



## PRIMARY SECURITIES LTD

20<sup>th</sup> May 2010

«Address\_1\_»  
«Address\_2\_»  
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«Address\_4\_»  
«Address\_5\_»

Dear Investor

**Templegate Forestry Trust Hamilton (ARSN 093 014 325) ("Hamilton")**  
**Templegate Forestry Trust Mossgrove (ARSN 093 014 272) ("Mossgrove")**  
**Templegate Forestry Trust Jeremy 1 (ARSN 093 014 012) ("Jeremy 1")**  
**Templegate Forestry Trust Jeremy 2 ( ARSN 093 014 192) ("Jeremy 2")**

### Inspection of Plantations

Tony Treadgold, Primary's director of agricultural operations and Braden Jenkin, our consulting forester travelled to Burruga on 20 April 2010 and spent a day inspecting the plantations. The purpose of the visit was to establish a presence, to meet with interested parties who had offered their services in managing the plantations and to ensure security of the sites. Plantations inspected were Mossgrove, Hamilton, Jeremy 1 and Jeremy 3.

### Appointment of consultant adviser

The visit resulted in the immediate appointment of John Byrne as a consultant adviser and a minder of the plantations.

John is a local identity with impressive forestry credentials. He knows the plantations intimately, having planted Mossgrove and been responsible for many of the forestry roads (design and construction supervision) required for removal of timber. He has supervised the thinning and clearfell of millions of tonnes of pine in his 32 years as a local resident.

### Second Visit to the Plantations

Tony Treadgold returned to Burruga on 18 May and spent three full days with John Byrne, two days on site in the plantations, visiting all four plantations plus Jeremy 3 and Jeremy 4. A further day was spent meeting with potential timber buyers and starting on a maintenance and harvest plan. John has a wealth of information, providing documents and data that Primary has been unable to obtain from the liquidators and which Primary might never have known existed.

### State of the Plantations

The four plantations in order of strength / timber quality are Hamilton, Mossgrove, Jeremy 1 and Jeremy 2. The buyer from Carter Holt Harvey (CHH) buying consortium wishes to buy the timber from the first three plantations but not Jeremy 2. Jeremy 2 has inherent problems of inaccessibility which we need to work on. Neither Jeremy 1 nor Jeremy 2 are considered strong plantations. It seems that

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Great Southern were aware of this and planned to supplement the timber on these plantations with timber from Jeremy 3 and Jeremy 4, thus ensuring better rates of return to Growers.

The liquidators say that this was only an intention and was never formalized as a binding obligation. The boxes of information which we have received from the liquidators all appear to have been carefully scrutinized to remove any reference to Jeremy 3 and Jeremy 4.

Would Jeremy 1 and Jeremy 2 Growers please copy to us any information you have received from Great Southern which refers in any way to Jeremy 3 and Jeremy 4. This subject will be one of the topics for discussion at the next Growers' Committee meeting.

### **Future of the Projects**

We are comfortable at this point that worthwhile outcomes are achievable for Hamilton and Mossgrove and to a lesser extent, Jeremy 1 and Jeremy 2, the more so if Jeremy 1 and Jeremy 2 Growers are able to access Jeremy 3 and Jeremy 4.

### **Growers' Committee Meeting**

The first Committee meeting is to take place on Tuesday 25<sup>th</sup> May in Melbourne and by telephone hookup. We will be presenting draft detailed spreadsheets in relation to the plantations with options for going forward. Our spreadsheets and options are still to be approved by our consulting forester.

### **Purchase of the Land**

We now have some knowledge of the prices paid in the region for plantable land. We also know that there were at least two bids to purchase the land and timber (as separate items) just prior to Great Southern going into receivership. To date, we have not been able to obtain copies of these offers but have demanded copies from the liquidators.

### **Financial Statements**

We have only in this week received boxes of information from the liquidators, which includes draft financial statements for the financial year ended 30 June 2009 and the half year ended 31 December 2009. These have not been audited because the practice of the liquidators is not to go to the expense of auditing.

Primary has sought the approval of ASIC to change auditors as after liquidations there is always the potential for claims against previous auditors (not that we have any grounds at this point for making any claims). It will take some time to obtain this approval and we will not be able to lodge the financial statements until this approval has been granted, fresh auditors have been appointed, and they have completed their audit. In the meantime, if anyone would like to see the draft unaudited financial statements, they are on our website.

### **Constitutional Changes**

Fresh Constitutions including the changes approved by Growers at the meetings of Growers have been lodged with ASIC. We have also prepared and lodged a fresh Compliance Plan for each scheme.

### **Status of Trust (Maintenance) Funds**

As Growers are aware, the former responsible entity, Great Southern Managers Australia Limited holds money in trust accounts for the schemes. We have now demanded this money from the liquidators.



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### Documents from the Liquidators

After threatening to commence proceedings against the liquidators for failing to provide us with any documents and other information in relation to the schemes, we received a mass of documents this week from the liquidators. Most of the documents we received were very old and not of great interest.

The liquidators have still to give us a lot of information regarding the plantations and schemes which we have been requesting. We believe that documents are being withheld from us which we are entitled to have, particularly documents which touch upon the value of the land and the issues in relation to Jeremy 3 and Jeremy 4. We have also not received any compliance committee reports, copies of the prospectuses for the schemes, board minutes relating to the schemes, documents regarding the request for tenders for the sale of the trees.

### Further Meetings of Growers

As foreshadowed in the Explanatory Memorandum, there will be another round of meetings of Growers to approve our recommendations and budgets for proceeding into the 2011 financial year. Notice will be sent to Growers in about two weeks' time.

### Invoices for Responsible Entity services

As detailed in the explanatory memorandums (and approved at the meetings of Investors) each Investor is being charged fees in order to enable us to carry out our work until 30 June 2010. The total amount to be invoiced to each scheme is \$66,000 plus GST and this is to be apportioned according to the number of Leased Areas in the scheme.

This is to fund:

- The visits to the plantations by our forester and director for agricultural schemes
- Formulation of a plan for action for each scheme
- Completion of Financial Statements for 2009 and where appropriate, the half year to December 2009 (including audit)

We are dependent on these fees to pay for this work. An invoice is now attached in respect of your woodlots. Invoices for Hamilton (which we previously thought was marginal) are now being rendered as our investigations reveal a positive picture. We hope to be able to provide full reports with notices of the next meetings of Growers to take place in June.

Please note that if payment is not received in respect of the attached invoice by the due date, additional administration fees will be invoiced (as approved by members at the meetings). **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

A reminder that updates in relation to what we are doing are being posted on our website [www.primarysecurities.com.au](http://www.primarysecurities.com.au) under the heading TEMPLEGATE.



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Yours faithfully  
**PRIMARY SECURITIES LTD**

A handwritten signature in black ink, appearing to read 'RGS', with a long, sweeping flourish extending to the right.

Robert Garton Smith  
Managing Director