Product Assessment - For financial advisers only

Zenith Investment Partners Pty Ltd

Highly Recommended
Recommended
Approved
Not Approved

2010 Grain Co-Production Project

April 2010

The 2010 Grain Co-Production Project (the Project) offers investors an innovative opportunity within the tax effective agribusiness MIS sector. The Project provides exposure to a large scale diversified cropping system focusing on the production of winter cereals with the key advantage of partnering with existing farmers, utilising their expertise and access to existing land and infrastructure. At its simplest, this is akin to a share farming arrangement with established farmers providing the skills and physical resources while investors provide a share of the capital to grow the crop. This partnership facilitated by the Project Manager AACL Pty Ltd (AACL), allows farmers to access a non-recourse form of working capital for grain growing operations as opposed to more traditional finance sources while investors get exposure to returns generated from the sale of soft commodities without the burden of funding capital infrastructure which often make short term investment in this sector unprofitable in the short term. Risk apportionment means that farmers take the risk of not being able to attain a sufficient yield to generate excess returns to justify the cost of participation while investors take the risk of poor crop performance which is mitigated by pooling over a large number of farmers, properties, locations and grain types. While Zenith believes that the system would be unworkable based on a single farm arrangement, the pooling over a diverse base of producers and multiple seasons creates a significantly different opportunity which is judged to have fundamental positives. Despite recent turmoil in the broader agribusiness MIS market, Zenith is satisfied that the Manager and associated entities have the requisite depth of skills and resources to undertake the Project. While the Project is not without risks (inherent to virtually all agribusiness operations), Zenith is of the opinion that the risk parameters have been sufficiently addressed to warrant the Project for consideration in an investment portfolio for those with a moderate to high risk tolerance. Ultimately, Zenith sees the Project as having fundamentals which avoid many of the traditional shortcomings of investments in the agribusiness MIS sector and while not without risk, provides a potentially attractive risk adjusted return.

Key Features	**Description**
Product Type	Agribusiness MIS
Sector/Industry	Cropping
Minimum Initial Investment	$26,400 (incl GST)
Allotment size	Variable
Total raising/scale (Ha) [1]	$50m/-
Investment term	3 years
Liquidity	Nil
Finance available	No
ATO Product Ruling	PR 2010/2
Advisor commissions	Up to 5% upfront
Fee structure	Annual fees apply
Offer document dated	22 March 2010
Offer close date	31 May 2010
Fund Attributes	**Description**
Portfolio allocation suitability	Satellite
Anticipated volatility	High
Sector investment risk	Medium
Investment diversification	Low
Return Features	**Description**
Returns style	Annual
Income	Commencing FY2011
Zenith IRR estimate [2]	14.28%

[1] Based on CBH Grain facility. [2] Post tax at 46.5% tax rate

Monitoring Policy

On release of this Product Assessment, the Product Issuer has undertaken to notify Zenith of any material changes which may impact on the products rating. Zenith reserves the right to amend its view or withdraw the report at any time. This assessment, **dated 23 April 2010** expires when the offer closes or after 12 months or if there are any material changes. Zenith assumes no obligation to update this document following publication.

Zenith rates the 2010 Grain Co-Production Project RECOMMENDED.

Risk Return Matrix

Agricultural investments tend to be inherently at the higher end of the risk spectrum of an investment portfolio. Zenith has undertaken a standardised risk/return assessment of the Project in order to determine a theoretical overall level of risk and risk adjusted return. Zenith classifies the project as MEDIUM RISK/HIGH RETURN within the agribusiness sector (refer to 'Risk Assessment' for more information).

NOTE: Risk should be taken in context against other asset classes. Refer to 'Key Aspects' for further details.

Low Risk High Return	Medium Risk High Return	High Risk High Return
Low Risk Medium Return	Medium Risk Medium Return	High Risk Medium Return
Low Risk Low Return	Medium Risk Low Return	High Risk Low Return

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Zenith
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Contents

SWOT Analysis

Strengths

- Value proposition in the strategy of grain farming with returns lowly correlated to mainstream asset classes. Grain production is an established, fundamental industry with a long history and significant depth of available production and pricing data.
- Project structure does not increase market supply of the commodity produced beyond what already exists, thereby mitigating the extreme supply driven glut scenarios common to many MIS investments in niche industries in the past.
- Significant alignment of interests between farmers, investors and the project manager and RE through the Project structure. The presence of AACL Wholesale also provides a significant alignment as AACL are investing alongside investors and sharing the same risks.
- Necessary infrastructure for transport and bulk handling already exists and is prevalent across the grain producing regions of Australia.

Weaknesses

- AACL is a subsidiary of a newly ASX listed fund management organisation and as such is potentially exposed to vagaries in investment sentiment to the agribusiness MIS sector and sharemarket volatility.
- The 3 year project cycle is arguably exposed to a higher level of performance volatility than a longer timeframe, however the divergence of locations, crops and number of individual farmers helps mitigate this issue.
- Grain production is inherently subjected to high levels of seasonal volatility in relation to prices and yields. While these issues have been addressed as much as possible by the structure of the Project, the risks cannot be fully mitigated.
- Market risks are also inherent, prices for grains tend to be volatile due to international and domestic supply/demand drivers.

Opportunities

- Further development of the farmer network for AACL to take advantage of wider risk mitigation. It is arguable however that there will come a point where wider diversification will begin to have reduced risk reduction benefits, but this will however still benefit AACL in terms of economies of scale and profitability.
- Further expansion will ultimately allow AACL to become more competitive in grain marketing.
- Departure of several players in the competitive MIS sector may provide opportunities to consolidate market share for retail funds over the longer term.

Threats

- The Project is inherently exposed to a wide range of agricultural risks relating to climatic and agronomic issues which can severely impact crop yields, such as the incidence of drought.
- Should a CPU fail to generate any income due to crop destruction or other events, that CPU will be unable to participate in the Project pool and as such the investor will not benefit from the risk mitigation associated with pooled returns.
- Project outcomes are highly sensitive to the pricing of farmer contracts so portfolio composition and pricing, which is not confirmed until the season commences is integral to successful outcomes for investors.
- While the CBH Grain advance facility to AACL Wholesale significantly aligns the interest of AACL and the parent company with that of investors, should a season of materially poor prices and/or yields eventuate, there may be insufficient revenue to retire this facility which could place a significant strain on the financial position of AACL.

Product Application

In Zenith's opinion, the Project may be suitable for investors seeking exposure to an industry which generates returns with a low correlation to mainstream asset classes with taxation benefits and who can accept the risks of potentially volatile outcomes, agricultural production and essentially nil liquidity over the term of the investment in order to achieve this aim.

Investment in the Project should potentially represent a strategic allocation owing to the medium timeframe zero liquidity and volatility of returns outcomes. While structured to have a significantly shorter investment than peer products, the Project could be considered suitable as a strategic allocation in a diversified portfolio.

Potential investors should be cognisant of the decision making process behind entering into an investment of this type. While in general, MIS involving agribusiness is structured in such a way as to take advantage of tax deductibility legislation under the Product Ruling system issued by the Australian Taxation Office (ATO), Zenith strongly advises against investment decisions being made purely on the basis of tax alone. Investors should satisfy themselves that investment parameters and potential outcomes suit their personal requirements and situation.

Prior to investing in the Project, potential investors need to be comfortable with the risk profile and return expectations of investments in agriculture generally and the nature of this offering specifically. Such investments tend to be subject to a wide variety of risks which often cannot be fully determined in advance.

Zenith advises that investors in the Project must also be cognisant of the implications of what is potentially a fixed term investment with regards not only to liquidity considerations but also to management risks. Management organisations tend to evolve over time, as do management strategies. Investment cycles highlight the fact that when investing in fixed term investments, sometimes management or management strategies and staff can alter. While such events may not directly impact investment vehicles, they can severely impact management operations. As such investors with a low tolerance to the risk of illiquidity or low liquidity binding them to changing management situations may not find vehicles which are largely illiquid appropriate to their needs. Zenith recognises that in the case of the Project, the investment term is significantly shorter than most other agribusiness MIS which reduces this risk.

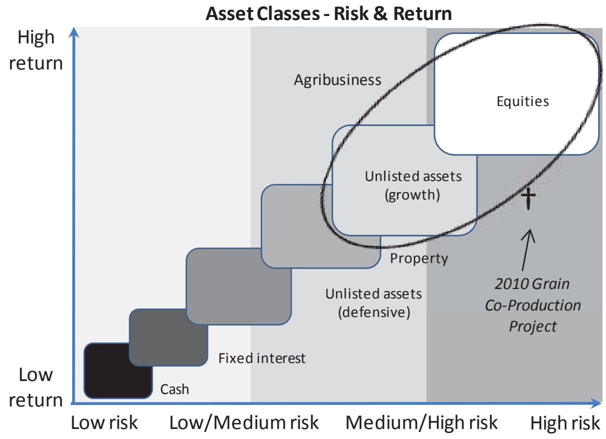
Key Aspects

Asset Classes & Volatility

Primary production activities carries with it an inherent level of risk and uncertainty. Investors should ensure that the particularities of a project's performance parameters suit their attitudes to risk.

The 2010 Grain Co-Production Project will be subject to the inherent risks of fluctuations in productivity and prices relevant to the commercial production of grains. Based on the physical and commercial parameters of production relevant to the Project, the return range over the life of the Project may be considered highly volatile albeit that some of this volatility has been reduced due to the spread of grain types and locations. For further details on financial outcomes, refer to the Returns section of this report.

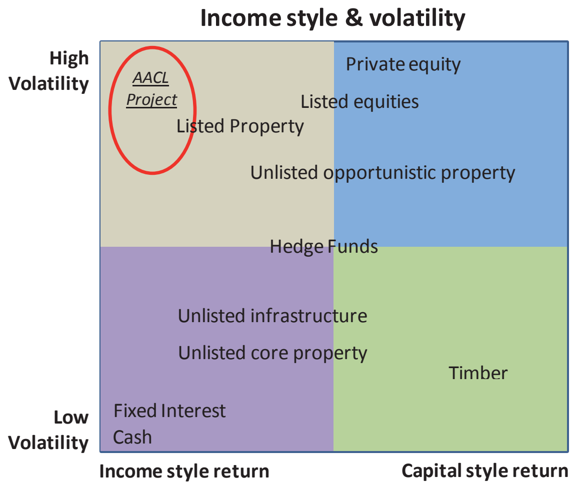
When taking into account portfolio construction issues and asset classification, the physical production of commodities through agribusiness investments are generally considered by Zenith to share a risk return profile akin to that of unlisted growth assets and equities owing to the risk reward profile and volatility of commodity prices and production volatility for grains (refer to the Risks section for further details). However, Zenith acknowledges that the structure of the Project has been engineered to reduce downside risks via diversification at the expense of limiting upside outperformance.



Asset classes should also be assessed within the context of returns style and potential volatility. The following chart classifies asset classes in accordance with proposed guidelines from The Association of Superannuation Funds of Australia (August 2008) with their relative returns style and level of volatility.

Those assets with lower volatility and income style returns are found at the lower left hand side while capital growth products with high volatility are found toward the top right. It should be appreciated that there can be significant variation in individual investments due to management and investment structures and this is indicative only. Zenith is of the opinion that the Project falls into the broader category of an income style return with high volatility.

Timeframe



Source: The Association of Superannuation Funds of Australia, Zenith

The Project will operate for 3 growing seasons, being 2010, 2011 & 2012 plus the time taken to finalise grain sales. Timing of seasons, harvests and expected finalisation of grain sales is as follows;

Timeframes	Commences	Harvesting	Finalisation of sales
Wheat/Barley	May - June	November - January	Up to 18 mths post harvest depending on marketing strategies selected
Canola		October - November	

At the conclusion of the timeframes following the final harvest and sale of all grain, investors' interests and agreements in the Project will cease and final payments of net harvest proceeds (if any) will be distributed.

By necessity, investors are advised to consider the Project as wholly illiquid. While legislation was passed in 2007 to facilitate the trading of secondary interests in forestry MIS, no similar statutes are available for non-forestry projects. Investors should be aware of the consequences of an inherently illiquid allocation in their investment portfolio.

Diversification

While the Project holds a relatively high level of diversification in terms of end use products and locational diversification, in sites and operators compared to the rest of the sector, in a wider asset class sense, diversification is low and exposure concentrated, which is typical of investment in this sector. Interests in the Project however may be useful as a tax effective diversifier within a diversified portfolio. Despite the taxation advantages available in the Project, Zenith reminds potential investors that no investment should be made purely on the basis of tax alone and the likelihood of tangible investment returns should be the primary consideration.

It should also be pointed out that the presence of an allocation to agribusiness as an asset class within a portfolio can lower the level of volatility and provides a return which usually shows a low level of correlation to mainstream asset classes.

Structure

Overview

(Note: For the purposes of describing the Project structure, 'Farmers' refers to the farmers contracted by AACL to grow the grain, while 'Growers' refers to investors in the Project)

Given the nature of the Project being essentially an extension of the share farming principle, the structure of the Project with reference to investor interests differs significantly from most other managed investments. With most managed investment structures, investor interests are evenly unitised (although pricing may vary) and the revenue pooled. Units in this Project however, termed Co-Production Units (CPU's) are delineated by the amount of revenue they are forecast to produce each season rather than by standard area, with the size of each CPU based on its ability to be able to generate net proceeds of $6,141 per growing season. As a result of the differences in location and grain type being grown, the land size varies on a case by case basis between farmers within each season as well as between seasons. As farmers will not tend to grow back to back crops on the same ground in successive seasons (crop rotation), the Project has been structured to create a pool of available land and farmers on which crops will be grown based on the determinations of AACL as to the suitability of the farmer and the requirements of the Project. As a result, the actual location of each investors CPU's is likely to vary each season.

In terms of understanding the structure of the Project, it is useful to compare it to farming arrangements that are funded by traditional sources of finance, being bank debt. Normal debt finance is full recourse and as such any negative outcomes to yields & prices which impact profitability to farmers will trigger losses. At its simplest, farmers will plant a crop with the intention of producing a gross margin (harvest proceeds) which cover the costs of establishing, maintaining, harvesting and selling that crop (not accounting for farm overheads and capital costs). Under the AACL system of Grain Co-Production however farmers benefit from limiting downside outcomes to their own revenue at the cost of forgoing some of their income.

Two of the main aspects of the structuring of the agreements between farmers and the Project are the concepts of Payment Value Ratio (PVR) and Target Value (TV) and how they work to drive returns outcomes for both farmers and investors.

Payment Value Ratio

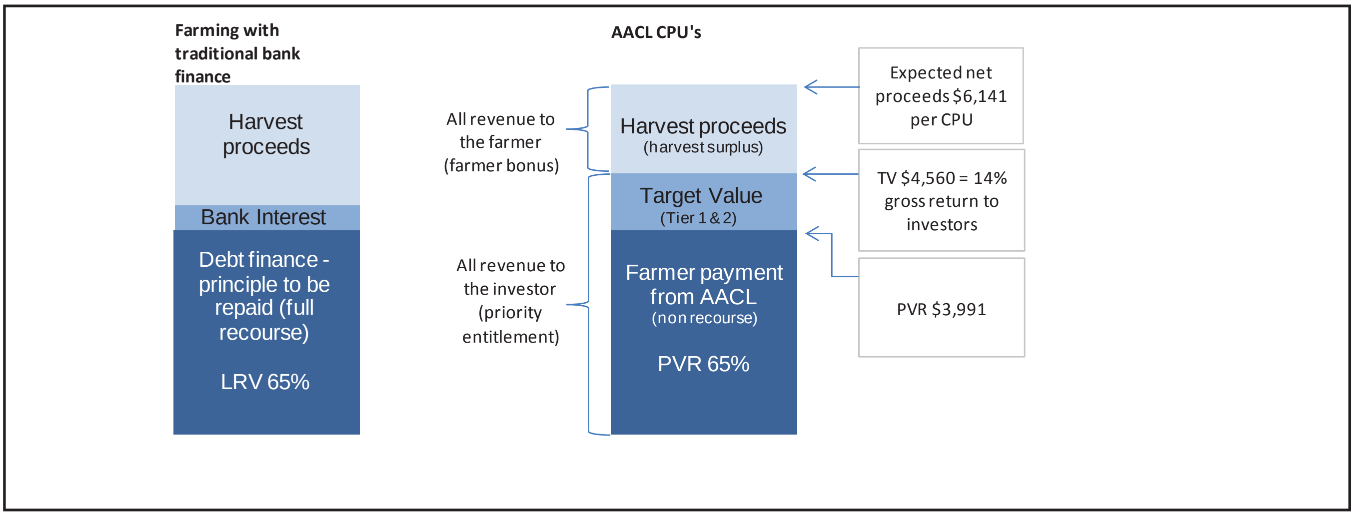
Under the contracts which are for either a 2, 3 or 5 year period, the payment terms are reviewed seasonally, with each farmer being advanced a specific dollar amount against the projected future income of a CPU. The PVR is essentially similar to the concept of an LVR in debt financing although measured against income generation rather than asset value. Based on the assessment of risk undertaken by AACL, farmers are usually offered a range of PVR options to suit their personal requirements, however the overall Project average is approximately 60%.

Target Value

Target Values are essentially a designated performance benchmark over the PVR that determines the revenue sharing between the farmers, growers and the Manager. The TV is generated by AACL undertaking an assessment of each farmers future income volatility (each season) via AACL's statistical risk model. This measure also has a correlation to the farmers PVR. In order for a farmer to receive any upside revenue from a crop beyond the PVR amount advanced (the farmer bonus) the TV must be exceeded. The total net revenue up to and including the TV belongs to the investor less the manager bonus. Over and above the TV up to the estimated net revenue generated by a CPU belongs to the farmer. TV's tend to range between 10% - 25% and average approximately 16% - 18% above the investment amount. AACL maintains a target TV of 14% to investors within the portfolio, however TV's are variable on the farmer side of the equation.

The key factor however is that AACL (and by default the investors returns) have priority over the amount of revenue up to and including the Target Value. Given that the TV only represents a portion of what the farmer would normally generate off the same land, the contracted farmers are significantly incentivised to maximise yields to ensure profitability as they only share in the revenue above the TV.

The following shows a basic illustration of the structure in comparison to a farmers own operations from a financing perspective per CPU (based on bank financing). Each CPU has an expected revenue generation of $6,141. If we assume a farmer with a PVR of 65%, they will be advanced the amount of $3,991 to fund operations. As part of the equation, if we assume a TV of 14.25% is applied this sets the performance threshold of $4,560 per CPU which is effectively the margin on investors funds equalling a gross return on equity of 14% (on an investors initial period costs of $4,000 for the 2010 season). The remaining $1,581 of proceeds assuming the CPU reaches the forecast $6,141, belongs to the farmer. It should be noted that this example does not include all incentive and bonus mechanisms able to be participated in by farmers, investors and management, which will be examined separately.



Ultimately, it can be seen that from a farmers perspective that participation reduces the potential for seasonal losses, and is akin to a form of insurance. The effect is that it guarantees part of the farmers income thereby stabilising the seasonal cashflow. Some of their potential for upside is negated as this is essentially the premium for the service, however the farmer is protected from excessive downside losses given the non-recourse nature of the capital. It should be remembered however that farmers also have some of their own capital at risk given that the PVR does not exceed 70%. Also, most farmers only use participation as part of their farm planning and based on AACL's past experience, most do not commit more than 30% of the cropping regimes to the AACL Grain Co-Production model.

While investors take all the downside risk on each individual contract the portfolio approach is the essential element which acts to mitigate this risk. The effect of pooling returns across a number of different farmers, regions and grain types contribute to diversify the risk of negative events relating to yields and pricing occurring all in a single season, which brings down the risk of negative outcomes to investors. It should also be appreciated that the presence of the TV threshold between the allotment of returns between growers and farmers means that for growers to incur a loss, the revenue target for a CPU of $6,141 needs to fall by 40%. As each CPU is selected with a view of being of sufficient productivity to achieve $6,141 in revenue, the premium involved is reasonably robust on a portfolio basis.

One of the key fundamentals for the Project is the ability of the Manager to be able to efficiently select and price farmer participation. The PDS refers to the detailed process by which AACL, with added input from external independent experts, undertakes verification of the capacity of the farmer to undertake the physical production of the grain and the capacity of the land resources to provide the necessary fundamentals. It is also noted that this verification process is not limited to pre-season works but is also on-going throughout the relationship between AACL, farmers and investors. Zenith has analysed this process and believes that AACL is undertaking a strong level of appropriate due diligence on both counts. Indeed this would be treated as a fundamentally positive aspect of the AACL business model which is not easily replicated.

The Project structure provides opportunities for bonus remuneration to be received by growers, farmers and the Project Manager under certain scenarios.

Price out-performance bonus

Each season, growers will be potentially able to share in higher returns generated by the price out-performance calculation which essentially is triggered when AACL outperforms a designated price target. Each season, a target price (the Projects Gross Price) is set for each grain type. This target price is an average market price calculated on the first day of each month from 1st May – 1st April. Should this trigger price be exceeded by 2.5%, the grower gets a revenue boost of 2% of the total price achieved by AACL. If triggered, this shows a strong uplift to a growers IRR (refer to IRR sensitivity chart under Returns). It is important to note that the mechanics of the price out-performance bonus means that the bonus value essentially offsets against the farmer bonus (see below).

Farmer bonus

The farmer bonus is split into two components being the Farmer Production Bonus and the Farm Lease Bonus. Like the price out-performance bonus, the farmer bonus is available annually to farmers who produce a harvest surplus by exceeding the value of the TV (i.e. $4,560). This has the effect of ensuring that the farmer bonus cannot be triggered until investors receive a certain level of return (refer to previous diagram). The value is 100% of the delivered value of the harvest less the TV which is the investors' entitlement.

It should be noted that given the farmer bonus (if eligible) is paid at the completion of harvest, the calculations will be based on forecast delivered values and costs as opposed to actuals. As a result, AACL uses 80% of the estimate net delivered value to calculate any Farmer Bonus payments at harvest with the balance distributed once all farm grain proceeds are received. As such while the bonus is initially paid based on estimates, they are ultimately re-calculated post sale to reflect actual outcomes. It should be recognised that should the amount withheld by AACL be insufficient to make any necessary adjustments (i.e. growers have received more than their share), the growers may be required to make up any shortfall.

Manager Bonus

The Manager performance bonus is payable should the net proceeds exceed fixed benchmarks. The TV comprises two tiers;

- Tier 1 $4,200; and
- Tier 2 $4,560.

While the Tier 2 value within the TV is utilised for calculating grower and farmer contracts and returns, the Tier 1 value is the threshold for the manager bonus. Once this threshold is exceeded, AACL receives 10% of the value between Tier 1 & 2. The manager bonus is essentially capped at $36 per CPU (i.e. $4,560 - $4,200 = $360 x 10%).

Agreements

Material agreements relating to the Project include;

- Farmer Management Agreement (AACL & the Farmer);
- Management Agreement (Macro & the Grower);
- Service Agreement (Macro & AACL);
- Lease Agreement (Macro & AACL); and
- Sub-Lease Agreement (Macro & the Grower).

The crops on each of the CPU's in the Project will be managed by each contracted farmer. Essentially, the farmer has possession and control, but not ownership of the crop and via the agreements has the responsibility of the development, maintenance and harvesting. The farmer management agreement is designed to set out the expectations and obligations for both farmers and AACL without unreasonably restricting the farmers' decision making process.

The Project agreements in relation to those between the RE, the Project Manager, the Farmers and the Growers, will terminate after the final distribution of the harvest proceeds from the 2012 harvest. These agreements state the rights and responsibilities of each of the legal parties involved. While Zenith has analysed these agreements and their implications we do not provide any verification of the structure as Zenith believes that this requires specialist legal knowledge. It is strongly recommended that advisers and investor's seek professional, independent advice in this regard.

Returns

Zenith has undertaken a cash flow analysis for the Project as part of the financial evaluation process. While having had regard to the financial forecasts of the RE, Zenith's financial forecasts incorporate its own assumptions in respect to a wide range of parameters.

Zenith's financial modelling assesses project return outcomes using three scenarios, a base case estimate and an upper and lower limit to allow for alternative outcomes. Upper and lower limit assumptions are invariably based on the commercial realities of a project's environment as opposed to a generic deviation from the base case. Parameters utilised are not absolute and actual results may fall outside these ranges in extreme cases.

IRR Outcome

Zenith's financial modelling outcomes are based on an Internal Rate of Return (IRR) after tax for investors with a marginal tax rate of 46.5% and 0% gearing. Based on Zenith's financial modelling of the Project, IRR outcomes using upper and lower scenarios are shown below (see Parameters section for further details).

Project IRR (post-tax @ 46.5% marginal tax rate)			
	Lower case	Base case	Upper case
IRR	6.38%	14.28%	26.19%

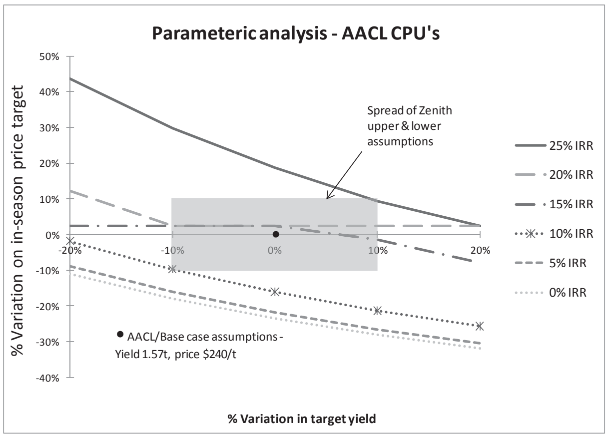
Zenith believes that the risk adjusted returns for the Project (as opposed to the calculated IRR shown above) are relatively strong given the nature of the Project risks and timeframe. The variability of the Project returns however are significant due to the volatility associated with production and pricing variability. While some aspects do significantly aid risk mitigation in this regard, the risks associated with cropping enterprises are difficult to mitigate fully. Further details on the assumptions used are found in the Parameters section of this report.

Parametric Analysis

Given the range of potential returns outcomes, further examination of the effect the key drivers of a project aids determination of the potential returns outcomes. Parametric analysis provides a way to examine the relationships between these drivers, usually yield and price, and the effect it has on investment returns.

It should be noted that while Zenith traditionally sees parametric analysis as a useful analytical tool, its use is somewhat limited for the AACL Project. This is due to the fact that portfolio construction regarding farmer contract values for PVR and TV will have a significant impact on the achievable returns profile. These drivers are complex and will vary from season to season and are done with a view to an overall portfolio outcome, so Zenith has elected not to model them in the assessment process. It must be reiterated however that potential investors should be mindful of these issues. In modelling the Project returns outcomes, Zenith is utilising the standard assumed average target values for farmer TV and PVR as assumed by the Project Manager.

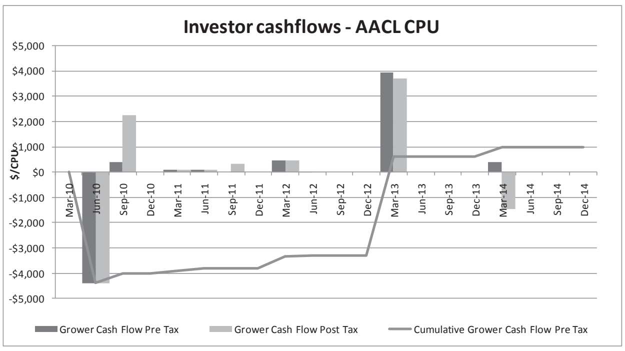
A simple depiction of the relationship between movements in average grain price and yield outcomes against target estimates is shown following. In order to ascertain a required return outcome, the corresponding average yield and price sensitivity points can be referenced to reach a projected IRR, taking into account the various bonus structures in place within the Project. The shaded area represents the assumptions ranges for target yields and price movements utilised by Zenith in its upper and lower case scenarios.



As can be seen here, the structure of the Project visibly distorts the returns series when the variables to target yields and prices are changed. Up to a 10% IRR, the relationship between yield and price is relatively uniform, which is to be expected. Past this however, the outcomes change radically, with IRR's being essentially capped between approximately 14% and 20% (the upside cap largely occurs as a result of the farmer bonus structure). The critical trigger however tends to be when the average grain price breaks the price out-performance threshold, which in turn sees returns then lift strongly. For a further examination of the factors driving returns, refer to the Parameters section of this report below.

Cashflow Analysis

Zenith has assessed the financial cashflow attributable to an investment in the Project. Expected total cash outlays and cumulative cashflows for the Project per CPU are shown below. The Project income stream is characterised by commencement of returns around March 2011 when sales from the first harvest is anticipated to commence. An investment in the Project is expected to become cash flow positive in FY2013 based on the stated fee estimates and returns expectations. It is important to note that due to a range of factors, the actual timing of harvests and sales may vary somewhat, although in comparison to some other agribusiness operations within the MIS sectors, such as forestry this is in the context of weeks rather than years.

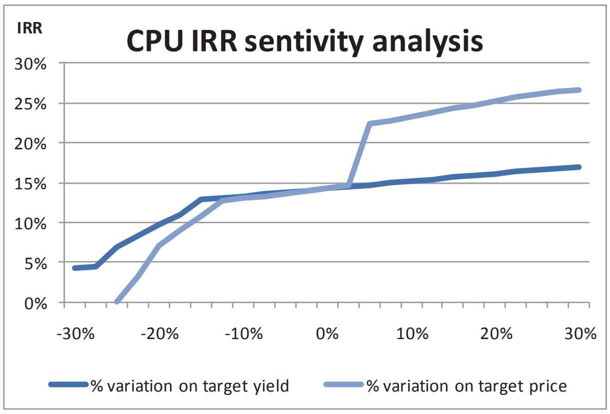


Parameters

The parameters of successful grain production essentially involve four key phases, site selection, establishment, ongoing management operations and harvesting operations. In structuring the Project, the RE has added another dimension in farmer selection and portfolio construction of the contract farmers being utilised. Key drivers are examined in detail below.

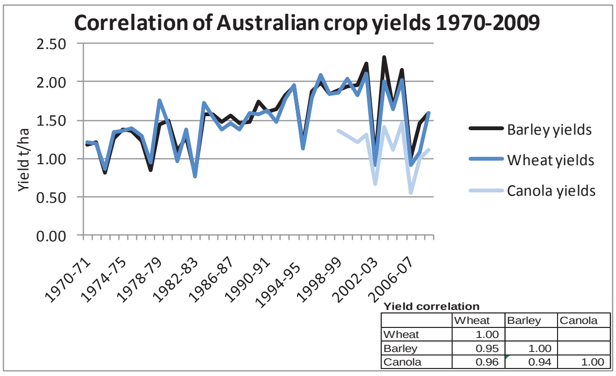
NOTE: Forecasting investment performance is not exact and generally relies on a complex matrix of inter-related factors and assumptions about future events that may or may not reflect actual events. Changes in any of these factors may result in a significant and decisive impact on future outcomes. Readers should be reminded that this report provides no more than a general guide to potential future outcomes and must not be relied upon in isolation.

The key variables related to pricing and yields and their sensitivity to a growers IRR is shown following. It should be noted that given that yield and price targets are re-set each year as with CPU size, the variability is related not so much to the actual price and yield but the variation to the pre-season targets that price the farmer contracts.

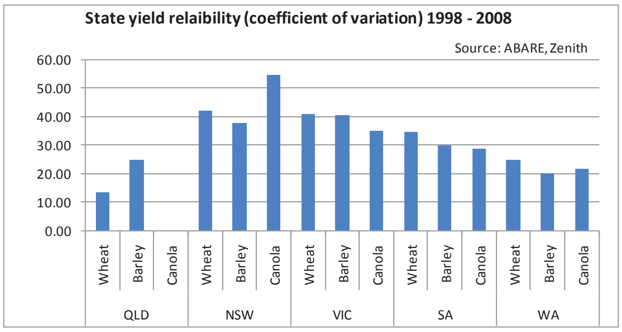


<u>*Yield Assumptions*</u>

Given the structure of the Project which relies on a portfolio of farms spread over a wide area with varying productivity and grain types pursued, analysis of the yield expectations differs somewhat from analysing a single farm. To begin with wheat, barley and canola will be produced by the Project with an expected allocation of 80%, 15% & 5% respectively by area produced. When compared over the past 4 decades, correlation in yields between each crop is very strong as seen in the chart below, which is to be expected given that ultimately when analysed over such a long time period, seasonal rainfall will be the dominant driver. These results also tend to hold true for rolling 3 year timeframes. From this it can be seen that diversifying into different crop types provides relatively limited diversification from a yield volatility perspective.



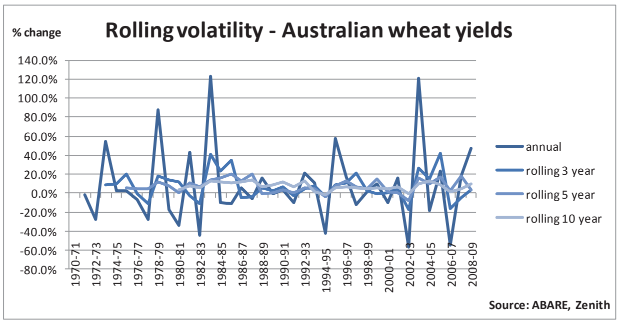
Given that farms in the Project will be spread across the Australian grain belt, Zenith has undertaken an analysis of yields and their respective attributes regarding reliability and correlation for each state. Based on ABARE 2009 data, analysis has shown that QLD has the lowest yield variation for wheat (i.e. highest reliability), followed by WA (see chart below). Given however that the production areas in QLD are the smallest nationally and the Project does not currently have any presence there, WA yields are the most instructive and at any rate form the bulk of the Project (approximately 60%). The basis of having the majority of the Project farmers in WA (although natural seeing as the concept designed by AACL was developed there), is proved to have significant merit in this respect. Zenith notes that AACL have indicated that they intend to maintain a maximum allocation of total tonnage to 40% from the eastern states.



(Note: Canola data in QLD has been removed due to statistical unreliability).

While these results provide critical information on the inherent reliability of each state region, it is also vital to understand the ramifications of the timeframe these results are assessed over. The 10 year data disguises production volatility that become more apparent over shorter cropping cycles. Zenith have assessed the data using a rolling three year timeframe (matching that of the Project) and found that generally the coefficient of variation increases significantly as a result. As an example, when measured, the coefficient of variation for wheat production in WA can rise by up to 1.7x using the shorter timeframe. Potential investors need to be cognisant of the implications of this with regard to potential returns outcomes.

This can also be illustrated when mapping grain yields on a rolling basis. Viewing the data in the chart below, it can be easily seen that wheat yields tend to be very volatile on an annual basis. Even on a three year rolling basis, volatility is still fairly high (although an accepted fact in farming). Zenith is of the opinion that if volatility were the only factor being taken into account, the Project would be better served with a longer timeframe of probably 5-6 years which would reduce ongoing volatility in crop yields to more moderate levels. Even taking into account the generally more reliable yields experienced in WA (i.e. using WA data alone), it can be seen that while a three year time horizon reduces volatility by over 50% compared to annual results, moving to a 5 year term reduces volatility by over 70%. We acknowledge however that a longer timeframe in an illiquid product may not be ideal for all investors and given that there is no illiquidity premium involved, real returns can be diluted by longer investment periods.



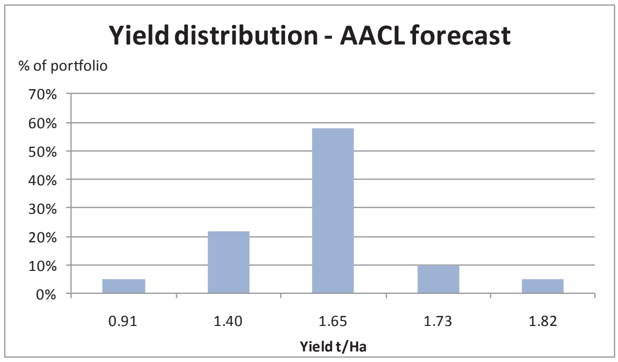
Yield correlation between the states also varies dramatically depending on the time frames being used. Using wheat as a proxy given its high correlation to barley and canola yields, Zenith determined that while over the longer term the positive correlation is strong, when assessed over a rolling 3 year timeframe, the results range from 1.0 to -1.0 (i.e. perfect positive correlation to perfect negative correlation) depending on the state and rolling time frame used. On the whole however, the greater majority of the data analysed showed strong positive correlations. Therefore, while it is anticipated that the state based diversification of the Project farms will provide valuable benefits, the positives will not be as critical as the reliability of the yields themselves within each state.

Zenith has been provided with historical yield data from those farmers who were contracted to AACL in 2009 (note that this combines both the farmers own past production outcomes, with past production for AACL). Zenith has then compared this to national yield data with particular reference to WA given the bias in numbers, with the following results.

Crop yield analysis 1999-2009 (t/ha)	Wheat	Barley	Canola
National average	1.62	1.75	1.14
WA average	1.63	1.71	1.15
2009 AACL farmers historical average	1.87	1.99	1.38

Based on the data we have been given, the AACL contracted farmers have historically managed to significantly outperform broader averages on a longer term basis, which is encouraging. Historical yield data from past AACL projects is reviewed in the Past Performance section of this report.

In testing yield assumptions for the Project, AACL utilises a distribution of yields throughout their farmer portfolio. The weighted average assumed yield (across wheat, barley and canola) in the forecasts is 1.57 t/ha with the yield spread as shown in the following chart.



Based on the collective attributes of yields and the seasonal volatility over 3 year periods as discussed above, Zenith is applying a sensitivity of +/-10% across this yield distribution in defining our upper and lower limit scenarios.

Price Assumptions

Prices for wheat, barley and canola, while showing some differences in market drivers depending on grade, tend to be most influenced by production levels in global markets. Australian wheat prices in particular are highly correlated with the US wheat futures market, and are dominated by the stocks to use levels in global trading patterns as well as FX rates. Barley on the other hand, tends to be somewhat more price inelastic in that buyers tend to purchase specific types/grade with a greater disregard to price until such point as their demands are fulfilled, at which time barley prices revert to being influenced by substitute products in the coarse grains market. Canola prices, while generally consumed domestically, are heavily influenced by global prices and movements in the prices of substitute products.

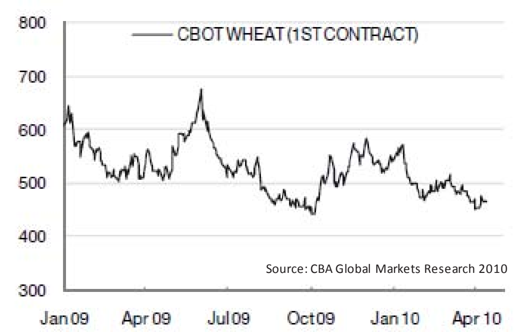
Based on preliminary research undertaken by Zenith, there is likely to be some level of negative correlation between prices and yields (ultimately translating to production stocks). Mapping these relationships is difficult given that grain prices, particularly wheat, tend to be driven by global markets rather than domestic outcomes, however the broader price movements tend to have a moderate inverse correlate to global stock levels. Zenith has analysed over 30 years of data relating to the correlation between US wheat price movements and global stocks to use levels and determined that there is an approximate inverse correlation of -0.6 apparent. This indicates that to some extent a broad outcome of lower yield/production levels may be negated somewhat by higher prices for US farmers, however for Australian farmers this effect can be weaker. Given that Australian wheat prices do however have a strong correlation to US wheat futures, there is some merit to this assumption.

It should also be appreciated that the risk associated with price movements also relates to the period over which the price movements occur. Outside the growing season, this risk is borne by the farmer as it impacts the size of the CPU's. During the season however, the risks are shared by both farmers and growers, albeit in different ways. Essentially for the grower, exposure to volatility is only during the period between when the CPU's are defined by AACL and when grain sales are complete. At a minimum, if it was assumed that all grain was sold for cash rather than using pools, this timeframe would approximate 7 months.

Wheat prices, both in terms of futures and physical markets, tend to be highly volatile, as the chart of US wheat futures below shows. While AACL will not be exposed to market movements year round, volatility during the season is still pronounced.

In this case, given that price targets will be reset by AACL each season, in determining potential investment outcomes the actual price received is not necessarily as important as assessing the volatility the Project will be subject to. As a result, while Zenith have not assumed any variations to the price used each season (given that the price target is re-set), we have assumed a variability of +/-15% in the upper and lower limit scenarios on movements around the target price during the period from the farmer contract being struck to grain sales being completed.

Figure 1: CBOT Wheat (1st Contract, USc/bu)



Farmer selection and CPU selection

As mentioned previously, AACL have developed a detailed selection process and risk scoring system that allows TV and PRV values to be accurately assigned and mixed on a portfolio basis to allow a reasonable level of risk sharing between farmers and growers. The nature of the structuring of TV and PVR levels has already been discussed under 'Structure' however it is worth pointing out that ostensibly such a system would mean there is the potential for AACL to reap a larger profit from the setting of more aggressive contract terms. This issue however has checks and balances offsetting it with the presence of the Farmer Charter which the Compliance Committee must sign off on with regard to adherence to protocols on identification and criteria for CPU allocation.

Project assumptions [1]	Lower case	Base case	Upper case
Yield variation	-10%	0%	+10%
Price variation	-15%	0%	+15%

[1] Variation on managers forecasts unless otherwise stated.

Risks

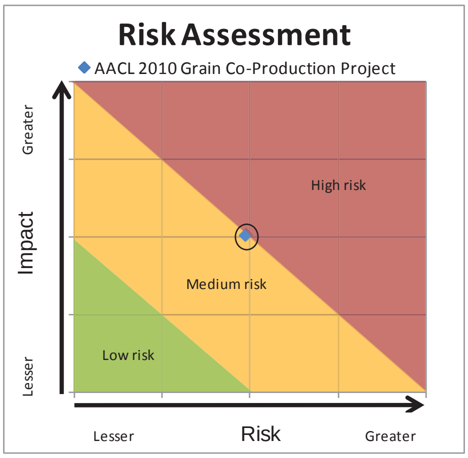
All investments are inherently exposed to a variety of risks. Risks relating to agribusiness investments generally involve the risks inherent to the commodity being produced, agronomic and climatic risk, management risk, regulatory risk and market risk. Zenith has carried out a detailed risk assessment on the Project to determine the level of risk present, its level of impact on the Project and the ability of the RE/Manager to be able to ameliorate and manage these risks. Zenith risk assessments are directly comparable to other projects reviewed by Zenith within the agribusiness sector. It should be noted that Zenith risk assessments are based on measuring the level of risk of a product within its own asset class, not as an overall investment risk measure compared to other asset classes (refer to 'Key Aspects' for further information).

The Zenith risk assessment measures the severity of risks present in a project, the outcome of which is plotted on the x axis (horizontal axis) and the ability of the manager to manage and thus lessen the impact of these risks is measured on the y axis (Left Hand Side). The Project is judged by Zenith to have a MEDIUM risk profile within the agribusiness sector. The risk profile is carried out with a view to the risks apparent over the analysis timeframe, in this case, 3 growing seasons plus the assumed time taken to sell all harvested grain.

Based on the structure of the Project, Zenith is of the opinion that many of the common risks associated with agribusiness MIS investments have been significantly mitigated in this case. AACL's strategy of partnering with existing capable farmers over such a diverse base has several key advantages;

- Avoids the potential for extreme boom/bust market scenarios common to many of the more niche commodities. The AACL system is providing an alternate source of capital to existing producers rather than adding to national production levels already in place.
- Issues relating to land scarcity which often results in commodities being produced in unproved or sub-optimal areas are negated. Also, companies (and sometimes investors) are not being burdened with the often high capital cost of land, which in the past has often been transacted at potentially unrealistic or unsustainable values.
- The spread of farmers, locations and grain types arguably combines to create one of the most highly diversified production systems seen in the MIS space from the point of view of site diversifiable agronomic risks.
- The knowledge base being accessed at ground level coupled with site specific experience by contracting existing farmers provides a depth of production knowledge that is likely to be very high in the MIS space historically.

However, while the Project has avoided some risks, others are still inherent and investors will need to be cognisant of these going forward.



Investors in the Project may be subject to the following risks:

Agricultural Risk

Production Risk

Cropping operations, like most agricultural enterprises, are subject to a wide variety of risks which may impact on grain yields. Broadly, these risks can be summarised into planting risks, crop management risks, climatic and environmental risks and harvesting risks. Given the structure of the Project, while production risks are significant, they are somewhat tempered by the diversity of contracted farmers, locations, and grain types. Furthermore, generally the contracted farmers will have a high level of knowledge regarding the areas they are cropping in any particular season by virtue of the fact that they are established operators and not venturing into unknown production areas.

Marketing risk

Marketing and sales risks generally revolve around the issues relating to market demand, market prices and the risk of failing to establish appropriate relationships with buyers. Given the market dynamics relating to demand given the global trading environment sourcing buyers is generally not considered to be a serious issue not withstanding that movements in stocks to use ratios do impact prevailing prices. Demand is a fundamental positive in that grains are generally treated as an essential commodity although some product substitution can affect some markets and the supply/demand drivers still apply.

The principal risks in relation to marketing revolve around price movements and the marketing methods utilised. Given the inherent volatility of grain prices, in addition to this risk comes those associated with various marketing strategies. As with farmers everywhere, the RE may utilise a range of strategies to transact sales and attempt to manage price risks, such as using derivatives or futures, forward contracts, harvest loans and managed pools. Each of these strategies is subject to certain risks which are often outside a farmers (or the managers) control.

Management Risk

Business risk relating to management decisions and/or management failure is a key element of any business venture. Management risk can be mitigated through insurance (liability and key man insurance), succession planning, strong compliance regimes and clear due diligence methods.

One of the key risks to the Project is the continued presence of the RE and the Project Manager. The Project is complex in its structure and relies on the skill and presence of these parties to run the Project effectively using the considerably intellectual property developed specifically for this project and their extensive knowledge of the contract farmers. If the RE and Project Manager were forced to move aside, it is relatively unlikely that substitute management could be easily sourced to replace them.

In addition to this, there is additional risk relating to the managers ability to be able to efficiently price each contract for the Project portfolio and determine the individual level of risk. This is of paramount importance and returns outcomes will arguably be more sensitive to the composition of portfolio TV and PVR figures across the Project than they will be to the impact of yields and prices. As stated earlier however, Zenith has not modelled the effects of these but treated them as static on a portfolio basis.

Physical management risks are also an aspect of primary production. Quality and timing of management operations are critical to maximising yields and quality. Issues such as weed, pest and disease management, site nutrition and operations are integral to maximising outcomes. Operational management must be experienced and exacting to minimise potential production losses. Zenith notes that farmers must maintain lines of communication via mandatory crop reporting during the growing season which allows AACL to control productivity assessments.

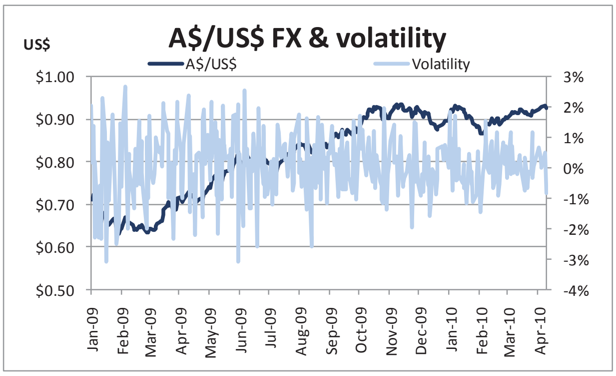
Other management risks involved with primary production projects relate to the public perception of the Managed Investment Scheme industry. Companies in a growth phase that derive a large proportion of business revenue from subscriptions are at risk from an industry downturn. Companies which are more entrenched and can continue operations from ongoing management fees are much less susceptible to these risks. Likewise, companies which have alternative sources of operational cashflow are also less at risk in this regard.

Another source of risk is the financial viability of the managerial operation (in this case both he RE and the Project Manager) in terms of whether the resources available are sufficient both from fees generated by the Project and the manager's own resources in order to carry out the Project as planned. This can only be assessed from investigating the expected costs and revenue flows of the RE and the Manager. It is recommended that investors seek information on AACL in this regard.

Other Risks

Currency Risk

Currency movements directly impact prevailing market prices for export markets. Currency movements are unpredictable over the long term and thus present a risk to the Project in terms of pricing and competiveness of Australian grain sales into export markets. The interaction between FX movements and Australian grain prices relate to movements of around $3.50/t for wheat and $5 for canola per 1c movement in the AUD/USD FX rate.



Regulatory Risk

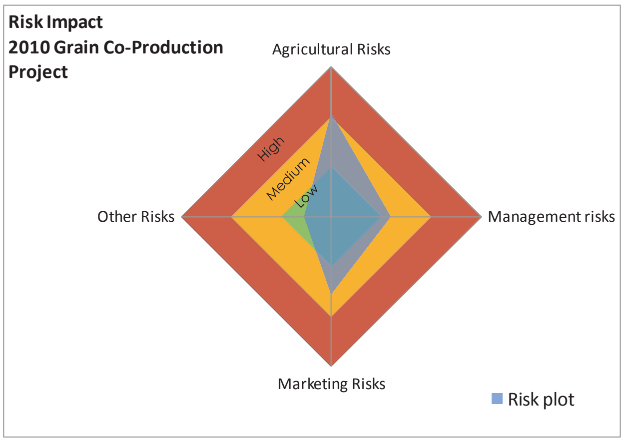
Recent inquiries by the Parliamentary Joint Committee (PJC) into agribusiness managed investments and other inquiries into managed investments and financial services more broadly tend to indicate that there is a likelihood of additional regulation being imposed upon managed investments generally. While the recommendations posed by the PJC are not, in Zenith's opinion, likely to jeopardise the Project or AACL, it is at this point unknown what actions the Government will take or what additional legislation may be adopted or current rulings overturned. As such, there is potentially a risk to the entire industry (including AACL) that new rules may impede current operations. Zenith notes that some of the regulatory risks are reduced in the case of AACL due to sourcing of wholesale funds that are not subject to ATO Product Rulings.

Fraud

Given the structure of the Project where individuals outside the direct control of the RE or Project Manager are responsible for the production of the grain, there exists the potential for fraudulent activity. The easiest way for this to occur would be for a farmer to hold back harvested grain, not plant the required area for which they have been funded or not apply the full level of production inputs to a crop. AACL accepts the fact that this is a risk which cannot be entirely removed and have multiple systems in place revolving around monitoring, verification and reporting at various points throughout the growing season through to grain delivery. Zenith has reviewed the nature of these systems and concludes that they are appropriate and that the system is as robust as economy dictates. Zenith notes that AACL under its current PI Policy are covered for major farmer fraud ($100,000 excess).

Risk Impact

When assessing the impact various identifiable risks may have on the Project, some risks may potentially have a greater impact than others. As part of the Zenith Risk Assessment, Zenith undertakes a weighted assessment of the risks involving an investment and determines those that are likely to have the greatest impact if encountered. These risks are broadly categorised into four groups, Agricultural risks, Management risks, Marketing risks and a catch-all category of 'Other' risks. The level of risks are categorised as Low, Medium or High with the lowest levels of risk being located in the centre of the matrix shown below. The Risk Plot indicates where the greatest level of risk impact lies in each category, the further out from the centre of the chart it extends, the greater the level of risk involved.



Based on the parameters of the Project, Zenith believes that the greatest risk impact to the Project at this point in time relates to the agricultural risk of lower than expected yields and price risk of lower than targeted prices. As discussed in the parameters section, these variables are very volatile and while strategies are in place to mitigate these risks where possible, they are unable to be fully managed. Zenith does believe however that AACL has the strategies in place to manage these issues as much as possible and is certainly aided by the diverse farmer and location base. Zenith judges that without these strategies the risks associated with price and yield volatility alone on such a short timeframe would be extremely severe.

Market & Outlook

Production markets

<u>*Wheat*</u>

Grain production is a key component of the farm sector and the national economy. Grain and oilseed production generally accounts for approximately 25% of the value of farm products (which held true in 2008-09) with wheat being by far the dominant crop. For wheat production, Western Australia is the dominant producer, followed by New South Wales, South Australia, Victoria and Queensland.

Domestic consumption generally accounts for around 30% of production with the majority of Australian wheat being exported and while on a global contribution Australia makes up only around 3%, Australia is a significant exporter, consistently one of the largest behind the United States. Key Australian markets are Asia (Indonesia, Japan & Korea) and the Middle East (Iraq, Yemen, Kuwait and Egypt). China is also likely to be a significant emerging market for future producers.

Fundamentally, Australian wheat market forces are governed by export trends and act on supply/demand influences and foreign exchange movements. While Australian wheat exports tend to have a competitive advantage on ocean freight haulage costs to our key markets, this tends to be significantly offset by protection measures including tariffs and subsidies in key competing countries such as the US and the European Union. Australian export levels tend to be offset against a fairly constant level of domestic consumption, so the key impact is seasonal crop production levels which are most heavily influenced by the presence of drought conditions.

Global pricing is driven by the US wheat futures market (dominated by the Chicago Board of Trade although the Kansas Board of Trade is also a significant participant). With Australian production being 70% exported, domestic prices tend to have a high positive correlation to the US futures market although in times of severe Australian drought conditions, domestic wheat prices tend to break away and be driven by local supply/demand parameters (particularly in Eastern Australia). Essentially however Australian prices are driven by global supply and demand, with the quantum of world wheat stocks being the key factor.

<u>*Barley*</u>

Australian barley is the second largest crop after wheat and shares the same production areas nationwide. Like wheat, a high proportion of the national crop is exported with Australia sitting as a major player in the global export market and domestic consumption tends to be reasonably stable. Again, markets are heavily influenced by world stocks and the key Australian export regions are largely similar to wheat, being Asia and the Middle East. At its simplest, barley can be divided into two major categories, feed and malting, with feed barley dominating the market. It is important to note that feed barley, unlike malting, will compete with commodity prices for other feed grains which can be used as a substitute for end users (i.e. corn, sorghum, oats).

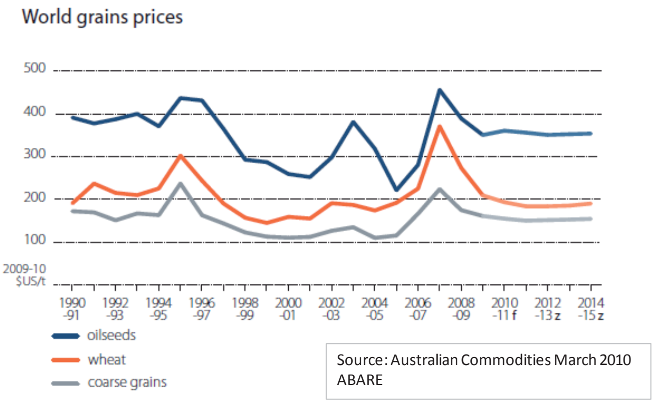
<u>*Canola*</u>

Australian canola production is also significant and is Australia's third largest field crop. As with wheat and barley, Australia is a significant exporter of canola oilseed although domestic consumption is much higher and domestic/export proportions of the national crop tend to vary from year to year according to production levels and pricing. As with wheat, export canola prices are driven by global producers, in this case Canada who is the dominant global exporter. As such, export prices tend to map that of Canadian canola futures.

Market Outlook

The current global short term outlook for world grain prices is one of price constraints for wheat and barley in 2010-2011 due to an overhang of global stocks and high production levels. Current global indicator prices are looking like experiencing some further declines on the back of last season and although there is increased demand in the system, this is likely to be in sufficient to counteract the high stock levels and raise prices. Oilseed prices however are looking more robust in the short term.

It should be considered that global and thus domestic pricing for wheat, barley and canola is volatile however commodity cycles are an inherent part of the cropping industry. Industry fundamentals underpinning demand are strong, driven by population growth and to a certain extent the demand for bio-fuels in North America and the European Union.



Strategy & Marketing

Strategic overview

Marketing arrangements for wheat, barley and canola are varied. The Australian markets for these crops operate on a deregulated basis with a wide selection of marketing companies operating. At their simplest, marketing strategies generally comprise either cash sales or marketing pools. Generally, marketing strategies tend to encompass a mixture of both strategies, with an overlay of price risk management through the use of derivatives or forward contracts (with however the associated risks of using these instruments).

While historically the use of marketing pools have dominated, deregulation of markets has allowed producers to increasingly make use of cash contracts with various risk management options. However, this is tempered against the farmers own requirements or want to undertake these action on their own behalf. One of the key attributes of managed pools is that while risk management through pooling is an established fact given their ability to manage price risk, the use of pools does have implications on timing of cashflows, with the sale process generally taking 12-18 months from the time of delivery. Managed pools do generally have the option to facilitate harvest loans however to facilitate payment timing.

With grain from the Project able to be sold under a variety of options, it must also be taken into account the wide range of costs associated with different marketing strategies. These cost can include those associated with harvest loans, pool fees, warehouse storage and others. AACL will need to account for these costs when determining the most appropriate strategies to manage price risk to farmers and growers.

Marketing channels

All grain produced by the Project will be marketed by the AACL grain marketing team as part of the service agreement with the RE. AACL have indicated that they intend to use whichever strategies they deem appropriate to manage outcomes and maximise returns to all participants.

As part of the Project strategy, AACL have arranged an advanced payment facility of $50m for the 2010 season with CBH Grain Pty Ltd, an Australian grain marketing company which is a subsidiary of CBH Group Ltd. This facility is via AACL Wholesale (refer to Management section for details). This arrangement has the effect of securing Project inflows to fund contract farmers under the Project (note, AACL undertook a similar arrangement in 2009 with a $30m facility with CBH Grain). In return for the funding, CBH Grain has an off-take agreement option to purchase all grain produced on the land leased by AACL Wholesale. Zenith notes however that AACL is not obligated to sell this grain to CBH Grain if their price is not market competitive.

Infrastructure

One of the significant positives of the Project is that transport and processing infrastructure already exists in some shape or form throughout the major cropping regions of Australia and comprises an extensive network. Regional storage facilities are connected by either rail or road to port facilities. Currently there are 4 dominate bulk handlers, CBH Ltd, GrainCorp Ltd, AWB Ltd and Viterra Ltd (ABB Ltd). This alleviates the necessity for such infrastructure to be created which is an issue which have often proved to be a problem for some of the more niche enterprises which have been attempted within the agribusiness MIS sector in the past.

Proximity to infrastructure will however have a significant bearing on haulage costs and the prices able to be secured. There are a range of costs associated with grain production post harvest which include the costs associated with freight, receivals and storage. Such costs will vary between states, locations, grain type and handling company.

Management

AACL Holdings Limited

AACL Holdings Limited (AACLHL) is the newly ASX listed entity whose subsidiaries provide risk management solutions to farmers through the formulation of the Grain Co-Production Projects and as part of this provide investors with the opportunity to invest in the soft commodities sector. They also provide grain marketing services as part of their operations through AACL Pty Ltd as a wholly owned subsidiary.

The breakdown on the 5 GCP Projects undertaken to date are following;

Season [1]	Contracted tonnes	Contracted farmers	Crops	Locations	Capital	Tonnes produced	Grain price ($/t FOB)	Approx. crop value (FOB)
2005	20,000	20	Wheat	WA	$2,000,000	20,000	$200	$4,000,000
2006	92,000	40	Wheat	WA	$10,000,000	55,000	$275	$15,000,000
2007	220,600	92	Wheat /Barley	WA	$30,000,000	217,000	$350	$76,000,000
2008	376,000	115	Wheat / Barley	WA / NSW / VIC / SA	$65,000,000	320,000	$360	$115,000,000
2009 [2]	467,000	235	Wheat / Barley / Canola	WA / NSW / VIC / SA	$80,000,000	470,000	$250	$118,000,000

[1] Data as at 22 January 2010.
[2] While the 2009 harvest has been physically completed, 'Actual tonnes grown' will not be known until net tonnages are calculated and reconciled to on-farm storages etc. As such the figure of 470,000 tonnes is an estimate by AACL only. Grain Price (FOB) is an estimate by AACL based on sales and market prices to during the 2009 season to 22/1/2010.

AACL Pty Ltd is the Project Manager to the GCP Projects issued by Macro Funds Limited and is responsible for:

- Negotiating with a number of land holders and Grain farmers to provide land and service to the Projects;
- Entering lease agreement and service agreement with Macro;
- Entering Farm Lease Agreements with land holders;
- Entering Farmer Management Agreements with Grain farmers, known as "Contract farmers", to provide the service required to plant, manage and harvest the crop.

While Macro is ultimately responsible for management of the Project, many of the day to day operations will be conducted by AACL Pty Ltd.

AACL Holdings is a Perth headquartered company employing a team of 38 staff and its origins stem from numerous previous entities:

- Broadacre Asset Management Ltd (BAM) – the major shareholder in AACL Holdings, who vendored the 3 AACL entities into the IPO;
- AACL Pty Ltd – Project Manager to GCP Projects. AACL Pty Ltd is a wholly owned subsidiary of AACL Holdings;
- AACL Wholesale Pty Ltd – arranges pre-payment facility with CBH Grain Pty Ltd and invests in redeemable interests. AACL Wholesale is in essence an investor in the project and its profit margin will be the difference between the interest payable to CBH Grain (8.4% for the 2009 Project) and the rate of return on the harvest proceeds. AACL Wholesale is a wholly owned subsidiary of AACL Holdings;
- AACL Services Pty Ltd – not operating material operating activities. AACL Services is a wholly owned subsidiary of AACL Holdings;
- AACL Fertiliser Pty Ltd – to provide bulk fertiliser directly to AACL farmer customers, currently not operating material operating activities. AACL Fertiliser is a wholly owned subsidiary of AACL Holdings; and
- Macro Funds Ltd (Macro) – Responsible Entity to GCP Projects. Macro is a wholly owned subsidiary of AACL Holdings.

The directors of AACL Holdings are as follows:

Peter McEwen – Non Executive Chairman

Peter McEwen has been in the agricultural industry for over 30 years having spent 12 years at Wesfarmers CSBP, in a variety of management positions, before joining Summit Fertilizers as its Chief Executive Officer in 1993. He has also been Chairman of Summit Rural (WA) since 2005. He is also a Director of the Fertilizer Industry Federation of Australia (Chairman 2003-2007) and Whitfert Pty Ltd.

Andrew McBain – Chief Executive Officer

Andrew McBain was a co-founder of AACL in 1997 and has been the key concept developer, driver and promoter since this time. RG Bain & Co certified practising accountant was the brain child of the concept, which was conceived by Ross McBain after 12 years of providing accountancy services for a handful of large Wheatbelt farmers. Prior to moving full-time into AACL, McBain was a Director of CPA Financial Services from December 1997 to June 2004 (previously RG Bain & Co). Previously McBain was a non executive director of an ASX listed uranium development and exploration company, Scimitar Resources Ltd (now Cauldron Energy Ltd) from January 2004 – June 2009. He is currently a non executive director of ASX listed Caron Conscious Ltd (which is 30% owned by BAM) and an executive director of Broadacre Asset Management Limited.

Andrew McBain owns 22.55% of AACL Holdings through BAM. These shares are escrowed for 2 years. He also holds 2 GCPP units in the 2006 Project, but none in any of the other years.

Peter Morrison – Executive Director

Peter Morrison has been in the property and financial services industry since 1980. He was Chief Financial Officer of Armstrong Jones, a funds management group with over $4 billion in funds under management. He was with Armstrong Jones for 17 years until the business was sold to the ING group in 1997. In addition to his role as CFO he was Managing Director of Armstrong Jones Life Assurance Limited, the wholly own life subsidiary of Armstrong Jones.

On leaving Armstrong Jones, he joined the financial risk management group, Oakvale Capital Ltd as a director. Since leaving Oakvale Capital Limited in 1999 he has been a director and adviser to a number of companies involved in the area of funds management, financial services, property and retirement village development and management. Peter is also a director of LEX Property Management Ltd, Broadacre Asset Management and AACL.

Peter Morrison owns 11.60% of AACL Holdings through BAM. These shares are escrowed for 2 years. He also holds 16 GCPP units in the 2006 Project, but none in any of the other years.

Michael Shields – Executive Director

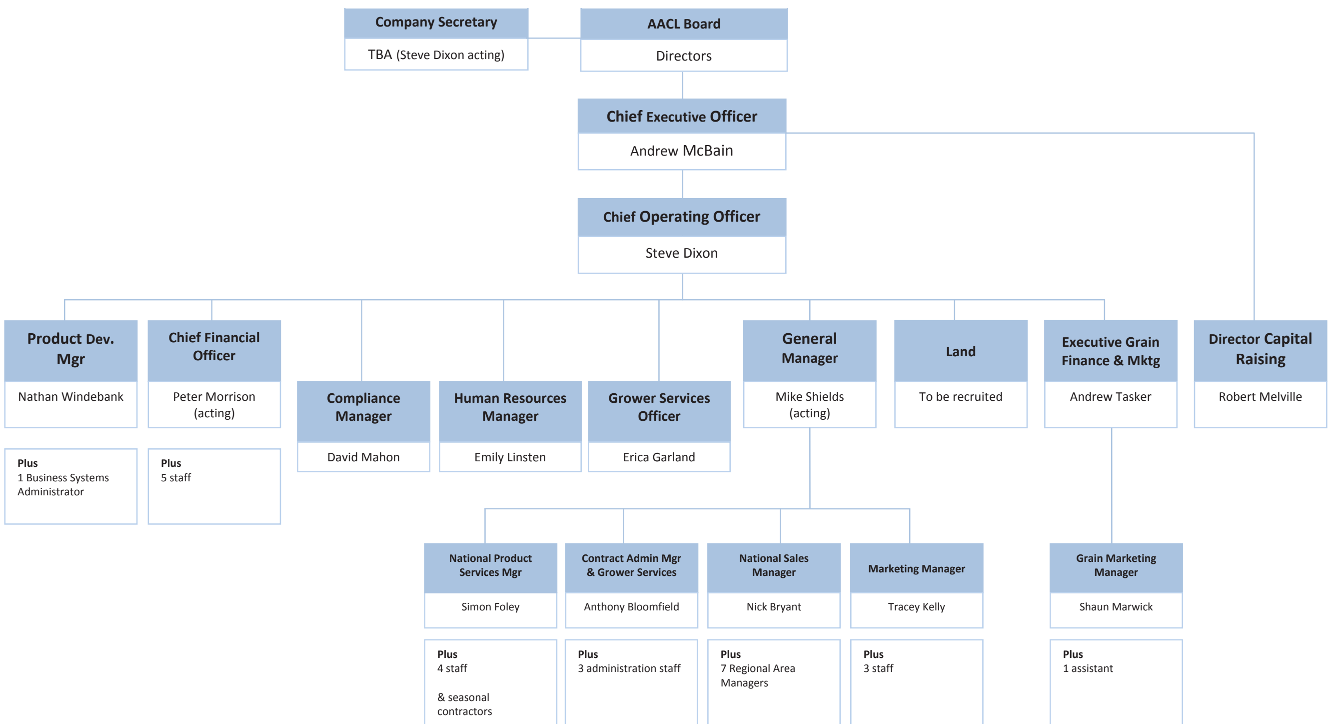
Michael Shields operates a family owned grain producing business in the Central Wheatbelt of WA, namely an 11,600 ha property near Wongan Hills. He is a current director of ASX listed Carbon Conscious Ltd (which is 30% owned by BAM) and an executive director of Broadacre Asset Management Limited. Post completing a Bachelor of Commerce at the University of WA, Shields worked for a number of agricultural organisations (including John Deere & Caterpillar) in both Australia and the USA before returning to the family farming operation.

Michael Shields owns 15.00% of AACL Holdings through BAM. These shares are escrowed for 2 years.

Zenith is comfortable with the level of experience and expertise present at Board level with members individually and collectively being suitably qualified and pertaining the relevant complementary skills and background to oversee a diversified agricultural investment business.

Recent departures from the old AACL / BAM Board of Directors include:

- Raj Logaraj (previous non executive director – retired June 2009);
- Kent Hunter (previous Company Secretary – retired June 2009, Steve Dixon operating in this role in acting capacity);
- Robert Melville (stepped down as part of IPO process – retired July 2009 , maintains role as Director – Capital Raising);



Key operational personnel (excluding directors within AACL and Macro referred to in this section) include Simon Foley, Robert Melville, Nathan Windebank, Anthony Bloomfield, Nick Byrant and Shaun Marwick.

Simon Foley – Grain Production Manager

Simon Foley joined AACL in January 2006 and has over 15 years experience in the WA agricultural industry (from production agronomics to consulting), including a previous role with Agrarian Management as a farm management consultant (1999 – 2005). Foley is primarily responsible for the efficient and effective delivery of services of Contracts Administration, Agronomy and Land Management by the development of processes and systems to support the agronomic and production processes involved in AACL Grain Co-Production projects. He is regarded by Zenith as a vital member of the operations team with his oversight multifaceted.

Robert Melville – Director Capital Raisings

Robert Melville is a former director of AACL and one of the key original stakeholders in the business. Melville has over 25 years experience in funds management, primarily in capital raising and business development within the agribusiness and property sectors. Key responsibilities of this role include identifying sources of investment capital for the company's products, building and maintaining relationships with key sources of investor capital, raising the required investor capital for the company's products and assisting in the development of new investor products.

Nathan Windebank – Product Development Manager

Nathan Windebank joined AACL in September 2004 and has held various sales / client service and product development roles over this period. His key responsibilities are 1) to achieve greater scalability through the further streamlining and systemisation of its business processes 2) further evolve existing products (Farmer & Investor) and 3) deliver new high quality products to the market in line with the strategic direction of AACL's Board.

Nathan Windebank owns 4.72% of AACL Holdings through BAM.

Andrew Tasker – Executive, Grain Finance & Marketing

Andrew Tasker has recently joined AACL in a newly created role that is responsible for;

- The further enhancement of AACL's price risk management strategies for the sale of Project grain.
- The further development of grain financing options for all GCP Projects.
- Facilitating the development of stand-alone grain marketing & finance products to be offered to farmers outside of Grain Co-Production arrangements.

Andrew Tasker brings to AACL significant industry experience and expertise from the past 17 years working for several agribusinesses. Most recently, Andrew has held senior roles with the National Australia Bank (Associate Director - Wholesale Markets, Agribusiness 2005 – 2009) and Profarmer (Director, Account Manager 1999 – 2005) where Andrew was instrumental in the development of Profarmer's Advisory Services that delivered training programs in price risk management strategies and FX hedging. Andrew will be working closely with AACL's Grain Marketing Manager – Shaun Marwick to continue to evolve AACL's grain marketing capacities.

Nick Bryant – National Sales Manager

Nick Bryant joined AACL in mid 2007 and has over 12 years agribusiness experience including roles at the NSW Farmers Association (Senior Grains Analyst) and Grainco Australia Ltd (Area Business Manager) prior to joining AACL. The key objectives of this role are to achieve company sales targets through effective sales management, further develop and improve its sales effectiveness via knowledge, processes and tools and to motivate and develop all sales staff (10 regional area managers).

Shaun Marwick - Grain Marketing Manager

Shaun Marwick joined AACL in 2009 and has been relatively quickly elevated into this role following the departure of his predecessor (Matt Rigg – General Manager). Prior to joining AACL, Marwick was a grain marketer at AWB Ltd (2006 -2009) and before that an agribusiness analyst at NAB Ltd (2004 – 2006). The primary function of this role is to manage the grain marketing and price risk management business functions of AACL. The overall responsibilities of this role are to develop and manage a prudent price risk management policy across all Grain Marketing products that satisfies investors that there is a risk management procedure / framework in place that supports sufficiently attractive return on capital, satisfies farmers that the grain being co-produced in the Project is well managed and in line with their individual expectations, satisfy regulators and satisfies AACL Management that the interests of the above stakeholders are competently and professionally being managed.

Prior to the recent appointment of Andrew Tasker in the new role of Executive, Grain Finance & Marketing, Zenith was of the opinion that the biggest risk across the senior investment team at AACL resided in the Grain Marketing Manager role. With Tasker's appointment however, Zenith believes that this considerably strengthens the grain marketing side of the operation, notwithstanding that there will obviously be a period of adjustment as the role in consolidated. All other roles are covered by well experienced personnel who have been in their respective roles for a number of years.

The AACL team of investment professionals has been growing substantially in recent years and a number of "yet to be filled" positions including Company Secretary, General Manager – Land, Regional Manager – Esperance, Regional Manager – Northern NSW and a Business Development business analyst. An example of the growth in personnel is the fact when Grain Production Manager, Simon Foley commenced in January 2006 he was a single resource in the national production services area, whereas now within this team sits 2 full time mapping officers, 8 part-time mapping officers, 5 contractors and 4 agronomists.

Zenith is comfortable in the fact that AACL appears to have substantially increased its headcount and built its IT systems to better handle its year on year growth. Some concern does however remain over the personnel resource intensive nature of much of the work despite efficiencies in its IT capability. For example in 2009 3,000 individual paddocks needed to be digitally mapped and 11,000 individual grain loads needed to be manually assigned to farmers.

Macro Funds Limited (Macro)

Macro is a wholly owned subsidiary of AACL Holdings and is the Responsible Entity (RE) for the GCP Projects (2006 – 2010). Macro was established in 2004 by its founders Peter Morrison and Steve Dixon.

Peter Morrison – see detail above.

Steve Dixon- Chief Operating Officer (AACL Holdings)

Steve Dixon joined Armstrong Jones in 1989 and worked with the company in various funds management roles in Australia and New Zealand. After leaving Armstrong Jones in 1997 Steve has held the role of Managing Director of Guardian Funds Management Limited, which operated the listed Flexi Property Fund. Prior to forming Macro, Steve was a key executive of Acumen Funds Management Limited, which now forms part of the Multiplex Group. Steve is also a director of LEX Property Management Ltd, Broadacre Asset Management and AACL.

Steve Dixon owns 11.24% of AACL Holdings through BAM. He also holds 6 GCPP units in the 2006 Project, but none in any of the other years.

Macro is a funds management business with a bias towards investment management, financial, compliance and investor service and reporting. The two sectors in which it has primarily been involved are property (LEX - $50 million, Malaga - $8.3 million) and agribusiness (GCP Projects - $101 million). It also administers a further circa $650 million across a range of multi-asset class products on behalf of Officium Capital (which is wholly owned by the Snowball Group).

Financial Position – AACLHL

The following details the historical and forecast financials for AACL Holdings.

Balance Sheet – AACLHL		
Year ended 30 June	**2009**	**2008**
Current Assets	$54,454	$18,047
Non Current Assets	$1,875	$540
Total Assets	$56,329	$18,587
Current Liabilities	$62,356	$20,833
Non Current Liabilities	$0	$2,383
Total Liabilities	$62,356	$23,216
Net Assets	($6,027)	($4,629)
Leverage ratio	(9.34)	(4.02)
Quick ratio	0.47	0.86
Cash ratio	0.45	0.45
Current Ratio	0.90	0.87
Net Working Capital	($7,902)	($2,786)

Whilst the various financial ratios detailed in the balance sheet table for FY08 & FY09 do not point to an overly flattering past financial position, it is worth highlighting that AACL has subsequently undertaken an IPO, retired debt and improved their working capital position. As such, Zenith believes the following commentary details a more relevant and up-to-date financial position.

Prior to the 15th December 2008 shareholders within Broadacre Asset Management Ltd, AACL Wholesale Pty Ltd, AACL Services Pty Ltd, AACL Pty Ltd, Macro Ltd and AACL Fertilizer Pty Ltd had cross ownership but they were incorporated and operated separately. On the 15th December 2008 BAM completed the acquisition of the 3 AACL entities, through the issue of capital which saw the shareholders of AACL own 71% of the combined entity post acquisition. Macro remained a separate entity before being acquired as part of AACL Holdings IPO process.

As at 30 June 2009 AACL had accumulated losses of $10,920,301 and had been largely reliant on loans from key stakeholders in the company and conversion of these loans to equity to continue as a going concern. In its FY 30 June 2009 accounts it had a net liabilities position of $6,027,691 and the directors were of the opinion the group was a "going concern" on the basis of a proposed December 2009 IPO to raise net proceeds of $13,894,000. As at 31 December 2009, AACL had $420,000 cash and the net liability position had slipped further to $7,130,000.

The IPO occurred later than forecast and netted net proceeds less than detailed in the June 30 2009 account (March 2010, netted $8,159,000). AACL Holdings did however raise an additional $6,500,000 from investors (Mike Shields & Trevor Stoney) prior to IPO, which then converted to equity.

Importantly the IPO raising will provide an additional $4.497 million in working capital (as per the Statement of Cash Committements) after $4.527 million in loans / convertible notes are repaid and expenditure on IT systems and expenses of the Offer are accounted for. Zenith is positive on the IPO process as it positions the group in a better financial position with the company upon ASX admission having extinguished its 2009 advance payment facility with Grain Pool Pty Ltd ($30 million), its convertible note with Augustus Minerals Limited ($1 million) and its debt owed to BAM ($3.527 million cash & 16,000,000 share in lieu of $4 million loan due).

What Zenith is less positive on is adjustments to financial account after the event. The IPO Prospectus details $4,359,000 in adjustments to the FY 2009 accounts, moving development costs and costs attributable to farmer performance bonus special offers to "one off" and "non recuring" items. This has the significant effect of lowering costs and altering AACL Holding's net profit from -$4,482,794 to +$339,000.

Zenith is comfortable that AACL has now achieved the scale required to move to a cash flow neutral or better position and as a result should start to produce modest profits in FY 2010.

The fact that 2010 looks like being the second consecutive year in which much of its funding will come from wholesale sources (i.e. CBH Grain) has both a positive and negative connotation. The positive from Zenith's perspective is AACL is taking a substantial investment into the projects "on balance sheet" and therefore its interests are more closely aligned within retail investors. The negative is wholesale funding means greater business risk (majority of the risk of the 2009 and 2010 projects sit within AACL not with retail investors), greater internal borrowing and higher costs (net interest expense).

Post IPO AACL Holdings remains largely original shareholder and director controlled with 65.8% of equity largely owned by owned BAM which in turn is controlled by Andrew McBain, Peter Morrison, Michael Shields, Stephen Dixon, Trevor Stoney and Robert Melville.

Should AACL Holdings hits a $1.25 million net profit after tax for 30 June 2010 a further 12 million shares will be issued to BAM, lifting their stake 71.2%. If a $3.75 million net profit after tax is achieved in the June 2010 Financial Year a further 16 million shares will be issued to BAM, taking their stake to 76.2%. An additional 20 million options, should they be exercised (issued at 0.40 cents, expire 31 December 2012), would take BAM's total stake to 80.5%.

Cash Flow Statement - AACLHL		
Year ended 30 June	**2009**	**2008**
Net Cashflow from Operating Activities	(11,121)	8,357
Net Cashflow from Investing Activities	(637)	(302)
Net Cashflow from Financing Activities	30,144	(14)
Net increase(decrease) in cash	18,386	8,041
Cash at beginning of financial year	9,408	1,367
Cash at end of financial year	27,794	9,408

Asset Management/ Key Counterparties

Agfarm Pty Ltd

In both the 2010 Project PDS and the recent Prospectus for ASX-listing, AACL has used Agfarm Pty Ltd as an independent consultant to provide an expert grain marketing report. This report was undertaken by Managing Director, Bob McKay (former GM of AWB Australia) and details factors influencing, price outlook and prevailing mechanisms and marketing structures for wheat, barley and canola in Australia. Agfarm was established in 1992, is Australia's largest grain farmer broker and is Australian owned. It has three key business units – Agfarm Marketing (grain brokerage), Agfarm Advantage (grain marketing) and Agfarm Solutions (export logistics).

Formerly AACL has used NZX Profarmer Australia (Richard Koch) and Advance Australia Trading Pty Ltd (Andrew Woodhouse) for the 2009 and 2008 / 2006 projects as its Independent Grain Consultant. Zenith generally prefers to see a consistent consultant used across projects given we have found in the past turnover of independent consultants can being a leading indicator of problems in projects, quite often as a result on consultants not being prepared to "sign off" on Board estimates / projections. However we also accept that changes in consultants often occur for different reasons.

Compliance Committee

Given that AACL Holding owns both the RE and the Project Manager an external compliance committee has been established to deal with scheme and compliance matters such as the RE's compliance with the Compliance Plan, the Constitution and the Corporations Act. The Compliance Committee comprises two external members (Bob Jenkins & Anne Thoume) and an internal member (Ian Wildy). Two of these compliance committee members have been in place since 2006 (Jenkins & Wildy), which gives us a higher level of confidence around the stability of the compliance process. The backgrounds of these individuals are as follows – Ian Wildy (involved in the management of collective agricultural schemes since 1992), Bob Jenkins (qualified solicitor, former State Manager Perpetual Trustees) and Anne Thoume (involved in managed investment industry since 1998, worked previously at Perpetual Trustees & ABN AMRO).

Macro's Compliance Manager (David Mahon) is responsible for all the administration of compliance matters and reports to the COO, Compliance Committee and the Board. The COO (Steve Dixon) has been appointed by the Board as the Compliance Officer for the schemes. In terms of reporting lines, Zenith notes that both the Compliance Manager and the Compliance Officer report through to the COO, and in our opinion industry best practice would have them independently reporting directly to the Board.

Zenith has a strong preference for separation of RE and Project Manager in terms of ownership, which is not the norm in agribusiness managed investment schemes (MIS) but we still believe this to be best practice and further protects unit holder interests.

Returns Alignment

The Project has incorporated several bonus mechanisms which affect investors, farmers and the Project Manager, including the price out-performance calculation, farmer bonus and manager bonus, which are discussed in the Structure section of this report.

In addition to this, the advance facility from CBH Grain to AACL Wholesale creates a significant alignment between AACL and investors since they are investing on an equal footing and subject to the same risks and rewards. Overall, given these and other factors, Zenith is of the opinion that the current level of alignment is relatively high.

Projects & Past Performance

To date, project past performance data is still building, with only the 2005 project have been fully completed. AACL has informed Zenith that the grower IRR was 5.3% pre-tax and 38.5% post tax at a marginal rate of 46.5%.

Individual seasonal performance with relation to yields and process is somewhat less relevant due to their relationship to targets being more important to actual levels received, however we have assessed the following data.

Historical AACL CPU yield analysis

Wheat yields	**2005/06 season**	**2006/07 season**	**2007/08 season**
Forecast	2.16	1.71	1.64
Actual	1.13	1.20	1.44
WA average	2.02	0.92	1.08
Barley yields			
Forecast	-	-	1.82
Actual	-	-	1.36
WA average	-	-	1.46

While some seasons have evidenced level of underperformance to original estimates which is disappointing, this is more a factor of the inherent unpredictability of production yields on a year to year basis. As discussed in the parameters section of this report, yields volatility in cropping enterprises is a significant issue.

Exit Mechanism & Liquidity

The Project is anticipated to have a minimum investment term of 3 years with actual timing of winding up depending on when the last grain sales are undertaken (Note, based on AACL forecasts, it is expected that participation in the projects will be until FY13). Project interests are wholly illiquid with no recourse for redemption during the term. While the Project is significantly shorter in timeframe than the majority of investment seen in this sector, investors should be aware of the consequences of an inherently illiquid allocation in their investment portfolio. The Project should be treated as illiquid and as such may not be suitable for all investors.

Finance

Investors in the Project are able to either fund their interests with equity or arrange personal finance on their own recognisance. The RE have not arranged any finance facilities to enable investors to gear into the Project (nor has this been a feature of previous projects). Zenith has not made any assumptions in regards to the effects or potential liabilities of financing in their assessment. Any investors should be aware that the use of finance as part of an investment strategy has the potential to magnify both gains and losses. Potential investors should also be aware of the implication of using full recourse loans which provide comparatively short term financing to long term projects and which result in potentially extreme gearing levels for investors.

Cost Structure & Fees

Fees relevant to interests in the Project are shown below.

Project cost structure – Minimum subscription (Incl GST)				
	FY2010	FY2011	FY2012	FY2013
Contribution [1]	$26,400 [2]	$23,100	$23,100	-
Rent	-	$1,485	$1,485	$1,485
Subsequent period fee	-	$2,541	$2,541	$2,541

[1] Initial period cost in FY10, Initial Period Fees FY2011 & 2012. [2.] Covers rent and subsequent period fees for FY10.

The initial period costs (application fee) of $4,400 per CPU covers the costs of establishment, maintaining and harvesting the first seasons crop. Contributions in FY2012 and 2013 have the same purpose however it is intended that they be paid from the proceeds of the previous season's harvest. In the event however that harvest proceeds are insufficient, investors will be required to fulfil any shortfall. Rent and subsequent period fees also apply during the Project term. As with the initial period costs, it is intended that they be met from harvest proceeds, and investors will be liable for any shortfalls. The RE has informed Zenith that this has occurred on one occasion in a past project due to an unexpected revenue shortfall.

AACL tends to earn a greater margin with fees on the first season, however this would appear to be reasonable given that there is significant expenditure up front in the identification and vetting process regarding contracting farmers. Project establishment costs also come into this equation however Zenith believes that on the whole the fees structure is relatively efficient.

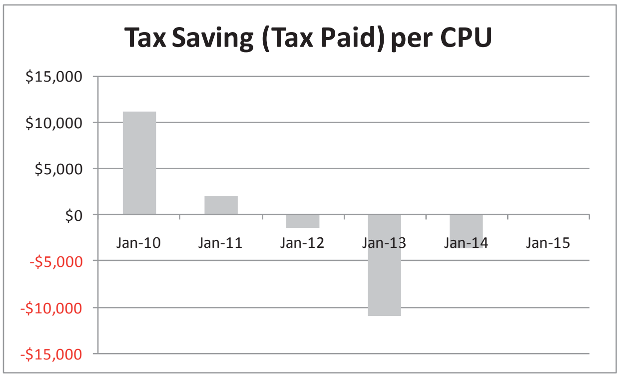
With regards to the management incentive fee, Zenith is of the opinion that the structure, while potentially providing an incentive for the RE to perform, is somewhat inequitable to growers. The threshold at which the manager bonus is triggered is in Zeniths opinion, relatively low in terms of the growers returns. The structure of the fee is one where the Manager takes 10% of the net proceeds between the TV Tier 1 and TV Tier 2 values used in the target value calculations. This effectively means that the manager bonus erodes the investors return and is received before any participation in higher returns by the investor above TV Tier value 2 (only through price increases). If we assume that the TV Tier 2 value of $4,560 is received by growers (refer to 'Structure'), this generates a return on capital of 14% to growers based on the initial period fee of $4,000 for the first season. The manager bonus however is based on exceeding the Tier 1 value which is $4,200, meaning that the growers only receives a return of 5% on capital before this is triggered. Zenith would prefer to see a structure where the manager bonus were triggered at a level exceeding the TV Tier 2 value, even though the manager would be justified in taking a higher proportion.

Zenith notes that adviser commissions will be payable to financial advisers and dealer groups. The RE has indicated that it will pay up-front commissions of up to 5.0% of the application fee. Zenith notes that an up-front commissions of 5.0% is well below the traditional long term industry average for investments within this sector of 10%, however it is still materially higher than the average observed in the mainstream managed funds industry.

Taxation

AACL have been granted Product Rulings PR 2010/2 for the Project confirming the deductibility of fees relating to an investment in the Project for those investors who enter into the Project prior to 31 May 2010. As a scheme promoter, Macro must ensure that the scheme meets the requirements of a qualifying scheme in order for investors to receive upfront statutory deductions for their acquisition costs and subsequent contributions.

Investors are advised to read the Product Ruling in order to determine how the Project applies to their individual circumstances. Based on the deductibility of income, an interest in the Project should carry the following deductions (or payments) based on Zenith's base case scenario and the RE's assessment of fee deductibility as submitted to the ATO.



The taxation implications of investing in the Project may vary according to the investment structure adopted by investors and potential changes to the Taxation Act. Zenith have not analysed the implication of the Product Ruling as Zenith believes that this requires specialist legal and taxation knowledge with relation to an individual's circumstances. It is strongly recommended that investor's seek professional, independent financial and taxation advice before choosing to purchase units in this or any investment vehicle under a Product Ruling.

Site Inspections

In March 2010, a representative of Zenith visited two of the properties owned by farmers contracted to AACL. Specific site visits in this case are somewhat less necessary to verify the physical capability of of a specific site given Zenith's experience with grain farmers in many of the eastern states and the spread of farmers being used in the Project. It is also useful to interview farmers regarding their use of the Project from a farm planning perspective and details on their own operations. Zenith also visited AACL's offices and held detailed discussions with key staff and examined a wide range of the key systems and infrastructure in place to manage the Project.

Based on the farmer selection processes in place by AACL and given Zenith's knowledge of the production areas in the Australian grain belt, the areas being targeted are likely to represent generally good quality sites. While all regions tend to have pockets of land which are unfavourable, this is taken into account by AACL in the selection process. The use of independent agronomists to aid in the selection and monitoring process also provides a strong framework to the targeting of sites that have the necessary qualities to reach targeted production levels. Given that CPU size is not fixed to a set land area but the ability to produce a fixed level of revenue, this creates a strong risk management system.

Scope & Approach

Zenith Investment Partners Pty Ltd (Zenith) was engaged by Australian Agricultural Contracts Pty Ltd to undertake this Product Assessment for a fixed fee established prior to its commencement and payable before delivery of the ratings outcome. Zenith has no vested interest in the success of otherwise of the investment offer. Zenith advises that in the compilation of this Product Assessment, full due diligence on this offer has not been conducted. Investors are strongly advised to consult the relevant offer document, conduct their own inquiries and receive professional advice from a licensed financial advisor. This Product Assessment was not prepared to form any part of any offer document.

Zenith's research philosophy is predicated on focussing only on those premium products that have the potential to be considered best of breed. In keeping with Zenith's broader methodology of undertaking Product Assessments in managed funds, to be eligible for consideration a fund must pass Zenith's initial product filters. This process (which is at no charge), allows Zenith to identify those investment managers and products which represent best of breed in the industry.

These filters are both quantitative and qualitative in nature and are applied to all funds in each of the sectors rated by Zenith. In the case of agribusiness as an asset class, the sector filters have been tailored to accurately address the specific issues relevant to funds management and investment analysis of agricultural operations.

The qualitative and quantitative filters are comprehensive and designed to focus on those investment products which target and deliver on a range of key drivers relevant to the successful production and sale of agricultural commodities and/or assets as an investment class. The model is based on a weighted scoring system that has two main components, a quantitative financial cashflow model based on the investment (20% weighting) and a qualitative assessment model which assesses the product from a more holistic perspective (80% weighting).

The ratings criteria contain over 100 individual points of assessment. These scoring criteria are grouped into 10 major categories which examine the attributes of an investment vehicle. Details on scoring thresholds are found on the back of Zenith's reports under Ratings Methodology along with Zenith's ratings distribution within the sector.

It should be noted that Zenith has not sought any legal advice when reviewing the Projects legal structure or material agreements. Likewise, Zenith has not sought an opinion from a taxation specialist with regard to the implications of the Product Ruling(s) and the deductibility of fees to investors. It is recommended that potential investors seek specialist taxation advice regarding the nature of the Product Ruling(s) with regard to their own personal situation.

Zenith's research is predicated on assessing the merit of managed investments across in all asset classes from an investment perspective. In producing this product assessment, Zenith does not consider whether or not the nature of tax driven investment into agribusiness has merit from a wider social, environmental or ethical perspective other than those issues addressed in the report.

Due Diligence

Zenith has relied upon information contained in the Product Disclosure Statement dated 22 March 2010. Zenith has also carried out its own independent inquires. A representative of Zenith has physically inspected a range of the sites currently under management across a range of species and age classes as well as sites on which the 2010 Project will be located and met with representatives of the RE and Project Manager. There were no issues apparent from a physical inspection of the sites, or from discussions with the RE that would have a detrimental impact on an investment in the Fund, other than those identified in the offer document or other material received or identified in this report.

Zenith has received copies of the following documents as well as other key information:

- Product Disclosure Statement dated 22 March 2010
- Growers reports for AACL 2007, 2008 & 2009 projects

- Annual consolidated accounts for the following entities;
  - AACL 2007, 2008
  - Broadacre Asset Management 2009
  - AACLHL pro forma 2010
- CVs of key personnel
- Compliance plan
- 2010 Grain Co-Production Project Constitution
- 2010 Grain Co-Production Project grower and farmer financial models
- ATO Product Ruling PR2010/2

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Product Assessment - For financial advisers only

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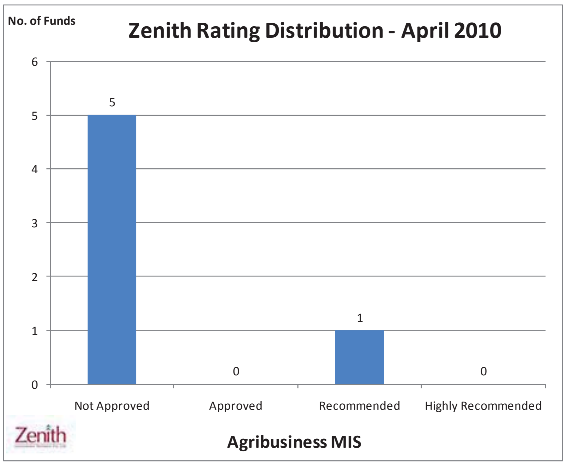
Zenith
Investment Partners Pty Ltd

Product Assessment - For financial advisers only



Zenith Rating Distribution

In keeping with best practice initiatives, Zenith aims to heighten the transparency of its ratings by providing information regarding ratings issued and their outcomes.

Zenith utilises a detailed quantitative and qualitative screening process to narrow down the universe to the most attractive candidates. From the universe of vehicles in the sector, only those funds which pass the initial screening stage are considered eligible for a Zenith product assessment. It should be noted that the majority of funds rated "Not Approved" have not been accorded full due diligence as they have failed to pass Zenith's rigorous initial filters and as such are deemed by Zenith to be non-investment grade.

Details regarding current Zenith ratings within the Agribusiness MIS Sector are shown in the accompanying chart. This data is tracked on a monthly rolling basis, is as at the date of this report and includes the rating awarded in this document. All retail Agribusiness MIS Sector projects which are open for investment within the sector as at the date of this report (to the best of Zenith's knowledge) are included, in keeping with Zenith's ratings methodology. Readers should note however that some projects may not be shown due to pending ratings or Managers not undertaking research even though the project has passed Zenith's initial screening and is eligible.

For additional information on ratings visit www.zenithpartners.com.au or call (03) 9642 3320.

ANALYST CERTIFICATION & DISCLOSURE: Analyst remuneration is not linked to the rating outcome. Analysts do not hold the products under review, unless disclosed. Any interests held must be disclosed and insufficiently material to compromise the rating. The Analyst certifies that the views expressed in the Product Assessment accurately reflect their personal, professional opinion about the financial product to which this Product Assessment refers.

RATINGS METHODOLOGY: The Zenith Product Assessment process utilises a proprietary research model developed specifically for the assessment of agribusiness managed investment schemes. Zenith analyses a wide range of specific factors of an investment and undertake in-depth meetings with all management entities involved to derive its opinion. Methodologies involve a comprehensive, multi-dimensional selection process through rigorous qualitative and quantitative analysis. As a dedicated provider of managed funds research, Zenith is completely objective in its selection process. This process allows Zenith to identify those investment managers and products which represent "best of breed" in the industry.

Each Fund rated under the Zenith Product Assessment is scored as follows;

Rating	Score
Highly Recommended	=/> 80%
Recommended	70% - 79%
Approved	55% - 69%
Not Approved	<55%

HIGHLY RECOMMENDED: Only a small number of funds achieve a Highly Recommended rating. These products represent Zenith's high conviction of the ability of the investment to achieve its goals over the timeframe and high conviction in the abilities of management to achieve these goals and effectively manage internal and external risk factors.

RECOMMENDED: Recommended products are deemed strong investments within their respective asset class. These products represent Zenith's strong conviction of the ability of the investment to achieve its goals over the timeframe and strong conviction in the abilities of management to achieve these goals and effectively manage internal and external risk factors.

APPROVED: Approved products are deemed above investment grade investments within their respective asset class. Approved candidates meet the necessary criteria to be eligible for assessment and sufficient potential to achieve its goals, however weakness in one or more key areas creates sufficient uncertainty in investment outcomes to prevent the product attaining a higher rating.

NOT APPROVED: The large majority of those products rated "Not Approved" do not pass the initial quantitative and qualitative risk filters and as such are deemed non-investment grade. A smaller percentage of products are also culled following the interview process, which involves face-to-face meetings with key personnel.

NOTE: Unlike Zenith's ratings for other asset classes within managed funds, ratings for fixed term illiquid products including unlisted property funds and agribusiness products do not include a "Redeem' rating as part of the ratings scale.