

TEMPLEGATE FORESTRY TRUST HAMILTON (ARSN 093 014 325)
TEMPLEGATE FORESTRY TRUST MOSSGROVE (ARSN 093 014 272)
TEMPLEGATE FORESTRY TRUST JEREMY 1 (ARSN 093 014 012)
TEMPLEGATE FORESTRY TRUST JEREMY 2 (ARSN 093 014 192)

Explanatory Memorandum to Lessees (Scheme Investors)

This Explanatory Memorandum is important and we recommend that you read it in full. It explains to you the resolutions set out in the Notice of Meeting and should be read in conjunction with the Notice of Meeting.

A number of capitalised terms are defined in the Glossary.

If the ordinary resolutions approving the budget and fees are not passed, the Responsible Entity will immediately terminate the Scheme.

If you cannot attend the meeting in person then please sign and return the enclosed Proxy Form without delay.

The Responsible Entity recommends that you vote in favour of these resolutions

Meetings of the four Schemes will be held on Thursday 12th August 2010 at 434 Clarendon Street, South Melbourne commencing at 4 pm AEST to consider and vote on the Resolutions. Voting will be on a Scheme by Scheme basis. Proxy Forms must be returned to Primary Securities Ltd by no later than 2 pm AWST on Tuesday 10 August 2010. This Explanatory Memorandum accompanies a Notice of Meeting and a letter of report to Lessees dated 14 July 2010 with attachments.

1. INTRODUCTION

The purpose of the meetings is to approve:

- the Responsible Entity's budget for the 2010 / 2011 financial year;
- the Responsible Entity's quoted fees for continuing to work as responsible entity in relation to the Scheme; and
- amendments to the Constitution to assist the smooth funding of costs and expenses.

1.1 Letter to Lessees

Lessees are referred to the letter of report dated 14 July 2010 (Letter to Lessees) which sets out projected returns, the status of the funds currently held in trust, the amounts which might now be required per Scheme and other matters.

1.2 Background

As Lessees were informed before the last meetings, if Primary Securities Ltd believes that further work is justified, it will prepare a budget for the 2010/2011 financial year and present that budget to a second meeting of Lessees for approval. It was intended that approval be obtained prior to 30 June 2010 but that has not been possible because of delays caused by the liquidators as explained in the Letter to Lessees.

In addition to approving the budget for the 2010/2011 financial year for each Scheme, the Lessees in general meeting must also approve the Annual Responsible Entity Fee as a separate resolution with respect to each Scheme.

If a meeting of Lessees of any Scheme does not pass these resolutions, in accordance with the Constitutional changes approved at the last meetings, Primary Securities Ltd will wind up the relevant Scheme.

If the meetings of Lessees approve the budget and the Annual Responsible Entity Fee for the 2010/2011 financial year then, until the relevant Scheme is terminated:

- (a) the Annual Responsible Entity Fee of \$75,000 plus GST; and
- (b) such sum as the Responsible Entity estimates as the likely cost of forestry management of the Scheme in respect of the following 12 months plus GST;

will be payable annually thereafter without further reference to the Lessees in general meeting.

1.3 Supplementary Information

Changes to this Explanatory Memorandum which are not materially adverse to Lessees may be published on the website of Primary Securities (www.primarysecurities.com.au) and if so those changes are incorporated into the Explanatory Memorandum. Lessees are encouraged to check the website regularly for any changes, especially in the period leading up to the lodgement of proxy forms and the day of the meeting.

1.4 Date of Document

This Explanatory Memorandum is dated 14th July 2010.

2. PROPOSED RESOLUTIONS

2.1 Introduction

There are a total of three resolutions included in the Notice of Meeting.

Resolutions 1 and 2 are ordinary resolutions. To be passed these resolutions require a simple majority of the total votes that may be cast by Lessees who are entitled to vote on the resolution and who are present at the meeting (in person or by proxy).

Resolution 3 is a Special Resolution. To be passed this resolution requires at least 75% of the total votes that may be cast by Lessees who are entitled to vote on the resolution and who are present at the meeting (in person or by proxy).

2.2 Consequence of Resolutions not being passed and not taking Effect

If either resolution 1 or 2 are not passed in relation to any Scheme, then the Responsible Entity will wind up the Scheme.

Clause 27.6 of the Constitution provides that the winding up of the Scheme will commence by the Responsible Entity giving each Lessee a notice in writing of the determination of the Scheme and the intention to distribute the Trust Funds and the Responsible Entity will:

- (a) rescind the Lease and Management Agreement and remove them from the title;
- (b) realise any balance in the Trust Funds which may still remain;
- (c) retain out of any moneys in its hands sufficient to pay all costs it may incur in relation to the Trust Funds or liquidation of the Scheme; and
- (d) distribute the net proceeds.

This effectively means that the only funds available for distribution will be the balances in the Trust Funds after payment of all costs incurred by the Responsible Entity with respect to the Scheme. The Trees will, upon rescission of the Lease and Management Agreement, effectively become the property of the land owner.

In the event that there are still unpaid fees owing to the Responsible Entity, the Responsible Entity reserves the right to recover those fees.

2.3 Resolution 1 - Approval of Budgets for 2010 / 2011

The budgets for 2010 / 2011 for each Scheme are set out in the Appendices to the Letter to Lessees.

Lessees are asked to approve these Budgets on a Scheme by Scheme basis.

If the resolution approving the Budget is not passed for any particular Scheme then the Responsible Entity will wind up that Scheme.

2.4 Resolution 2 – Annual Responsible Entity's Fee

The Responsible Entity is a contract responsible entity. Its services must be paid for.

The Responsible Entity's \$75,000 fee covers the following for each financial year:

- Carrying out normal responsible entity overseeing and compliance functions

- Compliance Committee costs (as required by the Corporations Act)
- Maintaining the Register of Lessees
- Book-keeping, accounting and financial reporting
- Preparing and lodging the annual report and ASIC returns
- Scheme audits and compliance audits
- Administration, postage, bank fees and printing costs

If this resolution is not passed then the Responsible Entity will wind up the Scheme. Note that the Budgets as set out in the Appendices to the Letter to Lessees includes the Annual Responsible Entity's Fee.

2.5 Resolution 3 – Changes to the Scheme Constitution

Your Scheme is governed by a legal document known as a Scheme Constitution. The Constitution sets out the rights and obligations of both the Lessees and the Responsible Entity and in particular what funds can be used to pay the Annual Responsible Entity's Fee and other costs properly incurred by the Responsible Entity on behalf of the Scheme.

(a) Responsible Entity to apply money in any trust account in payment of any costs

Currently the Constitution dictates that the Responsible Entity must apply funds held by the Responsible Entity only for specific purposes.

This means that the Responsible Entity must invoice the Lessee for outgoings and expenses incurred by the Responsible Entity which do not satisfy the description of costs which may be paid by the Responsible Entity from the funds held by the Responsible Entity. Given there are funds being received by the Responsible Entity on behalf of the Lessee (for whatever purpose) it makes sense that these funds be expended before invoicing Lessees for further funds.

For example, the money in the Trust Maintenance Accounts can currently only be used for forestry maintenance. The passing of resolution 3 will enable this money to be used for other proper costs and expenses of the Scheme.

(b) Responsible Entity to withhold distributions for anticipated fees

Currently the Constitution dictates that the Responsible Entity must distribute proceeds upon receipt. This could prevent the Responsible Entity holding back proceeds which might more appropriately be used for anticipated costs and expenses.

2.6 Recommendations of the Responsible Entity and disclosure

The Responsible Entity recommends that you vote in favour of all resolutions to prevent your Scheme from being terminated.

For Lessees in TEMPLEGATE FORESTRY TRUST JEREMY 1 (ARSN 093 014 012), the Responsible Entity may still decide it is in your interest to terminate the Scheme prior to October 2010 if it is unable to arrange for clear-felling or trade sale of all your rights as explained in the Letter to Lessees.

The Responsible Entity declares an interest in the carrying of the resolutions as the matters being approved are the Annual Responsible Entity's Fee (which is the same fee as was quoted in the Explanatory Memorandum for the meetings of Lessees on 1 and 22 April 2010 at which the Responsible Entity was appointed) and the budget for the 2010 / 2011 Financial Year.

3. GLOSSARY

Annual Responsible Entity's Fee means the annual fee of \$75,000 plus GST payable to the Responsible Entity to procure the services of the Responsible Entity;

Constitution means the relevant Scheme Replacement Constitution dated 17 May 2010;

Lessee means Scheme Investors;

Letter to Lessees means the letter dated 14 July 2010 accompanying the Notice of Meeting and this Explanatory Memorandum;

Notice of Meeting means the Notice of Meeting dated 14 July 2010 with respect to the Lessee's Meeting with respect to the Scheme to take place at 4 pm AWST on 12th August 2010 at 434 Clarendon Street, South Melbourne VIC 3205

Plantation means an area of land of the name, size and description detailed and described in a plantation which now comprises a Scheme;

Responsible Entity means PRIMARY SECURITIES LTD, ABN 96 089 812 635, a company incorporated in Australia, holder of Australian Financial Services Licence No 224107, and having its registered office at 13 Nairn Street, Fremantle, Western Australia 6160;

Scheme means any of the following managed investment schemes or all of them as the case requires: namely TEMPLEGATE FORESTRY TRUST HAMILTON (ARSN 093 014 325), TEMPLEGATE FORESTRY TRUST MOSSGROVE (ARSN 093 014 272), TEMPLEGATE FORESTRY TRUST JEREMY 1 (ARSN 093 014 012) and TEMPLEGATE FORESTRY TRUST JEREMY 2 (ARSN 093 014 192);

Trees means *Pinus radiata* trees planted on the Plantations;

Trust Fund means any one or more of, or where the context permits every one of the Trust (Insurance) Fund, Trust (Maintenance) Fund and Trust (Proceeds) Fund created in respect of each Scheme;

Trust (Insurance) Fund means the trust fund created pursuant to the Constitution of each Scheme with respect to money received by the Responsible Entity pursuant to any insurance policy as set out in the relevant Constitution;

Trust (Maintenance) Fund means the trust fund created pursuant to the Constitution of each Scheme for the purpose of maintaining each relevant Scheme;

Trust (Proceeds) Fund means the trust fund created pursuant to the Constitution of each Scheme for receiving proceeds of harvest and paying the costs of such harvest.

Rob Garton Smith



Managing Director
Primary Securities Ltd

