



PRIMARY SECURITIES LTD

12th February 2010

Dear Grower

Great Southern Vineyards 2004 Project ARSN 108 137 284
Great Southern Vineyards Project 2005 ARSN 108 137 293
Great Southern Vineyards 2005 (Project 2) ARSN 112 665 433

Outcome of meetings

At concurrent meetings held on 3 February 2010, Primary Securities Ltd (PSL) was appointed responsible entity of the above three managed investment schemes and Great Southern Managers Australia Limited (in Liquidation) (Receivers and Managers Appointed) was removed as responsible entity. Growers also resolved to amend the Constitutions and Lease and Management Agreements to remove the fee of 33% of Net Proceeds of Sale and to allow a fee of \$25 per Vinelot (plus GST), and other amendments.

Details of the resolutions passed at the meeting are contained in the notice of meeting and explanatory memorandum which were sent to you in early January. These are also on our website, www.primarysecurities.com.au.

The resolutions to remove the former responsible entity and to appoint Primary Securities Ltd were supported by

- 70.8% of all Vinelots for the 2004 scheme,
- 64% for the 2005 scheme, and
- 61.3% for the 2005(2) scheme.

We thank all Growers who took the trouble to complete proxies.

The actual date of change of responsible entity was 9 February 2010. This is when ASIC altered its records to show that Primary Securities Ltd was responsible entity of the three schemes.

Distributions

One of the last acts of the receiver and manager was to make distributions to Growers in the 2005 and 2005(2) Projects. Growers in the 2004 Project did not receive a distribution.

Once we have received all documentation from the former responsible entity we will review the distribution calculations to ensure they have been done correctly and will advise investors if any issues or matters arise out of such review.

Whether or not there are future distributions will of course depend on what longer term outcome is achieved in the respect of the Projects.

Our Mission

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Our mission is to see what can be rescued. We have no interest in these schemes except to represent Growers and act solely in the Growers' best interests.

Who is Primary Securities Ltd

Primary Securities Ltd is a professional responsible entity, originally formed for a number of diverse agricultural schemes including a viticulture scheme at Margaret River. The Primary Group now has four responsible entities and oversees more than a dozen retail and wholesale schemes of various kinds, some of which are agricultural schemes.

More details of the Primary Group are available on our website (see the front page).

Notice of Intention to Make Claims on behalf of Growers

Our first act on becoming responsible entity on 9 February 2010 was to give notice to the previous responsible entity (through the receiver and manager) of our intention to make a claim against the previous responsible entity for damages for negligence, breach of obligations as responsible entity and breach of statutory duty. The purpose of doing this was to preserve and protect the position of Growers in relation to any relevant insurance policies which Great Southern may still have on foot, before those policies expire or are cancelled.

Inspection of Vineyards

On 10 February, Tony Treadgold, our responsible officer / key person for viticulture, inspected three of the vineyards with Rob Quenby, principal of Quenby Viticultural Services Pty Ltd ("QVS"). QVS is the contractor that established the vineyards and has managed them ever since for Great Southern.

The three vineyards inspected were Ferndale and Riverdale at Frankland and Lansdale at Mt Barker. All vineyards have some vines (up to one third) on a low maintenance program (sheep grazing amongst the vines which is a very effective canopy management technique in keeping the vines free from disease).

The vines being cropped this year were all in good health and Rob Quenby is happy with their condition. There have been no disease pressures in these districts this year.

Pruning was undertaken to set the vines to achieve a targeted yield (and quality) and this should be achieved.

QVS have an excellent record in vineyard establishment and management. We commend Rob Quenby for his initiatives and professional conduct in rescuing these vineyards.

Arrangements with Quenby Viticultural Services Pty Ltd (QVS)

Growers have much to thank QVS for continuing to maintain the vineyards. As Growers were informed in the Explanatory Memorandum for the meetings, on 28 August 2009 the Receivers and Managers entered into a letter of understanding with QVS for QVS to undertake vineyard management services for the 2010 season at QVS's cost. QVS are to be reimbursed out of and to the extent of harvest proceeds for 2010 pursuant to the lien the Receivers and Managers have in respect of the Projects.

A more formal agreement has been drafted but as at the date of handover to Primary Securities Ltd, the formal agreement had not been signed. The task of finalizing the formal agreement has been left to us.



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This means that before signing the formal agreement we are under an obligation to ensure that its terms are consistent with the letter of understanding and are appropriate and in the best interest of Growers.

Assuming we are satisfied with those, it is the intent of Primary Securities to honour the intention of the letter of understanding with QVS and to enter into a formal agreement.

Future of Projects

As advised in the Explanatory Memorandum for the meetings, the purpose of our taking over as responsible entity is to see what can be rescued for Growers. We said:

“The proposed resolutions will allow the consideration of other possible alternatives that may realise more value to Growers than the winding up of the Projects. Even if the Projects are wound up, it is considered beneficial to Growers to have this process controlled by an independent RE, that will seek to protect Growers' interests and to maximise the likelihood of receiving some compensation in respect of a winding up.”

Our immediate task is to arrange for formal agreements to be executed with QVS and to oversee the sale process in respect of the 2010 harvest.

We are also focusing on arrangements for post the 2010 harvest and assessing what opportunities exist in respect of the land on which the vineyards are situated. As the Growers are paying fees (albeit nominal fees of \$25.00 per Vinelot) for the purpose of continuing the schemes, we believe that they should have an opportunity to bid for the land. We have a registered property trust Primary Property Trust No 2 which could be made available to try to negotiate to purchase the land should there be expressions of interest from Growers in us doing so.

If there is interest on the part of any investor, could they please email barbara@primarysecurities.com.au or phone Tony Treadgold on 0419 918 841. If there are third parties interested in buying the land, they might also email or phone us to discuss an involvement or participation. With a property trust ready to go, we are able to invite all Growers (or associated entities) to be involved in the land purchase through a product disclosure statement (PDS). Investment may only be made through a PDS.

We will also be pursuing with interested parties who are discussing a possible Scheme of Arrangement in respect of the schemes. This might involve the interest of Growers being surrendered in exchange for some consideration. In the event that there is no satisfactory outcome regarding a Scheme of Arrangement, then alternate options will be considered.

If no Scheme of Arrangement can be negotiated and there is no funding to pay for costs for the following season then Primary Securities Ltd would have to arrange for the projects to be wound up.

Growers' Committee

We propose establishing a Growers' Committee for each Scheme. Growers are invited to nominate suitable persons to represent them on this committee, including themselves if they wish. The Growers' Committee is not a decision making body but rather will act as an interface between Primary Securities Ltd and the Growers and is designed to assist in communications and management of the Scheme(s).

Please contact Barbara Boyd, the company secretary of Primary Securities Ltd by emailing barbara@primarysecurities.com.au and giving your name, scheme and phone number if you wish to put forward a nomination for the Growers' Committee. The Growers' Committee may meet by



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telephone conference. Depending on the level of interest we may need to limit numbers to be effective but in doing so we would aim to have a fair cross section of investors. We will confirm by email the investors who are to comprise the Growers' Committee.

Invoices for Responsible Entity services

As detailed in the explanatory memorandum (and approved at the meetings) in order to pay for administration and management costs each grower is being charged a fee of \$25 per Vinelot (plus GST) for the period from our appointment to 30 September 2010.

An invoice is now attached in respect of your Vinelots. We are dependent on these fees to pay for everything we do.

Please note that if payment is not received in respect of the attached invoice by the due date, additional administration fees apply (as approved by members in amendments to the constitutions of the schemes). It is most important to quote the correct reference number when making payment as unidentified payments will result in additional fees if not identified prior to the due date.

Updates

Updates in relation to what we are doing and your scheme will be posted on our website www.primarysecurities.com.au under the heading GREAT SOUTHERN.

As we wish to minimize costs, we will be unable to always communicate with Growers through the post however we would encourage all Growers to ensure they have provided an email address to which any notifications or updates could be provided. Email addresses can be notified using the contact details update form on our website or by emailing natasha@primarysecurities.com.au.

Yours faithfully

PRIMARY SECURITIES LTD

Robert Garton Smith
Managing Director