevant risks of the project against projected returns;
– assess project structure and ownership;
– compare and substantiate project fees and expenses;
– determine if the project is structured in such a way as to protect investor's interests; and
– allow an opinion to be formed regarding the investment quality of the project.

Site Assessment
Adviser Edge conducts a detailed site inspection of the project, meets with all levels of project management and inspects the project's infrastructure and market accessibility.

The site assessment considers the following areas:
– suitability of the project site for the purpose intended;
– performance of previous project stages located within close proximity to the proposed site;
– management skills, qualifications, capabilities and experience; and
– associated project risks and their management.

Star Rating
Projects are awarded a star rating out of a possible five stars and placed on the Adviser Edge web site www.adviseredge.com.au

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Star ratings applied to 2007/08 projects are independent of previous year's star ratings.

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Report Date
26 February 2008.

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The 2008 Grain Co-Production Project (Project) provides investors with the opportunity to become growers of wheat and barley on farms spread across the Australian grain belt. It is expected that most of the Project will be located in Western Australia, with the balance located in South Australia, New South Wales, Victoria and Queensland. The term of the Project will incorporate three growing seasons, and will terminate after the final distribution of harvest proceeds from the 2010 crop.

Macro Fund Limited (Macro) is the Responsible Entity (RE) for the Project. An unlisted public company, Macro was incorporated in 2004 and provides funds management services to a range of established business partners. In addition to their involvement with Australian Agricultural Contacts Limited (AACL), Macro also provides services to a number of other Managed Investment Scheme (MIS) businesses. This is the third occasion that Macro has acted as RE to a Grain Co-Production Project.

Australian Agricultural Contracts Limited (AACL) will act as the Project Manager for the offer. An unlisted public company, AACL was incorporated in 1997, and has been managing grain projects since 1999. AACL's Grain Co-Production projects have the potential to underwrite the production of up to 500,000 tonnes of wheat in the 2008 season, which will result in AACL becoming the largest grain producer in Australia.

In terms of global production, Australia is a relatively small producer of wheat and barley. Despite this, Australia is one of the world's major wheat and barley exporters, accounting for 16% of global wheat, 32% of global malt barley and 20% of global feed barley trade. The Australian wheat and barley industries are mature and well supported by infrastructure and marketing services. Traditionally, Australia has a reputation for producing high quality, high protein, hard white wheat, generally used for the production of bread. Australia also has a reputation as a producer of high quality, contaminant free, feed and malt barley.

Land leased by AACL will be divided into Co-Production Units (CPU's), which is an area of land expected to produce either 40 tonnes/annum (t/a) of wheat and 45 t/a of barley. Investors will be required to pay an application fee, and thereafter, fixed annual initial period fees, rent, subsequent period fees, and a project finalisation fee. In addition to these fixed fees, investors will be liable for variable harvest period costs, managed grain pools and harvest loan costs, warehouse costs and insurance. All fees will be deducted from harvest proceeds prior to taxable or cash distribution. Wheat and barley are annual crops and investors should receive income from the progressive sale of grain following the harvest of project CPU's between October and December in each production year. All wheat and barley harvested will contribute to the Project Pool and distributed to investors on a pro-rata basis.

AACL will determine the estimated yield potential of each property using past production history provided by the growers. Each CPU will vary in size according to the estimated yield potential, although AACL has indicated that most CPU's will range in size from between 12ha to 34ha, meaning that average annual yields will be expected to vary between 1.0t/ha and 4t/ha. As with all agricultural enterprises, there is an element of climatic risk inherent to this project. It is expected that the geographical diversification of the project properties will help to reduce systematic production risk over the project term.

Australia exports a large percentage of the wheat and barley harvest in any one year, and as a result, prices received by producers are driven mainly by the condition of the global grain market. AACL has estimated a target pool price of $245/tonne for wheat and malt barley, and $210/tonne for feed barley. AACL has adopted these estimates after an analysis of the historical price behaviour of wheat and barley, current industry trends, and the underlying factors that determine these prices.

Macro will be responsible for the marketing and sale of the barley and wheat produced by the Project. It is expected that the Project grain will be sold through three marketing avenues, including forward contracts or futures, through managed pools, or the sale of the grain on the spot market for cash. Grain marketing advice will be provided by Advance Trading Australia Pty Ltd, an independent company that provides risk management services in the agricultural industry. Given the large volume of grain to be produced by AACL managed projects, it is reasonable to expect that this may provide some market leverage for investors and contract farmers in terms of grain prices and input costs.

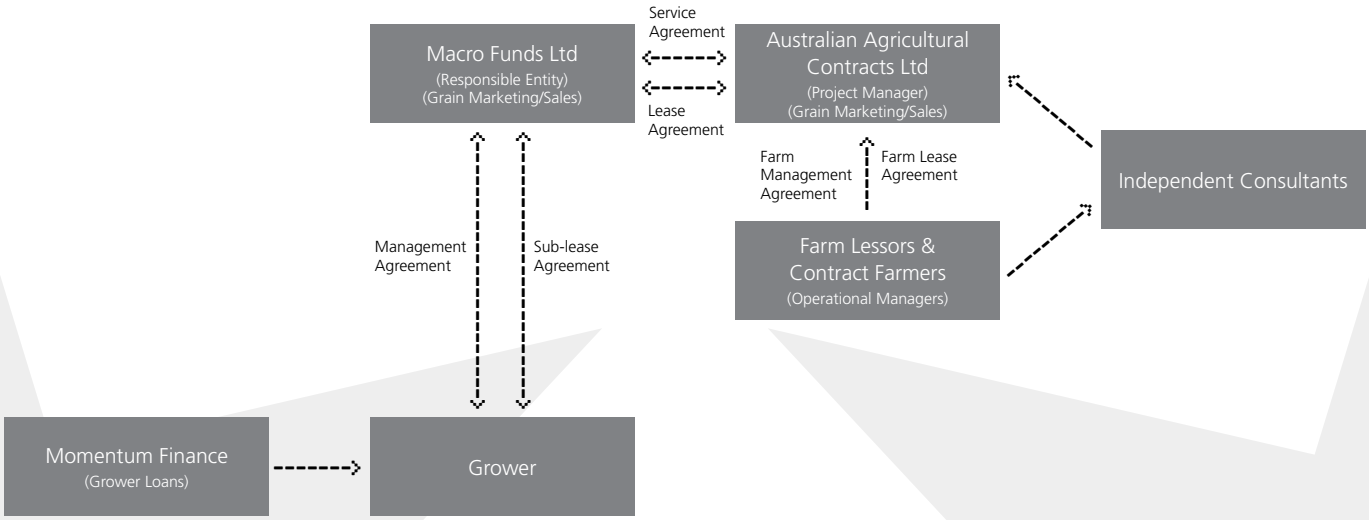
Based on an analysis of the Project assumptions provided by AACL, Adviser Edge has calculated a potential IRR range of 4.99%-15.67% (pre-tax) and 8.73%-25.35% (post-tax). On an adjusted pre-tax basis, the potential return for the Project has been calculated at 11.62% per annum, positioning the Project above the third quartile of adjusted returns for all MIS industry projects assessed by Adviser Edge in FY2007. This reflects a favourable balance in the investment's risk return profile.

Using a rigorous agribusiness investment assessment model, Adviser Edge has awarded the 2008 Grain Co-Production Project with a four and a quarter-star investment rating.

Adviser Edge Rating ★★★★½☆

Project Details	
Project name	2008 Grain Co-Production Project
Project industry	Wheat and barley
Responsible entity	Macro Funds Ltd
Key management counterparties	Australian Agricultural Contracts Ltd (AACL)
Location	Australian grain-belt
Product Market	
Product	Hard and soft wheat, and feed and malt barley
Basis of sale	Delivered to port (FOB) less cost of freight, port handling and levies
Key target markets	Domestic grain purchasers (primarily CBH Ltd, ABB Grain Ltd and AWB Ltd) for domestic use and international export
Investment Particulars	
Investment term	Three years
Investment unit size	10 to 40 hectares per Co-Production Unit (CPU)
Application fee	$4,000 (ex GST)
Ongoing fee structure	Annual ongoing fees
Close date for FY2008	31 May 2008
ATO product ruling	PR2007/94
Potential investment returns	4.99% to 15.67% (pre-tax) 8.73% to 25.35% (post-tax)

Key Counterparties



Macro Funds Limited (Responsible Entity)

Macro Fund Limited (Macro) is the Responsible Entity (RE) for the 2008 Grain Co-Production Project (the Project). An unlisted public company, Macro was incorporated in 2004 to provide funds management services to a number of established business partners. The company holds an AFSL number 254421 and is located in Perth, Western Australia. The 2008 Grain Co-Production Project has provided Macro with its fourth opportunity to operate as a Managed Investment Scheme (MIS) RE after receiving its retail AFS licence in 2005.

In addition to their involvement with Australian Agricultural Contacts Limited (AACL), Macro also operates with a number of other MIS businesses. While these businesses are non-agricultural, these relationships are considered beneficial as they provide valuable experience within the MIS sector. Macro provides, funds management, administration and compliance services for non-MIS funds with over $655 million under management.

Board of Directors – Macro Funds Limited			
Director	Credentials	MIS	Director
Peter Morrison – Executive Director	★	★	★
Steve Dixon – Executive Director and Company Secretary	★	★	★
Rob Melville – Executive Director	★	★	★
Andrew McBain – Non-Executive Director	★	★	★

★ = Personnel with the relevant experience.

Adviser Edge considers that the Board possesses a strong set of skills, which has them well placed to govern a company of this size and structure. The vast array of experience in the funds management, property and mining sectors will help the Board coordinate the operations of Macro in the best interests of the Project investors.

Managed Investments Experience

MIS History			
Project Type	Year	Area (ha)	Capital Raised
2004 Grain Co-Production Project	2004	2,000	$550,000
2005 Grain Co-Production Project	2005	10,000	$1,900,000
2006 Grain Co-Production Project	2006	35,000	$7,500,000
2007 Grain Co-Production Project	2007	100,000	$20,000,000
Total			**$29,950,000**

Corporate Governance and Risk Management

Macro has established a compliance committee to monitor the RE's compliance in relation to the compliance plan, constitution and the Corporations Act. Macro undertakes quarterly monitoring and assessment of key project variables and regular site inspections to manage farmer operational performance.

Adviser Edge has reviewed the risk management and compliance procedures of Macro Funds Ltd and believes they are sufficient for the existing operating environment and scale or operations.

Financial Performance

Key Financial Data* – Macro Funds Limited As at 30th June		
Financial Profitability	2007	2006
Revenue ($'000)	27,464	7,948
Net profit ($'000)	41	(34)
Profit margin (%)	0.1	(0.43)
ROE (%)	26.8	(41.9)
Financial Liquidity/Solvency	2007	2006
Net working capital ($'000)	107	58
Current ratio	1.06	1.03
Quick ratio	1.02	1.03
Gearing	0.12	0.21

Source: Macro Funds Ltd, 2007.

*Historic performance is not a reliable guide for future performance.

Adviser edge has reviewed the financial position of Macro and has noted that they are in a stable financial state. Key management oversight and budgeting will be needed continuously to ensure the ongoing success of the business. It was pleasing to note Macro returning a profit of $41k during FY2007, whilst liquidity ratios have remained stable and debt levels have remained extremely low, positioning the company well for future growth. It should be noted that future growth and stability of Macro, will largely depend on successful capital raising in the future.

Effect of Changes to MIS Industry

On 6 February 2007, the Commonwealth Government announced changes to the future tax treatment of non-forestry related MIS projects beyond FY2007. Subsequently on 27 March 2007, the Australian Taxation Office (ATO) announced their intention to apply their current interpretation of the law to non-forestry MIS offers submitted for assessment in FY2008 while a legal test case proceeds through the courts.

The purpose of the case is to test the previously-accepted principle that MIS investors are 'carrying on a business', a principle that entitles investors to deduct any ATO prescribed portion of their investment outlays against their assessable personal income. Irrespective of the outcome, the decision is not expected to adversely affect non-forestry MIS offers with ATO product rulings issued in FY2008.

If successful, the ATO's proposed change in interpretation will materially affect Macro/AACL's ability to generate new revenue through MIS offers beyond the decision date. Future non-forestry related capital raisings will only be sheltered from this development if lobbying attempts or legal challenges are successful, or if Macro/AACL develops a profitable alternative investment structure for future offers.

While ongoing fee revenue should be sufficient to sustain project operations, strong management oversight and budgeting will need to be implemented to ensure that AACL and Macro satisfies their management responsibilities over the investment term in line with industry best practice.

Australian Agricultural Contracts Limited (Project Manager)

Australian Agricultural Contracts Limited (AACL) is an unlisted public company, incorporated in 1997 to attract investment into the WA grains industry. Through the development of the Grain Co-Production concept, AACL has provided a vehicle for investment in the wheat industry in addition to providing a benefit to farmers through a risk-sharing structure.

The initial Grain Co-Production contracts developed in 1999 between farmer clients and investor clients of RG McBain & Co, a company related to AACL Managing Director, Andrew McBain, were informally based and provided the basis for the Project concept. Producing approximately 500 tonnes of wheat in 1999, AACL has gradually increased the area of land under contract to reach over 130,000ha of land in FY2007 with an aim of producing 250,000 tonnes of grain. The gradual growth in scale has enabled AACL to concurrently build up their skills and experience, and to develop the appropriate legal and compliance structures necessary for the management of MIS projects. AACL's Grain Co-Production projects have the potential to underwrite the production of up to 500,000 tonnes of wheat in the 2008 season. This will result in AACL becoming the largest grain producer in Australia and will provide them with a potential platform for significant market control in the grains industry.

The scale of the AACL projects has meant that the company has confronted significant challenges in recent years. Adviser Edge considers that AACL has proven that they retain the necessary skills and experience to impart sound project management.

Board of Directors – Australian Agricultural Contracts Ltd			
Director	Credentials	MIS	Director
Andrew McBain – Managing Director	★	★	★
Peter Morrison – Executive Director	★	★	★
Steve Dixon – Executive Director and Company Secretary	★	★	★
Raj Logaraj – Non-Executive Director	★		★
Kent Hunter – Non-Executive Director and Company Secretary	★	★	★

★ = Personnel with the relevant experience.

Andrew McBain has been involved with AACL since its formation in 1997 and has been Managing Director since 2001. Andrew has been instrumental in the development of the Project concept and has been an integral part of the marketing of the AACL projects. Andrew also has a position on the board of Scimitar Resources Ltd, an ASX listed exploration company, which is considered to provide valuable corporate management experience. This experience will be invaluable as AACL expands in the short to medium term.

The AACL board has undergone a change in structure since their previous project offering. The board restructuring has involved the addition of Raj Logaraj. Raj holds a Master of Laws degree from the University of Sydney majoring in International Tax and Public Company Finance. Raj has held directorships in significant companies abroad, whilst he currently advises several Asian and Australasian corporations on their international investments and is a Member of the NSW Government's Asia Business Council .

Adviser Edge believes that the addition of Mr Logaraj to the board of AACL provides beneficial corporate management experience, whilst along with Mr McBain, Mr Morrison and Mr Dixon will facilitate a valuable connection with the board of Macro. Given the likely expansion in the agriculture industry, Adviser Edge believes that the board would benefit with the addition to the board of personnel with significant agricultural experience. AACL has since advised that a potential restructure to the company may include an addition to the board to bridge this gap. In addition, AACL has developed a farmer advisory group, set up to enhance communication with contract farmers and facilitate beneficial product development, whilst the addition of several internal agronomists and staff with farm experience is pleasing to see and will provide support to the board moving forward.

Key Personnel – Australian Agricultural Contracts Ltd			
	Credentials	MIS	Industry
Nathan Windebank – Joint General Manager	★	★	★
Simon Foley – Grain Production Manager	★	★	★
Matt Rigg – Internal Price Risk Management Manager	★		★

★ = Personnel with the relevant experience.

General Manager Nathan Windebank provides beneficial skills and experience to the operational management of AACL. Mr Windebank has been with AACL since mid 2004 and has been responsible for the day-to-day management of AACL, which involves dealing with both investors and contract farmers. Nathan has more than 11 years experience in sales and marketing across a number of industries including advertising, recruitment, financial services and fast moving consumer goods.

Grain Production Manager, Simon Foley, has more than 16 years experience in the broadacre grains industry. In his previous role with Agrarian Management, Simon provided farm management and agronomic advice in relation to grain and livestock to farmers in the Midwest and Great Southern regions of WA.

In his role as Internal Price Risk Management Manager, Matt Rigg will work with Advance Trading Australia Pty Ltd (ATA) to provide price management for the AACL projects. Matt has more than 15 years experience in the grain industry, and for the last five years has held management roles with AWB and Elders. His most recent appointment was with AWB, where he was the state grain manager for Western Australia.

Adviser Edge considers that AACL has the means and resources to provide robust management services on behalf of investors. This should provide a sound basis for the expansion of the company in the future.

Independent Consultant

Focus	Name	Company
Price risk management advice	Andrew Woodhouse	Advance Trading Australia Pty Ltd

Macro has commissioned Andrew Woodhouse of Advance Trading Australia Pty Ltd (ATA) to prepare an experts report on factors that influence wheat prices in Australia and how these factors are likely to influence the Project. The report also comments on the structures and over arching grain marketing and price risk management strategies that have been developed by Macro and AACL.

ATA will also have an ongoing role in the Project by providing assistance in formulating various price risk management and grain marketing strategies each season. ATA provides risk management services in the agricultural industry, specialising in the grain industry. ATA is a subsidiary of Advance Trading Inc, a North American consultancy that specialises in, amongst other things, price risk management and market guidance for producers and end-users.

Macro has advised that ATA has no interests or ownership in any company or investment offering associated with this investment. In addition, AACL has also confirmed that no company or employee hold any ownership in ATA.

Management Risk

While Adviser Edge considers Investors in the Project should be sufficiently protected from management risks, Investors ought to be aware of those risks associated with the management of any MIS project. Two key risks identified by Adviser Edge are manager longevity and manager competence:

– There is the risk that the management entities do not maintain longevity through financial standing and therefore are forced to liquidate. In such cases, Investors may incur additional costs associated with appointing a new manager and key counterparty agreements. Adviser Edge has assessed this risk as low.
– There is a risk that the manager does not carry out the required tasks as set out in the management agreements due to incompetence or lack of motivation. This risk may impact on the performance of the Project and has been assessed as low by Adviser Edge.

Consultant Risk

The nature and scale of the Project means that a large number of independent consultants (agronomists) are required to supervise the contract farmers and ensure that the best industry practices are adhered to across all project CPU's. There is a risk that the agronomists selected to perform this role may not be qualified to fulfil their assigned function or are negligent of their responsibilities. This has the potential to compromise the yields achieved in the Project CPU's.

Adviser Edge considers AACL appropriately qualified to select suitable consultants for the project. In addition, AACL has advised that the majority will be members of the Association of Australian Agricultural Consultants, the professional organisation for consultants.

Investment Specifications	
Maximum subscription	Target of 10,000 CPU's
Location	Australian grain belt
Unit size	Approximately 10 to 40 hectares, land required to produced 40 tonnes of heat and 45 tonnes of barley
Minimum application	6 CPU's
Project land ownership	Not offered
Liquidity	Illiquid
Insurance	Compulsory
Investor finance provider	Momentum Finance

Investment Structure

Australian Agricultural Contracts Ltd (AACL) is offering investors the opportunity to participate in the Australian grains industry through the offer of Co-Production Units (CPU's) in the 2008 Grain Co-Production Project (the Project). Investors are required to purchase a minimum of six CPU's. Project CPU's will be located on properties spread across the Australian grain belt. The term of the Project will incorporate three growing seasons.

Upon acceptance into the Project, investors are required to pay an application fee, and thereafter, fixed annual initial period fees, rent, subsequent period fees, and a project finalisation fee. In addition to these fixed fees, investors will be liable for variable harvest period costs, managed grain pools and harvest loan costs, warehouse costs and insurance. Investors should receive income from the progressive sale of grain following the harvest of project CPU's between October and December in each production year. All wheat and barley harvested will contribute to the Project Pool and distributed to investors on a pro-rata basis. It is expected that harvest proceeds will cover annual fees, starting in project year one (FY2009).

As a formal requirement of participating in the Project, investors will enter into a project Constitution, which governs each party's respective responsibilities and appoints Macro as RE. Investors and Macro will also be bound by the Grower Management Agreement, which outlines the responsibilities of Macro as the Project Manager, including the requirement to establish, manage, harvest and market the wheat and barley crops on behalf of investors. Investors must also be party to the Grower Sub-lease Agreement.

A Lease Agreement and Service Agreement exists between Macro and AACL for the provision of land and the Project management services for the term of the Project. Through the terms of the Farmer Management Agreement AACL will sub-contract their management services to the contract farmers who will provide the services required to plant, manage and harvest the crop. In addition, a Farm Lease Agreement exists between the farm lessor and AACL outlining the terms of the farm rental by AACL. These agreements will run for a period of 52 months with the investor's involvement in the Project terminating following the distribution of the Project fund final distribution for the 2010 crop year.

Fee Structure

The application fees outlined in the table below relate to an investment made on or before 31 May 2008.

Initial Cost to the Investor

Payment Type	Cost per CPU	Minimum Application
Application fee (ex GST)	$4,000	$24,000

Fixed Ongoing Cost to the Investor

Schedule of Fixed Ongoing Fees per CPU (ex GST)					
Year	Initial Period Fee*	Rent*	Subsequent Period Fee*	Project Finalisation Fee	Total
FY2009	$3,500	$175	$405	–	$4,130
FY2010	$3,500	$225	$405	–	$4,130
FY2011	–	$225	$405	$120	$750
Total	**$7,000**	**$675**	**$1,215**	**$120**	**$9,010**

*Indexed to CPI.

Investors in the Project are required to pay an application fee of $4,000 per CPU (ex GST), with $24,000 required for minimum investment. This fee is for the provision of planting, fertilising and spraying operations, and rent for the period prior to 30 June 2008.

Over the term of the project investors will be required to pay fixed ongoing fees, including an initial period fee in FY2009 and FY2010, rental and subsequent period fee fees in each project year, and a project finalisation fee in FY2011. The initial period fees are for the provision of cropping services including planting, fertilising, and spraying prior to 30 June each season. The subsequent period fees are for the Project costs that occur after 30 June each season. Macro has indicated that the Project finalisation fee is for services delivered in finalising the Project at the completion of the 2010 season harvest.

It is anticipated that the annual fees will be deducted from the harvest proceeds from the previous season. In the event that net harvest proceeds are insufficient to cover the annual fees, Macro may make a call on investors to supplement the shortfall.

Additional Costs

Variable Ongoing Costs

Investors will be liable for variable ongoing costs in each season of the project, including harvest period costs, managed grain pool and harvest loan costs, and warehouse costs. Paid to various grain handlers and suppliers, these fees will vary from season to season. Estimates for harvest period costs, government levies, and royalties are shown in the table below.

It is important to note that the estimated costs shown below are indicative, and will change over the project term.

Estimated Harvest Period Costs (wheat)*^

Payment Type	WA	SA	VIC	NSW	QLD
Freight from silo to port	$15.18	$11.89	$21.25	$27.77	$24.49
Receival, assessment and up-country costs#	$16.62	$18.39	$21.23	$20.48	$22.57
Port costs and levies	$8.39	$20.57	$17.73	$16.11	$16.67
Crop improvement royalty	$0.56	$1.13	$0.67	$0.78	$0.55
Total	**$41.75**	**$51.97**	**$60.88**	**$65.14**	**$64.27**

Source: Macro

*Exclusive of GST.

^Figures based on FY2008 AWB estimated silo returns data (APW wheat).

#Costs associated with storage and loading of grain.

Estimated Harvest Period Costs (malt and feed barley)*^

Payment Type	WA	SA	VIC	NSW	QLD
Freight from silo to port	$15.18	$11.89	$21.25	$27.77	$24.49
Receival, assessment and up-country costs	$17.67	$18.89	$22.46	$21.71	$23.81
Port costs and levies	$8.64	$21.68	$18.91	$17.29	$17.67
Crop improvement royalty	$0.90	$1.03	$1.03	$1.03	$1.03
Total	**$43.39**	**$53.57**	**$63.65**	**$67.80**	**$66.99**

Source: Macro

*Exclusive of GST.

^Figures based on FY2008 AWB estimated silo returns data (malt and feed barley).

Macro will utilise a number of different marketing options to assist in maximising grower returns. Strategies may include selling grain into one or more of the managed pools offered by grain buyers, or (in the case of wheat only) borrowing funds against the estimated value of the wheat sold into the managed pool (known as a 'harvest loan'). Arranging a harvest loan is commonly performed by Australian grain producers and is often used to meet future grower commitments such as planting the following season's crops. If these options are exercised investors may be liable for additional costs such as underwriting fees of $1.60/tonne (ex GST), 8.5% per annum interest on the harvest loan or warehouse fees ranging from between $0.45 to $1.41 (ex GST) per tonne.

Investors may also be liable for a number of levies and royalty fees. Macro has estimated that Australian government levies, which fund research and development into the wheat and barley industries, will range between $3.92/tonne and $4.22/tonne for wheat, and $2.98/tonne and $3.28/tonne for barley. Royalty payments are expected to vary between $0.95 per tonne and $4.17 per tonne for wheat, and $0.45/tonne and $3.85/tonne for barley.

Potential investors should note that these variable ongoing costs are indicative, and may change over the project term.

Performance Incentive Fees

The project also features a harvest bonus, which comprises a management production bonus and a rent bonus, along with a harvest bonus adjustment. By passing on the entire harvest bonus to the contract farmers, Macro's intention is to provide additional incentive for the contract farmers to maximise the potential volume and quality of the grain produced from each CPU.

The harvest bonus is a revenue-linked incentive, with the bonus being 90% (50% management and 40% rent) of the estimated delivered value of the Project grain in a given season that exceeds a threshold of $4,755 (ex GST) per CPU. The delivered value is the total amount of grain delivered from each CPU multiplied by the estimated average delivery price (per tonne) net of the harvest period costs, harvest loan costs and the net present value cost of delay in the receipt of pool proceeds.

As the calculation of the harvest surplus requires Macro to make extensive estimates, they will withhold 20% of the harvest surplus pending the calculation of the harvest bonus adjustment. The harvest bonus is paid to contract farmers in the form of physical grain. The harvest bonus adjustment is essentially a recalculation of the harvest bonus, with consideration for the final estimate of the average delivery price at the completion of grain sales. As the calculation will be done some time after harvest, the adjustment will be paid in cash rather than in form of physical grain. The benchmark used to calculate the farmer bonus payments is based on actual prices receivable/received by Macro.

Adviser Edge will review the suitability of the harvest bonus threshold in the 'Fee Analysis' section of this report.

Insurance

Macro will arrange compulsory crop insurance in each season to cover CPU's against fire and hail damage. The costs associated with procuring insurance will be deducted from the sale of the grain in the Project pool, however in the event that the net pool proceeds are insufficient to cover these costs, Macro is entitled to make a call on investors to recover these costs. Macro has estimated that the cost of crop insurance for each season will be $1.70/tonne (ex GST), which may vary from season to season depending on market conditions. In the event that a CPU is partially destroyed, the insurance proceeds will be payable to the Project pool and form part of the gross farm produce. In the event that the CPU delivers zero gross farm proceeds after being destroyed by an uninsured peril, the CPU will not be included in the Project pool.

In addition to crop insurance (subject to market conditions), Macro may arrange multi peril insurance for each CPU throughout each season. The cost of the insurance will be paid from the sale of the net pool proceeds. If the proceeds are insufficient, Macro is entitled to make a call on investors to recover the cost. Macro, based on its review of current costs, has estimated that the cost of multi peril insurance for each season will be $1.65/tonne (ex GST) and has advised that it may vary from season to season depending on market conditions. Multi peril insurance will provide cover for all risks outside those covered by the crop insurance policy for all CPU's up to 90% of the application fee. If triggered the proceeds from a claim will be payable to the Project pool.

Macro on behalf of investors will also maintain public liability insurance cover on each CPU in the Project for up to $10,000,000 per claim.

Fee Analysis

AACL has provided a breakdown of the establishment fee, which shows that cropping development expenses account for a large portion of the total establishment fee (nearly 96%). The level of administrative and other project related costs is considered very low (4%) and compares favourably when benchmarked against other MIS projects researched by Adviser Edge. It is important to note that the establishment fee for the Project is slightly higher than for the previous offering (2007 Grain Co-Production Project). This increase is deemed appropriate given that the costs of production inputs, including fertiliser and chemicals, have risen significantly in the past 12 months.

Since new crops will be established annually, Adviser Edge considers that it is appropriate that the costs associated with crop development and ongoing management are comparable in each Project year. Investors pay an establishment fee of $4,000/CPU, which aligns closely with ongoing management costs borne by investors in subsequent Project years.

Due to contrasting biological and physical factors, the variable costs associated with barley and wheat production will contrast significantly across each project property. The key activities associated with grain production include cultivation, weed control, sowing, nutrient and pest management, and harvesting. Labour costs, fuel and chemicals account for a significant proportion of ongoing production costs.

Having conducted an analysis of the variable costs for grain producers in the main production regions of Australia, Adviser Edge has determined that the fixed ongoing fees incorporated into the Project are in a range that is appropriate for a project of this nature.

Performance Incentive Fee Threshold

The performance incentive fee is activated when project returns exceed a threshold of $4,755 (ex GST) per CPU. Under the fee arrangement Macro receives 90% of the returns that surpasses the threshold, which in turn is passed onto the contract farmers.

Adviser Edge recognises that the addition of a performance incentive fee is appropriate because it provides the contract farmers with incentive to maximise grain production, and assists AACL in attracting high-quality contract farmers. However, if the threshold level is positioned too low, the inclusion of the performance incentive fee could result in investors not having sufficient participation in upside.

With an expectation of stronger than average prices to be maintained over the short-to medium term, Adviser Edge considers that a higher incentive fee threshold is required to ensure that both contracted growers and investors are equitably exposed to the current favourable market conditions.

Additional Information

Product Ruling

The 2008 Grain Co- Production Project received product ruling PR2007/94 from the Australian Taxation Office (ATO) on 21 November 2007.

Commissions

Macro may pay commissions of up to 5% of the application funds to financial advisers and other authorised intermediaries.

Default

In the event of a default the grower may assign the right to the CPU to another party who will be liable to pay any outstanding obligations in respect to the CPU. In the event that no third party is available, Macro may forfeit the grower's right to the CPU assigning it to Macro or its nominee and retain any proceeds derived by the grower in any previous season.

Liquidity

The investment is considered to be illiquid as there is no secondary market for the CPU's.

Investor Finance

Finance for the project is available to approved applicants through Momentum Finance. Investors can finance up to 100% of their investment (including GST) and must pay an application fee of $250 and 0.5% of the loan. Basic loan details are provided below and interested investors should contact the finance provider for full loan terms and conditions, including associated fees and charges.

Finance Options

Lending Institution	Finance Option	Term	Interest Rate	Minimum Investment
Momentum Finance	10 months Interest Only & 31 months P&I*	41 months	11.0%	N/A

*P&I = Principal and interest.

Adviser Edge conducted an inspection of two properties that feature in the 2007 Grain Co-Production Project on 1 November 2007. Both of these properties were located north of Esperance, approximately 730km south east of Perth. The visit provided an opportunity to inspect wheat crops growing at each property, and to discuss with the contracted farmers a broad range of issues concerning the project and the wheat industry as a whole. Accompanying Adviser Edge was Dan Stevens, AACL Joint General Manager at that time.

The first property visited by Adviser Edge was located 45km north west of Esperance, and owned and managed by Carl and Deb Raszyk. The property supports 5,000ha of arable land, from which 1,000ha of wheat (with an aim of producing 2,500 tonnes) was dedicated to AACL projects in 2007. The Raszyk's are considered highly progressive farmers in the region, and in recent years have adopted global positioning system (GPS), controlled traffic, biomass mapping and variable-rate input technology at the property. The adoption of this technology will likely generate greater operational efficiencies, including the reduction of operational costs at the property.

The second property visited by Adviser Edge was located 65km north west of Esperance, and owned and managed by Ian and Margaret Hesford. The property supported wheat, barley, peas and canola from 6,000ha of arable land. From this, nearly 300ha of wheat was dedicated to AACL projects in 2007, an amount of land close to the minimum accepted by AACL. GPS technology is utilised at the property.

At the time of the visit, harvesting for earlier crop species, including canola, peas and barley, had already commenced in the Esperance region. Recent rain had delayed the harvest for the remaining crops still in the ground, including all of the wheat crops established at the two properties. The wheat crops at each of the properties appeared in relatively good condition, with little evidence of weed, pest and disease problems. A small but insignificant amount of hail damage was also observed at the Raszyk property.

The region experienced significant rainfall in January 2007 and this has meant that most crops were planted with adequate soil moisture. While most of the wheat crops experienced strong growth in the early stages of development, lower than average rainfall during the growing season had reduced the yield potential at both properties to below average (between 2.0t/ha and 3.5t/ha).

Based on these and previous site inspections, Adviser Edge has strong confidence in the ability of AACL to contract progressive farmers for this and any future offers.

Site Selection and Region

AACL will select land and professional grain growers across a range of geographical locations of the grain-belt of Western Australia, New South Wales, South Australia, Victoria and Queensland. While the selection process was still in progress at the time of writing, AACL has indicated that the majority of the Project will be located in Western Australia (approximately 83%), with the balance located in South Australia (5%) and the Eastern States (12%). The term of the Project will incorporate three growing seasons.

The geographical spread of the properties should provide protection from seasonal production risks that may occur on a localised basis, including low rainfall, frost or disease outbreaks. All of the properties selected by AACL will have a history of wheat and/or barley production. The selection process will include an analysis of the production history of the contract farmer, with verification of these records using data sourced from third party organisations such as grain trading companies AWB Ltd and CBH Ltd. Macro will engage independent consultants to estimate the production capacity and suitability of proposed sites for the Project. The machinery and equipment currently used by each contract farmer will also be analysed to distinguish whether they are of satisfactory standard.

Adviser Edge considers that the selection process is fundamentally sound, and should enable AACL to select high quality properties and contract farmers to provide investors with the best chance of maximising investment returns.

The grain-belt of eastern Australia runs in a narrow band inland from the dividing range from central Queensland, broadening into New South Wales, Victoria and southern South Australia, while the Western Australian grain-belt is located in the south-western part of the state. The Australian grain belt can be divided into several distinct rainfall zones. Rainfall is generally winter dominant in Western Australia, South Australia, Victoria and the southern half of NSW, while rainfall is distributed more evenly (even becoming summer dominant) in central and northern NSW, and Queensland. Average annual rainfall within these regions ranges from 1,200mm in coastal areas, to 250mm in inland areas that border the outermost edge of the agricultural zone. The high and medium rainfall zones generally experience higher and more reliable production than low rainfall zones.

In some areas, the concentrated winter rainfall patterns mean that waterlogging can be severe in winter, nutrients can be readily leached through the soil profile and recharge water tables may be difficult to prevent, particularly under shallow rooted annual species. These problems are especially challenging for farmers in Western Australia and in the high rainfall areas of eastern Australia.

It has been estimated that 70% of Australia's wheat and barley production is performed with minimum tillage technology, which minimises the disturbance of the soil profile (to conserve soil moisture) during the planting operation. Crop rotations are considered an essential element of grain production and allow farmers to maintain/improve soil fertility, and reduce weed and disease susceptibility. Due to the need for crop rotation, the location of the Project CPU's allocated to each grower will vary from season to season.

Species/Varieties

It is common practice to select wheat and barley cultivars based on grain quality, yield, disease resistance, and suitability for establishment in the production zone. Wheat and barley varieties utilised in the Project CPU's are likely to be the latest cultivars, aimed at producing high-quality grades of wheat, and malt and feed barley.

Cropping Program

The contract farmers will perform all of the cropping operations required over the course of each season. The contract farmers are required to provide the machinery and equipment required for these cropping operations, which means that Macro is not required to purchase or maintain equipment throughout the term of the Project. It is expected that the majority of farmers will be utilising global positioning systems (GPS) to assist in maximising the efficiency of the Project operations.

Winter cereal crops, including wheat and barley, are normally planted in April-June of each year. While farmers in the southern grain-growing areas (including WA) are dependent on autumn-early winter rain to provide sufficient soil moisture for germination, farmers located in northern grain-growing areas (northern NSW and southern QLD) are reliant on summer rains to provide sufficient soil moisture. The northern segments of the Australian grain-belt generally experience mild winters compared to southern areas, and as a result the crops develop more rapidly. The harvest of wheat crops generally commences in Queensland (and northern WA regions) in October, and spreads southwards to finish in Victoria (and southern WA regions) in January. Barley matures earlier than wheat, therefore harvesting for these crops generally commences earlier in the season.

Expected Harvesting Window

	Sep	Oct	Nov	Dec	Jan
QLD		★	★		
NSW		★	★	★	
VIC			★	★	★
SA			★	★	★
WA		★	★	★	★

*Subject to varietal and seasonal variation.

Once established, the ongoing management of the crops includes the monitoring of weeds, pests and diseases, and providing remedial treatments when required. With the emergence of weed, pest and diseases being more common in high rainfall zones, the ongoing management costs in these cropping regions are expected to be higher than for lower rainfall zones. As the majority of the contract farmers will employ zero or minimum tillage systems at sowing, the farmers will be heavily dependent on herbicides to control weeds before (to conserve sub-soil moisture) and after crop establishment (to reduce the impact of weed competition on crop growth). Fertilisers will be applied to the crops when required to ensure growth is not inhibited due to nutrient deficiency (particularly nitrogen).

Expert agricultural consultants will perform crop inspections during the season to examine the progress of the crop and provide advice to contracted farmers. These visits will generally take place at times when decisions relating to weed, pest and disease management are being made. In addition to this, contracted farmers are expected to provide ongoing reports to the agricultural consultants at various times throughout the season, outlining the progress of the crop, rainfall data and yield estimates.

The agricultural consultants play an important role in ensuring that the management operations performed by the contract farmers are in line with industry best standards. The crop reports prepared by the contract farms are also important in forecasting crop potentials and for price risk management purposes.

Project Infrastructure

Four bulk-handling grain companies (BHC) - CBH Ltd (CBH), ABB Grain Ltd (ABB), GrainCorp Ltd (GrainCorp) and AWB Ltd (AWB) – store and handle most of Australia's grain harvest. On-farm and private commercial storage is also available and is becoming increasingly valuable in the management of grain storage and marketing in Australia. The BHC's operate receival and storage facilities across each grain-growing region, which is connected to export terminals located in major seaboard ports by road and/or railroad systems. Between them, the four major BHC's have receival facilities at more than 580 locations (and 18 export terminals) across Australia.

Given the grains industry supports established grain storage and handling system, Macro has no requirement to build major project infrastructure to facilitate the handling, storing and transportation of the project grain. If the proposed scale of operations is achieved, it is likely that the Project will receive some preferential treatment from grain traders, transport and agronomy companies over the project term.

The Australian grain distribution system has experienced significant change in recent years, with the deregulation of the grain handling and storage sector. Increased competition in the sector has resulted in BHC's adopting policies to improve the efficiency, and to reduce the costs associated with handling and storing grain. Hence, receival and transport facilities in some regions have been upgraded, relocated or decommissioned because they have been deemed under-utilised in the past.

Site selection risk

Production Risk

The climatic conditions experienced throughout the year will be crucial to crop yield potential. Relevant climatic factors include drought, flood, frost, fire, wind, excessive heat and rainfall. Of these, the quantity and timing of rainfall and frost are expected to be the most important determinants of grain yield and quality. Extended periods of below average rainfall can be expected to result in reduced grain yields and quality downgrades (due to higher screening) and subsequently reduced returns to investors. This may be offset by price increases if the dry conditions are widespread, and the supply of grain in the global market.

With properties to be distributed across the Australian grain-belt, Adviser Edge considers that the risk of climatic conditions affecting production and grain quality will be minimised to a degree. The use of crop insurance is another way of reducing the impact of production risk.

Land and Contract Farmer Selection

AACL's ability to attract farmers with appropriate skills, experience and resources, coupled with AACL's ability to select appropriate agronomists and advisers, will have a strong bearing on the Project outcomes. In addition, the Project will only be as strong as the land leased for the Project, with production history, soil fertility, rainfall reliability and rotational management all critical elements to be considered by AACL.

Investment Specifications	
Product type	Hard and soft wheat, and feed and malt barley
Primary use	Grain to be used for processing
Key target markets	Domestic delivery for export
Major competitors	No specific competitors
Sales agreements	N/A

Market Overview (wheat)

Annual wheat production is highly variable due to the influence of rainfall and drought, both major determinants of wheat yields. Between 2002 and 2007, Australia produced an average of 17.68 million tonnes per annum, however during this time the national wheat crop ranged from 26.13 million tonnes (2003), an Australian record, and 9.8 million tonnes (2006), when most grain-growing regions experienced severe drought conditions throughout the season. It is estimated that Australia will produce approximately 12.7 million tonnes of wheat in 2007, which is well below average, and reflects the impact of drought conditions in most grain growing regions across Australia. On average, Western Australia is the largest producing state, accounting for 38% of the national wheat crop, followed by New South Wales (31%), South Australia (16%) and Victoria (11%).

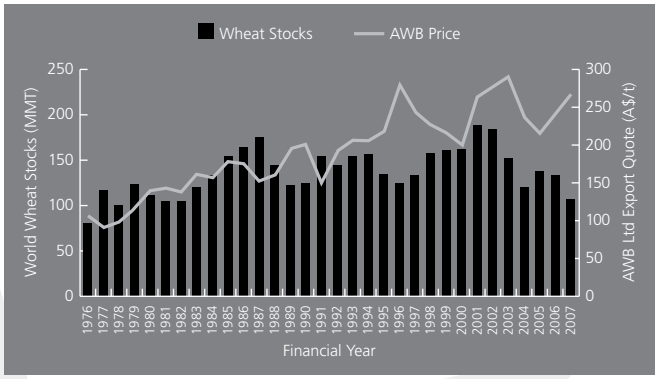
In global terms, the Australian wheat industry is small, accounting for, on average, 3% of annual global production. However, with exports representing nearly three quarters of total wheat production, Australia is the second largest wheat exporting country in the world, accounting for 16% of global wheat trade. The US is the largest exporter of wheat in the world accounting for around 30% of world wheat trade. Other important exporters are Canada, Argentina and the EU. Due to the size and transparency of the US market, the US wheat futures market is the central pricing benchmark used to estimate world wheat values. With the majority of Australian wheat being exported, Australian prices are generally highly correlated to US wheat futures prices when these are reflected in Australian dollars. It is important to note that the relationship between Australian prices and US futures prices breaks down when a serious drought is experienced, as lower supply results in stronger domestic prices compared to international prices.

Approximately 71% of Australian wheat was exported in the years between FY2003 and FY2008. Wheat export volumes have fluctuated significantly in this period, with drought both causing production (and export volumes) to fall dramatically in the 2002, 2006 and 2007 seasons. With low domestic consumption consistently resulting in surplus grain, most of the Western Australian wheat harvest is exported. Western Australia also benefits from greater proximity to key export market destinations in Asia and the Middle East. In contrast, a large share of wheat produced in the eastern states of Australia is consumed domestically. Wheat demand has exceeded supply in recent years due to drought, and as such the eastern states have become a net importer of wheat from Western Australia.

The major export markets for Australian wheat in FY2005-06 were Indonesia (3.0 million tonnes), Egypt (1.8 million tonnes), Japan (1.1 million tonnes), Korea (1.0 million tonnes), Malaysia (0.8 million tonnes) and Iraq (0.7 million tonnes) (ABARE, 2006). Due to its geographical location, the Australian industry has a significant freight advantage in these markets over its competitors, who include the US, Canada, the European Union and Argentina. In some instances this is largely offset by the production subsidies (and tariffs) that exist in those countries, particularly the US and EU. Progress in bi-lateral trade negotiations is expected to further benefit the Australian grains industry in new and existing markets; of these, China is predicted to be the most significant emerging market for Australian grain production.

Global wheat stocks have a major influence on global wheat prices. Generally, low wheat stocks will result in higher prices, while high stocks will result in lower prices. This relationship is evident from the following chart, where the steady decline in world stocks has lead to strong price growth since 2005. While it is forecast that global wheat production will increase by 2% in FY2007-08, industry experts expect that low opening wheat stocks and growing demand, will result in closing wheat stocks falling to 109 million tonnes. This is an 8% decline from the previous year. Reflecting the decline in global wheat stocks, the Chicago Board of Trade (CBOT) 2008 March futures have surged by more than 75% since January 2007 to reach US$8.79/bushel. A significant factor behind the increased demand for grain has been the rapid growth of the biofuels industry, particularly in the US and EU, where governments have established mandates to increase bio-fuel consumption. While wheat is not used in the production of ethanol, the increased demand for corn (and other bio-fuel crops) means that farmers in many traditional wheat-growing regions will shift production at the expense of wheat. Hence, growth in wheat production will be restricted in the foreseeable future.

World Wheat Stocks and AWB Export Price



Source: ATA and ABARE.

Market Overview (barley)

Australian barley is sold for the production of malt (mainly used for brewing purposes), which commands a premium price, or as feed barley for animal consumption. Similar to the wheat industry, annual barley production fluctuates significantly from season to season. Between 2002 and 2007, Australia produced, on average, 6.8 million tonnes of barley per annum, however during this time the national barley crop ranged from between 3.72 million tonnes (2006) and 10.4 million tonnes (2003). At the time of writing it was estimated that the 2007 national barley crop would equate to nearly 5.5 million tonnes. Western Australia is traditionally the largest barley producing state in Australia, while New South Wales, Victoria and South Australia are also important barley producers.

The export market remains the key driver behind the Australian barley industry, with nearly 65% of the national barley crop sold abroad. Like the wheat market, barley export volumes have fluctuated significantly in this period, with adverse growing conditions resulting in both production and export volumes declining significantly in the 2002, 2006 and 2007 seasons. Australia is one of the leading barley traders in the world, with the industry accounting for 32% of global malting barley trade and 20% of global feed barley trade (Barley Australia 2007).

It is expected that world barley stocks will decline by approximately 25% in FY2008, to one of the lowest levels in 40 years, with global production falling as a result of poor seasonal conditions, and strengthening demand. Hence, it is expected that stronger than average prices should be maintained over the short-term.

As the majority of Australian barley is exported, prices in the Australian barley market are benchmarked against prices in the CBOT wheat futures market. These wheat prices are then converted to Australian dollars and adjusted according to the prevailing supply and demand fundamentals for barley in the domestic market. Domestic barley prices also correlate strongly to trends in the domestic sorghum price, and export parities for barley in the Asia-Pacific and Middle Eastern regions.

Market Outlook (wheat and barley)

As the condition of the Australian wheat and barley industry is heavily reliant on the export market, the primary influences on the future performance of the industry will be the global demand for grain products and the strength of the Australian dollar in export markets. The short-term outlook for wheat and barley is positive. It is expected that global demand will continue to strengthen, reflecting strong population growth and increasing wealth in developing nations, and the impact of an emerging bio-fuel industry. Given that world grain stocks are expected to remain at record low levels in FY2007-08, global grain production needs to increase appreciably if global demand pressures are to be alleviated in the immediate future.

Australian Wheat and Barley Marketing Arrangements

The Australian domestic markets for buying and selling wheat and barley are largely de-regulated, and are highly competitive with a number of major grain acquisition companies operating in these markets, including AWB Ltd, ABB Ltd, CBH Ltd and GrainCorp Ltd. Traditionally, wheat exports have been marketed through the 'single desk' system that is managed by AWB Ltd. Under the single desk, AWB Ltd had exclusive rights to the Australian wheat export market. However as a result of the Cole Enquiry, which investigated the alleged misconduct of AWB Ltd in Iraq, new arrangements to deregulate the export wheat market were implemented in August 2007. These changes have allowed exporters to market wheat into any country, provided they adhere to the Non-bulk Wheat Quality Assurance Scheme 2007. This scheme was established to protect the international reputation of Australian wheat by ensuring that exporters deliver to particular contract specifications. It is expected that further changes to export marketing arrangements will be made in 2008, with the new Federal Labour Government indicating that they will establish policies to allow a larger number of companies to export wheat into key markets.

Due to the uncertainty surrounding wheat marketing, Adviser Edge considers that it is difficult to forecast the effect that changes to the existing "single desk" marketing system will have on producers and the grain industry as a whole. Any moves to increase the level of competition in the market should provide fresh opportunities for new and existing grain marketing companies, and will increase the number of marketing options available to growers. With tight world stocks, it is expected that increased competition should lead to higher prices. Any changes will have a particular effect on the Western Australian industry, as wheat producers in this state have traditionally had little alternative but to sell their grain to AWB Ltd. There is also the possibility that increased competition will increase the level of short-term price volatility in the market.

Marketing Strategy

Macro will be responsible for the marketing and sale of the barley and wheat produced by the Project. Macro will engage Advance Trading Australia Pty Ltd (ATA) to aid the company in implementing its price risk management strategies.

Once harvested, most of the Project grain will be delivered to receival or port facilities in each region. The grain will be stored while Macro determines an appropriate sales strategy, taking into consideration the cash flow requirements of the grower, and both current and forecast market conditions. Macro has indicated that three main marketing options will be utilised over the project term, including forward contracts or futures, through managed pools, or the sale of the grain on the spot market for cash. A price risk management policy will control the implementation of various strategies used by Macro and ATA each season.

Managed pools are the most common marketing alternative chosen by Australian farmers. Under a managed pool system, producers supply grain to grain-acquiring companies, which then market the grain pool over a 12 to 18-month period. Australian grain growers also use the futures market as a marketing strategy for wheat, whereby a producer and buyer agree to buy or sell a set amount of wheat at a predetermined price and date. By securing a price for their grain, producers can reduce price variability, and shift some of their risk onto buyers. When a producer acquires a forward contract, they must deliver the specified amount of wheat to meet their forward commitment. If insufficient grain is produced, the producer is required to purchase wheat from other producers or pay a 'wash out' fee to meet their forward contract obligations.

Marketing Risk

Forward Contract Risk
Macro has indicated that they may enter into forward contracts to manage risk and reduce price variability. By entering into a forward contract prior to harvest Macro would be committing the Project pool to deliver grain before the grain is harvested, based on the forecast amount of wheat or barley to be produced by the Project. If the Project did not produce the grain required, the Project pool would have to purchase the required grain from other producers, payable from the Project pool. If there were insufficient funds at the time it would be necessary to make a call on growers.

Domestic Market Risk
The domestic wheat market structure is currently under review, and it is expected that new marketing policy could have a significant impact on the industry. Unless managed carefully by the Australian government, these changes have the potential to destabilise the industry and may impact on the reliability of payment from some grain marketing companies.

Trade Restrictions
The alleged illegal activities undertaken by the AWB in recent years was highly publicised, and as a result, there is potential that international clients may be reluctant to negotiate with Australian marketing companies in the future. While unlikely, this could impact on their ability to secure the sale of Australian wheat at equitable prices.

Exchange Rate
Increases in the value of the Australian dollar generally lead to lower prices for Australian exports, particularly with respect to appreciation against the US dollar. Like many commodities, a range of factors other than exchange rates, such as seasonal production and inventory levels will influence crop prices, however, significant appreciations of the Australian dollar can be expected to have a negative impact on crop prices.

The following provides a discussion of the key production and economic parameters that are expected to directly impact project financial performance.

Estimated Yield

AACL will determine the estimated yield potential of each property using past production history provided by the growers. Each CPU will be an area of land that is estimated to produce 40 tonne/annum of wheat or 45 tonne/annum of barley. These areas will vary in size according to the estimated yield potential, although AACL has indicated that most CPU's will range in size from between from 12ha to 34ha, meaning that average annual yields will be expected to vary between 1.0t/ha and 4t/ha.

Farm Productivity

The Australian grain industry has experienced strong productivity growth over recent decades, as producers pursue more efficient ways of farming to counter declining 'terms of trade'. Over time, grain producers have experienced declining 'terms of trade' as the costs associated with production inputs (fertilisers and seed) have increased while wheat and barley prices have fallen in real terms. Technological advances, improvements in management, and economies of scale are considered the key reasons why Australian producers have been able to generate strong productivity growth in recent decades.

Total Factor Productivity (TFP) expresses productivity as a ratio of total outputs against total inputs, and is a recognised method to measure farm productivity. Kokic et al prepared a report in 2006 on the productivity of Australia's grain industry and found TFP in Australia increased by 1.86% annually between 1988-89 and 2003-04. The study also found that the southern grain region of Australia experienced the highest level of TFP growth over this time (2.20%), while the northern grains region of Australia experienced the smallest growth over the same period (0.82%).

Moisture availability was found to be the dominant factor that affected overall productivity. When moisture availability was excluded from the analysis (as moisture availability is to a large extent out of the control of the farmer), it was found that the average TFP for Australia over the same period was 2.19%, with the northern, southern and western grain regions experiencing TFP growth of 2.03%, 2.03% and 2.47% respectively. Apart from water availability, the study determined that farm size and the form of cultivation practises employed by farmers were also important factors that affected productivity growth. The adoption of direct drill cultivation practices (minimum tillage) has helped farmers conserve moisture during the planting operations and has lead to particularly strong productivity growth in many regions.

While AACL will select land and engage contract farmers in five Australian states, it is anticipated that the majority of Project will be located in Western Australia (83%). According to the report, grain farms in the western region, which takes in the entire Western Australian grain sector, generated a slightly higher level of productivity growth when excluding the effect of moisture availability. Kokic et al concluded that a more reliable rainfall (and a better cash flow) meant that farmers were able to invest more heavily into new capital, thus increasing the efficiency of grain production. Western Australian farms also tended to be larger in size, and relatively homogenous in terms of structure and management.

Adviser Edge is confident that the processes employed by AACL to select project properties and contract farmers in each grain-growing region of Australia are fundamentally sound, and should provide investors with the best chance of maximising grain yields. Grain is grown under a wide range of geographical and climatic conditions. The Western Australian grain industry is considered to be especially progressive, which should be favourable for investors given that the majority of the Project properties are likely to be located in the state.

Yield Analysis

Yield results for the FY2007-08 season were not available at the time of writing, however AACL has provided Adviser Edge with yield results from previous seasons. The following table shows that since FY2004-05, AACL have been able to achieve yields that are comparatively higher than the state average. The strong performance of the AACL projects, relative to the state average, highlights the ability of AACL to select high-quality properties and contract farmers, and proves the effectiveness of incorporating geographical diversification into the project structure.

Average Wheat Yields

Year	WA	AACL	Area established*
2000-01	1.30t/ha	–	–
2001-02	1.78t/ha	–	–
2002-03	0.91t/ha	–	–
2003-04	2.25t/ha	–	–
2004-05	1.62t/ha	2.00t/ha	2,000ha
2005-06	1.82t/ha	2.10t/ha	10,000ha
2006-07	1.00t/ha	1.20t/ha	43,000ha
Average	1.53t/ha	1.77t/ha	–

Source: WA DPI and AACL

*AACL have previously only operated in Western Australia.

Adviser Edge believes that AACL is capable of selecting land that has the capability to meet the Project yield objectives, given that the estimated yield potential has been determined on past production history for each property. Adviser Edge considers that the large geographical spread of the Project properties will provide protection from seasonal production risks, and will reduce the likelihood of all properties simultaneously returning lower than expected yields in all years of the Project. This is considered very important given the short-term nature of the Project.

Estimated Quality

There are many factors that contribute to the quality of grain produced. The quality potential of grain is largely determined by the variety, however, whether this potential is achieved depends upon many factors, including seasonal conditions, soil type and management practices. The main characteristics used for grading grain include protein, moisture, grain size, and screenings levels.

Australian wheat is classified into seven main quality grades, ranging from lower quality Feed Wheat (FEED) to premium quality Australian Prime Hard (APH). While Macro is aiming to produce Australian Premium White (APW) wheat as a base grade, which is consistent with the areas targeted for the Project, it is expected that Australian General Purpose (AGP) grade wheat and Australian Hard (AH) grade wheat will also be produced over the Project term, reflecting seasonal conditions and location of properties.

Barley can be classified into two major quality grades, malt barley or feed barley. Malt barley commands premium prices in the market and is sold mainly to brewing and distilling processors. Macro has indicated that they will aim to produce an equal distribution of malt and feed barley over the project term. The primary factors affecting malt barley quality relate to protein levels, grain weight, screenings and discolouration, all of which are directly influenced by climatic conditions during the growing season and at, or just prior to harvest.

Estimated Price

Estimated Grain Pool Prices (FOB) per tonne		
Wheat	Barley (malt)	Barley (feed)
$245.00	$245.00	$210.00

Source: Marco Funds Ltd.

Australian Grain Prices

The value of Australian wheat and barley is largely dictated by three fundamental factors, including basis, prevailing foreign exchange rates, and the value of United States' wheat future prices.

When reflected in Australian dollar terms, Australian wheat prices are generally highly correlated to US wheat futures prices. The Chicago Board of Trade (CBOT) and the Kansas City Board of Trade (KCBT) are the largest wheat futures markets in the world. Both CBOT and KCBT trade wheat that competes in the same market as Australian Standard White (ASW) and Australian Premium White (APW), therefore grain merchants use these markets to benchmark Australian wheat and barley prices.

As a high percentage of Australian wheat is exported, wheat is generally sold on a US dollar basis. As a result, Australian wheat prices fluctuate in line with movements in the USD/AUD exchange rate. As a general rule, a 1.0% movement in the Australian dollar will cause a $3.00/tonne movement in domestic grain prices.

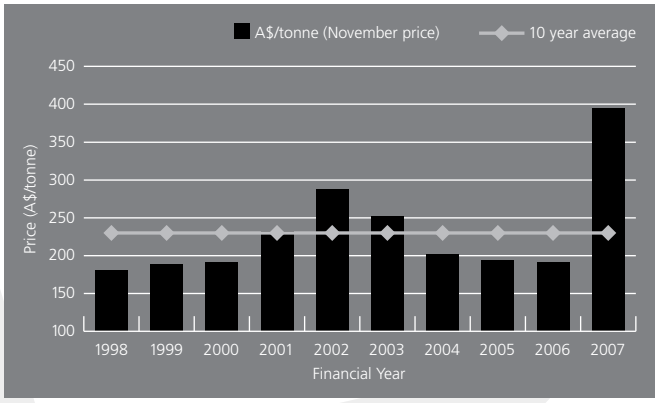
The basis is effectively the difference between Australian wheat prices and US wheat futures prices at any one time, and reflects a combination of domestic supply and demand factors, including carry charges, freight, storage and wheat quality differentials. Traditionally, when drought conditions are experienced, Australian FOB wheat prices carry a positive basis to the US wheat futures prices, as domestic buyers are prepared to pay a premium to secure supply.

Price Analysis

The grain market has experienced significant growth in the past year, reflecting low world stocks and strong global demand. Prices for grain, most notably wheat, reached record levels just before the 2007 season harvest commenced. The rapid increase in prices resulted in the cash price of wheat rising above the national pool price, which resulted in many growers selling wheat outside the national pool run by AWB Ltd.

The 10-year average pool price for Australian Premium White (APW) was $230.60/tonne between the 1998 and 2007 seasons. While the 10-year average pool price is higher than the target pool price of $245/tonne, it is important to note that the price fell below the target price on six occasions (1998, 1999, 2000, 2004 2005 and 2006) over this period. At the time of writing the report, the pool price for Australian Premium White (APW) was $439.00/tonne, which is significantly higher than the target price.

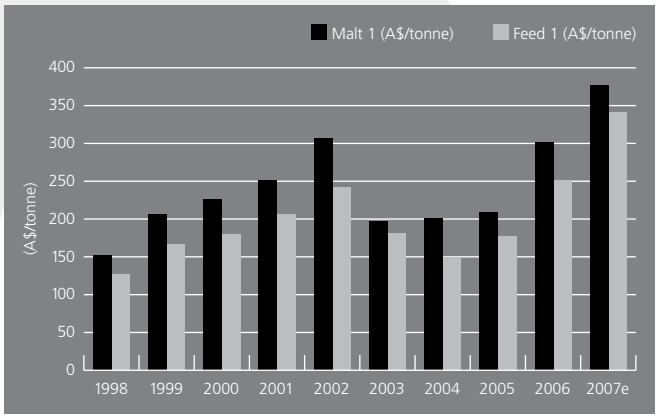
Estimated Pool Returns for APW 10% Protein (FOB)



Source: AWB Ltd.

Malt-quality barley sells at a premium price in comparison to feed-quality barley. Adviser Edge has used average FOB pool prices for Western Australian-grown barley (sourced from Grain Pool Pty Ltd) to examine price trends for malt and feed barley. The 10-year average pool prices for malt barley and feed barley are approximately $241.20/tonne and $200.60/tonne respectively, which is comparable to the target pool prices set by Macro. Like the wheat market, the barley market has experienced significant price growth in the past 12 months. At the time of writing the report, the estimated pool prices for malt barley and feed barley were between $345.00/tonne and $355/tonne, and between $315/tonne and $325/tonne, respectively. Consumer resistance to record prices earlier in the season has resulted in a slight fall in barley prices in recent months.

Grain Pool Barley No 1 Price History- Western Australia



Source: Grain Pool Pty Ltd.

The high level of volatility in the wheat and barley markets means that it is difficult to forecast future price trends. Having said this, grain industry experts expect that stronger than average prices should be maintained over the short-term, due to low global stocks and the indefinite impact of the ethanol industry on grain demand.

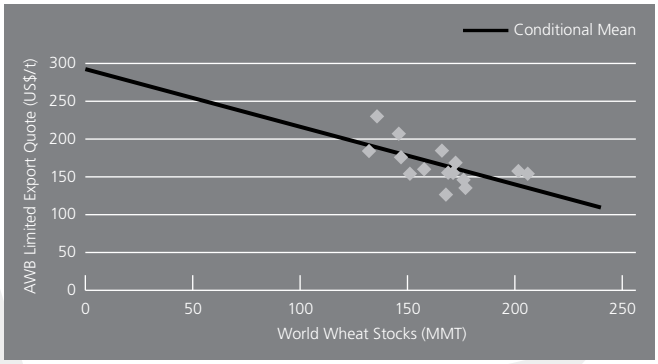
Wheat and barley are considered volatile commodities, and these markets can experience significant price shifts both during and between seasons. Although no guarantee can be made on future prices, Adviser Edge considers the average prices estimated for wheat, malt barley and feed barley are very conservative. While the level of price conservatism in the model is considered to be appropriate, Adviser Edge is concerned that, as a result of the low threshold for performance bonuses, investors will be provided with an inequitable share of additional returns if grain prices remain at their current levels.

Analysis of the Relationship between Price and Closing Stocks

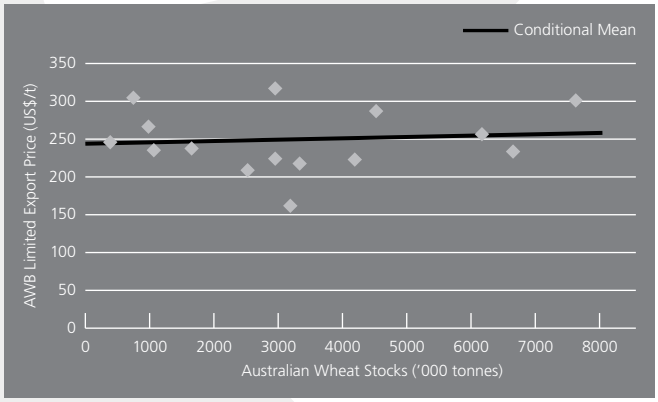
There is a strong relationship between global wheat and barley prices and prevailing world grain stocks, with low grain stocks resulting in higher prices and larger closing stocks resulting in lower prices. As Australia is a price taker in the global grain market, excluding severe drought years, the relationship between domestic grain prices and closing stocks is generally small. Hence, Australian producers are frequently exposed to seasons where the market experiences below average prices and below average closing stocks (ProFarmer, 2005).

With this in mind, Adviser Edge has examined the interrelationship between domestic and global wheat closing stocks, and the price received for wheat in Australia. Using data from the Australian Bureau of Agricultural and Resource Economics (ABARE) publication Australian Commodity Statistics 2006, linear regression analyses were performed between the global wheat closing stocks and the Australian price of wheat, and between Australian wheat closing stocks and the Australian price of wheat, to determine the strength of these relationships.

World Wheat Stock vs. Australian Wheat Price



Australian Wheat Stocks vs. Australian Wheat Price



It is evident from the charts above that the relationship between Australian wheat stocks and the Australian wheat price is extremely low, with the conditional mean close to horizontal. It is also apparent that there is a strong inverse relationship between the world wheat stocks and the Australian price of wheat, indicating that when world wheat stocks are low the Australian price is high, and vice versa. As the fundamentals for the Australian barley and wheat markets are similar, it is expected that Australian barley prices will also have a strong inverse relationship with world barley stocks.

Performance Risks

Inflation/CPI

Macro reserves the right to increase the initial period fee, subsequent period fee, rent and the Project pool finalisation fee paid by investors by the increase in CPI, indexed at 31 December. Should inflation increase significantly, the fees which investors are required to pay are also likely to increase. If the price of the crops sold increases by less than the rate at which fees increase, investor returns could be reduced.

Oil Price

Global oil prices have a significant influence on the production costs borne by farmers. Many oil- based products are used in farming both directly and indirectly, including farm chemicals, fertilisers and diesel. If oil prices remain high, input costs for Australian farms will continue to effect farm gross margins. As the majority of planting and management fees are fixed, significant changes to oil prices will have a minimal impact on the production costs borne by investors. With this in mind, increases in oil prices will have an impact on post harvest costs, such as freight and shipping expenses, which will influence the farm-gate/FOB grain prices received by investors.

Quality

The quality of grain produced in the Project will have a significant impact on the price achieved, and will consequently influence Project returns. There is also a risk that disease and climatic conditions may cause a downgrade in quality, enforcing a price discount.

Adviser Edge Potential IRR Range*		
	Pre-Tax	Post-Tax^
2008 Grain Co-Production Project	4.99% to 15.67%	8.73% to 25.35%

*Please Note: The IRR range is provided only as a guide. Investors are encouraged to seek additional professional advice regarding the impact of changes to key project variables.

^Assumes a 46.5% marginal tax rate (includes Medicare levy), and that investors are GST registered.

Adviser Edge has conducted a sensitivity analysis on the Project returns using a financial model provided by Macro. The IRR range for an investment in the 2008 Grain Co-Production Project, as specified above, relates to an investment made on or before 31 May 2008.

Investment Assumptions

The IRR range outlined above for the 2008 Grain Co-Production Project has been calculated by Adviser Edge using the assumptions outlined in the table below as the basis for the assessment. These assumptions are based upon information contained in the Project Product Disclosure Statement, information provided by Macro and AACL, and independent research carried out by Adviser Edge.

Base Assumptions

Performance Assumptions	Value
Yield (wheat and barley)	34.75t/CPU
Target grades	Hard and soft wheat, and malt and feed barley
Target price – Wheat – Malt barley – Feed barley	 $245/tonne $245/tonne $210/tonne
Price growth	N/A
Australian CPI^	2.9%

^Based on the BIS Shrapnel Long-Term Forecasts 2006–2021 (2007).

Investment Analysis

Pre-tax IRR Sensitivity Matrix

The table below illustrates the sensitivity of investment returns (IRR) given an isolated change in each modelling factor. Yield, price and post-harvest variable cost sensitivities reflect movements of 10% around assumed base values, whilst cost index sensitivities reflect the impact of a 100 basis-point (1.0%) movement in the assumed inflation rate, as stated in the performance assumptions table. The model does not take into account price growth, which is a conservative and reasonable measure given the short timeframe of the Project.

IRR Variation		
Returns Variable	Incremental Downside Movement (% IRR)	Incremental Upside Movement (% IRR)
Yield	-3.67%	2.61%
Price	-2.42%	1.41%
Cost indexation	-0.10%	0.10%
Post-harvest variable costs	-0.33%	0.32%

The analysis demonstrates that potential investment returns are most sensitive to changes in price and yield variables over the project term. It is considered that the Project model is moderately sensitive due to the high level of fixed fees that have been incorporated into the investment structure. The slightly lower shift in upside movements compared to downside movements over the same degree of variation reflects the effect of the performance bonus fee, which is activated upon upside shifts being made to yield and price variables. Given the short-term timeframe of the Project, potential variation of cost indexation is expected to have a limited impact on returns.

Grain Price and Quality

With the majority of Australian wheat and barley being exported, Australian prices are primarily driven by conditions in the global wheat market. Due to the size and transparency of the US market, the US wheat futures market is the central pricing benchmark used to estimate world wheat values. The quality of grain produced will determine the final prices obtained in any given year of the Project, hence having significant bearing on financial outcomes. The quality potential of wheat and barley is largely determined by the variety, however, whether this potential is achieved depends upon many factors, including seasonal conditions and management practices. The main characteristics used for grading grain include protein, moisture, grain size, and screenings levels.

The wheat and barley prices proposed by AACL have been determined following the analysis of the historical price behaviour of wheat and barley, current industry trends, and the underlying factors which determine these prices. AACL has estimated a target pool price of $245/tonne for wheat and malt barley, and $210/tonne for feed barley, which are comparable to the 10-year price average in these respective markets. It is expected that stronger than average prices will be maintained in the short to medium term, and as a result, Adviser Edge considers the average prices estimated for wheat, malt barley and feed barley to be conservative.

Grain Yield

Each project CPU is an area of land that AACL believes will produce an average of 40 tonne/annum of wheat or 45 tonne/annum of barley over the project term. The AACL financial cash-flow model has incorporated an average CPU yield of 34.75 tonne/annum for barley and wheat, which is lower that the targeted tonnage of grain to be harvested from each CPU. This conservative estimate has been made by AACL to reflect the potential that adverse seasonal conditions could reduce average wheat and barley yields over the project term, as has occurred in WA over the past two growing seasons.

The potential impact of climatic variation on investment returns is heightened by the relatively short duration of the project. Having said this, the geographic diversification of the project should act to reduce the likelihood of all CPU's simultaneously returning lower than expected yields in each year. Geographical diversification has proven highly beneficial in earlier offers.

The strong performance of earlier AACL projects, relative to regional averages, highlights the ability of AACL to select high-quality properties and contract farmers, and proves the effectiveness of incorporating geographical diversification into the project structure. For this reason, Adviser Edge considers that the yield estimates used by AACL to be well supported.

Variable Operating Costs

Investors will be liable for variable ongoing costs in each season of the project, including harvest period costs (inc. freight and storage costs), warehouse costs, and managed grain pool and harvest loan costs. There is potential for these variable costs to increase unexpectedly over the term of the Project driven by changes in oil prices and the national CPI. The sensitivity analysis demonstrated that investment returns display moderate sensitivity to changes in post-harvest cost variables, illustrating the importance associated with AACL's ability to control these costs over the Project term. Importantly investors are not exposed to dramatic shifts in input costs, such as chemical and fertiliser, which have experienced sharp increases over the past six months as grain prices lifted to historical highs.

Risk Apportionment

Risk apportionment refers to the level of risk a Project Manager accepts as a consequence of the Project fee structure. It is considered that project fees calculated as a proportion of harvest proceeds promote a level of risk sharing that align the manager's interests with that of investors.

As the fee structure predominantly involves fixed fees over the Project term, investment returns are moderately sensitive to changes in key variables. This level of sensitivity is also reflected in the relatively broad investment returns range as calculated by Adviser Edge. While the fee structure would be improved if more of the project fees were performance-linked, Adviser Edge accepts that the current structure is necessary given the high level of fixed costs associated with the year-on-year development and management of Project crops.

A significant performance incentive fee has also been built into the Project structure, which is passed-on directly to the contract farmers. Adviser Edge recognises that the addition of a performance incentive fee provides the contract farmers with incentive to maximise grain production, and assists AACL in attracting high-quality contract farmers. However, because the incentive fee is activated at a relatively low threshold level, investors have inequitable participation in potential upside. For this reason, Adviser Edge considers that a higher incentive fee threshold is required, especially given the current favourable market conditions for wheat and barley.

Summary

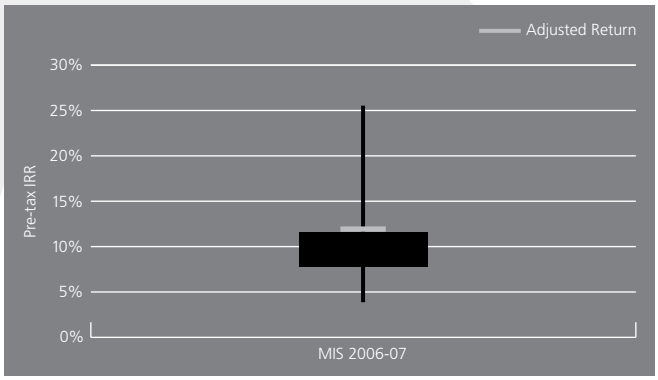
The 2008 Grain Co-Production Project is a short-term investment offering investors the opportunity to become growers of wheat and barley on farms spread across the Australian grain belt.

The market outlook for wheat and barley is particularly strong, and will be the key driver of investment returns over the project term. At present, wheat and barley are achieving near-record prices, and due to low global stocks, it is expected that prices will remain strong in the foreseeable future. The potential impact of climatic variation is heightened by the relatively short term of this project, but it is expected that this risk will be eased largely by the geographic diversification of the project properties. AACL is an experienced manager and has demonstrated the ability to select high-quality properties and contract farmers for previous Grain Co-Production Projects. Returns are supported by the thorough preparation of the manager and the experience of the contract growers to be utilised by the Project.

Adviser Edge considers that the main weakness of the Project is that the performance incentive fee is activated at a relatively low threshold level, which means that investors only receive a modest slice of potential investment upside.

Adviser Edge has estimated the pre-tax returns for the Project to be between 4.99% and 15.67%, with a potential adjusted pre-tax IRR of 11.62%. The following chart benchmarks the estimated returns against other projects researched by Adviser Edge in FY2007.

2006-07 Industry Performance



The adjusted IRR (as determined by Adviser Edge) for the Project is situated above the third quartile when compared to all MIS projects researched by Adviser Edge in 2006-07.

As a general note, investments in agribusiness should represent a balance between the various potential risks and the forecast returns. The Project offers a moderate risk profile over the short-term with moderate pre-tax returns across the estimated range. This Project should be considered as part of a well-diversified agribusiness portfolio.

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