

29 September 2009

2007 GRAIN CO-PRODUCTION PROJECT– SEPTEMBER 2009

This report has been prepared by AACL as the Project Manager of the 2007, 2008 and 2009 Grain Co-Production Projects. In summary:

- Forecast production looks promising
- However, falling prices will likely impact returns.

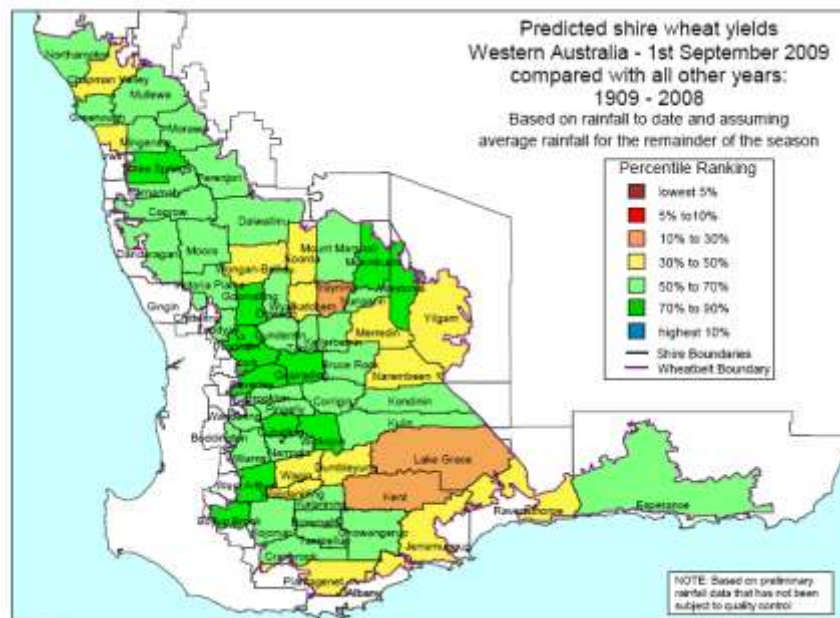
SEASONAL OUTLOOK

Western Australia

Conditions in WA are currently still on track to achieve average overall yields, however dry conditions in the Esperance port zone will likely reduce expected production in this region of WA.

Northern, central and eastern regions of WA are experiencing a good season following rains this week, however higher daytime temperatures through the northern regions could offset some of the benefits of the rain.

Region	Rainfall to Date (Growing Season)	Rainfall Outlook (3 months) <i>Source: BOM</i>	Risk Factors	Yield Outlook (dependent on risk factors)
WA Northern	Average to above average	60 - 65% chance of average	Warm, dry spring	Average to above average
WA Central Eastern Southern	Average	60- 65% chance of average	Warm, dry spring, frost	Average
WA South Coast	Average to below average	60 - 65% chance of average	Warm, dry spring, frost, crop disease	Average to slightly below average



Please note: Below is an explanation for the percentile ranking in the maps above:

- 50% to 70% The current predicted wheat yield (for that particular shire as at 1 September 2009), is in the highest 50 to 70% of predicted wheat yields over the last 100 years.
- 10% to 30% The current predicted wheat yield (for that particular shire as at 1 September 2009), is in the lowest 10 to 30% of predicted wheat yields over the last 100 years.

PRICING

Wheat

Wheat prices have fallen substantially from an estimated \$330/t Free on Board (FOB) price at the time of contracting farmers to an estimated \$250/t FOB currently. The contributing factors include a falling international futures price for wheat and a rising Australian dollar.

The wheat market fundamentals continue to be bearish largely due to ample global wheat supplies on the back of two of the largest ever northern hemisphere winter wheat crops. As stated above, domestic production prospects are positive with the exception of some areas of NSW. With ample supplies of old crop (2008 season) and no significant production issues with the new crop (2009 season), there is currently little incentive for grain acquirers to aggressively buy wheat and thus push prices up.

While the current indicative FOB price of wheat in the AACL Project Pool ("Project Pool") is approximately \$275/tonne, the price is expected to be in the range of \$255/t to \$295/t at the finalisation of the Pool.

Media – Wheat production and pricing

In recent weeks, several newspaper articles have highlighted the potential success for this year's national wheat crop. As discussed above, production prospects are generally positive across much of the grain-belt, however the rising Australian dollar and ample world stocks are having an impact on price, which in turn will have an impact of the Project returns.

Some news articles are focussing on the positive production aspect only while neglecting the issue of price. For your reference, some examples have been provided to show the variation. The Financial Review article provides a very positive view of yield and production whereas the articles from The West Australian provide a reflection of the impact on price on the season. It is important to note that investor returns are a function of both production and price. Consequently it is difficult to forecast likely returns until the grain has been harvested and all grain has been sold.

For further information in regards to this report please contact your Financial Adviser or me on (08) 9217 3100 or Robert.melville@aacl.com.au.

Yours sincerely



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