

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.

Your vote is important because resolutions 2 and 3 to change the Responsible Entity cannot take effect unless at least 50% of ALL eligible Leased Lands vote in favour of the resolutions.

If the resolutions are not passed, the Scheme will be wound up by the Receivers and Managers.

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

Meetings of the four schemes will be held on Thursday 1st April 2010 in Melbourne commencing at 10 am to consider and vote on the Resolutions. Voting will be on a Scheme by Scheme basis. Proxy Forms must be returned by no later than 10 am WST on Tuesday 30th March 2010. This Explanatory Memorandum accompanies a Notice of Meeting.

1. INTRODUCTION

The Great Southern Group of Companies (Great Southern) was placed into administration on 16 May 2009 and Receivers and Managers were appointed on 18 May 2009. On 19 November 2009, certain companies within the Great Southern Group, including the current Responsible Entity of the Scheme, Great Southern Managers Australia Limited (**GSMAL**), were placed into liquidation.

A group of Lessees having substantial interests in 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) (the **Schemes**) have asked Primary Securities Ltd to formulate a proposal whereby GSMAL is replaced and the Schemes are not terminated.

More than 5% of Lessees in each of the Schemes have now authorised Primary Securities to call concurrent meetings of Lessees in the Schemes to consider changing the Responsible Entity (RE) from GSMAL to Primary Securities and to make certain constitutional amendments.

The purpose of the meetings is to rescue the Schemes from being wound up, to enable Primary Securities to become RE, to examine the position as to whether or not the Plantations can be harvested or sold immediately or whether it is in the interest of the Lessees that they continue to maintain the Schemes to harvest or until some other appropriate solution is found for the benefit of Lessees.

Primary Securities is one of the two main independent RE's in Australia in relation to agricultural schemes, and is one of four responsible entities in the Primary Securities Group. The role of Primary Securities will be purely to represent Lessees.

In order to effect the proposed changes, the resolutions need the requisite number of Lessees to approve the changes. Details of the resolutions are set out in Section 2 of this Explanatory Memorandum. **YOUR VOTE IS IMPORTANT.**

1.1 Notice to Wind Up the Schemes

By notices dated 25 January 2010, the Receivers and Managers have given notice to Lessees that the purpose of the Schemes cannot be accomplished and accordingly the Schemes should be wound up.

In each case, the Scheme has some funds at hand for maintenance but not sufficient to pay for maintenance through to harvest. In each case, according to the Receivers and Managers, the Receivers and Managers have received an expression of interest from an interested party to manage the harvest and sale of timber but the interested party lacked the necessary regulatory requirements to replace GSMAL as RE.

1.2 Prospect of Returns

Each of the Schemes was formed in the 1980s and is within only a few years short of the due date for harvest (being either 2, 3 or 4 years from now). The most recent insurance values for the Schemes vary from around \$7,328 to \$10,018 per hectare. These values have to be treated cautiously for the following reasons:

- We have not seen any expert forestry report in relation to values nor projected returns nor optimum date for harvest
- Insurance values may be optimistic and overstated (in our calculations we have discounted these values by 25%)
- In some cases, trees have been lost due to fire, we do not know the extent to which this is taken into account in the insurance values

The Receivers and Managers have also estimated what has to be spent now on the plantations and what costs are required through to harvest.

Based on the figures provided by the Receivers and Managers, after deducting our proposed RE fees, and subject to our qualifications in bold below, there may be a profit on each Scheme for the Lessees if they can find the funds to continue the Schemes.

There are moneys held by the Receivers and Managers in Trust (Maintenance) Funds for each Scheme. From what we can deduce, these moneys appear to have been provided by the promoter of the Schemes at the establishment of the Schemes (in each case from the substantial fees received in the first year of the Scheme). While the money is designated as being in a "Trust (Maintenance) Fund", the Constitution of each Scheme currently provides that on any change of RE, the money is to be paid to the retiring RE and must be replaced by the new RE from its own funds.

We are not in a position to replace these funds from our own funds as we do not seek to replace Great Southern. Nor is it appropriate that the Lessees be required to replace these funds. We propose that Lessees approve an amendment to the Constitution to remove the clause from the Constitution.

There may be a case for the Lessees to argue that the money in the "Trust (Maintenance) Fund" for each Scheme should remain in that fund for the benefit of any new RE and that the Receivers and Managers are estopped from taking that money.

Alternatively, there may be a case for arguing that the existing RE should at least hand over so much of the "Trust (Maintenance) Fund" for each Scheme as is sufficient to pay for work needed now as this represents work for which the Trust (Maintenance) Fund" was in existence at the time of change of RE. The matter requires legal advice and the Lessees in relation to each Scheme need to make a decision based on that advice as to whether or not they wish to commence proceedings to claim that money. In the calculations below, it is assumed that no money is available to Lessees from the "Trust (Maintenance) Fund".

[The amendments to the Scheme Constitutions give Primary Securities the power to commence proceedings to recover the Trust (Maintenance) Fund on approval of an ordinary resolution of Lessees.]

Based on the information provided by the Receivers and Managers, the roughly calculated cost per year for Lessees per Leased Land (including RE fees and fire insurance costs) is:

| Year | Hamilton | Mossgrove | Jeremy 1 | Jeremy 2 |
|------|----------|-----------|----------|----------|
| 1 | \$1,027 | \$176 | \$392 | \$560 |
| 2 | \$885 | \$179 | \$431 | \$765 |
| 3 | \$885 | \$179 | \$431 | |
| 4 | \$885 | | | |

Once again, based on the information provided by the Receivers and Managers, the roughly calculated return on funds spent by Lessees is:

| Hamilton | Mossgrove | Jeremy 1 | Jeremy 2 |
|----------|-----------|----------|----------|
| 138% | 553% | 240% | 275% |

In any commercial situation, such a possible return makes it worthwhile pursuing, or at least pursuing cautiously (particularly in the case of Hamilton).

Lessees are warned that these figures may not be accurate. We have not inspected the plantations and we have commissioned no forestry report. We are simply relying on the best information available being the information supplied by the Receivers and Managers which was not intended for the purpose of forecasting possible profits and returns.

We do not guarantee that these estimates are correct and that the returns will be in accordance with our calculations. Until pine trees are ready for sawmilling, they have only limited value for woodchips. The “insurance values” may be substantially in excess of the woodchip value of the trees. It is not possible to make a judgement about any of these matters until our forester has examined the plantations.

1.3 Proposal

It is proposed to seek to change the current RE to Primary Securities so as to allow Interim Services to be carried out from the date of appointment to 30 June 2010 and a fee per Leased Land to be charged for those Interim Services, which are:

- (a) To make a proper professional assessment of the Plantation and likely returns and costs, and the optimum date for harvest;
- (b) To consider whether or not it is better for Lessees to attempt to sell their interest in the Plantations now or wait for harvest;

- (c) To commence negotiations with any person willing to carry out maintenance and harvest services on the Plantation in exchange for a share of Proceeds or otherwise and to enter into an agreement on behalf of Lessees if thought in their best interest;
- (d) To commence negotiations with any person willing to purchase the entire interest of Lessees in the Plantation and to enter into an agreement on behalf of Lessees if thought in their best interest;
- (e) To claim so much of the Trust (Maintenance) Fund as is possible (but not to mount a claim in court or arbitration without approval of the budget by Lessees by ordinary resolution unless it is necessary to protect the fund);
- (f) To bring financial reporting and audit obligations up to date;
- (g) To form a committee of Lessees to consult in relation to such matters;
- (h) To call a meeting to approve a budget for the following financial year.

Primary Securities is a “fee for service” RE and will need to be paid fees and incurring out-of-pocket costs.

If Primary Securities is appointed, it is proposed that each Scheme will be charged an up-front fee of \$66,000 plus GST for Interim Services.

The fee per Leased Land for these Interim Services is as follows:

| | | | |
|----------|-----------|----------|----------|
| Hamilton | Mossgrove | Jeremy 1 | Jeremy 2 |
| \$541 | \$83 | \$287 | \$410 |

It is believed that this approach will provide the best opportunity to Lessees to examine their position and if thought worthwhile, proceeding to maximise the potential of their current investment.

1.4 Ongoing Fees and Costs

If Primary Securities believes that further work is justified, it will prepare a budget and present that budget to a second meeting of Lessees for approval prior to 30 June 2010. That budget will provide for the following:

- (a) an ongoing fee of \$75,000 plus GST per scheme per annum (see below for what this covers); plus
- (b) the cost of forestry work and forestry experts including travel and accommodation where required; plus
- (b) if separately approved by Lessees by ordinary resolution, the cost of claiming the amounts currently held in the Trust (Maintenance) Fund.

If the meeting of Lessees approves the budget by ordinary resolution, then the Lessees will be invoiced for the ongoing fees. Otherwise, Primary Securities will wind up the scheme on 30 June 2010.

If a meeting approves any Scheme continuing next financial year, the RE's \$75,000 fee covers the following for that financial year:

- Carrying out normal RE 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

1.5 What if any fees are not paid?

By agreeing to the proposed resolutions, Lessees are agreeing to be invoiced their proportion of all fees.

If the responsible entity fee is not paid within 30 days of invoice, then the Lessee will be invoiced a further \$50 as an administration fee. If these two fees are not paid, then the Lessee may be invoiced a further \$250 to pay for the costs of enforcing collection. No right of termination on default is being inserted into the Constitution, however there is a right to put the Lessee's Leased Lands up for sale and to assign the Leased Lands.

Should any Lessee wish to pay by credit card, there will be an additional 2% fee.

1.6 Further Fees and Costs out of Proceeds

In order to reduce the burden to Lessees prior to the receipt of Proceeds, Primary Securities proposes that it receive a further fee of 5% of moneys paid into the Trust (Proceeds) Fund and also be reimbursed out of the Trust (Proceeds) Fund for certain costs (details of which are set out in Clause 16.3 of the Constitutional amendments).

1.7 Benefits

The main benefit to Lessees of passing the resolutions is that control of the Schemes is effectively passing to the hands of an independent company whose only obligation will be to look after the interest of the Lessees.

Pursuant to section 601FD(1) of the Corporations Act, 2001, various duties are imposed on a responsible entity in addition to any other duties that a responsible entity may have at law. In particular the responsible entity of a registered scheme must:

- (a) exercise the degree of care and diligence that a reasonable person would exercise if they were in the responsible entity's position;
- (b) act in the best interests of the Lessees and, if there is a conflict between the Lessees' interests and its own interests, give priority to the Lessees' interests;
- (c) treat the Lessees who hold interests of the same class equally and Lessees who hold interests of different classes fairly.

1.8 Risks

The major risk to Lessees with respect to the implementation of the resolutions are:

1. The estimates of costs and fees that have been prepared based on limited information are incorrect and have to be revised.
2. The necessary fees we are inserting into the Constitution are not able to be paid by some of the Lessees, and the RE is not able to find a buyer for their Leased Land, thereby prejudicing the required funding for the Schemes.
3. The Schemes were included in the Order made by the Supreme Court of Victoria on 19 August 2009 permitting a lien over proceeds for reasonable expenditure and reasonable remuneration in the care, preservation, protection and/or realisation of scheme property. It may be the case that there are current claims or liens over proceeds in favour of the current RE or claims against the new RE that impact the viability of the Schemes or the ability of the RE to continue. There is no hint of any such claims in the circular to Lessees from the Receivers and Managers.

1.9 Information on Primary Securities

Primary Securities is part of the Primary Securities Group which comprises four responsible entities, the main responsible entity being Primary Securities.

Primary Securities is one of two main independent responsible entities in Australia with extensive experience in acting as responsible entity in the agricultural sector and has the resources, skills and experience to act as RE in respect of the Schemes. Primary Securities has issued capital of \$100,000.

The Primary Securities Group:

- has been operating managed investment schemes since 1999
- is independent from all parties associated with the Schemes

- is solvent
- runs or has received conditional approval from the Australian Securities and Investments Commission to run 17 registered managed investment schemes not including the Schemes.
- has consented in writing to take on the role of responsible entity if all resolutions are passed and take effect.

Primary Securities has recently taken over three of the Great Southern viticulture schemes for the purpose of protecting the interest of Lessees.

Further details on the Primary Securities Group, including details on the board of directors and senior management team are available on the Primary Securities website, www.primarysecurities.com.au.

1.10 Conditionality of Proposed Resolutions

All resolutions to be put to the meeting of Lessees of any one Scheme, as set out in the Notice of Meeting, are inter-conditional. This means that no single resolution will take effect unless all other resolutions before the meeting are passed.

The resolutions are **not** conditional on similar resolutions being passed by Lessees in all of the Schemes.

The resolutions are also subject to Primary Securities having not withdrawn before the commencement of the meeting, its written consent to act as the replacement responsible entity for the Schemes. This is necessary in case Primary Securities becomes aware of claims which would be made against it if it became RE which are not currently taken into account.

1.11 Other important information

1.11.1 ASIC Licence Requirements

ASIC has not yet offered to vary the Australian Financial Services Licence of Primary Securities to enable it to operate the Schemes, should Lessees appoint it to do so. An application for variation of its Australian Financial Services Licence was made on 19 February 2010 and is expected to take some weeks to be granted.

Accordingly, Primary Securities will require to have authority from ASIC to act as RE for the Schemes prior to the meetings taking place.

1.11.2 Responsibility Statement and Disclaimer of Liability

The information in this Explanatory Memorandum has been prepared by, or on behalf of Primary Securities. The Lessees who convened the meeting are not responsible for this Explanatory Memorandum.

Changes to the Explanatory Memorandum (including the Annexure) 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.

1.11.3 Date of Document

This Explanatory Memorandum is dated 4th March 2010.

A handwritten signature in black ink, appearing to be 'RGS', written in a cursive style.

Rob Garton Smith
Managing Director
Primary Securities Ltd

2. PROPOSED RESOLUTIONS

2.1 Introduction

There are a total of 3 resolutions included in the Notice of Meeting. These resolutions are set out in the Annexure to this Explanatory Memorandum.

Resolution 2 and 3 are each Extraordinary Resolutions. To be passed they require at least 50% of the total votes that may be cast by all Lessees entitled to vote on the resolution **(including Lessees who are not present whether in person or by proxy or attorney)**. This means that the resolution will not be passed unless it has the support of at least 50% of all Leased Lands in the relevant Scheme (excluding ineligible Leased Lands).

Resolution 1 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).

It is extremely important that you either submit the enclosed Proxy Form or you attend the meeting in person.

2.2 Conditionality of Proposed Resolutions

All resolutions to be put to the meeting of Lessees, as set out in the Notice of Meeting, are inter-conditional. This means that no single resolution will take effect unless all other resolutions before the meeting of the relevant Scheme are passed.

2.3 Consequence of Resolutions Not Being Passed and not taking Effect

If all of the resolutions in relation to any Scheme are not passed, then the current insolvent responsible entity, **GSMAL**, will remain as the responsible entity. The Receivers and Managers will wind up the Scheme.

2.4 Resolution 1 – Changes to the Scheme Constitution

Your Scheme is governed by a legal document known as a Scheme Constitution.

In return for Primary Securities agreeing to take on the role of the responsible entity, and so as to provide greater optionality and flexibility for the Schemes, in Resolution 1, Lessees are being asked to approve the following key changes to the Scheme Constitutions and to the Lease and Management Agreements.

Resolution 1 is subject to and conditional on Resolution 2 and Resolution 3 being passed.

A summary of these changes is as follows (refer to the Annexure for the full text):

Permit the RE to:

- protect the interest of the Lessees on the title in various ways
- commence proceedings to protect the interest of Lessees
- enter into one consolidated Lease and Management Agreement for the Scheme
- vary that agreement
- sell Lease Areas on termination of the Scheme for cash or shares

Payments to RE:

- Each Lessee to pay their proportion of a fee of \$66,000 plus GST per Scheme to cover Interim Services from date of appointment to 30 June 2010
- Each Lessee to pay their proportion of fire and other Leased Land insurance
- Each Lessee to pay a fee of 2% plus GST if the Lessee wishes to pay by credit card
- In the event of 30 days' default by any Lessee, an administrative fee of \$50.00 plus GST, and in the event of a further 30 days' default, an additional administrative fee of \$250.00 plus GST
- On default in payment of fees to the RE, the RE may offer the Leased Lands of the Lessee on its website to other Lessees or any other person, sell the Leased Lands, and pay the price to the Lessee after deducting the outstanding fees and costs
- The RE is to receive a fee of 5% of Proceeds plus GST
- The RE is to be reimbursed out of Proceeds for a number of out-of-pockets including:
 - (a) any income tax or other tax or duty payable in respect of the Scheme or investments;
 - (b) the cost of taking any action necessary or desirable to protect or preserve the Lessee's right to use their Leased Land, should that right be threatened, challenged or compromised;
 - (c) the reasonable fees of the Auditor in connection with the audit, and the preparation and lodgement of taxation returns in relation to the Scheme;
 - (d) the reasonable fees of the compliance auditor in relation to the Scheme;
 - (e) the premiums or reasonable apportionment of premiums in relation to professional indemnity and fraud insurance taken out by the RE in relation to the Scheme;

- (f) any costs or expenses reasonably and properly incurred or paid by the RE in connection with any rearrangement of the capital structure of the Scheme;
- (g) the costs of convening and holding any meeting of Lessees (including the meeting at which Primary Securities Ltd was appointed);
- (h) fees payable to any regulatory authority; plus
- (i) all costs and expenses properly paid or incurred by the RE in carrying out any powers on behalf of Lessees.

Further payments to RE: If at a meeting of Lessees to be held on or about 30 June 2010, the budget for the following financial year is approved by ordinary resolution, from that point on:

- Each Lessee to pay their proportion of an annual responsible entity fee of \$75,000 plus GST per Scheme from 1 July 2010
- From 1 July 2010, each Lessee to pay their proportion of an annual management fee of such amount as is estimated as the likely cost of management of the Plantation for the following 12 months plus GST

RE may enter into a conditional capital reconstruction, subject to approval by special resolution.

Silviculture Expert's Report to be optional.

RE not obliged to carry out services if there are insufficient funds.

RE may terminate the Scheme if its budget for the 2010/2011 financial year is not approved.

Communications to Lessees may be sent electronically.

The above description of the changes to the Scheme Constitution are a summary only. All of the amendments are set out in detail in the Annexures and you should read them in full. The RE may also make other non-prejudicial amendments to the Constitution and Lease and Management Agreement.

2.5 Resolution 2 – Removal of Existing RE

Resolution 2 seeks to remove the current RE, GSMAL, as responsible entity for the Schemes.

GSMAL is insolvent and is in liquidation. If GSMAL is not removed as RE it is highly likely GSMAL will seek to immediately wind up the Schemes.

Resolution 2 is subject to and conditional on Resolution 1 and Resolution 3 being passed.

If Resolution 2 is not passed then Resolution 3 cannot be passed.

If Resolution 2 (removal or existing RE) is passed but Resolution 3 (Appointment of new RE) is not passed and does not take effect, then Resolution 2 will not take effect and the current insolvent RE, GSMAL, will remain as the RE.

2.6 Resolution 3 – Appointment of Primary Securities as new RE

Resolution 3 seeks to appoint Primary Securities as the new RE for the Schemes.

Resolution 3 is subject to and conditional on Resolution 1 and Resolution 2 being passed.

4. QUESTIONS AND ANSWERS

4.1 Is it important that I vote?

Yes – the resolutions can only be passed if the required number of Lessees actually vote. In particular, Resolutions 2 and 3 require **50% of ALL Leased Lands** for the resolution to be passed, **whether Lessees attend the meeting or not.**

4.2 What will happen if the Resolutions are not passed?

The Receivers and Managers of GSMAL will wind up the Schemes.

4.3 What will happen if the Resolutions are passed?

If the resolutions are passed, Primary Securities intends to carry out the Interim Services and invoice Lessees their share of \$66,000 plus GST for the Interim Services.

If, as a result of the assessment of the Scheme to be undertaken by the RE as part of the Interim Services, concluding that the Scheme should be terminated, the RE will terminate the Scheme.

If as a result of the assessment of the Scheme concluding that the Scheme should be continued, then the RE will call another meeting prior to 30 June 2010 for Lessees to confirm by ordinary resolution that further fees may be rendered. If that meeting of Lessees does not confirm by ordinary resolution that further fees may be rendered, then the RE will terminate the Scheme. If that meeting of Lessees does confirm by ordinary resolution that further fees may be rendered, then the RE will render further fees and continue the Schemes to the optimum time for harvest, depending on the extent of any head-leases.

4.4 Why do I have to pay any fee– there weren't supposed to be any on-going costs in respect of my Scheme?

There will be significant costs to Primary Securities to become the RE and we require that we be paid for our services. As GSMAL is insolvent, it is not possible for the Schemes to continue with GSMAL as RE without the Lessees paying further fees to essentially rescue themselves.

4.5 I would like the resolutions passed for the sake of the other Lessees but I have no means to pay the fees – what do I do?

With the leave of ASIC, Primary Securities will set up a secondary market so that Lessees who are unable to pay their fees can attempt to sell their Leased Lands for the best price possible, whereby the new holder of the Leased Land will pay the fees.

4.6 Are there likely to be any other offers to take over the RE of the Schemes?

Whilst this is always possible, Primary Securities is not aware of any other interested parties and no alternative offers have emerged as at the date of this Explanatory Memorandum.

4.7 If the Scheme is wound up, do I recover any value?

This is not possible to ascertain at the present time. The Receivers would sell the land with the trees. Some allocation has to be made between the land and the value of the trees.

4.8 Why is Primary Securities putting up the resolutions?

A member company of the Primary Securities group was proposed as RE for six Great Southern pulpwood schemes at the request of Pulpwood Plantations Pty Ltd. Gunns was ultimately appointed.

Subsequently, Primary Securities was approached by Lessees in three Great Southern viticulture schemes to call meetings and replace GSMAL. Lessees voted overwhelmingly to appoint Primary Securities as RE of those schemes.

Primary Securities has now been approached by or on behalf of some concerned Lessees in the four remaining Templegate Schemes.

Primary Securities has the experience and expertise to act as an independent RE and agreed to arrange the convening of a meeting of Lessees to consider the Proposed Resolutions. Primary Securities will only act as RE on any Scheme if the Constitution of the Scheme is amended to provide for the proposed fees. Primary Securities has no conflicts of interest in respect of the Schemes.

4.9 Who will manage the plantations if Primary Securities is appointed as RE?

Primary Securities will attempt to find an interested party that wishes to enter into a contract for the maintenance of the plantations, but has also worked in the past with competent companies which could act as manager of the plantations.

4.10 If we amend the Constitution to remove the obligation on the part of the RE to pay GSMAL the balance of the Trust (Maintenance) Fund, will that enable Primary Securities to take and hold the Trust (Maintenance) Fund?

Not necessarily. Primary Securities will only claim that fund if it forms the view that it has strong legal grounds for doing so.

4.11 I have other Great Southern investments – will Primary Securities be looking to put similar proposals to investors in the Schemes?

If Lessees are Lessees in other Great Southern schemes and believe that there may be solutions for those schemes, then Primary Securities would be interested to discuss those schemes

4.12 How do I vote without attending the meeting?

We are not expecting many Lessees to attend the meeting. To vote, you should complete and forward a Proxy Form, which is attached to the Notice of Meeting. You can appoint your own proxy or appoint the Chairman of the meeting to vote on your behalf and as directed by you.

4.13 Where can I find out further information?

Further information in respect of Primary Securities can be found at its website, www.primarysecurities.com.au. Lessees should seek their own independent financial and taxation advice in respect of this Explanatory Memorandum and the Proposed Resolutions.

5. GLOSSARY

“ARSN” means Australian Registered Scheme Number.

“ASIC” means the Australian Securities and Investments Commission.

“Explanatory Memorandum” means this Explanatory Memorandum to Lessees.

“Extraordinary Resolution” means an “extraordinary resolution” as defined in the Corporations Act 2001, and requires at least 50% of the total votes that may be cast by all members entitled to vote on the resolution (including members who are not present in person or by proxy.)

“Lessee” means a person, company or other entity which is recorded in the Scheme’s register of members as holding one or more Leased Lands (or leased areas) in the Scheme.

“GSMAL” means Great Southern Managers Australia Limited ACN 083 825 405 (Receivers and Managers Appointed) (In Liquidation)

“Meeting” means the meeting of Lessees to be convened pursuant to the Notice of Meeting.

“Notice of Meeting” means the notice of meeting dated on or about 3rd March 2010 accompanying this Explanatory Memorandum.

“Primary Securities” means Primary Securities Ltd ABN 96 089 812 635, holder of Australian Financial Services Licence No 224107.

“Primary Securities Group” means Primary Securities Ltd and all other companies in the same group of companies.

“Proposed Resolutions” are the resolutions to put at the meeting, as set out in the Notice of Meeting.

“Scheme Constitution” means the constitution of the Scheme which governs the establishment and the operation of the Scheme, and sets out the rights and obligations of the RE and each Lessee.

“Schemes” means 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).

“Lessees” means Lessees in the Schemes.

“RE” means a “Responsible Entity” as defined in the Corporations Act 2001.

“Receivers and Managers” means James Gerard Thackray, Colin McIntosh Nicol and Anthony Gregory McGrath in their capacity as receivers and managers of GSMAL.

“Special Resolution” means a “special resolution” as defined in the Corporations Act 2001, and must be passed by Lessees holding at least 75% of the votes of Lessees present and voting on the resolution at the meeting (either in person or by proxy).

“Leased Land” means an interest in the Scheme, as defined in the Scheme Constitution, Lease and Management Agreement and product disclosure statement.

ANNEXURE:

AMENDMENTS TO THE CONSTITUTION

All of the changes to the Scheme Constitution under Resolution 1 are set out below:

Additional definitions

Add the following definitions in sub-clause 1:

“Additional Administrative Fee” has the meaning set out in Sub-clause 16.1;

“Administrative Fee” has the meaning set out in Sub-clause 16.1;

“Annual Management Fee” has the meaning set out in Sub-clause 16.1;

“Annual Responsible Entity’s Fee” has the meaning set out in Sub-clause 16.1;

“Cost of Insurance” has the meaning set out in Sub-clause 16.1;

“Credit Card Fee” has the meaning set out in Sub-clause 16.1;

“Fee to Claim Trust Maintenance Fund” has the meaning set out in Sub-clause 16.1;

“Interim Services” means the following services to be carried out from the date of appointment of Primary Securities Ltd as responsible entity to 30 June 2010:

- (a) To make a proper professional assessment of the Plantation and likely returns and costs, and the optimum date for harvest;
- (b) To consider whether or not it is better for Lessees to attempt to sell their interest in the Plantations now or wait for harvest;
- (c) To commence negotiations with any person willing to carry out maintenance and harvest services on the Plantation in exchange for a share of Proceeds or otherwise and to enter into an agreement on behalf of Lessees if thought in their best interest;
- (d) To commence negotiations with any person willing to purchase the entire interest of Lessees in the Plantation and to enter into an agreement on behalf of Lessees if thought in their best interest;
- (e) To claim so much of the Trust (Maintenance) Fund (but not to mount a claim in court or arbitration without approval of the budget by Lessees by ordinary resolution unless it is necessary to protect the fund);
- (f) To bring accounting and audit obligations up to date;
- (g) To form a committee of Lessees to consult in relation to such matters;
- (h) To call a meeting to approve a budget for the following financial year;

“Interim Services Fee” has the meaning set out in Sub-clause 16.1;

“Leased Land” means that specified part of the Plantation comprising an area of land which is identified individually by reference to the Plantation and a Leased Land number leased (or to be leased) by the Lessee in the Register but if this information is not in the Register then which is identified individually in the Original

Lease and Management Agreement and relevant Lease Land plans relevant to the Lessee (or the Lessee's predecessor in title).

"Lessee's Fees" means all or any of the following fees (as the case requires) set out in Subclause 16.1, namely:

- (a) Interim Services Fee;
- (b) Annual Responsible Entity's Fee;
- (c) Annual Management Fee;
- (d) Cost of Insurance;
- (e) Fee to Claim Trust Maintenance Fund; and
- (f) Credit Card Fee

"Lessee's Proportion" means, in relation to each Lessee the proportion which the number of Leased Land leased by that Lessee bears to the total number of Leased Land leased by, all Lessees.

"GST" means goods and services tax.

Independent Expert's Report to be optional

Amend paragraph 12(k) of the Constitution by deleting the word "will" in the first line and inserting in lieu thereof the word "may" and deleting "but at least once in every calendar year".

Remove the requirement that the report be "for the preceding calendar year" and insert in lieu thereof "since the last independent report furnished to Lessee".

Removal of Obligation to Pay GSMAL the balance in the Trust (Maintenance) Fund

Remove paragraph 14.3(c). Insert a new sub-clause 14.4 which provides:

- 14.4 Upon Primary Securities Ltd becoming Responsible Entity, it may claim from and at its discretion pay to the retiring responsible entity Great Southern Managers Australia Ltd the whole or a portion of any pre-existing Trust (Maintenance) Fund as it considers fair and reasonable.

Additional powers to the Responsible Entity

Add a new clause 15 (the previous clause 15 having been deleted):

"15 POWERS OF RESPONSIBLE ENTITY

15 Each Lessee agrees that the Responsible Entity shall have irrevocable power as the agent of the Lessee and whether in the name of the Lessee or the Responsible Entity:

- (a) **[Head-Lease]** in its name or in the name of any custodian or agent for the Responsible Entity, to assume any interest in any head-lease or other lease under which the Responsible Entity or any former responsible entity leases any of the Plantations that relate to the Scheme, to register the head-lease or other lease on the relevant certificate of title, and to exercise all the powers over and in respect of the head-lease or other lease which it could exercise if it were the absolute and beneficial holder of the head-lease or other lease including the power to vary, cancel, enter into and negotiate further leases,

options to renew, rent reviews, renewals, options, and accept surrenders of leases, attend to termination of lease, and attend to the yielding up provisions on the expiration of lease;

- (b) **[caveat]** to lodge and withdraw a subject to claim caveat against the certificates of title in relation to Leased Lands; and
- (c) **[Lease and Management Agreement]** to enter into a consolidated Lease and Management Agreement being one document in which each Lessee contracts severally with the Responsible Entity with the descriptions of the Lessee, Plantation and Leased Land being as described per the Register or as per the original Lease and Management Agreement;
- (d) to enter into any contracts with any person which have the effect of varying, or replacing the Lease and Management Agreement in order to better achieve the purposes of the Scheme provided that no variation or replacement contract may be entered into which the Responsible Entity reasonably considers adversely affects Lessees' rights except pursuant to a special resolution (as defined in the Corporations Act) of Lessees;
- (e) if considered in the interest of the Lessee for the better protection of the Lessee, to register the Lease and Management Agreement or an abbreviated or collateral form of the Lease and Management Agreement which protects the leases under the Lease and Management Agreement in relation to all Leased Lands upon the certificate of title of the Land;
- (f) **[sale on termination]** upon the termination of the Scheme, or earlier after the passing of a resolution at a meeting of Lessees in terms which support the proposed sale or assignment, to sell or assign all right, title and interest of the Lessee in relation to the Scheme, whether for money, shares or some other consideration;
- (g) **[Proceedings to protect Leased Lands]** to take any action (including Court action) necessary or desirable to protect or preserve the Lessee's right to use their Leased Land, should that right be threatened, challenged or compromised, or otherwise if thought fit by the Responsible Entity;
- (h) **[legal and arbitration proceedings]** to commence any other legal or arbitration proceedings to protect the interest of the Lessee;
- (i) **[settle and compromise]** to receive, collect, pay, settle and compromise any payments, debts, obligations, judgments or settlements in relation to the Scheme; and
- (j) **[other]** to execute any deed, agreement, certificate or other document and to do all other things necessary or desirable in furtherance of the powers granted to the Responsible Entity in this sub-clause.

Further remuneration of the Responsible Entity

Add sub-clauses 16.1 and 16.2 (the previous sub-clauses 16.1 and 16.2 having been deleted) of the Constitution as follows:

(a) **Fees for Interim Services**

In respect of the period from the date of appointment of Primary Securities Ltd as responsible entity of the Scheme to 30 June 2010, the Lessee shall pay to the Responsible Entity the Lessee's Proportion of a responsible entity fee for Interim Services of \$66,000 plus GST (**Interim Services Fee**). The fee for Interim Services shall be for carrying out the Interim Services in relation to the Scheme.

(b) **Annual Responsible Entity Fee**

Subject to approval by ordinary resolution of the Lessees in general meeting from 1 July 2010, the Lessee shall pay to the Responsible Entity the Lessee's Proportion of an annual responsible entity fee of \$75,000 plus GST in respect of the following 12 months (Annual Responsible Entity's Fee), and the Lessee shall pay such fee annually thereafter. The responsible entity fee shall be for carrying out responsible entity services in relation to the Scheme.

(c) **Annual Management Fee**

Subject to approval by ordinary resolution of the Lessees in general meeting from 1 July 2010, the Lessee shall pay to the Responsible Entity the Lessee's Proportion of such sum as the responsible entity estimates as the likely cost of management of the Plantation in respect of the following 12 months plus GST (Annual Management Fee), and the Lessee shall pay such fee annually thereafter. The management fee shall be for carrying out management services under the Lease and Management Agreement in relation to the Scheme.

(d) **Fee to Claim Trust (Maintenance) Fund**

From the date of appointment of Primary Securities Ltd as responsible entity of the Scheme, if the budget is approved by an ordinary resolution of Lessees in relation to legal or other proceedings against the previous responsible entity with respect to the Trust (Maintenance) Fund, the Lessee shall pay to the Responsible Entity the Lessee's Proportion of the budget in relation to the relevant proceedings and of any further costs (**Fee to Claim Trust Maintenance Fund**).

(e) **Annual Cost of Fire Insurance**

From the date of appointment of Primary Securities Ltd as responsible entity of the Scheme, the Lessee shall pay to the Responsible Entity the Lessee's Proportion of the cost to the Responsible Entity of insuring the trees on the Leased Land of the Lessees against damage or loss by fire and lightning and of taking out any other insurance required to be paid by Lessees under the Lease and Management Agreement (**Cost of Insurance**).

(f) **Credit card fee**

In the event that the Lessee wishes to pay any amount to the Responsible Entity by credit card, the Responsible Entity may levy a fee of 2% of the amount payable plus GST (**Credit Card Fee**).

(g) **Administrative fees on default**

From the date of appointment of Primary Securities Ltd as responsible entity of the Scheme, in the event that the Lessee fails to pay:

- (i) Interim Services Fee;
- (ii) Annual Responsible Entity's Fee;
- (iii) Annual Management Fee;
- (iv) Cost of Insurance;
- (v) Fee to Claim Trust Maintenance Fund;

- (vi) Credit Card Fee;

within 30 days of an invoice being sent to the Lessee, that Lessee shall pay to the Responsible Entity an additional administrative fee of \$50.00 plus GST (**Administrative Fee**) to pay for the time and cost of sending the Lessee a reminder letter. In the event that that the Lessee fails to pay the relevant Lessee's Fee and the Administrative Fee of \$50.00 plus GST (per Lessee) within 30 days of being sent the reminder letter, in addition to any costs and other fees that may be claimed in any legal proceedings, that Lessee shall pay to the Responsible Entity an additional administrative fee of \$500.00 plus GST (**Additional Administrative Fee**) for the time and cost involved in enforcing the obligation to pay the relevant Lessee' Fee including the Administrative Fees and the Additional Administrative Fees.

"16.2 The rights of the Responsible Entity to receive the remuneration specified in this clause are available only in relation to the proper performance of the Responsible Entity's duties.

Delete paragraph 16.2.2(a) and replace it with the following 16.3:

"16.3 The Responsible Entity is entitled to a fee of 5% of money paid into the Trust (Proceeds) Fund.

Reimbursement of Certain Costs out of the Trust (Proceeds) Fund

Add a new sub-clause 16.4 (the previous sub-clause 16.4 having been deleted) as follows:

"16.4 The Responsible Entity shall as part of its remuneration be reimbursed for any of the following costs and expenses incurred following the appointment of Primary Securities Ltd as responsible entity, out of the Trust (Proceeds) Fund or from out of any other benefit provided to Lessees:

- (j) any income tax or other tax or duty payable under the Income Tax Assessment Act 1936 of the Income Tax Assessment Act 1997 or any other fiscal legislation (including without limitation, any GST that has previously been reimbursed) in respect of the Scheme or the Investments;
- (k) the cost of taking any action necessary or desirable to protect or preserve the Lessee's right to use their Leased Land, should that right be threatened, challenged or compromised;
- (l) the reasonable fees of the Auditor in connection with the audit, and the preparation and lodgement of taxation returns in relation to the Scheme;
- (m) the reasonable fees of the compliance auditor in relation to the Scheme;
- (n) the premiums or reasonable apportionment of premiums in relation to professional indemnity and fraud insurance taken out by the Responsible Entity in relation to the Scheme;
- (o) any costs or expenses reasonably and properly incurred or paid by the Responsible Entity in connection with any rearrangement of the capital structure of the Scheme;
- (p) the cost of any insurance taken out in relation to the Leased Areas or the Plantation;
- (q) the costs of convening and holding any meeting of Lessees (including the meetings at which Primary Securities Ltd was appointed) in Melbourne including the cost of air fares and accommodation of staff of Primary Securities Ltd while in Melbourne;
- (r) fees payable to any regulatory authority; plus

- (s) all costs and expenses properly paid or incurred by the Responsible Entity in carrying out any of the powers specified in clause 15 not otherwise specified in this Clause.

Consequences of Default

Add a new clause 17 as follows (the previous clause 17 having been deleted):

“17 **DEFAULT BY LESSEE**

If the Lessee has failed to pay any Lessee’s Fees and the Responsible Entity has given the Lessee a default notice specifying that the Responsible Entity will assign the Lessee’s Leased Lands if the outstanding fees are not paid in full within 30 days, and if on the expiration of the 30 days, the Lessee still has not paid the outstanding fees in full, then the Responsible Entity may invite other Lessees (which invitation may be on its website) or any third party (including associates of the Responsible Entity) to submit tenders for the Leased Lands of the Lessee and assign the interest of the Lessee in the Leased Lands to the highest bidder (whether in cash or other consideration). Thereupon, if the Responsible Entity has received cash consideration, the Responsible Entity shall deduct the Lessee’s Fees outstanding and pay the Lessee the balance of moneys actually received by the Responsible Entity for the sale of the Leased Land. If the Responsible Entity has received consideration other than cash, the Responsible Entity may sell the other consideration or part thereof in such manner as it thinks appropriate, retain the outstanding Lessee’s Fees and the costs of sale and assign the balance of moneys actually received by the Responsible Entity to the Lessee. If there remain outstanding Lessee’s Fees or portion of the Lessee’s Fees still outstanding then the Lessee shall remain obliged to pay those fees which remain outstanding to the Responsible Entity. The Lessee appoints the Responsible Entity as its attorney to enter into and execute for and on behalf of the Lessee such documents and do such other things as the Responsible Entity in its absolute discretion considers necessary or desirable in order to give effect to the provisions of this clause.

RE not obliged to carry out services without funds

Add a new sub-clause 20.7 as follows:

- “20.7 Notwithstanding any other provision in this Constitution or in the Lease and Management Agreement, the Responsible Entity is not obliged to carry out any forestry services or pay for any expenses on behalf of Lessees if there are insufficient funds available to the Responsible Entity to enable it to do so.

Additional Power of Termination

Amend sub-clause 25.3 of the Constitution by inserting new paragraph (ba) after paragraph (b) as follows:

- “(ba) if the budget presented by the Responsible Entity for the 2010/2011 financial year is not approved by Lessees by ordinary resolution in general meeting;

Additional Powers of Responsible Entity on Termination

Amend clause 25.6 of the Constitution by inserting new paragraphs (aa) and (ab) after paragraph (a) as follows:

- “(aa) rescind the Lease and Management Agreement;
- (ab) assign, rescind or surrender any head-lease or other lease under which the Responsible Entity leases any of the Plantations that relate to the Scheme;

Procedure for Capital Reconstruction

Insert a new clause 30 as follows (the previous clause 30 having been deleted):

- “30 PROCEDURE FOR CAPITAL RECONSTRUCTION
- 30.1 The Responsible Entity may at any time enter into an arrangement for the termination of the Scheme and the sale of the interest of the Lessees in the Scheme (whether for cash or other consideration) or other form of capital reconstruction conditional upon the approval of the Lessees at a meeting of Lessees called for that purpose.
- 30.2 The Responsible Entity shall then convene a meeting of Lessees seeking the approval of the Lessees and setting out in writing the terms and conditions of the arrangement.
- 30.3 The arrangement will become binding on all Lessees in the Scheme if and only if:
- (a) a special resolution is passed at a meeting of Lessees to approve the arrangement; and
- (b) the Responsible Entity has sent a notice of meeting to the Lessees which contains, or is accompanied by, the terms and conditions of the arrangement, explaining the effect of the proposed arrangement on the Scheme and the Lessees, and providing all information which is material to the making of a decision by a Lessee whether or not to approve the arrangement.
- 30.4 An arrangement approved under sub-clause 30.3 is binding on all Lessees of the Scheme in accordance with its terms and conditions.

Electronic Communications to Lessees

Add a new sub-clause 31.2 of the Constitution (the previous sub-clause 31.2 having been deleted) as follows:

- “31.2 The Responsible Entity may send or deliver any document required to be sent or delivered to a Lessee (or to Lessees as a whole) under this Constitution, other than a document where the process or method for sending that document is regulated by the Corporations Act (such as notices of meeting and scheme annual reports), by making that document available on the website of the Responsible Entity for the period commencing on the date the document is, apart from this clause, required to sent or delivered to a Lessee and ending no earlier than 6 months later.