



19th September 2006

Grain Co-Production Project - 2006 Season Update

We are currently performing Late Post Emergent crop inspections and expect those to be completed by the end of September. Once completed we will send you a more comprehensive investor update. In the meantime we provide the following information regarding the 2006 season crop;

Rainfall

- The winter rainfall experienced in WA this season (May to August) has been the lowest ever recorded for much of the wheat-belt with the exception of the Esperance region which has experienced average rainfall.
- Over the past two weeks significant rainfall (up to 2 inches) was received over most of the state. This has improved crop prospects for most of the state except the Northern wheat-belt where the rain is not likely to enhance expected yields.
- A mild finish to the season through the remainder of September and in to October is still required to maintain expected yields.

Wheat Price Outlook.

- The AWB No1 National Pool estimate for APW wheat rose in the last week on the back of dry weather in Australia and Argentina and low world wheat stocks. The current estimate for APW (Australian Premium White) is \$228/t compared to the target price for the 2006 project of \$200/t.
- Dry conditions in other wheat producing regions of Australia are expected to provide further strengthening of domestic wheat prices leading up to harvest.

Other

- There have been some instances of stripe rust in the WA wheat belt. Stripe rust is a wheat leaf disease and is easily treatable. Where required, contracted crops have been sprayed with a fungicide to minimise the impact of this disease on grain yield and quality.
- In some areas locusts are expected to hatch during the remainder of this month and early October. Contracted Farmers in areas where hatchings are expected are aware of their options to prevent damage to contracted crops.

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Summary

- Current yield estimates for the Project indicate that the expected tonnage is approximately 73% of the anticipated production. This is well above the expected yield for the state as a whole and is largely due to AACL's risk management strategies.
- Wheat prices are expected to continue rising due to the poor crop conditions in Australia and the rest of the world and due to tight world stocks.
- Rising prices are expected to provide some compensation for a reduction in yields.

The next update is expected to be forwarded to you by week commencing 15th October 2006.

Regards

Macro Funds Ltd / AACL

