



MACCACORP LTD

# 2007 MACGROVE PROJECT

Australian  
Taxation Office  
PR 2006/163



## *Product Disclosure Statement*



ABN 50 116 486 527

An offer to cultivate and manage up to 120 hectares of macadamia Orchards.

This is not intended to be a short term venture and will be subject to the risks generally associated with horticultural operations.

## Corporate Directory

### Responsible Entity, Manager and Sub-Lessor

Maccacorp Ltd  
ACN 116 486 527

Australian Financial Services  
Licence No. 296213

### Head Office

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### Project Manager

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### Land Owner

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92 Kenzlers Road,  
Sharon QLD 4670

### Lender

Maccfinance Pty Ltd  
ACN 117 799 336  
92 Kenzlers Road,  
Sharon QLD 4670

### Custodian

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Sydney NSW 2000

### Auditor

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Sydney NSW 2000

### Accountants

Saccasan Bailey Partners  
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Sydney NSW 2000

### Lawyers

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Lismore NSW 2480

### Independent Macadamia Orchard Expert

Dr Chris Searle PhD, B Agricultural  
Science (Hons), M Agric Studies

### 2007 Macgrove Project

This Product Disclosure Statement is  
dated 8th January 2007.

ARSN: 119 560 235

## Important Information

Maccacorp Ltd is the Responsible Entity and is also referred to throughout this PDS as 'Manager', 'Sublessor', 'we', 'us' or 'our'.

Maccmanagement Pty Ltd is the Project Manager and Maccland Pty Ltd is the Land Owner of the Land on which the Project will be conducted.

This document is important and should be read in its entirety. In preparing this PDS, Maccacorp Ltd has not taken account of any particular investor's individual investment objective, financial situation or needs. Before making an investment decision on the basis of this PDS, investors should consider whether this investment is appropriate in light of their own circumstances.

The offer of interests in the Project under this PDS is available to persons receiving the PDS in Australia (including in electronic form). The PDS does not constitute an offer or invitation in any place outside Australia unless expressly authorised by Maccacorp Ltd. In particular, interests in the Project are not available for purchase by investors in the US or by any other United States person or persons. The PDS is not to be distributed in jurisdictions outside Australia. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

Neither Maccacorp Ltd, its associated companies including Maccmanagement Pty Ltd, Maccland Pty Ltd and Maccfinance Pty Ltd, nor the appointed custodian of the Project, nor any other party guarantees the performance or success of the Project, any level of capital return from, or the repayment of investments in, the Project or that there will be no capital loss or particular taxation consequence of investing in the Project.

Interests in the Project will be issued only on receipt of a completed Application Form in or accompanying this PDS.

Upon acceptance of an application, you will become a Grower responsible commercially for carrying on the business of production of macadamia nuts. This Project is intended to be a long term investment and will be subject to the risks generally associated with commercial macadamia nut plantations. It is important that you consider the risk factors that could affect the financial performance of your participation.

If any of the information contained in this PDS changes in a manner that is not materially adverse to investors, we may update that information by posting the updated information on our website, ([www.maccacorp.com.au](http://www.maccacorp.com.au)). This information is available at any time. A paper copy of any information updated in this way will be given to a Grower free of charge, if a Grower requests it.

A glossary of defined terms appears in section 14 *Glossary*.

The photographs in this PDS represent the current activities and assets of the Project except for pages 4, 11, 15, 34, 35, 37, 38, 44, 47, and 49 which represent macadamia projects developed and operated by the Company's Directors.

*Interests in the 2007 Macgrove Project are issued by Maccacorp Ltd (ACN 116 486 527) which is the Responsible Entity of the Project.*

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# 01

## The 2007 Macgrove Project



### 1.1 Overview

The acceptance of an application to participate in the 2007 Macgrove Project will result in the applicant commencing a commercial macadamia plantation business that is expected to enter production from early 2011.

The acceptance of your application, in accordance with this PDS, will result in the grant to you of three consecutive Subleases of one or more identifiable allotments of Land of approximately 4,000sq metres each, called "Macgroves" for the duration of the Project. Each Macgrove will include 125 macadamia Trees and associated infrastructure and water entitlements, all of which you are entitled to use under the Subleases.

The Project will be managed by Maccmanagement Pty Ltd (Project Manager) which is responsible for cultivating and managing the macadamia Trees on your behalf and for procuring services for harvesting the macadamia nut-in-shell. Under the Principal Subcontractor's Agreement the Project Manager has been engaged by the Manager to manage the day-to-day farming operations on the Orchard and to process the macadamia nut-in-shell. The Manager has arranged for the

nut-in-shell to be sold to the largest processor of macadamias in Australia, Macadamia Processing Company Limited ACN 002 607 972 (MPC).

If you participate in the Project on or before 15 June 2007, your Application Monies will be 100% tax deductible for the year ending 30 June 2007 (subject to any reduction on account of GST - see comments in section 9 *Taxation: Goods & Services Tax (GST)*). Your other Project costs will be tax deductible for the financial year to which they relate (subject to GST - see comments in section 9 *Taxation: Goods & Services Tax (GST)*). Interest incurred on borrowings from Macfinance to finance a Grower's investment in the Project will be deductible in the financial year in which interest is incurred.

The macadamia nut-in-shell is expected to be harvested throughout the year from the fourth year after establishment. Such harvesting should provide a regular income stream during the remaining term of the Project.

## 1.2 The Project

The Project, to be named the "2007 Macgrove Project", will be undertaken on Land which has been acquired by Maccland Pty Limited (Land Owner) situated at 92 Kenzlers Road, Sharon, via Bundaberg, Queensland and being Lots 1 & 2 on RP110202, Lots 3 & 4 on RP866764, and Lot 1 on CPRL5669 (Land).

There are three dams on the Land with a total capacity of approximately 400 megalitres as well as Water Allocations Nos 360 & 379 for a total of 238 megalitres per annum. The Land Owner has already provided to the Manager a Head Lease over the area of the Land on which the Project will be undertaken and a proportionate part of the water rights and allocations, the term of the Head Lease being for the duration of the Project. The Head Lease will be registered against the Titles with the Queensland Registrar of Titles.



Under the Head Lease, the Manager will be required to undertake the development of the Orchard including the planting of macadamia trees and the installation of irrigation systems. Trees and irrigation systems at all times remain the property of the Land Owner.

The Manager will then provide Subleases to investors in Macgroves (Growers). Each Grower will enter into an agreement with the Manager for the maintenance of their Macgroves, harvesting, and arranging processing and sale of the macadamia Crop produced from their Macgroves. To protect a Growers' right to use their Macgroves under the subleases, the Manager proposes registering caveats in favour of each Grower against the title of the Land.

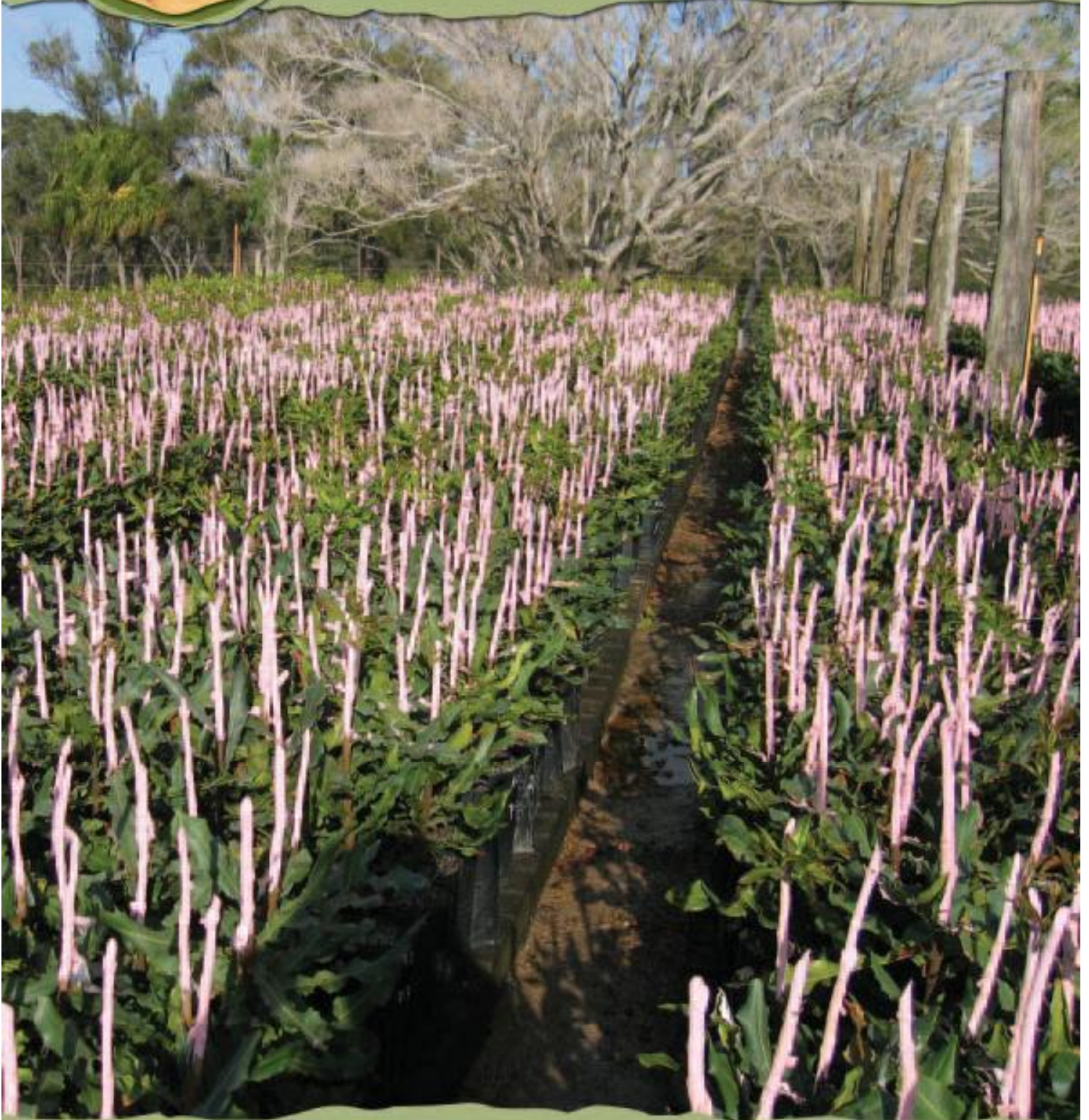
The Manager will enter into an agreement (Principal Subcontractor's Agreement) with Macmanagement Pty Limited, the Project Manager for that company to prepare the Land, install the irrigation structure, provide all necessary macadamia Trees, plant all Trees before Growers commence participation in the Project but, in any event by 15 June 2007 on behalf of the Land Owner and maintain the Orchard and harvest all macadamia nut crops produced on behalf of Growers. The Manager will be responsible for the processing and sale of the entire macadamia nut crop produced from the Orchard for the duration of the Project.

The Manager has arranged for MPC to enter into a purchase agreement to purchase the entire macadamia crop produced from the Orchard for the duration of the Project at prices and on terms which are no less favourable than arms length terms. MPC is the largest purchaser and processor of the Australian macadamia crop and purchases and processes about one third of that crop annually. It is the largest wholesaler of bulk macadamia kernel in the world and has established markets in Australia, the United States, Japan, Germany and other countries worldwide.

*"...The macadamia nut-in-shell is expected to be harvested throughout the year from the fourth year after establishment."*

# 02

## Key Benefits



## 2.1 Tax Effectiveness

Your Project costs will be 100% tax deductible for the financial year to which they relate if you participate in the Project on or before 15 June 2007 (subject to any reduction on account of GST - see comments in section 9 *Taxation: Goods & Services Tax (GST)*). This has been confirmed by the Australian Taxation Office (ATO) through the issue of a Product Ruling. Copies of the Product Ruling are available free-of-charge from the ATO website [www.ato.gov.au](http://www.ato.gov.au), professional taxation advisers or from Maccacorp Ltd.

## 2.2 Growing Primary Production Industry

The Manager estimates that the current value to growers of the Australian macadamia crop for the domestic and export markets is A\$175m. This makes the macadamia industry one of Australia's largest horticultural industries. As the total world production of macadamias accounts for less than 0.5% of the total world trade in tree nuts the Manager believes that there is promising scope for future expansion. World production has grown to almost 100,000 tonnes of nut-in-shell resulting in 25,000 tonnes of raw kernel. Australia leads the way with over 40%, having replaced Hawaii as the leading producer of macadamia nuts. The Australian industry accounts for over 4 million trees covering an area of 15,000 hectares with 60% mature trees, while another 20% are in early bearing stages. The majority of plantings are in Northern New South Wales and South Eastern Queensland which accounts for some 65% of Australian production.

## 2.3 Strong Global Markets

The industry in Australia is evolving and expanding rapidly as production increases. With an estimated production of 100,000 tonne by the year 2010 Australia's market share will increase as a result of the current emphasis on scientific research into improving crop yields, production methods and processing efficiencies.

Australian exporters have developed major markets for bulk raw macadamia kernel in many different grades, value-added products and retail packs. In excess of 60% of the nut-in-shell produced in Australia is directly exported as kernel to the world market. The Australian market has expanded enormously in recent years with many new high quality value-added products available.

## 2.4 Central Queensland Region

The central Queensland region, which centres around Bundaberg, currently produces in excess of 16% of the Australian crop of macadamia nuts. Bundaberg has established macadamia orchards which have expanded from just over 100ha in 1994 to 2,500ha in 2004. The advantage of the Bundaberg region is that it has access to ground surface water supply which allows for effective irrigation of the macadamia Trees.

## 2.5 Industry Expertise

The directors of the Manager have leading industry experience in the cultivation and management of macadamia orchards. The Manager's Chairman, Barry Edmonds has extensive experience with over thirty years in Horticultural and Agricultural industries including the growing of avocados, pineapples, sugar cane and macadamia nuts in Beerwah and Bundaberg, Queensland and Eureka and Caniaba, New South Wales. Don Ross has established successful macadamia orchards in New South Wales over the last 18 years. Director Chris Lomax is currently a Responsible Officer and Compliance Officer of Lismore Management Corporation Limited and was a Member of the Compliance Committee of Coffee Management Australia Limited as responsible entity for 'The Northern Rivers Coffee Project No 1 and No 2'.

## 2.6 Land Tenure

The Land Owner owns the Land that is to be used for the Project and has leased the Orchard to the Manager. The lease will be registered with the Queensland Land Registry and provides the Manager with a right to exclusive possession of the Land for the duration of the Project.

## 2.7 Independent Macadamia Orchard Expert

The Manager has engaged an independent macadamia orchard expert, Dr Chris Searle, to provide you with an independent overview of the Project. Dr Searle has extensive experience in the Australian macadamia nut industry, particularly in the central Queensland region where he has been involved in the establishment and management of macadamia orchards. He has worked in the fields of agriculture for over 24 years with the British Foreign and Commonwealth Office, the University of Queensland, Queensland Department of Primary Industries and CSIRO.

The independent macadamia orchard expert has expressed the opinion that the horticultural techniques to be applied to the Project are appropriate to achieve target yields. A copy of the expert's report is set out in section 11 *Independent Macadamia Orchard Expert's Report* of this PDS.

# 03

## Summary of Key Features



This Section provides a summary of the Project features including the basic terms of the Offer. However, to fully understand these matters you should read the whole PDS before deciding whether to participate.

### Summary of the Offer

<b>OFFER PERIOD</b>	From the date of this PDS until 15 June 2007 unless the Manager's directors determine to close the Offer Period earlier.
<b>MINIMUM APPLICATION</b>	You must apply for at least one Macgrove.
<b>WHAT IS A MACGROVE?</b>	Each Macgrove comprises an identifiable area of the Orchard of approximately 4,000sq metres.
<b>MINIMUM SUBSCRIPTION, AND ALLOCATION</b>	<p>There must be 100 Macgrove subscriptions reached before Macgroves are allocated. This means that the Project will not proceed unless 100 Macgroves are applied for.</p> <p>We are offering 300 Macgroves (totalling 120 hectares) for allocation.</p> <p>Macgroves will be allocated in order of receipt of completed applications, unless agreed otherwise with any particular investor or financial intermediary and subject to our absolute discretion to refuse an application or to allocate less Macgroves than the number applied for.</p>



## Key Features of the Project

<b>PROJECT TERM</b>	The term of the Project is approximately 21 years expiring in 2028 with two options to renew for a further five (5) years and four (4) years respectively. We expect the first harvest of macadamia nuts from the Project to take place in 2011.
<b>PROCEEDS</b>	We will remit excess proceeds to you periodically after deducting the annual fees and costs described below and any other amounts which are overdue and which have not been paid.
<b>INFORMATION &amp; REPORTING</b>	We will provide you with details of your Macgroves and annual reports about the progress of the Orchard, the macadamia yields and sales results.
<b>TAXATION</b>	<p>Based on the Product Ruling, our directors believe you are entitled to claim as a tax deduction the Project costs and any interest incurred on borrowings from Macfinance for the financial years to which they relate. For example, the Application Monies will be tax deductible for the year ending 30 June 2007. However, the amount of any tax deduction will be reduced by the amount of any GST input tax credit to which you may be entitled.</p> <p>You should also be entitled to claim a write-off for the costs associated with the establishment of the macadamia Trees on your Macgroves at the rate of 13% per annum, commencing from the year of first production. This is the case even though the Project Manager incurs these costs.</p>
<b>PROJECT RETURNS</b>	Due to the long-term nature of the Project and a large number of variables (many of which are outside our control), it is not possible to predict with any degree of accuracy the financial returns to you as a Grower. We have provided information in this PDS so you can make your own assessment of the benefits of participating in the Project. You should seek professional advice when considering potential returns.
<b>PROJECT RISKS</b>	<p>Participation in the Project is intended to be of a long-term nature, and there are a number of associated risks of which you should be aware.</p> <p>These risks are set out in further detail in section 10 <i>Risk Analysis</i>.</p>
<b>LAND TENURE</b>	The Land Owner owns the Land used in the Project, and the Manager has registered a Head Lease over the Land in its name. This provides the Manager with security of tenure throughout the Project term.
<b>RESPONSIBLE ENTITY, PROJECT MANAGER AND SUBLESSOR</b>	<p>Maccacorp Ltd is the Responsible Entity, Manager and Sublessor of the Project and is the issuer of this PDS.</p> <p>Under the Principal Subcontractors Agreement, we will delegate our managerial responsibilities to Maccmanagement Pty Ltd, the Project Manager, but will remain liable to you for the actions of the Project Manager.</p>
<b>SALE OF MACADAMIA NUTS</b>	The Manager has engaged Macadamia Processing Co Ltd to purchase the Crop of macadamia nuts produced from the Project. A Crop from the Project is not expected until 2011.
<b>JOINT VENTURE OPTION</b>	The Project allows you and another person to participate as a Joint Venture Grower.
<b>TERMS OF ARRANGEMENTS</b>	For your information, the Constitution and all Project Agreements to which you will be a party if you are accepted as a Grower are summarised in this PDS. See section 12 <i>Summary of Project Agreements</i> .

# 04

## Fees & Costs



Government regulations require us to include the following standard consumer advisory warning as set out below. The information in the consumer advisory warning is standardised across all product disclosure statements and is not specific to information on fees and charges in this Project.

### Consumer advisory warning

#### **DID YOU KNOW?**

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable.

Ask the fund or your approved financial adviser.

#### **TO FIND OUT MORE**

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

This section shows fees and other costs that you may be charged. You should read all information about fees and costs as it is important to understand their impact on your investment. However, you should read the whole PDS before deciding whether to participate in the Project.

## Introduction

To participate as a Grower in the Project you must pay certain fees and other costs in respect of each Macgrove.

**Table 1** identifies the types of fees and other costs, whether they are fixed or variable and, where applicable, explains the amount payable in each year of the Project term, in dollar terms.

**Table 2** gives an example of how the fees and other costs charged on participation in the Project can affect your investment over a one year period. Such an example is required by the *Corporations Act 2001*. You should use this table to compare this product with other similar agribusiness managed investment products.

**Table 3** apportions the fees and other costs between Joint Venture Growers.

Cooling-off rights do not apply to applicants for Macgroves in the Project. See section 6 *How the Project Works* for further details.

**TABLE 1 - FEES & OTHER COSTS (PER MACGROVE)**

TYPE OF FEE OR COST	AMOUNT	HOW & WHEN PAID
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment Fee</b> The fee to establish your investment.	Nil	Not applicable
<b>Contribution Fee</b> The fee on each amount contributed to your investment.	Nil	Not applicable
<b>Withdrawal Fee</b> The fee on each amount you take out of your investment.	Nil	Not applicable
<b>Termination Fee</b> The fee to close your investment.	Nil	Not applicable
<b>Management Costs - The fees and costs for managing your investment<sup>1</sup></b>		
<b>Application Fee</b> The fee to apply for an investment	\$11,000 per Macgrove (includes GST of \$1,000)	Payable on application under the PDS
<b>Management Fee</b>	\$2,200.00 (inclusive of \$200 GST) per Macgrove	Payable on 1 July 2008 for the 2008/09 Financial Year services
	As for previous Financial Year Indexed	Payable on 1 July 2009 for the 2009/10 Financial Year services
	As for previous Financial Year	Payable on 1 July 2010 for the 2010/11 Financial Year services
	As for previous Financial Year Indexed	Payable on 1 July 2011 for the 2011/12 Financial Year services
	(a) As for previous Financial Year Indexed, and (b) Orchard Operating Expenses, where expenses exceed the Management Fee in (a) above (plus GST).	(a) Payable on 1 July in advance for the 2012/13 to 2026/27 Financial Year services, and (b) Within seven days of receipt of Orchard Operating Expenses statement.

<sup>1</sup> See *Additional Explanation of Fees & Costs* (pages 10 - 13) for other costs.

**TABLE 1 - FEES & OTHER COSTS (PER MACGROVE)** *(continued)*

TYPE OF FEE OR COST	AMOUNT	HOW & WHEN PAID
<b>Service Fees</b>		
<b>Rent</b>	Nil	Not applicable
	\$792 per annum per Macgrove (inclusive of \$72.00 GST)	Payable on 1 July 2008 for the 2008/09 Financial Year
	\$792 per annum per Macgrove (inclusive of \$72.00 GST) Indexed	Payable on 1 July 2009 for the 2009/10 Financial Year
	As per fee paid for previous Financial Year Indexed.	Payable on 1 July in each financial year for each subsequent Financial Year of the Project.



### Additional Explanation of Fees & Costs

#### GROWER EXPENSES

In addition to the Management Fees and rent, Growers must pay the Grower's Expenses (including stamp duty and registration in respect of the Management Agreement and the Grower's portion of all premiums for insurance taken out by the Manager on behalf of the Grower in accordance with the Management Agreement) within 30 days of written notice from the Manager.

#### ORCHARD OPERATING EXPENSES

The Orchard Operating Expenses are the total expenses properly and reasonably incurred by the Manager in performing the Orchard Services for all of the Grower's Macgroves on the Land plus 10% of such expenses.

The Manager will determine these expenses for the 2012/13 Financial Year and each subsequent Financial Year of the Term as soon as is practical after the end of each Financial Year and if the Orchard Operating Expenses exceed the total of all Management Fees (as indexed from the previous year) to be made to the Manager in a Financial Year, the Manager will cause a statement (Orchard Operating Expenses Statement) detailing the Orchard Operating Expenses incurred during the Financial Year and a calculation of the Grower's Proportion of the Orchard Operating Expenses to be prepared and forwarded to the Grower.

The Grower is required to pay the Growers Proportion to the Manager within 7 days of service of the Orchard Operating Expenses Statement.

### Additional Explanation of Fees & Costs *(continued)*

#### ORCHARD OPERATING EXPENSES *(continued)*

**For example:**

The operating costs for a Macgrove in relation to the 2014 Financial Year, payable 1 July 2013, could be an amount of \$2,605 (\$2,865.50 including GST) and include the following items:

Labour	\$833.33
Fertiliser	\$133.33
Fuel	\$133.33
Other running costs	\$450
Insurance	\$200
Agricultural consultants' fees	\$25
Administrative overheads	\$780
Processing and marketing	\$50
Total	\$2,605 (\$2865.50 including GST)

As explained above, the operating costs are only payable where operating costs in a Financial Year are greater than the Management Fee (as Indexed from the previous year) payable for that year. If, in the 2014 Financial Year, the Management Fees are \$2,208 (\$2,429 including GST), the operating expenses will be deducted from this figure.

Accordingly, the calculation is made as follows, \$2,605 – \$2,208 = \$397 (\$436.70 including GST).

However, if the reconciliation subsequently established that the actual operating costs in relation to the Macgrove were, for instance \$2,450 (\$2,695 including GST), a credit of \$155 will be allowed to the Grower in relation to operating costs for the Macgrove in the following Financial Year.

**Note:**

The amounts used in the above example are purely hypothetical and are provided for illustrative purposes only. This worked example of the operating costs is not, and should not be taken as being, a representation of what the estimated or actual operating costs or Management Fees for the 2014 Financial Year will be, nor a definitive list of what the items of expenditure will be.



### Additional Explanation of Fees & Costs *(continued)*

**PERFORMANCE INCENTIVE FEE** The Manager will be entitled to a Performance Incentive Fee of 25% of any net proceeds of the sale of the Crop attributable to a Macgrove that exceeds the Performance Incentive Threshold for Macgroves. The Performance Incentive Fees will be deducted from the proceeds of nut-in-shell sales.

The Performance Incentive Fee will only commence from year 2010/11 as the Trees reach maturity. If your net proceeds of the sale of the Crop are less than the amount of the Performance Incentive Threshold in each year after 2010/11 you do not have to pay the Performance Incentive Fee.

The following Performance Incentive Fee thresholds have been determined using assumptions made by the Manager.

<b>Performance Incentive Thresholds</b>			
<i>(net proceeds of sale of Crop per Macgrove, inclusive of GST)</i>			
	\$		\$
2010/11	517.00	2019/20	10,312.50
2011/12	1,034.00	2020/21	10,312.50
2012/13	2,062.50	2021/22	10,312.50
2013/14	3,091.00	2022/23	10,312.50
2014/15	4,125.00	2023/24	10,312.50
2015/16	5,159.00	2024/25	10,312.50
2016/17	6,187.50	2025/26	10,312.50
2017/18	7,733.00	2026/27	10,312.50
2018/19	10,312.50	2027/28	10,312.50

It is important to note that these figures are not indicative of potential financial returns that you may achieve from the Project, and have been calculated by us solely for the purpose of determining the Performance Incentive Fees payable to us. Your financial returns may materially differ from the above Performance Incentive Thresholds.

**For example:**

If in the 2014 Financial Year the net proceeds for a Macgrove are \$4,000, the Performance Incentive Fee payable by the Grower in respect of the 2014 Financial Year is 25% of the amount by which the net proceeds exceeds the Performance Incentive Threshold for that year. As shown in the table above, the Performance Incentive Threshold for 2014 is \$3,091.

Accordingly, the calculation is made as follows  $(\$4,000 - \$3,091) \times 25\% = \$227.25$  (inclusive of GST).

If in the 2014 Financial Year the net proceeds are less than \$3,091, there will be no Performance Incentive Fee payable by the Grower in respect of the 2014 Financial Year.

**Note:** The figures above are arbitrary and for illustrative purposes only. They are not indicative of future payments. This example is not to be taken as being a representation of what the net proceeds for the 2014 Financial Year will be and we do not make any forecast or projection about possible net proceeds.

**Additional Explanation of Fees & Costs** *(continued)*

<b>DEFAULT COSTS</b>	Should you be in default under the Project Agreements, you may be liable for interest and costs. These are set out in the Constitution, Sublease and Management Agreement which are summarised in section 12 <i>Summary of Project Agreements</i> .
<b>INSURANCE</b>	The Manager will, at the commencement of each financial year, and at the Grower's cost maintain a policy of insurance against public risk and occupiers liability as summarised in the Management Agreement.
<b>TAXATION</b>	The ATO Product Ruling for the 2007 Macgrove Project sets out the taxation deductions for the Project. More detail on the taxation treatment of the Project can be found in section 9 <i>Taxation</i> .

**TABLE 2 - PRESCRIBED EXAMPLE OF ANNUAL FEES AND OTHER COSTS  
(PER MACGROVE) (PER ANNUM)**

This table gives an example of how the fees and other costs charged on participation in the Project can affect your investment over a one year period. The table is based on the Project not offering a 'balanced investment option' (as defined in the *Corporations Act*). You should use this table to compare this Project with other similar agribusiness management investment products.

This table shows the fees charged in the Growers' second year of participation in the Project. An example of the first year of participation is not shown because the Management Fee is incorporated into the Application Monies for the Project.

In accordance with the requirements of the *Corporations Act*, this table is based on the nearest equivalent to a \$50,000 investment. However you should note that we do not issue fractions of Macgroves and it is not possible to make an application for Macgroves where the application amount totals exactly \$50,000. The nearest whole investment amount is \$55,000 (5 Macgroves).

All amounts in the table are inclusive of GST.

<b>EXAMPLE</b> - cost of Project in the Financial Year ending 30 June 2009 for a Grower who holds 5 Macgroves (at \$11,000 per Macgrove).	<b>BALANCE OF \$55,000</b> with no further contributions.
<b>CONTRIBUTION FEES</b>	For every \$55,000 you put in you will be charged \$0 in Contribution Fees.
<b>MANAGEMENT COSTS</b> (for 5 Macgroves)	For every \$55,000 you have invested in the Project you will be charged fees in the Financial Year ending 30 June 2009 of \$14,960.  Note that additional fees will also apply in later years*
<b>COST OF FUND</b> (for 5 Macgroves)	If you had an investment of \$55,000 during the Financial Year ending 30 June 2009, you would be charged fees and costs of - \$14,960.  <b>What it costs you will depend on the fees you negotiate with your financial adviser.</b>

\* See *Additional Explanation of Fees & Costs* (pages 10 - 13) for other costs.

**TABLE 3 - JOINT VENTURE GROWERS: APPORTIONMENT OF FEES AND OTHER COSTS (PER MACGROVE)**

THE FIRST JOINT VENTURER WILL BE SOLELY RESPONSIBLE FOR PAYING THE FOLLOWING FEES AND OTHER AMOUNTS:
<p><b>Management Agreement</b></p> <ul style="list-style-type: none"> <li>• 100% of the Management Fees payable for the 2007 Financial Year (which fees are included in the Application Monies);</li> <li>• Nil of the Management Fees in respect of management services provided in all Financial Years commencing on and from the 2008 Financial Year up to and including the 2011 Financial Year;</li> <li>• 50% of the Management Fees in respect of management services provided in all Financial Years, commencing on and from the 2012 Financial Year;</li> <li>• Nil of the Grower's Expenses in all Financial Years, commencing on and from the 2007 Financial Year up to and including the 2011 Financial Year;</li> <li>• 50% of the Grower's Expenses in all Financial Years, commencing on and from the 2012 Financial Year; and</li> <li>• 50% of the Orchard Operating Expenses in all Financial Years, commencing on and from the 2013 Financial Year.</li> </ul>
<p><b>Sub-lease</b></p> <ul style="list-style-type: none"> <li>• 100% of the rent payable in respect of all leasehold rights granted in the 2007 Financial Year (which are fees included in the Application Monies);</li> <li>• Nil of the rent payable in respect of all leasehold rights granted in all Financial Years commencing on and from the 2008 Financial Year up to and including the 2011 Financial Year; and</li> <li>• 50% of the rent payable in respect of all leasehold rights granted in all Financial Years, commencing on and from the 2012 Financial Year.</li> </ul>
<p><b>Finance</b></p> <p>If the Grower borrows the Application Monies from the Responsible Entity's associate, Maccfinance Pty Ltd, then the First Joint Venturer will pay 100% of the interest incurred on the borrowed funds.</p>







**TABLE 3 - JOINT VENTURE GROWERS: APPORTIONMENT OF FEES AND OTHER COSTS  
(PER MACGROVE) (continued)**

**THE SECOND JOINT VENTURER WILL BE SOLELY RESPONSIBLE FOR PAYING THE FOLLOWING FEES AND OTHER AMOUNTS:**

**Management Agreement**

- Nil of the Management Fees payable for the 2007 Financial Year (which fees are included in the Application Monies);
- 100% of the Management Fees in respect of management services provided in all Financial Years commencing on and from the 2008 Financial Year up to and including the 2011 Financial Year;
- 50% of the Management Fees in respect of management services provided in all Financial Years, commencing on and from the 2012 Financial Year;
- 100% of the Grower's Expenses in all Financial Years, commencing on and from the 2007 Financial Year up to and including the 2011 Financial Year;
- 50% of the Grower's Expenses in all Financial Years, commencing on and from the 2012 Financial Year; and
- 50% of the Orchard Operating Expenses in all Financial Years, commencing on and from the 2013 Financial Year.

**Sub-lease**

- Nil of the rent payable in respect of all leasehold rights granted in the 2007 Financial Year (which are fees included in the Application Monies);
- 100% of the rent payable in respect of all leasehold rights granted in all Financial Years, commencing on and from the 2008 Financial Year up to and including the 2011 Financial Year; and
- 50% of the rent payable in respect of all leasehold rights granted in all Financial Years, commencing on and from the 2012 Financial Year.

**THE JOINT VENTURERS HAVE THE FOLLOWING PRESCRIBED PROPORTIONS IN THE JOINT VENTURE:**

First Joint Venturer – 50% • Second Joint Venturer – 50%

Except as specified above, the Joint Venturers bear the liabilities and participate in the benefits of the Joint Venture in accordance with their respective prescribed proportions.

# 05

## Investing in Macadamias



### 5.1 Australian Macadamia Industry Profile

#### 5.1.1 History

The Australian Bush Nut (now the macadamia nut) was first discovered by Allan Cunningham in 1828, but it was not until the late 1880's that serious cultivation of these evergreen trees began.

The early 1900's marked the beginning of an exciting new industry, when a group of American horticulturists transported some macadamia seeds to Hawaii and began growing and grafting selections of these nuts to develop today's agricultural success story.

It was not until the 1960's that Australians realised the potential of this indigenous tree nut and began local cultivation. Trees, grafted from successful Hawaiian varieties, were brought to the rolling hills of north eastern New South Wales and south eastern Queensland where over one third of the world's production is now grown. Australian macadamias have developed a world-wide reputation for the finest quality, flavour and texture.

### 5.1.2 Harvesting & Processing

Macadamia nut trees grow best in sub-tropical climates where rainfall is gentle and plentiful during the spring flowering season and early autumn just prior to harvest. Cold climates are not suitable for macadamias as frost can severely damage the root system which is fairly close to the ground surface.

Approximately 300 trees are typically planted per hectare, depending on desired spacing, to create the neat and tidy plantations that are the hallmark of the Australian industry. Mature macadamia trees grow to heights of 12-15 metres; they have dark, shiny leaves and bear sprays of long, delicate, sweet-smelling white blossoms.

The annual growing cycle takes some 9 months. The first flowering occurs in early spring with nut formation in clusters during early summer. Each spray of 40-50 flowers produces from 4-15 nutlets which eventually ripen into nuts. By early autumn large clusters of plump green nuts are clearly visible and harvesting commences in late autumn and through the winter months.

Macadamia nuts are allowed to fall to the ground naturally as shaking the trees can damage the delicate root system and negatively affect future production. Modern machinery is now used to gather the nuts and the soft outer husk is then removed on the farm before the nuts are placed in storage silos awaiting delivery to the processing plant. The hard, round nut-in-shell is transported by truck to the plant where it is weighed. Samples from each delivery are analysed by the laboratory for quality and moisture content. At a suitable time nuts are moved from storage silos to drying silos where heat is applied to dry them down from 10-15% moisture to 3% moisture in preparation for cracking.

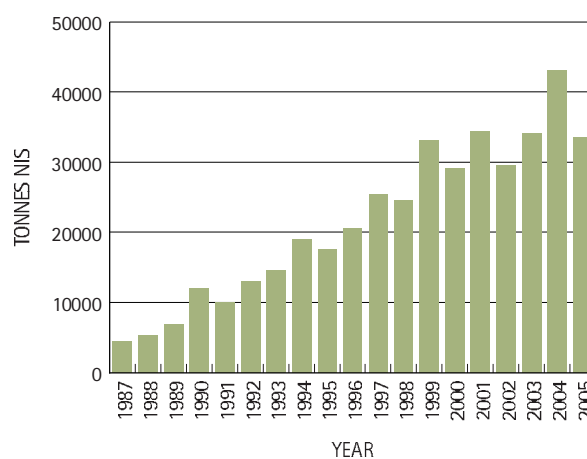
After drying, a specially-designed cracker breaks the rock hard shell with minimal damage to the delicate kernel. Both the shell fragments and the kernel travel along conveyors past an air separation system and through modern, hi-tech, electronic colour sorters which separate the shell fragment from the kernel. These sorters differentiate between the dark brown colour of shell and the creamy colour of kernel and remove the shell fragments with a burst of compressed air. A final hand sorting inspection is carried out, to remove poor quality kernel, just prior to grading the kernel for packing.

Macadamia kernel is graded into styles numbered from 0 to 8 which represent the sizes of the kernel pieces. Style 0 is large whole kernels, style 2 is a mixture of wholes and halves, style 4 is primarily half kernels and higher numbers relate to various

sizes of chips and small pieces. Once sorted into styles the kernel is vacuum-packed into poly-lined, foil bags then into sturdy shipper cartons ready for sale to manufacturers of various value-added products such as chocolates, biscuits, snack packs and ice cream.

### 5.1.3 Annual Production

There are about 700 macadamia farms in Australia, varying in size from 200 trees to large commercial plantations in excess of 50,000 trees. The graph below presents the nut-in-shell production estimates for the period 1987-2005 to demonstrate the growth of the industry over the last few years.



Over the next 5 years Australia will increase its production by more than 33% to improve its position as the largest producer and the foremost trader of macadamias in the world.

There are 10-12 commercial processors in the industry however, almost 90% of the processing is done by six major companies, of which Macadamia Processing Co Ltd (MPC) is the largest, processing and marketing some 30% of the total Australian crop each year. It is estimated that the current value of the Australian macadamia crop on the domestic and export markets is in excess of A\$175 million.

### 5.1.4 Quality Assurance

Growers and processors work to approved supplier programs and adopt Codes of Sound Orchard Practices. Processors have adopted formal Quality Assurance Certification programs in particular accreditation to ISO 9001:2000 and HACCP (Hazard Analysis and Critical Control Points).

### 5.1.5 Research & Development

The industry, through Horticultural Australia Limited (HAL) and the Australian Macadamia Society (AMS), fund industry research through the collection of statutory levies on nut-in-shell delivered to the processors. The AMS, representing the industry, determines the priority for research and projects are jointly funded with matched funding from the Commonwealth Government.

### 5.1.6 Marketing Macadamias Around the World

The marketing of Australian macadamia kernel was in its infancy in the late 1980's as the quantity produced was small compared to the volume produced in Hawaii. The Australian product was harvested at a different time of year and with small volumes overseas markets were hard to penetrate. Some processors tended to create a range of value-added products, principally chocolate-coated macadamias, roasted & salted snack nuts and macadamia nut biscuits. These products were marketed through the duty free stores around Australia.

MPC expanded its grower base and was able to develop bulk markets for macadamia kernel. At the beginning of 1991 approximately 85% of bulk Australian sales of macadamia kernel were made to buyers in the USA. The Australian industry developed markets in Asia, in particular Japan, and Europe with the expansion of the ingredient segments, in particular for use in confectionery, bakery products, snack packs and ice cream.

By the end of 1996 macadamia production in Australia had doubled from the crop of 1991 and the industry only depended on the USA for 35% of its sales. Europe accounted for another 30% while buyers in Asia purchased approximately 20% with the rest sold locally on the domestic market.

The macadamia industry has always been unique in its approach to marketing. Unlike the producers of other tree nuts (almonds, walnuts, pistachios, hazelnuts, pecans and cashews) who sell almost all of their annual production as bulk kernel, the macadamia industry has engaged in value-adding and marketing at the processor level. A few years ago, over 60% of all macadamias were marketed as branded products by companies who grow and process macadamias but now the percentage has dropped to less than 25% as the bulk market has grown.

In recent years macadamias have also become a favourite addition to many main meals, in particular the popular Asian stir fry dishes, fish dishes, salads and added to cakes and pastries. Many fine restaurants in Australia and overseas now include a macadamia dish on their menus.

## 5.2 Industry Benefits

### 5.2.1 Versatility

Macadamia nuts are considered the most versatile of all the nuts as they are able to be consumed raw as well as in a wide variety of processed forms, including roasted, honey roasted, encased in chocolate or with other tastes such as chilli or wasabi flavoured and pressed into oil.

### 5.2.2 Health Benefits

Macadamias are considered the world's finest nut. Their delicate flavour, versatility and crunchy texture make them not only a delight to consume but they also contain a range of nutritious and health promoting constituents and form an important part of a healthy diet.

There is increasing evidence that macadamia and other tree nuts have significant health benefits as they are a source of important nutrients including monounsaturated fats, proteins, dietary fibre, minerals, vitamins and phytochemicals.

The Australian Macadamia Society, in conjunction with nutritionists, medical researchers and food scientists are undertaking ongoing research into nutritional and health benefits of macadamias. Current projects being undertaken include a full biochemical analysis and nutritional profiling of macadamias.

### Nutrition Information

Macadamia Nuts (raw kernel):	Per 100g serve
Energy . . . . .	3080kJ
Moisture . . . . .	1.2g
Protein . . . . .	9.2g
Fat (total oils) . . . . .	74.0g
Monounsaturates . . . . .	60.0g
Polyunsaturates . . . . .	4.0g
Saturated . . . . .	10.0g
ASH (minerals) . . . . .	1.3g
Carbohydrates (total) . . . . .	7.9g
Sugars . . . . .	4.6g
Dietary Fibre . . . . .	6.4g
Cholesterol . . . . .	Nil
Calcium . . . . .	64mg
Potassium . . . . .	410mg
Sodium . . . . .	2mg
Australian Macadamia Oil:	Per 100g
Energy . . . . .	3436Kj
Protein . . . . .	Trace
Fat (natural oils) . . . . .	100g
Monounsaturates . . . . .	80.5g
Polyunsaturates . . . . .	2.5g
Saturated . . . . .	16.6g
Carbohydrates (total) . . . . .	Nil
Sugars . . . . .	Nil
Cholesterol . . . . .	Nil
Sodium . . . . .	Trace
Potassium . . . . .	Nil

(source: AMS website – [www.macadamia.org.au](http://www.macadamia.org.au))



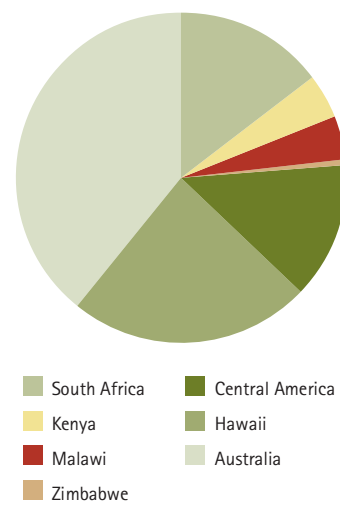
### 5.3 Outlook

The directors of the Manager believe that the outlook for the global macadamia market is optimistic. The industry is fundamentally strong and global consumption has increased steadily.

This Project aims to capitalise on the competitive advantages of the Australian macadamia industry and the range of benefits through long-term contractual arrangements with MPC, Australia's leading integrated processor, marketer and exporter of macadamias.

The Project is expected to have little or no impact on the balance of global supply and demand and therefore no significant impact on world macadamia prices. Growers will benefit from increased sales that MPC will make into the export markets, including Japan, Middle East and Europe, as well as long standing domestic customers such as confectioners, cereal manufacturers, supermarket packers and wholesalers.

WORLD MACADAMIA PRODUCTION - KERNEL (2003)



# 06

## How the Project Works



The Manager is offering you the opportunity to participate in the 2007 Macgrove Project, which will be managed with the objective of producing macadamia nuts for domestic and export sale to established markets. The Project is a managed investment scheme registered with ASIC.

Your Project costs will be 100% tax deductible for the financial year to which they relate if you participate in the Project on or before 15 June 2007 (subject to any reduction on account of GST - see comments in section 9 *Taxation: Goods & Services Tax (GST)*). Your macadamia nuts are expected to be harvested annually from the fourth year after establishment, and should such harvesting occur, it should provide a regular income stream during the remaining term of the Project.

The offer comprises allotments of separately identifiable Land called Macgroves. It is expected that the Orchard will yield its first commercial Crop in 2011, and will reach full maturity in the eleventh year after establishment.

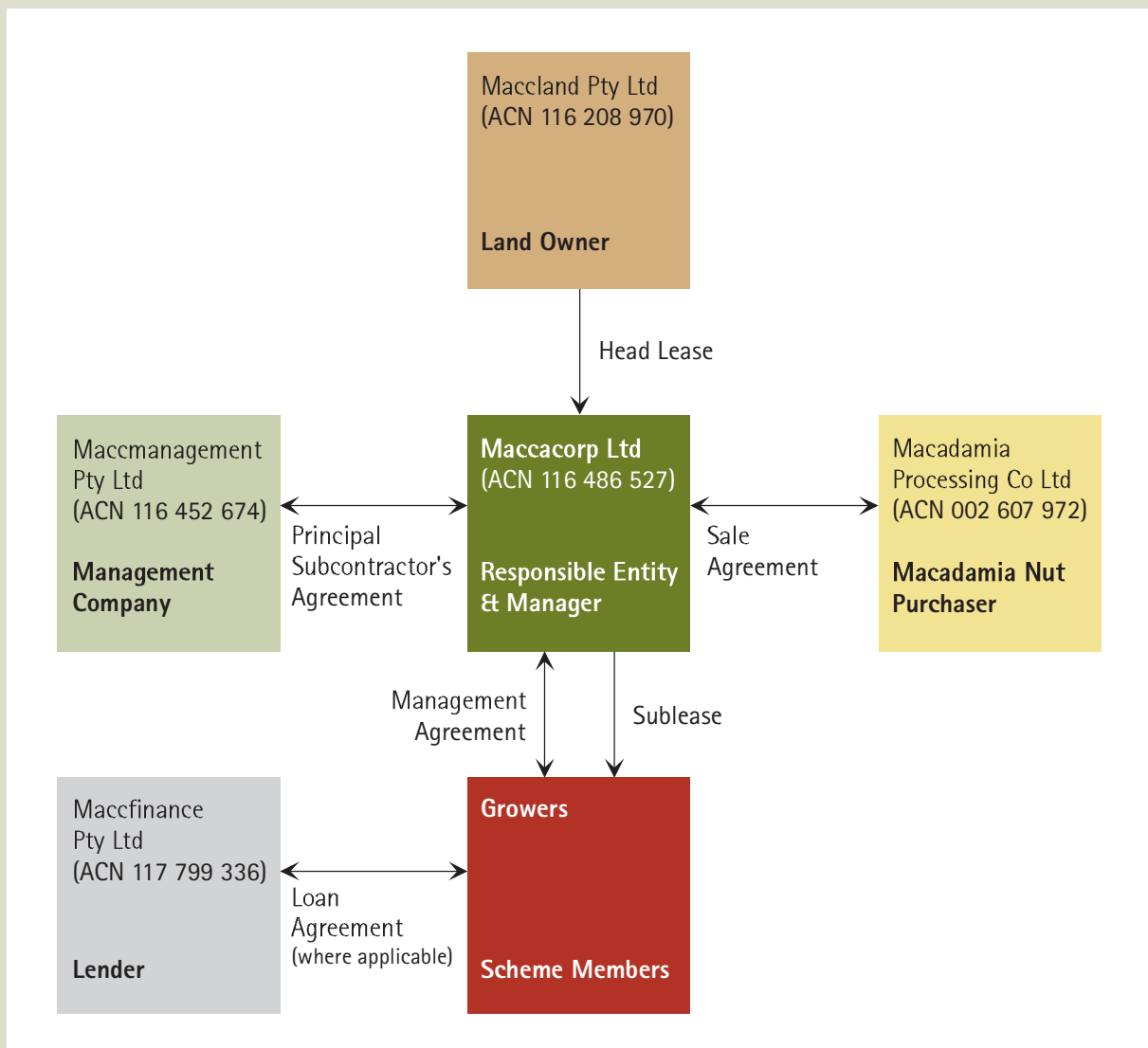
Macgroves will be issued only upon acceptance of a completed Application Form. Upon acceptance of an application, you will become a macadamia nut grower in your own right by:

- Subleasing one or more Macgroves from us, the Sublessor; and
- engaging us as Manager to cultivate and manage your Trees on these Macgroves, and to procure services for harvesting, dehusking and selling the macadamia nuts to MPC.

Information regarding your acceptance into the Project and reports that we will send you are detailed in this section.



## 6.1 Project Structure



## 6.2 Establishment & Management

The Project will be conducted on prime agricultural land in the Bundaberg region of central Queensland. The Project Manager is required to plant all Trees by the time of each Grower's acceptance into the Project.

The anticipated size of the Project, combined with the use of best practice horticultural techniques and advanced dehusking and product handling facilities, is expected to achieve significant economies of scale and enhanced returns. See section 8 *Project Site & Development* for details on the Project site and its development.

## 6.3 Harvesting, Sorting & Sale of Macadamia Nuts

### 6.3.1 Harvest and Sorting

The harvesting of macadamia nuts in the Bundaberg region typically commences in late February of each year as the macadamia nuts mature and fall onto the ground. Harvesting typically takes place continuously from the months of February to September of each year.

Harvesting of macadamia nuts grown in the Project is not expected to occur until 2011.

The macadamia nuts are typically harvested by tractor-mounted harvesters and transferred into the dehusking and sorting shed on the property. The macadamia nuts are stored on site in ambient air drying silos. After final resorting, the macadamia nuts are taken by road to the processor. All product is weighed and checked for quality. It is only at this point, unlike stockpiling of other horticultural produce, that the ownership of the macadamia nuts changes from Grower to processor and the Grower is paid on a revenue return basis.

It is proposed that the same arrangements will apply to your macadamia nuts when harvesting commences for the Project.

### 6.3.2 Sale of Your Macadamia Nuts

Under the Management Agreement we are obliged to sell the Crop on your behalf and are authorised to enter into a sale agreement in respect of the Crop. We have entered into an agreement with MPC to purchase all your macadamia nuts for the period of the Project.

### 6.3.3 Pooling of Macadamias

Following harvest, your macadamia nuts will be pooled with those of the other Growers in the Project. The Project Manager will reconcile and adjust the actual contribution proportions made by each Grower to ensure that Growers ultimately receive all proceeds to which they are entitled.

### 6.3.4 Distribution of Your Macadamia Proceeds

As your macadamia nuts will be pooled with those of all other Growers in the Project, you will be entitled to a proportionate share of the net proceeds paid for the macadamia nuts. Your proportionate share will be determined by reference to the proportion that the area that your Macgroves bears to the total area of all Macgroves registered to all Growers in a financial year (Grower's Proportion). You should note that no distributions are expected before 2011.

As consumer demand and price prospects will determine the timing of sales, we will receive proceeds from the sale of macadamia nuts progressively throughout each year. As Responsible Entity, we will distribute proceeds received from the Project Manager periodically. Prior to distributing the proceeds to you, we will deduct the rent due under the Sublease, the Management Fees and costs due under the Management Agreement and any amount payable under the Project Agreements which is overdue and has not been paid.

### 6.3.5 The Value of Macadamia Processing Co Ltd

In addition to being the largest processor and marketer of macadamia nuts in Australia, MPC has state-of-the-art receivals and processing operations in Alphadale, near Lismore, and processes over 30% of the Australian crop.

Growers of macadamia nuts are typically paid for product delivered to MPC with quality testing performed at the time of delivery as the basis for the payment. This removes any penalty for the Grower of deterioration of product stored in MPC's silos prior to processing and sale.

In 2005, MPC processed almost 9,500 tonnes of nut-in-shell and in 2006 it is expected that it will process almost 13,000 tonnes. Approximately 90% of its 2005 crop was exported. Importantly, under this Project, MPC has agreed to purchase the entire crop produced each year on a revenue return payment scheme (that is, MPC returns to its Growers the total revenue from sale of the crop after deducting its operating costs and making a reasonable allowance for provisions).

The price paid for the macadamia nuts will be the prevailing market price from time-to-time. Neither the Manager nor MPC guarantee any particular price will be paid for the Crop in any given year.





*“...Extensive environmental impact assessments reviewing waste management and water quality, and vegetation management plans for the protection of remnant vegetation and indigenous revegetation...”*

## 6.4 Environmental, Social & Ethical Considerations

The Manager is committed to excellence in environmental and social responsibility.

Extensive environmental impact assessments reviewing waste management and water quality, and vegetation management plans for the protection of remnant vegetation and indigenous revegetation, are prepared prior to the Manager’s major Project establishment work.

The Manager has adopted management techniques associated with its farming operations in the areas of water conservation, irrigation and integrated pest management.

The Manager’s environmental policy is based on:

- acting with integrity and respect for the community and the environment;
- compliance with applicable environmental and labour legislation, regulations, standards and policies;
- commitment to the prevention of pollution in the areas in which it operates;
- continually improving Project performance by implementing a best practice approach to relevant aspects of macadamia orchard management;
- active participation with relevant industry bodies to improve agribusiness practice, enhance regional biodiversity and to conserve the environment generally;
- conducting its operations in accordance with relevant Codes of Practices, local planning schemes and policies; and
- providing training to its employees and contractors in relation to the Manager’s environmental policy.

### 6.4.1 Ethical Considerations

As Responsible Entity, we are obliged to act in the best interest of Growers and intend at all times to deal with Growers and all persons associated with the Project in a fair and ethical manner.

## 6.5 Application Process & Project Agreements

To become a Grower under this Project you must:

- (a) complete the Application Form (including the power of attorney booklet) at the back of this PDS, and lodge your completed Application Form, together with the relevant Application Monies with your financial advisor or with the Sydney office of the Manager on or prior to 15 June 2007; and
- (b) ensure your Application is accepted on or before 15 June 2007.

### 6.5.1 Project Agreements

In completing the Application Form, you will agree to be bound by the Constitution and will authorise the Manager, amongst other things, to enter into the Project Agreements on your behalf.

### 6.5.2 The Constitution

The Constitution is a deed that establishes the 2007 Macgrove Project as a managed investment scheme and sets out the terms and conditions under which we are appointed as Responsible Entity for the duration of the Project. The Constitution also sets out:

- how the Project will be administered;
- how reports will be provided to you;
- your rights;
- the fees that you are required to pay;
- termination and retirement provisions;
- your protections and safeguards, including complaint resolution procedures; and
- receipt and distribution of proceeds from the Project.

### 6.5.3 The Sublease

The Land Owner has leased the Land to the Manager in order to secure tenure of the Land for the duration of the Project. The Lease confers on us exclusive possession of the Land including Orchard.

Under each of the Subleases, we then grant to you a Sublease to use and occupy one or more identifiable Macgroves for the term of the Project. The purpose of the Subleases is to allow you to cultivate and harvest macadamia nuts.

### 6.5.4 Management Agreement

Under the Management Agreement between you and us, we will manage and cultivate your Macgroves and will be responsible for the sale of the Crop.

We have engaged the Project Manager, under a Principal Subcontractors Agreement, to assist us in performing our duties to maintain the Orchard.

A summary of the Constitution and Project Agreements are set out in section 12 *Summary of Project Agreements*.

## 6.6 No Cooling Off

In certain circumstances, investors may have a right under the *Corporations Act* to obtain a refund of their investment monies, less taxes, charges and administrative costs, if they return the interests issued to them.

Applicants for Macgroves in the Project will not have cooling-off rights, because:

- the cooling-off right only applies to liquid schemes and, upon acceptance of your application, your Application Monies are immediately disbursed in accordance with the PDS, the Constitution and the Project Agreements; and
- cooling-off rights are forfeited when an applicant exercises some other right or power granted by the Project, and
- applicants immediately receive the benefit of management services once their application is accepted.

## 6.7 Information & Reporting

### 6.7.1 Initial Project Documentation

On becoming a Grower, we will send to you:

- a Macgrove statement together with a map to enable you to identify the location of your Macgroves; and
- a formal advice of Application Monies paid to assist in the preparation of your income tax return.

You will be entitled to visit your Macgroves by appointment and monitor their progress.

### 6.7.2 Reporting

During the Project we will send to you:

- annual reports detailing the results of the harvest of macadamia nuts including the condition of the Orchard, including your Macgroves, the macadamia Trees and other relevant details;
- annual invoices for management costs and rent; and
- statements of income and expenses and proceeds from the sale of your macadamia nuts.

Under the Management Agreement, we are obliged to provide you with an Orchard maintenance program and other reports. This is detailed further in section 12 *Summary of Project Agreements*.

We will also keep you informed of relevant compliance developments including changes to the tax laws, confirmation of the implementation of the arrangements as set out in the Product Ruling, and marketing trends and developments. Grower communication may include newsletters or updates through our website, [www.maccacorp.com.au](http://www.maccacorp.com.au).

### 6.7.3 Other Information You Can Inspect or Request

If there are more than 100 Growers in the Project, the Project will become a disclosing entity under the *Corporations Act* and will be subject to regular reporting and disclosure obligations. In those circumstances, a copy of the annual financial report and the half-year financial report most recently lodged with ASIC for the Project will be given to you on request. Copies of documents lodged with ASIC for the Project may be obtained from, or inspected at, an ASIC office.

During the Offer Period, copies of the Constitution, custody agreement, compliance plan, Principal Subcontractors Agreement, Project Agreements and product ruling may be inspected or obtained free-of-charge during normal business hours at the Manager's head office. You may also request from us, in writing, a copy of the Project's annual financial report most recently lodged with ASIC. At the date of this PDS no annual financial report had been lodged with ASIC.

Throughout the term of the Project, the Manager will maintain a register of Growers at our head office. The register may be inspected by any member of the public at our head office between the hours of 9:00am and 5:00pm, Monday to Friday (excluding public holidays).

## 6.8 Dispute Resolution

As a Grower, you have the right to make a formal complaint about any aspect of the Project. We will treat all complaints seriously and deal with them in a timely manner, attempting to respond fully within 21 days of the complaint being made.

Staff receiving verbal complaints will attempt to settle them immediately or will involve another staff member who may be able to resolve the complaint. All written complaints and any verbal complaints that cannot be resolved in a timely manner will be referred to the Manager's Complaints Officer and will be dealt with in accordance with the Constitution.

The Manager will notify you within 5 business days of receipt of a written complaint to advise it is being considered and will provide an estimated time in which a full response will be made.

If a complaint cannot be resolved to your satisfaction, then you are entitled to refer it for determination to the complaints resolution body of which we are a member:

*Financial Industry Complaints Service Limited (FICS)*  
 Level 13, 31 Queen Street  
 Melbourne Victoria 3000  
 Telephone: 03 8623 2000

If you do not wish to use FICS, or your complaint does not fall within the rules of FICS, you must submit your complaint to arbitration. You and the Manager must agree to accept any determination of FICS or the arbitrator as final and binding, subject to any rights of appeal. This procedure does not prevent the Manager from commencing proceedings against a Grower or submitting its dispute or difference with a Grower to arbitration.

For further details on dispute resolution provisions, please refer to the summaries of the Constitution and Project Agreements in section 12 *Summary of Project Agreements*.

## 6.9 Compliance Plan

As required by the *Corporations Act*, we have lodged with ASIC a compliance plan for the Project, which sets out the measures we have in place to monitor compliance with our obligations under the Constitution and the *Corporations Act*. Our adherence with the compliance plan is audited annually. Pitcher Partners has been appointed as auditor of the compliance plan.

## 6.10 Joint Venture Growers

The Project allows applicants to participate as Joint Venturers. Parties may establish an unincorporated joint venture between themselves as described in section 12 *Summary of Project Agreements* and in accordance with the apportionment of fees outlined in table 3 of section 4 *Fees & Costs*.

A default on the part of one Joint Venturer will constitute a default of both Joint Venturers that comprise the Grower in respect of the Joint Venture Macgrove. However, the Responsible Entity acknowledges that a Joint Venturer is not liable for any amount or liability exceeding the Joint Venturer's respective 50% prescribed proportion by reason of any joint liability incurred or joint loss sustained in connection with any contract or arrangement entered into by the Joint Venturer.

# 07

## Project Returns & Risk Factors



There are a number of variables that may impact the calculation of returns to Growers in this Project. Given the Project's agricultural and long-term nature, many of these variables are outside of our control, which make it impossible to determine future cash flows or returns with certainty. As a result, our directors have elected not to provide forecast returns for the Project.

To help you make your own assessment of the benefits of participating in the Project, we have set out over the following pages the major factors (including material risks) that may impact Project returns over its expected term. Our directors have exercised due care in preparing and reviewing this information and believe it is reasonable. Importantly, the directors have obtained confirmation from the independent macadamia orchard expert (set out in section 11) that the information presented in relation to Macadamia nut yields is reasonable. In providing you with this information, the directors and the independent macadamia orchard expert do not guarantee the success of, or financial returns from, the Project.

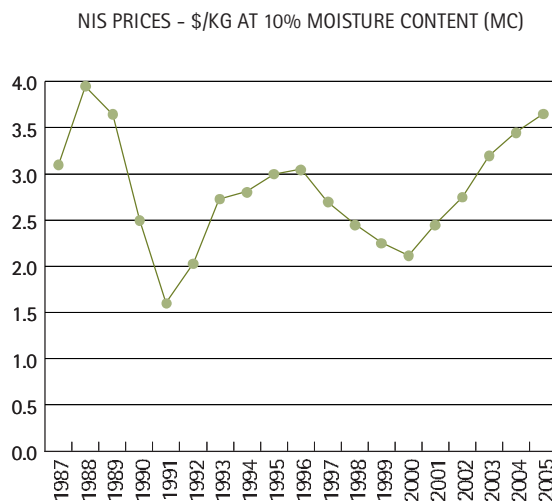
We recommend you seek your own professional advice when considering possible Project returns and to assist you in determining whether participation in the Project suits your objectives and financial situation. You should consider the variables below in conjunction with the taxation features discussed in section 9 *Taxation* and the risks and safeguards described in section 10 *Risk Analysis*.

## 7.1 Factors Which Impact Financial Performance

The main factors that can affect the return on an agribusiness project are the project's yield, the price received for the product following harvest and project costs.

## 7.2 Macadamia Nut Prices

The price at which MPC purchases the Crop of macadamia nuts will be affected primarily by the worldwide demand for macadamia nuts as MPC exports over 90% of its processed kernel.



It can be reasonably expected that prices will continue to fluctuate in the future, thereby affecting your returns from year-to-year. MPC has agreed to purchase all macadamia nuts grown as part of the Project but does not give any assurance about the purchase price.

### 7.2.1 Exchange Rate

Macadamia nuts in world markets are priced in US dollars or Australian dollars. As such, if there are fluctuations in the A\$ exchange rate this will also influence your A\$ denominated returns over the life of the Project.

### 7.2.2 Timing of Sales

MPC starts accepting deliveries of macadamia nut-in-shell from March each year which coincides with the commencement of harvesting Orchards. MPC enters into contracts with overseas and domestic customers and requires continuity of supply to fulfill customers' requirements. This results in MPC ensuring that it can receive all macadamia nut-in-shell during the harvesting period. Your Crop of macadamias will be harvested each year between February and October anticipated to start in 2011.

There is no guarantee that MPC will continue to sell macadamia kernel in line with current sales patterns. However, under the sale agreement with MPC, MPC has agreed to purchase the entire Crop produced each year by the Project as a whole as the macadamia nut-in-shell are harvested.

### 7.2.3 Domestic/Export Sales

Almost 90% of all sales of MPC have been into export markets. The balance has been sold on the domestic market ensuring all kernel is sold and minimal product is carried over into the next financial year.

The ability of MPC to sell macadamia kernel will depend on the following:

- the demand/supply dynamics within the Australian and overseas markets and the availability of macadamia kernel for export; and
- availability of macadamia kernel for export in the July-December period when it concentrates on the export market program.

### 7.2.4 Other Matters

It should be observed that global economic conditions and actions taken by individual world governments and regulatory authorities, particularly those of the United States, may have an impact on the supply, demand and world price of macadamia nuts.



### 7.3 Macadamia Yields

It is expected that the Orchard will yield its first commercial Crop from in 2011 and reach full maturity by year eleven of the Project (ie, 2017). At full maturity, it is expected that the weighted average yield across the Orchard will be 5.5 tonnes per hectare.

The above yields are based on an average planting density of 312 macadamia trees per hectare (125 trees per Macgrove) and have been verified as reasonable by the independent macadamia orchard expert's report, which is reproduced in section 11.

It should be noted that actual yields may vary from year-to-year from those set out above. Furthermore, some Macgroves may produce yields which are higher or lower than the expected yields. However, all macadamia nut-in-shell produced from the Project will be pooled and Growers will share in the proceeds of sale of the pooled macadamia nut-in-shell in the proportion that the area of their Macgroves bear to the total area of all Macgroves.

### 7.4 Costs

The costs to Growers in the Project are fully set out in section 4 *Fees & Costs*.



### 7.5 Tax Profile

Your profile as a resident Australian taxpayer will also impact the returns you achieve from participation in the Project.

The higher your marginal tax rate, the greater the benefit you receive from the income tax deductions to which you are entitled. You should be entitled to claim all management and incentive fees and rent that you pay in respect of the Project together with any interest incurred on borrowings from Maccfinance and you should be entitled to write off the costs incurred by the Manager to establish the macadamia nut Trees on your Macgroves (subject to any reduction on account of GST).

The amount of any deduction will be reduced by the amount of any GST input tax credit to which you are entitled under the legislation relating to GST. You may claim input tax credits for the GST included in the Project costs provided you are registered for GST.

Your returns may also be affected by whether or not you elect to have the Simplified Tax System apply to your macadamia growing activities, and your marginal tax rate at the time you receive proceeds from the Project.

Finance may be provided by Maccfinance in relation to borrowings to finance a Growers' investment in the Project upon application.

For a discussion of these matters, refer to section 9 *Taxation*.

*“...At full maturity, it is expected that the weighted average yield across the Orchard will be 5.5 tonnes per hectare.”*

# 08

## Project Site & Development



### 8.1 The Land

The Project will be undertaken on Land already acquired by the Land Owner and is situated at 92 Kenzlers Road, Sharon, via Bundaberg, Queensland and being Lots 1 & 2 on RP110202, Lots 3 & 4 on RP866764 and Lot 1 on CPRL5669. There are three dams on the Land with a total capacity of approximately 400 megalitres as well as Water Allocations Nos 360 & 379 for a total of 238 megalitres per annum. The Land Owner has provided to the Manager a Head Lease over the area of the Land on which the Project will be undertaken and a proportionate part of the water rights and allocations, the term of the Head Lease being for the duration of the Project. The Head Lease is to be registered against the Titles with the Queensland Registrar of Titles.

The Bundaberg region is a prime horticultural area with a history of improving yields of high quality primary produce. Macadamia plantations have expanded rapidly in the area from just over 100ha of trees planted in 1994 to over 2,500ha planted in 2004.



The Land has been soil tested and surveyed not only to determine the most appropriate Orchard layout, but also to ensure that the irrigation system design is optimised for the Land planted. The tests show that the Land to be planted is suitable for growing commercial crops of macadamia nuts.

For further details regarding the Land and soil, refer to the independent macadamia orchard expert's report in section 11.



## 8.2 Climate & Topography

The Central Queensland region enjoys long, warm to hot summers with extensive rain during the summer period. This is the preferred climate for macadamia growing. It has a mean annual rainfall of over 1,000 millimetres. The incidence of crop loss and disease due to rainfall is low.

The minimal daily cloud that is characteristic of the area maximises the time available for tree and nut growth.

## 8.3 Water Supply & Irrigation

Growing macadamia nuts in the Bundaberg region is a high water usage activity and the establishment of a new orchard requires extensive planning in the areas of irrigation design, layout, installation and water monitoring in order to achieve high yields.

The Manager believes that the Land Owner has sufficient Water Allocations to meet the Project's needs.

Water is applied to the macadamia Trees using drip tape irrigation with monitoring of soil moisture to optimise tree growth and yields. The volume of water applied to the



macadamia Trees each day will depend on the prevailing climatic conditions, the age of the Trees, drainage characteristics and moisture holding capacities of soil at various parts of the Orchard.

The Manager has commissioned a qualified expert irrigation company to prepare a fully integrated irrigation design, water budget and drainage management plan for the Orchard. These plans and budgets have been reviewed by the Project Manager to ensure that the irrigation system installed on the Orchard conforms with specifications particular to macadamia growing. For further details on the irrigation requirements of the Orchard refer to the Independent Macadamia Orchard Expert's Report in section 11.

## 8.4 How the Orchard is Established

The Project Manager will purchase the macadamia Trees for the Orchard. The Trees, which are being largely supplied from two nurseries in the Bundaberg region. The Project Agreements require all Trees to be planted on a Macgrove by the time the Grower allocated the Macgrove is accepted into the Project.

The Manager has appointed the Project Manager to oversee the installation of the internal irrigation system and other infrastructure works on the Orchard prior to planting. These works include identifying and organising the pegging of block layouts, clearing approved vegetation, broadacre weed spraying, ripping of tree rows, planning tree locations and applying pre-plant fertilizer. The Project Manager will then plant the macadamia Trees.



The macadamia Trees will be planted on a 8 metre by 4 metre grid to give a density of approximately 312 Trees per hectare. This spacing allows Trees to grow without undue overcrowding and enables machinery to travel down the rows without damaging the Crop. The Project Manager will promote tree shape that has the potential to achieve early yield projections and consistent quality commercial yields at full maturity.

The layout of the Orchard needs careful planning. Macadamia Trees are not self-pollinating and different varieties of macadamia Trees that flower at approximately the same time will be planted to ensure bees carry out cross-pollination.

The macadamia Trees and any improvements to the Land including fixtures and fittings such as irrigation, remain at all times the property of the Land Owner.

*“...The macadamia Trees will be planted on a 8 metre by 4 metre grid...This spacing allows Trees to grow without undue overcrowding and enables machinery to travel down the rows without damaging the Crop.”*

## 9.1 Product Ruling & Deductions

The Australian Taxation Office (ATO) has issued a Product Ruling in respect of the Project.

The Product Ruling confirms that for Growers that are not registered or entitled to be registered for GST purposes and who are non-STS taxpayers:

- The Application Monies will be 100% tax deductible for the year ending 30 June 2007;
- Management Fees, rent and Incentive Fees incurred by a Grower will be deductible in the financial year to which they relate;
- Interest incurred by a Grower in relation to borrowings from Macfinance to finance a Grower's investment in the Project will be deductible in the financial year in which interest is incurred;
- However, the Product Ruling does not apply to prepaid expenditure in relation to fees or interest applicable to services to be provided in a subsequent financial year; and
- All proceeds that a Grower derives from the sale of macadamia nuts will be assessable income for taxation purposes.

For Growers that are registered or entitled to be registered for GST purposes, any deductions and assessable income will be reduced to the extent of any GST component.

The Product Ruling also confirms that:

- Growers are entitled to claim a write-off for the costs associated with the establishment of the macadamia Trees on their Macgroves at the rate of 13% per annum, commencing from the year of first commercial production. This is expected to be the financial year ending 30 June 2011;
- The Commissioner of Taxation has exercised his discretion so that non-commercial loss provisions under section 35-55 of the *Income Tax Assessment Act* (1997) will not apply to deny deductions for non-joint venture Growers in the Project for the income years ending 30 June 2007 to 30 June 2014;
- Part IVA and other anti-avoidance provisions of the *Income Tax Assessment Act* (1936) do not apply to the Project.

Copies of the Product Rulings are available free-of-charge from the ATO ([www.ato.gov.au](http://www.ato.gov.au)) or by requesting a copy from us or by downloading them from our website, [www.maccacorp.com.au](http://www.maccacorp.com.au).

You should be aware that:

- the Product Ruling will be binding on the Commissioner of Taxation only if the Project is carried out in the specific manner provided in the Product Ruling;
- the Product Ruling only applies to applications made after the date of issue and is in no way expressly or impliedly a guarantee or endorsement of the commercial viability of the Project, of the soundness of the Project as an investment or of the reasonableness or commerciality of any fees charged in connection with the Project, and will continue to apply to you after their withdrawal;
- the Product Ruling only rules on the taxation laws as they apply at the date of issue. See section 10 *Risk Analysis* of this PDS, which outlines the risk associated with legislative change;
- the deductibility or otherwise of interest incurred in respect of borrowings from lenders other than Maccfinance is outside the scope of the Product Ruling; and



- the Product Ruling does not apply to Growers who choose to prepay Management Fees or rent. Amounts that are prepaid for a period that extends beyond the income year in which the expenditure is incurred may be subject to the prepayment provisions contained in sections 82KZME to 82KZMF of the *Income Tax Assessment Act* (1936).

## 9.2 Goods & Services Tax (GST)

As a Grower in the Project, you will be carrying on an enterprise and may choose to register for GST purposes. If you already carry on a business and apply to the Project in the same name, your existing registration will be sufficient. You must be registered for GST if your annual turnover is greater than \$50,000 per annum.

If you are registered or are required to be registered for GST purposes, you will be entitled to claim an input tax credit (a refund or offset) for any GST payable in relation to the Project, but you will not be entitled to a tax deduction for this GST component. It is important to note that the provision of finance is not a 'taxable supply' and any interest payable by you on borrowed funds is not subject to GST.

## 9.3 Macadamia Proceeds

All proceeds that you derive from the sale of macadamia will be assessable income for taxation purposes.

## 9.4 Macadamia Nut Sales

MPC guarantees to buy all macadamia nuts harvested during any year.

## 9.5 Macadamias on Hand at the End of the Year

A Grower will generally have to bring to account opening and closing trading stock on hand at the end of each year when determining a Grower's taxable income. We will advise you each financial year of the value of opening and closing trading stock on hand to allow you to prepare your income tax return.

Note that MPC does not guarantee the sale price of the macadamia nuts.

## 9.6 Taxation Advice

You should obtain your own independent professional advice in relation to your tax position and the effects of the GST under the Project.



# 10

# Risk Analysis



The Project is a long-term commercial horticultural project and, like any agricultural venture, involves risks. You should carefully consider the risks detailed on the following pages before making an application to participate in the Project.

We have considered these risks and where possible developed strategies to reduce the incidence, and mitigate the impact, of such risks.

The use of appropriate systems and safeguards may mitigate a number of these risks. However, it must be appreciated that many are outside our control.

## 10.1 Project Specific Risks

### 10.1.1 Macadamia Trees

The Manager has sourced and will plant all of the macadamia Trees on advice given to it of the appropriate mix of tree varieties. The bulk of the Trees will be grown in local nurseries and be varieties that are grown in the area.

### 10.1.2 Yields, Pests and Diseases

Macadamia Trees, being native to Australia, are resistant to the Australian climatic conditions and are relatively resistant to pests. The Manager will adopt integrated pest management systems and will make every effort to minimise annual variations in yields and production. However, yields may vary from tree to tree and from harvest to harvest.

### 10.1.3 Irrigation Infrastructure

The Land Owner is incorporating advanced design features in the internal irrigation system, as well as the pipeline, dams, pump and other components of the irrigation infrastructure installed or to be installed on the Land. The substantial capital outlay involved in acquiring the high quality plant and equipment should reduce the possibility of major equipment failure. Regular maintenance will also assist in mitigating this risk.

### 10.1.4 Water Licences

The Land Owner has secured Water Allocations prior to the commencement of the Project. Although these are permanent rights, unexpected changes in climatic conditions may affect future allocation of water rights. The risk of this occurring is small.

### 10.1.5 Infrastructure and Services

The success of the Project will also depend on our continued access to infrastructure, including power, irrigation and transport, and our ability to obtain all necessary regulatory



approvals to operate the Orchard. This may be jeopardised as a result of changes in government policy or the law.

## 10.2 Revenue & Financial Risks

### 10.2.1 Macadamia Prices

As set out in section 7 *Project Returns & Risk Factors: Macadamia Nut Prices*, the price for macadamia nuts will be primarily affected by worldwide demand. Under the sale agreement with the Manager, MPC has agreed to purchase the total macadamia harvest each year for the term of the Project. It will coordinate deliveries to the factory with harvesting operations. However, MPC does not guarantee the purchase price for the macadamia nuts.



*“...The Land Owner is incorporating advanced design features in the internal irrigation system, as well as the pipeline, dams, pump and other components of the irrigation infrastructure...”*

### 10.2.2 Returns

The ultimate financial success of the Project will depend on yield rates achieved, the prevailing market conditions when macadamia nuts are sold and the other factors discussed in section 7 *Project Returns & Risk Factors*.

## 10.3 Other Risks

### 10.3.1 Changes in the Law

The success of the Project and the returns achieved by Growers may also be affected by changes in the taxation, regulatory or local government laws, including changes in legislation and the imposition of new levies, imposts or other taxes.

The Product Ruling will protect Growers provided that the Project is carried out in accordance with the details we provided to the Australian Taxation Office and described in the Ruling. Although the Product Ruling constitutes a binding public ruling in respect of the Project, it may be superseded by a legislative change in tax laws.

We do not, nor does any other person, firm or corporation associated with the issue of this PDS guarantee the amount or timing of any tax deduction and there remains the risk that the Australian Taxation Office may disallow any claim in this regard. If income tax deductions are disallowed, Growers may be required to pay penalty tax and interest.

### 10.3.2 Consumer Demand

While current trends may suggest otherwise, there is a risk that local and overseas consumers' preference for macadamia nuts and related products may change during the life of the Project.

### 10.3.3 Changes in Technology

Changes in technology may make other macadamia nut orchards more competitive and, therefore, have an impact on forecasted returns. We are committed to using world best management practices and to upgrading these practices, as appropriate, with the best available technology.

### 10.3.4 Local Competition

Local competition exists with the supply of product to domestic and export markets. Whilst current world demand exceeds or meets supply, any change in the supply/demand characteristics of the market could have a material adverse effect on the Project's operating and financial performance.

### 10.3.5 Default by Growers

Our ability and the ability of the Project Manager to provide quality services may be affected by Grower failure to pay annual Management Fees and rent when due. If a Grower defaults, we may take all appropriate action to ensure that fees are paid. Default provisions are contained in the Constitution and the Project Agreements.

### 10.3.6 Project Agreements

Anything that affects our ability to meet our obligations under the Management Agreements and Subleases, and the ability of the Land Owner to meet its obligations under the Head Lease, could also constitute a risk to Growers.

### 10.3.7 Illiquid Interests

The Project is not intended to be a short-term investment and should be viewed as being one for a fixed term of approximately 21 years with two options to renew for a further five years and four years respectively.

There is no established secondary market for buying and selling Macgroves and consequently, it is expected that interests issued under this PDS will be illiquid. We are not obliged to purchase from any Grower any Macgroves allocated pursuant to this PDS, but the Project Agreements do permit you to assign or sell your Macgroves (see section 12 *Summary of Project Agreements: Constitution - Assignment and Sale of Macgroves*).

### 10.3.8 Climate

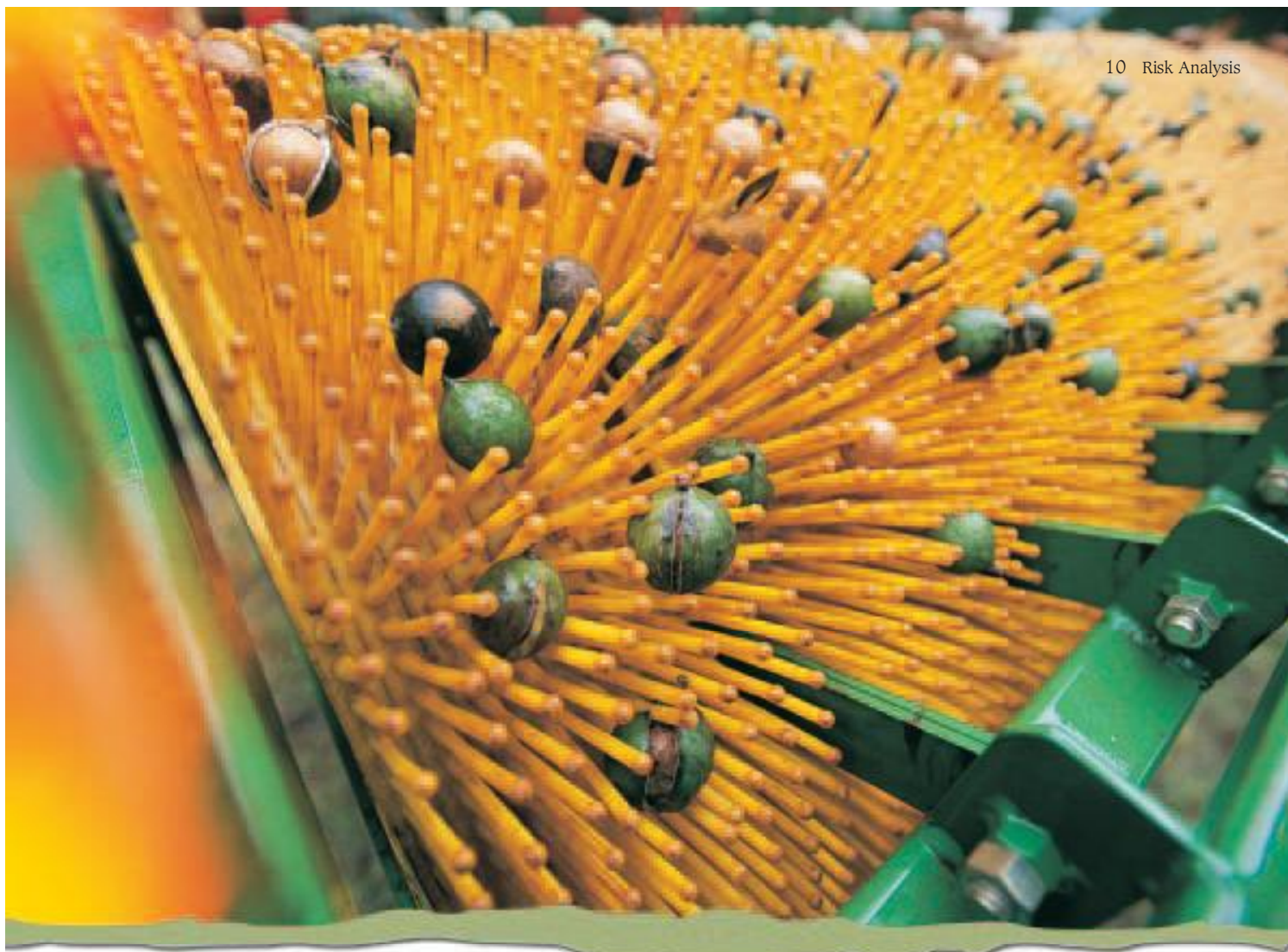
The growing of macadamia nuts is an agricultural project and subject to the variances in weather conditions such as rainfall and temperature. The Bundaberg region is a proven growing area for macadamia nuts but is subject to climatic changes and variances similar to any other agricultural growing area.

### 10.3.9 Lack of Crop Insurance

Consistent with macadamia nut industry practice, it is not proposed that insurance will be taken out against any damage to crop. This is because either such insurance is not available or the Manager considers that the costs of such insurance are not economically justified.

### 10.3.10 Compliance Risk

The Fund is a managed investment scheme which means the Responsible Entity is subject to strict regulatory and compliance arrangements under the *Corporations Act* and ASIC policy. If the Responsible Entity does anything to jeopardise its Australian Financial Services Licence then ASIC may take action to suspend or revoke the licence, which in turn could adversely impact the Project.



## 10.4 Risk Management

### 10.4.1 Security of Land Tenure

The Land Owner owns the whole of the Land and has leased it to the Manager for the life of the Project to secure your tenure. Under the lease, which will be registered under the land title laws of Queensland, we have exclusive possession of the Land, including the Orchard, for the duration of the Project.

*“...The Bundaberg region is a proven growing area for macadamia nuts but is subject to climatic changes and variances similar to any other agricultural growing area...”*

### 10.4.2 Risk Mitigation

The Manager's ability to undertake the following activities are considered to be a major benefit to Growers participating in the Project:

- the day-to-day management of the Orchard;
- the dehusking of the macadamia nuts in a state-of-the-art processing facility; and
- the arrangement with MPC to process and market the macadamia nut-in-shell.

Included in the annual revision of the business plan will be management plans identifying horticultural and operations issues and incorporating risk management procedures.

The Project will, at all times, be conducted in the best interests of Growers by ensuring that best horticultural and industry practices are adopted.

# 11

## Independent Macadamia Orchard Expert's Report



*Prepared for Maccacorp Limited in relation to the 2007 Macgrove Project  
By Chris Searle, PhD, M Agric Studies, B Agri Sci (Hons).*

### **Introduction**

This independent expert's report has been commissioned by Maccacorp Ltd and has been prepared by Dr Chris Searle. The report will be included in the Product Disclosure Statement in relation to the 2007 Macgrove Project for the development, cultivation and management of a macadamia Orchard near Bundaberg, Queensland.

Dr Searle has extensive experience in the Australian macadamia nut industry, particularly in the central Queensland region where he has been involved in the establishment and management of macadamia orchards. He has worked in the field of agriculture for over 24 years with the British Foreign and Commonwealth Office, the University of Queensland, Queensland Department of Primary Industries and CSIRO. As a result he is familiar with all aspects of the cultivation, management, processing and marketing of primary produce, in particular macadamia nuts

This report has been prepared based on the information supplied to Dr Searle by representatives of Maccacorp Ltd, government organizations, industry bodies, individuals associated with the Project and from on-site visits.



The evaluation has been made after consideration of:

1. Site maps locating the property on which the development has commenced;
2. Actual soil surveys;
3. Climatic data for the Bundaberg region;
4. An assessment of the parameters being used to design the irrigation system prepared by local irrigation specialists;
5. Review of the forecast water usage and availability for the growing of macadamia nuts in the Bundaberg region;
6. Estimated industry macadamia yields;
7. Information sourced from on site inspections and existing macadamia orchards in the Bundaberg region; and
8. Yield rates from other local orchards.

### **General Description of the 2007 Macgrove Project**

The 207 hectare property on which the Project is to be undertaken is situated midway between Bundaberg (12 kilometres) and South Kolan (11 kilometres), and is located in close proximity (8 kilometres) to established macadamia orchards in the north Bundaberg area.

The plantable area consists of two parallel ridges running approximately east to west. The slightly undulating nature of the property negates the need for extensive drainage but is not so steep that soil conservation methods need to be employed. The property is bisected by Splitter's Creek and there is some remnant vegetation along part of the creek line and in one corner of the property that is required to be preserved under the *Vegetation Management Act* (1999).

The plantable area of property is of sufficient size (initially 120 hectares) to allow for economies of scale, the average macadamia farm size in Queensland being 81.8 hectares (Australian Macadamia Society 2002). The property has excellent infrastructure in terms of a large modern brick and steel shed and workshop, and has well maintained dirt roads and dams. The property is serviced by a bitumen road to its entrance four kilometres from the major Bundaberg thoroughfare, Gin Gin Road.

The Manager has commenced the preparation of the Land for planting and the installation of the irrigation system. The existing sugar cane crop has been removed. A trial planting of macadamia trees has been undertaken.

Bundaberg is serviced by a major regional airport and has a large number of equipment manufacturers and suppliers, many of whom are familiar with the requirements of the rapidly expanding macadamia industry. Servicing this development with access to these facilities should therefore present no

problems. There are plans underway to construct at least one processing plant in Bundaberg.

### **Climate**

#### *Rainfall*

The Bundaberg area has a summer dominant rainfall with a average annual rainfall of 1,000mm based on standard 30 year climatology (1961-1990) (Commonwealth of Australia, Bureau of Meteorology). While this rainfall is relatively high it is not evenly distributed and much of it occurs as a result of storm events. Consequently, there is a need to irrigate macadamia in this region to ensure high yields of quality nuts. The driest time of the year is during the critical flowering period of August and September and, providing the Trees are irrigated properly, the dry weather is an advantage in that it negates the need to apply flower protecting fungicides.

The wettest period of the year is February to April which coincides with the start of the harvest period at the beginning of March. While wet weather can potentially cause harvest problems, mainly through delays, wet weather events during this period rarely exceed a week in length. This, combined with the free draining, deep sandy loams and sloping nature of parts of the property, will assist in minimizing harvest delays. Slopes on the property are not so steep that nut could be washed away during high intensity rainfall events.

#### *Temperature*

Temperatures are equitable with a maximum average annual temperature of 20 degrees C based on standard 30 year climatology (1961-1990) (Commonwealth of Australia, Bureau of Meteorology). Summer temperatures rarely exceed 34°C due to the moderating effect of sea breezes and do not pose any problems to nut production. Likewise winter temperatures are mild and do not pose any problem to nut production.

#### *Frost*

Whilst the Bundaberg area is subject to frosts, to which young macadamia are susceptible, the frosts are not so severe that they cannot be overcome by simple frost protection methods. There are some lower areas of the property that are potentially frost prone however provided these areas are planted after winter and young Trees are then frost wrapped to protect the graft at the beginning of the following winter there should be no problems with frosting.

#### *Wind*

Wind poses a potential problem in Bundaberg as the area occasionally suffers from cyclones. These events are however not frequent with the last cyclone to impact on the region being cyclone Fran in 1992. Damage to macadamia trees growing in the area during that event was minimal and there was little

impact on production. The property is also further inland compared with most macadamia properties and this should further minimize the chances of substantial damage.

The strong south easterly sea breezes which act to moderate summer temperatures are a potential problem as their constant nature can result in trees with a permanent lean and a misshapen canopy structure. Providing, however, the Manager plants adequate windbreaks when the trees are young and conducts remedial pruning, then this will not result in any yield loss, potential problems with harvesting or badly structured trees.

### *Hail*

Hail is not a serious threat to macadamia unless the hail is a very large size and accompanied by strong winds. In such cases damage occurs mainly from the loss of leaves and tree limb damage. Macadamia quickly recovers from such damage and loss of production is usually confined to that season. The property is not situated in an area subject to frequent hail storms.

### **Soil Suitability**

The property contains a mixture of soil types, most of which are suitable for the production of macadamia. Macadamia prefers deep, well drained soils but can, with good management, be grown successfully on shallower soil types. An analysis of the soil survey results indicates that the soils on which the Orchard is to be established are suitable. Soils falling into the same soil classification groups are successfully producing high yielding macadamia crops in other areas of the Bundaberg region. The non uniform nature of the soils on the property are typical of those found on most properties in the area and is an advantage in that it allows for a diversity of cultivars to be planted, thus minimizing risk.

The majority of the farm has been used in the past for small crops production (rockmelons, watermelon, tomatoes, sweet potato) and these crops are much more sensitive to soil conditions than are macadamia.

The Manager has identified the soil constraints to production on the more marginal soils and have put in place a series of soil ameliorants to address these concerns. These include adding organic matter by growing green manure crops before planting, adding lime to improve soil pH, gypsum to improve soil calcium levels and improving the drainage.

From my knowledge of the soils on the property and a review of soil maps, the areas identified by the Manager for planting macadamia are capable of sustaining commercial macadamia production.

### **Water Supply**

Water to the property is supplied by a Queensland Government irrigation scheme, administered by Sunwater, and by dams on the property. There is a nominal allocation of 238 Megalitres (Mg/L) per annum from the Government scheme and 400 Mg/L in the three surveyed dams. The dams have reasonable catchments and would be expected to fill in most years. In addition, there is a water harvesting license which entitles the Manager to extract water from Splitters Creek during flood events and store this water in the dams. Having two sources of water is an excellent risk management strategy as it means that in situations such as when the Sunwater supply is suspended for annual maintenance the Orchard can still be irrigated.

Established macadamia growers in the Bundaberg area apply on average between 3.5 and 5 Mg/L per hectare per annum to mature macadamia. The water available on this property is 5.3 Mg/L per hectare and even in dry years there should be enough water to fully irrigate the property.

The water supplied by Sunwater has low conductivity and sodium levels (0.549 dS/m and 0.93 meq/litre, respectively) and the levels pose no constraints to macadamia production. The water quality in the dams is also good and the Managers have put in place a water quality monitoring program for each of the dams.

### **Orchard Design**

The Orchard is to be planted at 8m between the rows and 4m between Trees in the row, the standard planting density in the Bundaberg area. The planting pattern results in a tree density of approximately 312 Trees per ha and is the recognized industry standard as it has been shown to be capable of producing both high and sustainable yields in this area. This spacing density allows machinery to readily travel down the inter-rows without causing damage to the Trees and allows machinery to be kept a sufficient distance from the tree row to avoid soil compaction.

The majority of tree rows on the property will run approximately north to south, thus maximizing sunlight distribution throughout the Orchard. The better light distribution, while a benefit to production, also facilitates management in that the inter-rows dry out faster following rain thus allowing for timely Orchard operations. The Trees will be planted on broad shallow mounds approximately 30cm high to ensure water does not run down the tree line and cause erosion.

The Manager has designed the property to take advantage of technology changes that are occurring in the agricultural sector. The property was surveyed using a Beeline(r) satellite guidance

system and this will be used to mark out the rows and plant the Trees. This system will ensure the Trees are planted to  $\pm 2$ cm of their intended position. Such systems are already operating in the Bundaberg area and existing growers are considering using them to accurately mechanically prune mature orchards and to drive harvesters. These systems will become more versatile by the time the Orchard commences production and will allow the automation of many Orchard operations.

### Varieties

The varieties selected for the Project are the major commercial varieties in the region and reflect current planting choices made by established macadamia growers who are also planting new Orchards in the area. These varieties include H.A.E.S 344, H.A.E.S 660, H.A.E.S 741, H.A.E.S 816, H.A.E.S 842 and Daddow. Varieties such as H.A.E.S 344 and H.A.E.S 741, make up a large proportion of the trees planted in Australia and the kernel from these varieties is readily accepted by nut processors.

The varieties selected also cover a range of market requirements with varieties such as H.A.E.S 660, which produces good quality small kernel used for chocolate coating in the confectionery trade, and H.A.E.S 816, which produces a high quality bright white kernel, is highly sought after by the Japanese market.

The planting design and number of varieties selected allows combinations of varieties to be matched to soil type thus managing risk. One of these risks is a condition known as abnormal vertical growth (AVG) where trees grow unnaturally upright, flowering is significantly reduced and, in severe cases, trees fail to crop. This condition is more prevalent in some varieties and on some soil types. The Manager has taken this risk into account when allocating varieties or combinations of varieties to particular soil types on the property.

The Orchard design is a reasonable compromise between the need to ensure cross pollination and the need to supply consistent batches of single variety nuts. It takes into account varietal compatibility and the distances required to ensure adequate cross pollination. Varieties will be planted in groups of rows thus minimizing varietal contamination at harvest time but each group of rows will not be so large that pollen cannot be adequately transferred from one variety to another. The selection of the varieties which will be planted next to one another has been made on the basis of pollen compatibility in conjunction with other factors such as soil type and AVG susceptibility.

European honey bees are the main pollinators used by macadamia growers and the proposed design incorporates a considerable number of all-weather sites for the placement and maintenance of bee hives during the flowering period. Another

major pollinator of macadamia is the native honey bee (*Trigona* sp). These are found naturally in the bush land surrounding the property on several sides and in the vegetated area along the creek. The Manager is also seeking to source suppliers of *Trigona* and build up their own source of these native pollinators.

### Irrigation System

The Orchard will be irrigated to a standard commensurate with the industry in the Bundaberg area and will be tailored to tree development. The irrigation design and components will be supplied by one of the two large irrigation companies in Bundaberg each of which has considerable experience in the macadamia industry.

During the non-bearing years the system will supply sufficient water for tree growth and providing water is well managed there should be no restriction on tree growth. During the non-bearing period the inter-row grass is regularly mown and moved over onto the tree row where it acts as a mulch, suppressing weeds, promoting root growth and increasing soil organic matter levels. During the summer period the amount of grass mown and moved can be quite considerable and assists in weed control and moisture retention in the tree rows.

Macadamia trees normally start to bear in year four and these nuts are generally hand harvested as it is not economic to harvest them mechanically. In year five however, crop size is larger and the nuts are mechanically harvested from the ground using 'finger wheel' harvesters. While these machines are very efficient they require the ground surface under the tree where the nuts fall to be kept free of grasses, weeds, leaves and sticks as the 'fingers' are prone to clogging. As a consequence a suspended micro-sprinkler irrigation system that does not interfere with the harvesting process will be in place by that time. Micro-sprinklers allow for higher water application rates which are necessary as the Trees mature. The current design will use 70L sprinklers which are more than adequate to supply the Trees' irrigation needs.

The irrigation design has an automated primary filtration system with manual filtration for every irrigation block. These manual filters, along with the laterals and sprinklers, will need to be regularly maintained to ensure maximum system output. The irrigation blocks have been designed with soil type and slope in mind with the actual amount of water to be applied determined through the use of irrigation monitoring devices, and taking into account soil type and variety. The Manager intends to install fully automated soil moisture probes in representative soil types throughout the Orchard linked via radio transmitters to a central data logger and computer in the office.

## Fertilizer

Trees in the early stages of development will be fertilized by hand using the appropriate fertilizer mix. Care will need to be taken to ensure that any potential micronutrient deficiencies are addressed before they become evident and impact upon the growth of the young Trees. The Manager is developing a comprehensive leaf testing program to detect any imbalances in the early stages.

Most mature trees in Bundaberg are fertilized using a combination of fertigation, nutrients applied in the irrigation water, and through the application of granular fertilizers. The Manager intends to apply primarily solid fertilizer via a computer controlled fertilizer spreader. This will allow differential rates of fertilizer to be applied throughout the Orchard with the quantities applied being determined by soil type and variety. As for the young Trees the Managers will need to develop a comprehensive leaf and soil testing program in conjunction with crop consultants to ensure that nutrient availability does not limit yield.

## Orchard Yields

Yields from mature orchards in the Bundaberg area range from 4-5.5 tonnes per ha of nut-in-shell at 10% moisture content per annum and are in the range given by O'Hare, P.J. et al in *Growing Macadamias in Australia* (2003). See table 1 below.

**Table 1 Expected yield**  
(kg nut-in-shell at 10% moisture content)

Year	Yield/tree (kg)	Yield/hectare
1	0	0
2	0	0
3	0	0
4	0	0
5	1	300
6	2	600
7	4	1,200
8	6	1,800
9	8	2,400
10	10	3,000
11	12	3,600
12	15	4,500

The variation in yield in the Bundaberg area is due to varietal differences, soil type, water availability, and management. As the proposed development is being established on similar soil

types, has a higher than average water availability, and is in close proximity to existing orchards it would not be unreasonable to assume similar yields could be achieved. Indeed it should be possible, with the application of improved establishment and growing techniques to this development, coupled with the resources being applied and the use of highly trained staff and consultants for yields be maintained in the upper end of the Bundaberg yield range.

## Orchard Management

The directors of the Manager have existing macadamia properties in New South Wales, have production experience, and are implementing a strategy of sourcing experienced staff from both New South Wales and Queensland. The Manager is in the process of developing a training program to ensure staff at all levels of employment have the necessary skills for their roles.

In a development of this nature it will be important to assist internal staff with external professional advice from consultants, other large producers, and the research community. This will allow staff to review their own and the Orchard's performance, and assess new industry innovations from a range of perspectives.

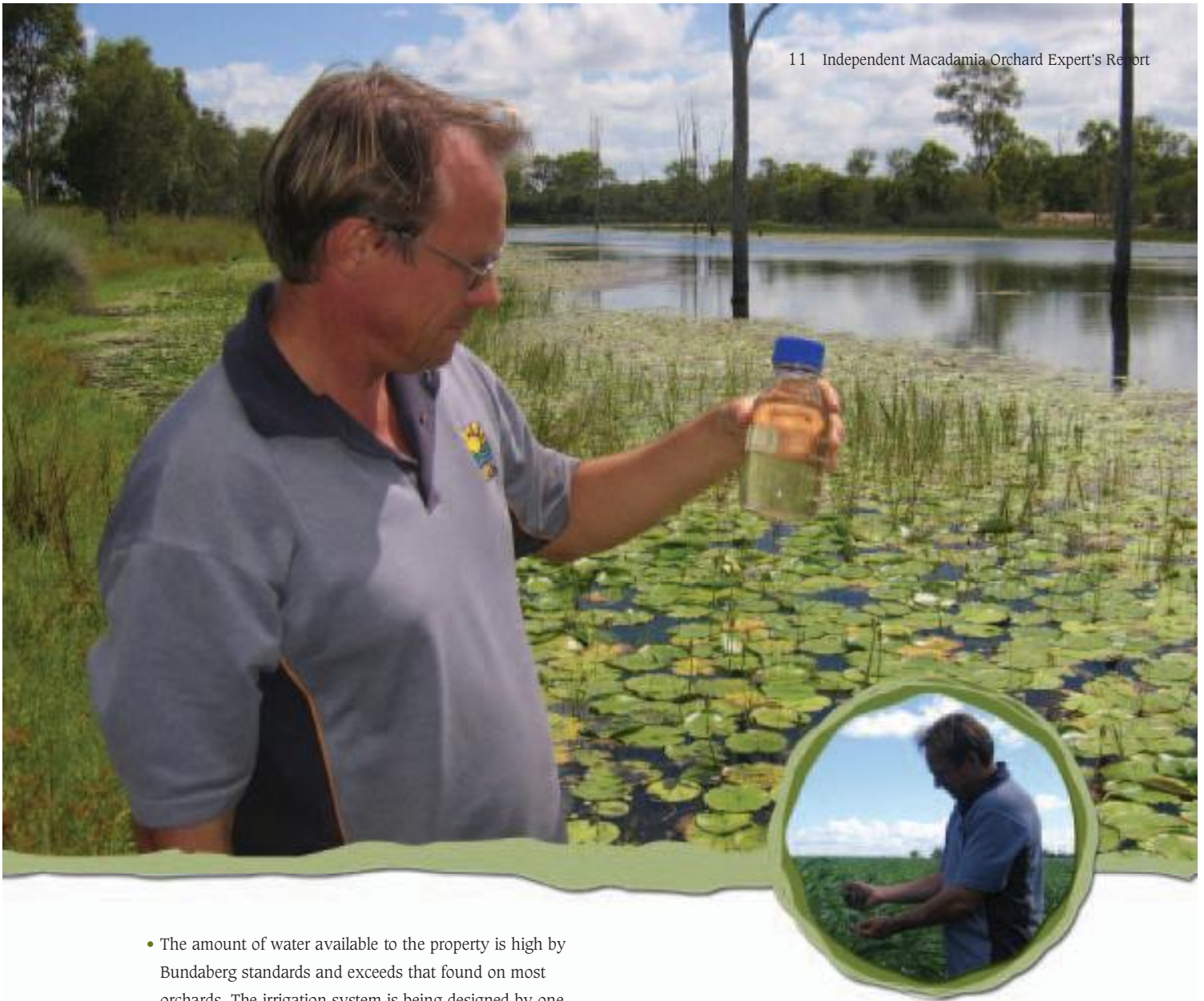
## Environmental Obligations

Any areas identified as needing preservation under the *Vegetation Management Act* (1999) or being unsuitable for planting will be preserved and maintained. Water quality testing will be conducted on a regular basis for each of the three dams as will testing of the water exiting the property via the drainage system. Appropriate action will be taken if monitoring detects significant salt or nutrients leaving the property.

## Risks and Management

There are a number of large mature macadamia orchards which are sustainably producing high yields of nuts, in close proximity to the proposed development. These orchards are situated on similar soil types and access water from the same Sunwater irrigation scheme. The Project therefore has the ability to meet the proposed yield targets.

- The soil surveys have identified high risk areas and these have been excluded from the plantable area whilst soil ameliorants for some of the marginal areas are being implemented as recommended.
- While there is a risk of frost damage to young Trees in some of the low lying areas, these areas form only a small proportion of the proposed Orchard. Even in these areas the risk is small providing simple basic precautions are employed.



- The amount of water available to the property is high by Bundaberg standards and exceeds that found on most orchards. The irrigation system is being designed by one of the large irrigation companies in Bundaberg which has considerable experience in the macadamia industry.
- The range of varieties selected takes into account soil types, cross pollination and market requirements and is consistent with plantings being undertaken by other growers within the region.
- Establishment and maintenance of inter-row windbreak vegetation whilst the Trees are young will minimise the risk of wind damage.
- Human resources are being addressed through a recruitment program to source experienced staff. An Occupational Health and Safety program is also being developed to ensure staff are fully trained and qualified. External consultants will be engaged in both an advisory and training role to assist this process.

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#### ***Disclaimer***

***This report is not intended as financial product advice, nor is it intended to influence the reader in making a decision in relation to the product offered under the Product Disclosure Statement.***

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# 12

## Summary of Project Agreements

By acquiring an interest in the Project, the Grower will become bound by the Constitution and a party to the Management Agreement and the Sublease.

The main provisions of these documents are summarised below. As this section contains a summary, the provisions of each document are not fully described. **Capitalised terms not otherwise defined in this PDS have the meaning given in the particular Project Agreement.**

### 12.1 Constitution

#### 12.1.1 Establishment

The Constitution establishes the 2007 Macgrove Project and binds the Responsible Entity and the Growers. All Project Property will be held by the Responsible Entity on trust for the Growers for the Term of the Project. The Responsible Entity may appoint an agent or Custodian to hold Project Property separately from any other property.

#### 12.1.2 Term

The Project is established upon ASIC registering the Project pursuant to Part 5C.1 of the *Corporations Act*. It commences upon minimum subscription of 100 Macgroves being achieved and ends upon the earliest of:

- (a) termination or expiry of the last of the Growers' interests in the Project;
- (b) termination of the Head Lease in circumstances where no satisfactory arrangement is made to ensure the Land is available for the purposes of the Project;
- (c) the Project being wound up in accordance with the Constitution and the *Corporations Act*; or
- (d) the expiry of 80 years from the date of the Constitution.



#### 12.1.3 Application

In order to become a Grower in the Project, an Applicant must pay to the Responsible Entity the Application Monies specified in this PDS, lodge a completed Application Form and have their Application accepted by the Responsible Entity. The Application Monies paid to the Responsible Entity in respect of each Macgrove comprises the fee payable for the Orchard Services in the first Financial Year to be provided in respect of each Macgrove pursuant to the Management Agreement. All cheques or payment orders attached to or accompanying Applications must be drawn in favour of the Responsible Entity. An Application for an interest must be in the form included in or accompanying this PDS.

The Responsible Entity will create an Application Fund to hold the Application Monies. The Responsible Entity may in its absolute discretion and without reason refuse any Application or allocate fewer Macgroves than the number applied for. If any Application is refused, the Responsible Entity must refund Application Monies to the Applicant concerned within five Business Days after the refusal.

Following acceptance of an Application, the Responsible Entity will allocate to the Applicant that number of Macgroves in respect of which the Application has been accepted by the Responsible Entity and will execute the Project Agreements on the Applicant's behalf.

The Responsible Entity may transfer money paid by an Applicant from the Application Fund to the Responsible Entity or its nominee for the purposes of the Project where the Responsible Entity has issued an interest in the Project to the Applicant.

The Responsible Entity will be entitled to the interest earned from the Application Monies. If any Application Monies is refunded, any interest on that Application Monies will be refunded as well.

#### 12.1.4 Participation

The Responsible Entity must harvest all of the macadamia nuts grown on Trees in each Macgrove in accordance with the Management Agreement. All sales proceeds, insurance benefits, income from investments and other income arising from the Grower's activities under the Project Agreements will be held in a Proceeds Fund. The Grower has a proportional interest in the Proceeds Fund in the proportion which the area of the Grower's Macgroves bear to the total area of all Macgroves registered to Growers in a Financial Year. The Grower authorises the Responsible Entity to deduct from the Proceeds Fund all amounts outstanding under the Constitution or the Project Agreements. After all deductions are made by the Responsible Entity, the Responsible Entity will distribute to Growers each Grower's Proportion in the Proceeds Fund by 30 October each year of the Project. The Responsible Entity may also make interim distributions.

When an event occurs that effects some but not all Growers (Affected Growers) and insurance proceeds are paid in respect of that event, the insurance proceeds will be paid into a separate fund and the Affected Growers will have a proportional interest in that separate fund equal to the area that the Affected Grower's Macgroves affected by the event bear to the total affected area of all Affected Growers' Macgroves. An Affected Grower will only have an interest in the Proceeds Fund in that Financial Year to the extent of the unaffected area of the Affected Grower's Macgroves.

#### 12.1.5 Fund Management

The Responsible Entity has the powers of a natural person to invest in and deal with investments as are authorised by law for the investment of trust funds. Where a custodian has been engaged to hold the Project Property, the Responsible Entity must direct the custodian to invest and deal with the Project Property in accordance with the Constitution. The Responsible Entity may borrow for the purposes of the Project and may pledge or provide as security all or any of the Project Property.

The Responsible Entity must pay all costs and expenses of management of the Macgroves from the Application Monies and from the Management Fees and the cost of all services to be provided by the Responsible Entity to each Grower from the Management Fees. Each Grower must pay from its own assets the Growers' Expenses set out in the Management Agreement. The Responsible Entity may deduct or require to be deducted from any amounts payable to any Grower, the amount of any tax or duty which is payable in respect of those payments.

The Responsible Entity must not pay any money from the Fund unless authorised by the Constitution, the Project Agreements, the *Corporations Act* or where a payment is made in respect of bank charges and statutory fees, stamp duty, transaction costs, taxes and other expenses or payments authorised by Growers by ordinary resolution passed at a Growers' meeting.



#### 12.1.6 Growers' Interest in the Project

Each Grower directly owns an interest in the Project which includes the person's interest in the Sublease, Management Agreement and Sale Agreement, and also includes:

- (a) the Grower's business of carrying on the primary production enterprise of growing and maintaining Trees on, and harvesting Macadamia Nuts from, each of its Macgroves;
- (b) a share of any Crop equal to the Grower's Proportion; and
- (c) the net proceeds which result from the sale of Macadamia Nuts by the Grower carrying on its business of primary production.

For the avoidance of doubt, the Grower's interest does not include the Trees or any of the Improvements which will at all times remain the property of the Land Owner.

#### 12.1.7 Withdrawing from the Project

Applicants and Growers do not have the right to withdraw from the Project or require the Responsible Entity to purchase its interest, but can assign or sell their interest subject to certain conditions.

#### 12.1.8 Assignment and Sale of Macgroves

A Grower may assign or sell its interest in the Project only if:

- (a) the assignee and assignor provide the Responsible Entity with a duly signed and stamped instrument of assignment stating that the assignee agrees to be bound by the Constitution and accompanied by the Project Agreements to which it relates;
- (b) the assignment is of the whole of the assignor's interest, including each of the Grower's Agreements;
- (c) evidence that may reasonably be required, of the right of the assignor to make the assignment, is provided to the Responsible Entity;
- (d) all fees due and payable in respect of the Grower's interest have been paid; and
- (e) the Responsible Entity approves of the assignee provided that approval is not unreasonably withheld.

### 12.1.9 Responsible Entity's Rights and Obligations

The Responsible Entity is entitled to be paid fees out of the Application Monies (in the first Financial Year), and the Management Fee (in each subsequent Financial Year) or the Fund of \$55,000 (inclusive of GST) in each Financial Year. The Responsible Entity is also entitled to be paid the Management Fees as set out in the Management Agreement. The rights of the Responsible Entity to recover fees and expenses are available only in relation to the proper performance of its duties.

The Responsible Entity also has a right of indemnity on a full indemnity basis out of the Fund and the Project Property in respect of any liability incurred in the performance of its duties or the exercise of its powers in respect of the Project, and all fees and costs recoverable by it under the Constitution or the Project Agreements. This indemnity continues in force after the Responsible Entity ceases to be the responsible entity of the Project for whatever reason but does not apply to any liability incurred as a result of any negligence, fraud, breach of duty or breach of trust on the part of the Responsible Entity.

Subject to the *Corporations Act*, nothing in the Constitution restricts the Responsible Entity from:

- (a) establishing, managing, promoting or acting as responsible entity of another project or managed investment scheme;
- (b) dealing with itself in its capacity as Manager, trustee or responsible entity of any other scheme;
- (c) being interested in any contract or transaction with itself in its capacity as Manager, trustee or responsible entity of any other trust or managed investment scheme or any other capacity; or
- (d) being interested in any contract or transaction with any Grower or retaining for its own profits or benefits derived from such contract or transaction.



### 12.1.10 Limitation of Liability of Applicants and Growers

Except as expressly provided in the Constitution or any Project Agreement, Growers have no liability to the Responsible Entity or any creditor or agent of the Responsible Entity.

### 12.1.11 Joint Venturers

A default on the part of one Joint Venturer will constitute a default of both Joint Venturers that comprise the Participant Grower in respect of the Joint Venture Macgrove. However, the Responsible Entity acknowledges that a Joint Venturer is not liable for any amount or liability exceeding the Joint Venturer's respective Prescribed Proportion by reason of any joint liability incurred or joint loss sustained in connection with any contract or arrangement entered into by the Joint Venturer.

### 12.1.12 Participant Grower Joint Venture Background

The Joint Venturers propose to establish an unincorporated Joint Venture amongst themselves for the purpose of engaging in a primary production business of developing and cultivating a macadamia orchard and producing Macadamia Nuts for commercial gain under this Project.

### *Terms of the Joint Venture*

The Joint Venture commences on the date of the Management Agreement and the Sub-leases and terminates on the earlier of the completion of the sale of the Joint Venture Assets and the date a Joint Venturer sells its interest in the Joint Venture to the other Joint Venturer. The interests of the Joint Venturers in the Joint Venture and the Joint Venture Assets and any losses realised from the Joint Venture will be as tenants in common in their Prescribed Proportions. The interest of the Joint Venturers in each Macgrove are stapled so that the interest of one Joint Venturer must not be dealt with without the interest of the other Joint Venturer in the Macgrove and vice versa.

The First Joint Venturer and the Second Joint Venturer are each entitled to a specified percentage (the 'Prescribed Proportion') of the Joint Venture Assets and the Joint Venture Proceeds.

The Prescribed Proportions of the First Joint Venturer and the Second Joint Venturer and the proportion of fees and other costs for which each Joint Venturer is liable are set out in this PDS.

Subject to other provisions of the Constitution, each Joint Venturer indemnifies the other against any losses or liability exceeding its respective Prescribed Proportion by reason of any joint liability incurred or joint loss sustained in connection with any contract or arrangement entered into by the Joint Venture.



### 12.1.13 Termination

The Responsible Entity must wind up the Project if:

- (a) the Project comes to an end in accordance with the Constitution;
- (b) an extraordinary resolution of Growers is passed directing the Responsible Entity to wind up the Project;
- (c) a court orders the Project to be wound up; or
- (d) the Growers pass an extraordinary resolution removing the Responsible Entity as responsible entity but not appointing a replacement responsible entity.

Unless otherwise required by the *Corporations Act*, the Responsible Entity is responsible for the winding up of the Project and must proceed with the winding up of the Project efficiently, diligently and without undue delay. The Responsible Entity must convert to money all the Project Property, deduct all proper costs and then divide the balance amongst the Growers according to each Grower's interest in the Project and must terminate the Project Agreements.

### 12.1.14 Project Agreements

If the Project Agreements are terminated for any reason, the Responsible Entity will retain rights in respect of all Macgroves for the duration of the Project including the right of access to control pests and weeds, the right to continue to fertilise and irrigate Macgroves, the right to harvest the macadamia nuts and any other rights which the Responsible Entity must reasonably exercise to fulfil its obligations under the current Project Agreements.

If a Grower has its interest in the Project terminated due to a breach of any Project Agreement or the Constitution by the Grower, a breach entitles the interest to be dealt with in accordance with the Constitution. Under the Constitution, the Responsible Entity may give notice to the defaulting Grower stating that it intends to sell the Grower's interest and may proceed with the sale in accordance with the procedure set out in the Constitution.

### 12.1.15 Grower's Register

The Responsible Entity must establish and maintain a Register of Growers throughout the term of the Project which must contain any information required by the *Corporations Act*. The Responsible Entity is entitled to rely on the Register as conclusive proof of who is a Grower at any given time.

### 12.1.16 Complaints Handling and Dispute Resolution

The Constitution sets out the rights of the Grower in relation to making a complaint and the procedure for dealing with complaints. The Constitution also specifies the procedure for dispute resolution.



## 12.2 Management Agreement

The Management Agreement is between the Manager and each Grower. The Agreement sets out the Orchard Services that the Manager is to provide to the Grower in relation to the Macgroves.

### 12.2.1 The Manager's Obligations

The Manager must perform all services necessary to maintain a macadamia nut tree Orchard on the Grower's Macgroves, harvest the Macadamia Nuts and sell the Crop on behalf of the Grower.

### 12.2.2 Orchard Maintenance Services

The Manager will maintain the Macgroves during the term.

The Manager's obligations include:

- (a) pruning the Trees as and when required;
- (b) irrigating and fertilising where necessary;
- (c) minimising soil erosion and maintaining soil quality;
- (d) maintaining any buildings, sheds, fire-breaks, windbreaks, access roads or tracks;
- (e) keeping each Macgrove free from vermin and vegetation;
- (f) keeping each Macgrove free from insects and disease;
- (g) preparing and maintaining accurate records of all fertilisers, nutrients and other chemicals applied to the Trees;
- (h) destroying, abandoning or leaving to rot any Trees where considered necessary;
- (i) doing all things required by the Orchard Maintenance Program; and
- (j) doing all other things which a Grower may reasonably instruct or which may be necessary to cultivate, maintain or manage the Trees, the Macadamia Nuts and the Macgrove.

The above obligations will be carried out in accordance with Best Agricultural Practices unless prevented by weather conditions, fire, flood, industrial action or other causes beyond the Manager's control.

The Manager is entitled to the Management Fee in consideration for the performance of these obligations.

### 12.2.3 Harvesting Arrangements

The Manager must harvest, dehusk, dry and store the Macadamia Nuts in accordance with Best Agricultural Practice when the Macadamia Nuts attain maturity. In the event that the Manager fails to commence harvesting in accordance with prevailing industry practice, the Grower may engage another person to harvest the Macadamia Nuts and recover all costs and expenses of such harvest from the Manager.

The Grower will at all times during the Term own the Macadamia Nuts, subject to the Sale Agreement. The Trees and any Improvements will be owned by the Land Owner during the Term.

### 12.2.4 Sale of Crop

The Manager must sell the Crop on behalf of the Grower and is authorised to negotiate and enter into a Sale Agreement in respect of the Crop. The Crop must be sold at a price and on terms which are no less favourable than arms length terms.

The Macadamia Nuts harvested from a Grower's Macgrove will be pooled with the Macadamia Nuts produced by other Growers participating in the Project and the proceeds from the sale of the Crop will be shared amongst the Growers in accordance with the provisions of the Constitution.

### 12.2.5 Insurance

The Manager will, at the Grower's cost, maintain with a reputable insurer a policy of insurance against public risk and occupiers liability and against damage to the Grower's Macgrove which may be caused by fire or other insurance risk, provided that in the Manager's opinion the costs of such insurance are economically justified. The Grower must pay the cost of insurance within 30 days of written notification by the Manager. The Manager may also deduct any amounts outstanding from the Proceeds Fund or any other monies payable to the Grower under the Management Agreement. As at the date of this PDS the Manager does not consider that the costs of such insurance are economically justified.



### 12.2.6 Payment of Fees

The Manager is entitled to be paid the Management Fee in relation to the Services provided by it to the Grower pursuant to the Management Agreement. The Management Fees for years 1 to 3 are as specified in the Management Agreement and for years 4 to 6 are based on a specified amount indexed in accordance with the Management Agreement. For years 7 to 21, the Management Fee is calculated by reference to the indexed previous year's fee, plus an amount (if any) referable to Orchard Operating Expenses, which include the cost of fertilising and irrigating the Grower's Macgrove, minimising soil erosion and soil degradation, maintaining Trees, controlling disease, insects and vermin, harvesting and transporting the Crop and other necessary and incidental costs thereto. Thereafter, fees relate to the five year and four year options, continue from the previous year and are indexed.

Grower expenses including stamp duty and registration fee on the Management Agreement and a portion of any insurance premium must be paid by the Grower. The Manager is entitled to deduct any amounts outstanding by the Grower under the Management Agreement from the Proceeds Fund or any other monies payable to the Grower pursuant to the Constitution.

The Manager is entitled to a Performance Incentive Fee in each Financial Year equal to 25% of the net proceeds from the sale of the Crop attributed to a Macgrove that exceeds the Performance Incentive Threshold.

### 12.2.7 Limitation of Liability

The liability of the Grower to any other party under the Management Agreement is limited to the Management Fee, the Grower's Expenses and any interest, costs and expenses of recovery of Management Fees or the Growers expenses or both. However, this limitation will not apply in respect of a breach by a Grower of its duties or obligations where the Grower has been fraudulent.

The Manager enters into the Management Agreement in its capacity as Responsible Entity of the Project and in no other capacity. A liability arising in connection with the Management Agreement can be enforced against the Manager only to the extent to which it can be satisfied out of the assets of the Project out of which the Manager is actually indemnified for the liability. However, this limitation will not apply to the extent that there is a reduction in the Manager's indemnification out of the assets of the Project as a result of the Manager's fraud, negligence or breach of trust.



### 12.2.8 Termination

A Grower may, at any time by notice in writing to the Manager, terminate the Management Agreement to which the Grower is a party if:

- (a) the Manager defaults in the performance of any obligation it owes to the Grower and, where the default is capable of remedy, it does not remedy within one month after written notice to do so;
- (b) the Grower's Sublease is terminated for any reason; or
- (c) the Manager retires or is removed as Responsible Entity in accordance with the Constitution.

The Manager may, at any time by notice in writing to a Grower, terminate the Management Agreement to which the Grower is a party if:

- (a) any fee or other amount payable under the Management Agreement is not paid in full within 30 days of receipt by the Grower of written notice specifying the amount payable and the due date;
- (b) the Grower defaults in the performance of any obligation under the Management Agreement and where the default is capable of remedy it does not remedy within one month after written notice to do so;
- (c) the Grower's Sublease is terminated or surrendered;
- (d) the Manager is prevented from observing or complying with the terms of the Management Agreement by an Uncontrolled Event and in the reasonable opinion of the Manager the circumstance cannot be rectified without unreasonable expense or difficulty; or
- (e) the Project is terminated in accordance with the Constitution.

Upon termination of the Agreement by a Grower, Maccacorp Ltd will within 3 months after termination, at its own cost, remove all of its employees and agents and their tools and equipment from the Orchard.

### 12.2.9 Reports

On or before 30 September in each Financial Year the Manager will provide to the Grower an Orchard Maintenance Program prepared in accordance with industry standards and in consultation with the Orchard Supervisor. The Orchard Maintenance Program will include details of the proposed Orchard Services for the following Financial Year.

Growers will also receive half yearly reports no less than 60 days after the end of June and December in each year detailing progress achieved in performance of the Orchard Services and any changes to the Orchard Services, the progress and condition of the Orchard and any matters which the Manager considers material or which the Grower reasonably requires reported as requested in a written notice.

### 12.2.10 Uncontrolled Events

The Grower and the Manager will be excused from observing or complying with the terms of the Management Agreement to the extent that such observance or compliance is prevented by reason of an Uncontrolled Event, provided that the parties have promptly given notice to each other of the Uncontrolled Event and have taken all reasonable steps to ameliorate and remedy the consequences without delay. Either party may terminate the Agreement if the other party does not resume performance of its obligations within 12 months after the Uncontrolled Event arose.

## 12.3 Sublease

The Grower leases the Grower's Macgrove from the Manager pursuant to three consecutive Subleases, all of which are entered on the date the Grower's application to participate in the Project is accepted by the Responsible Entity.

### 12.3.1 Term

The Manager subleases to the Grower the Grower's Macgrove together with the right to use in common with the Manager and other participants in the Project the Common Area for three consecutive periods which are collectively equal to the Term. The Term is approximately 21 years expiring in 2028. Growers then have two options to renew for a further five years and four years respectively. Prior to the termination date, the parties may extend the term by agreement in writing.

### 12.3.2 Rent and Other Charges

The Grower must pay the Rent as set out in the Sublease to the Manager in respect of each Financial Year. The Grower must also pay within 30 days of written notice, all charges associated with the Growers' Macgrove including Service Charges, Rates and Taxes.

### 12.3.3 Possession and Access

The Grower must not use or allow the Grower's Macgrove to be used other than for the purpose of growing Macadamia Nuts. The Manager will have the right to enter the Grower's Macgrove on reasonable notice to comply with its duties and obligations under the Sublease provided that the Manager does not interfere with the activities of the Grower and complies with the reasonable directions of the Grower. The Manager will have the right to enter the Common Area at all reasonable times without notice for the purposes of viewing the state of repair or carrying out its duties or obligations under the Sublease.

### 12.3.4 Maintenance and Ownership

The Manager will undertake the development of the Orchard on behalf of the Land Owner and in accordance with the Head Lease.

The Grower will maintain the Orchard in accordance with the Management Plan and in a manner that is consistent with Best Agricultural Practice.

The Land Owner is the owner of the Improvements and the Trees and the Grower does not have any right, title, interest or claim to any part of the Improvements. Except as provided in the Project Agreements, the Grower will have the right to harvest and take as its own any Macadamia Nuts during the Term.

### 12.3.5 Grower's Obligations

The Grower agrees to:

- (a) prune the Trees when required;
- (b) provide the Macgrove with irrigation, fertilisers and nutrients;
- (c) minimise soil erosion and maintain soil quality;
- (d) maintain any buildings, sheds, fire-breaks, windbreaks, fences, access roads or tracks;
- (e) keep the Macgrove free from vermin and vegetation;
- (f) keep the Trees and Macadamia Nuts free from insects and diseases which might damage or inhibit growth;
- (g) destroy, abandon or leave to rot any Trees or Macadamia Nuts as necessary;
- (h) do all things required by the terms of the Management Plan; and
- (i) harvest, dehusk, dry and store the Macadamia Nuts.

The Grower agrees to observe and perform all of the terms of the Project Agreements and to comply with all laws which relate to the Macgrove and the Common Area.

**These obligations are performed by the Manager on the Grower's behalf under the terms of the Management Agreement.**

### 12.3.6 The Manager's Obligations

The Manager agrees that:

- (a) subject to the Grower paying the Rent and complying with the Sublease, the Grower may peaceably possess and enjoy the Macgrove without interruption or disturbance;
- (b) it will not create any encumbrance over the Macgrove or the Common Area taking priority to the interests of the Grower;
- (c) it may lodge a caveat over the Land at the Grower's cost to protect the Growers' interest under the Sublease which must be withdrawn by the Grower at its cost upon termination of the Term or the Sublease;
- (d) it is or is entitled to sublease the Macgrove for the purposes of the Project by the terms of the Head Lease; and
- (e) it will observe and comply with the terms of the Head Lease and use its best endeavours to enforce the Land Owners covenant of quiet enjoyment.

### 12.3.7 Insurance

The Grower must keep and maintain at its own cost insurance against public risk and occupiers liability and damage to the Grower's Macgrove by fire or other insurable risks. Any policies must note the interests of the Manager if not in the joint names of the Grower and the Manager. (Under the terms of the Management Agreement, the Manager will effect insurance on the Grower's behalf and will recover the costs, provided that in the Manager's opinion the costs of such insurance are economically justified. See section 12 *Summary of Project Agreements: Management Agreement - Insurance.*)



### 12.3.8 Dealings with the Grower's Macgrove and Common Area

The Grower must not during the Term assign, transfer, demise, sub-let or part with or share possession of, or grant any licence effecting, or otherwise deal with, or dispose of any or part of the Grower's Macgrove or the Common Area or its interest under the Sublease, except in accordance with the Constitution.

The Manager will not transfer, lease, mortgage, charge, assign, part with possession or otherwise dispose of any part of its interest in the Head Lease without first obtaining a Deed of Covenant by the Grantee agreeing that it will be bound by the terms of the Project Agreements and the Constitution.

### 12.3.9 Limitation of Liability

The Manager enters into the Sublease in its capacity as Responsible Entity of the Project and in no other capacity. A liability arising in connection with the Sublease can be enforced against the Manager only to the extent to which it can be satisfied out of the assets of the Project out of which the Manager is actually indemnified for the liability. However, this limitation will not apply to the extent that there is a reduction in the Manager's indemnification out of the assets of the Project as a result of the Manager's fraud, negligence or breach of trust.

### 12.3.10 Termination

The Manager may, at any time by notice in writing to the Grower, terminate the Sublease if:

- (a) the Rent or other amount payable by the Grower under the Sublease is not paid in full within one month of notice in writing specifying the amount payable and when it fell due;
- (b) the Grower defaults in the performance of any obligation under the Sublease and where the default is capable of remedy the Grower does not remedy the default within one month of written notice from the Manager; or
- (c) the Project is terminated in accordance with the Constitution.

On termination of the Sublease or on expiry of the Term, ownership of the Trees and Improvements are and will remain the property of the Land Owner.



### 12.3.11 Uncontrolled Events

The Grower and the Manager will be excused from observing or complying with the terms of the Sublease to the extent that such observance or compliance is prevented by reason of an Uncontrolled Event, provided that the parties have promptly given notice to each other of the Uncontrolled Event and have taken all reasonable steps to ameliorate and remedy the consequences without delay. Either party may terminate the agreement if the other party does not resume performance of its obligations within 12 months after the Uncontrolled Event arose.



# 13

## Additional Information

### Consents

Dr Chris Searle has acted as independent macadamia orchard expert and in no other capacity. He has consented and not before the date of this PDS withdrawn his consent to the inclusion of the Independent Macadamia Orchard Expert's Report in section 11 of this PDS in the form and context in which it is included. Dr Searle expressly disclaims and takes no responsibility for any matter referred to in this PDS other than his report.

Saccasan Bailey Partners have been appointed as accountants to the Project and have given and not before the date of this PDS withdrawn their consent to be named in the form and context in which they are named.

Pitcher Partners have been appointed as auditors to the Project and have given and not before the date of this PDS withdrawn their consent to be named in the form and context in which they are named.

Perpetual Nominees Limited has been appointed as custodian to the Project and has given and not before the date of this PDS withdrawn its consent to be named in the form and context in which it is named.

McMahon Clarke Legal has acted as solicitor to the offer and has given and not before the date of this PDS withdrawn its consent to be named in the form and context in which it is named. Walters Solicitors has acted as solicitor to Maccacorp and its related entities and has given and not before the date of this PDS withdrawn its consent to be named in the form and context in which it has been named.

### Commissions & Other Benefits

From our own funds, we may pay commissions or brokerage to Australian Financial Services licensees and other persons who are authorised to receive commissions for procuring applications for Macgroves in this Project. We may pay commissions or brokerage per Macgrove up to 10% of the Application Monies.

These payments may include amounts payable to Australian Financial Services licensees or other persons who provide administrative or promotional assistance in respect of this Project.

### Your Personal Information

When submitting your Application Form, you will be providing the Manager with your personal information. Your personal information will be treated strictly in accordance with National Privacy Principles in the federal *Privacy Act*. At any time upon request you may gain access to the information the Manager holds about you in accordance with the National Privacy Principles.

We have requested this information to enable us to issue Macgroves offered under this document in your name and to keep you updated during the life of this Project as to the progress of your Macgroves by, for example, sending you reports, Macgrove statements, invoices and other correspondence in relation to the Project and other activities of the Manager. We are required by law to maintain a register of Growers under the *Corporations Act* and to make the register available for inspection by any person. We may also be required to provide details of Growers to ASIC and other regulatory bodies from time-to-time.

The Manager may disclose your personal information to:

- financiers or other such organisations in connection with its corporate activities;
- rating agencies; and
- your financial planner or adviser.

The Manager may use your personal information for:

- marketing the Manager's products and services to you; and
- developing an understanding of the products and services you may be interested in obtaining from the Manager.

By signing the Application Form, you consent to the Manager using and disclosing your personal information as described above.

You can gain access to any information that the Manager holds about you by calling (07) 4155 9726 or going in person to 92 Kenzlers Road, Sharon QLD 4670.

If you do not provide us with the information requested in the Application Form, we will be unable to allot Macgroves to you. If you provide us with incomplete or incorrect information or do not keep us updated with changes, we will be unable to inform you as to the progress of your Macgroves.

# 14

## Glossary

In this PDS, the following expressions have the meanings set out below:

### Application Form

An Application Form included in the application and power of attorney booklet attached to or accompanying this PDS.

### Application Monies

The amount of \$11,000 (incl. GST) per Macgrove payable by the Grower.

### ASIC

The Australian Securities and Investments Commission.

### Constitution

The Deed (as amended from time to time) that governs the rights and obligations of Growers, and us as Responsible Entity under the Project.

### Crop

The Macadamia Nuts harvested from the Trees grown on a Grower's Macgrove or the Orchard (as the case may be).

### Financial Year

- (a) in the case of the first Financial Year, the period commencing on the date of registration of the Project by ASIC until the following 30 June;
- (b) in any year other than the first Financial Year and the last Financial Year, a period of 12 months ending on 30 June; and
- (c) in the case of the last Financial Year, the period ending on the termination of the Project and commencing on the preceding 1 July.

### Grower

A Grower who acquires an interest in the Project and becomes a party to the Subleases and the Management Agreement as a Grower, as a result of either the issue of Macgroves in the Project or a transmission, transfer, mortgage, assignment or other disposal of Macgroves.

### Grower's Expenses

The expenses payable by the Grower under the Management Agreement and described in section 3 *Summary of Key Features & Fees*.

### Grower's Proportion

The area that the Grower's Macgrove bears to the total area of all Macgroves registered to Growers in a Financial Year.

### GST

GST as defined in the GST Law

### GST Law

*A New Tax System (Goods and Services Tax) Act 1999* (as amended).

### Head Lease

The Deed between Maccland and us whereby we are granted the exclusive right to occupy the Land for the term of the Project.

### Indexed

Adjusted by the percentage increase (if any) in the CPI during the 12 months, or during such other period as may be specified, preceding the date on which indexation is to occur.

### Joint Venture

The joint venture between two persons who comprise a Grower in the Project and the expression **Joint Venturers** is a reference to the two persons who comprise the Joint Venture Grower. The expression "**First Joint Venturer**" means the first Joint Venturer described in the Application Form and the expression "**Second Joint Venturer**" means the second Joint Venturer described in the Application Form.

### Land

Those parts of the property Swan Ridge, at Sharon, Bundaberg, Queensland on which the Orchard will be established and the Project will be conducted.

### **Land Owner or Maccland**

Maccland Pty Ltd (ACN 116 208 970).

### **Macadamia Processing Co Ltd or MPC**

Macadamia Processing Company Limited (ACN 002 607 972).

### **Macgrove**

A specified portion of the Land on which a Grower carries or will carry on the business of primary production by maintaining and cultivating Trees and harvesting and selling macadamia nuts grown on those Trees in accordance with the provisions of the Project Agreements. The expression “**Macgroves**” means all of the Macgroves to which the Grower is entitled.

### **Management Agreement**

The agreement of that name between us and each several Grower by which the Grower engages us to cultivate and manage the Grower’s Macgroves.

### **Management Fee**

The fee payable to the Manager under the Management Agreement and described in section 3 *Summary of Key Features & Fees*.

### **Manager**

Maccacorp Ltd (ACN 116 486 527).

### **Offer Period**

The period commencing on the date of issue of the PDS and expiring on 15 June 2007. We may close the period prior to the expiry date noted.

### **Orchard**

The macadamia orchard to be established on that specified and identifiable part of the Land on which the Project will be conducted and on which Growers will each carry on the business of primary production.

### **Performance Incentive Fee**

The fee payable to the Manager under the Management Agreement and described in section 3 *Summary of Key Features & Fees*.

### **Performance Incentive Threshold**

The threshold net proceeds of sale per Macgrove for each financial year, as set out in section 3 *Summary of Key Features & Fees*.

### **Principal Subcontractors Agreement**

The agreement of that name between us and the Project Manager by which the Project Manager undertakes the day-to-day management of the Orchard.

### **Project**

The 2007 Macgrove Project.

### **Project Agreements**

The Subleases and the Management Agreement and includes any agreement entered into by the Manager on behalf of the Grower for the sale of Macadamia Nuts.

### **Project Manager**

Maccmanagement Pty Ltd (ACN 116 452 674).

### **Responsible Entity**

Maccacorp Ltd as Responsible Entity under the Constitution.

### **Sublease**

Any sublease from time to time of a Macgrove entered into between the Responsible Entity and the Grower which is current at the time and which is in the form annexed to the Constitution or as amended in accordance with the Constitution.

### **Swan Ridge**

The property known as “Swan Ridge” which is owned by the Land Owner on which approximately 120 hectares of the Orchard will be established.

### **Trees**

The macadamia trees are the trees planted or to be planted on the Orchard.

### **Water Allocation**

Permanent rights to draw water annually attributed to the Project as required from time-to-time.



# Application and Power Of Attorney FORM PAGES

## How to Apply

1. Before completing and signing this booklet you should read the whole of this PDS.
2. You should carefully read part 1 and part 2 of this booklet and complete the relevant parts of the booklet in full.

**All applicants must complete part 3.**

**You must also complete one of the following Application and Power of Attorney Forms:**

- If you are applying as an individual, complete part 4.
- If you are applying as a company, complete part 5.
- If you are applying as trustee of a trust or superannuation fund, complete part 6.
- If you are applying as a Joint Venture Grower, complete part 7.

3. The relevant Application and Power of Attorney Form must be signed and dated.
4. Please ensure the Application and Power of Attorney Form Booklet remains together or stapled.

## 5. Checklist

Lodge your:

- Part 3 COMPLETED
- Application and Power of Attorney Form – COMPLETED, SIGNED AND WITNESSED
- Application Monies (lodged with your financial advisor or delivered to the office of **Maccacorp Ltd** (AFSL 296213).  
Maccacorp's offices are listed below.



**MACCACORP LTD**

ACN 116 486 527

### Head Office

92 Kenzlers Road  
Sharon QLD 4670

Tel: +61 7 4155 9726

Fax: +61 7 4155 9728

Email: Admin@maccacorp.com.au

### Lismore Office

Walters Solicitors  
Level 1, 105 Molesworth St  
Lismore NSW 2480

Tel: +61 2 6621 8833

Fax: +61 2 6621 9982

## Part 1

### Your Details

- Applicants must be an individual, a company or a trustee.
- All communications from us will be sent to the address shown.
- Please provide your full telephone, fax and email details in case we need to contact you quickly.
- Please also provide your ABN if one has been issued to you.

### Your Macgroves & Payment Details

- You may apply for one or more Macgroves.
- If you are accepted into the Project, your Application Monies per Macgrove are \$11,000 (which includes \$1,000.00 GST).
- If you fill in the item "Amount subject to finance", your application will only be accepted on receipt of the whole of the Application Monies in relation to the Macgroves. If you seek finance from Maccfinance Pty Limited please also complete and return to us a Finance Application which can be obtained by phoning us on (07) 4155 9726, or from our website: [www.maccacorp.com.au](http://www.maccacorp.com.au). We do not warrant or undertake that finance will be provided or procured.

### Method of Payment

You may pay by cheque made payable to "*Maccacorp Ltd – 2007 Macgrove Project*" and crossed "*Not Negotiable*".

### Signature & Declarations

Each Application Form must be signed by the applicant personally.

An Application by a company must be signed in accordance with its constitution. A copy of the constitution need not be provided. The Form should also be dated.

### Electronic PDS

The *Corporations Act* prohibits any person from passing on to another person the Application Form which is attached to the electronic copy of the PDS, unless the Application Form is attached to a complete and unaltered copy of the electronic PDS.

Maccacorp Ltd will send you, at no charge, a paper copy of the electronic PDS if you ask for one during the Offer Period described in this PDS.

If you apply for Macgroves on the basis of the Application Form attached to the electronic PDS, you are deemed to declare to us that you received personally the electronic PDS, or a print-out of it, attached to the Application Form before applying for Macgroves.

## Part 2

### Power of Attorney

By completing the Application Form, you agree to appoint Maccacorp Ltd as your attorney on the following terms:

I/We, the person named in the "Your Details" section in the Application and Power of Attorney Form, appoint Maccacorp Ltd (ACN 116 486 527) of 92 Kenzlers Road, Sharon QLD 4670 ("Attorney"), to be my/our attorney and in my/our name and on my/our behalf and as my/our act and deed to:

- Enter into and execute on my/our behalf a Sublease and Management Agreement in respect of the Macgroves for which I/we have applied and which Maccacorp Ltd accepts ("the Project Agreements");
- Vary, replace or cancel the Project Agreements and execute, vary, replace or cancel any other documents which are referred to in or which are ancillary or related to, the Project Agreements;
- Lodge for registration at the Queensland Land Titles Office a caveat to protect your right to use your Macgrove as noted opposite under 'Caveat Registration';
- Appoint one or more substitute attorneys to exercise the powers granted to the Attorney and to revoke any appointment of any substitute attorney or attorneys made under this document; and
- Do all things necessary or expedient to give effect to those documents, including, but not limited to, dating and completing any blanks in the Project Agreements, making any variations, replacements and cancellations to the documents which the Attorney considers not contrary to the interests of the Applicant, on the terms and conditions and subject to the acknowledgements in part 2 of this booklet.

### Terms & Conditions of Power Of Attorney

By granting the power of attorney to Maccacorp Ltd, you do so on the following terms and conditions:

1. You will ratify and confirm whatever the Attorney does in the exercise of the power granted by you.
2. You will indemnify and keep indemnified the Attorney against all claims, demands, costs, damages, losses and expenses, however arising, consequent upon the exercise of the power granted by you except in the event of gross neglect, fraud or wilful default by the Attorney.
3. The Attorney may, and where required will, stamp and register this instrument at the cost of the Applicant.
4. Any person or corporation dealing with the Attorney in good faith may accept a written statement signed by the Attorney to the effect that this Power of Attorney has not been revoked as conclusive evidence of that fact.
5. This Power of Attorney is irrevocable until the expiration of the Project under the Constitution.
6. The authorisation in writing of any variations, replacements or cancellations referred to above may be by facsimile or any other form of written confirmation.
7. This Power of Attorney will be governed by and construed in accordance with the laws of NSW.
8. Words and expressions used in this Power of Attorney have the same meanings as in the Constitution unless the contrary requires.

### Caveat Registration

By signing the Application and Power of Attorney Form, you appoint McMahon Clarke Legal as your solicitors for the sole purpose of them signing a caveat noting you as caveator to be lodged by Maccacorp Ltd against the Project Land in order to protect your right to use your Macgrove. McMahon Clarke Legal have no obligation or other responsibility to you other than signing the caveat form as your solicitors. You agree to release McMahon Clarke Legal from all and any claims you may have as a result of them signing the caveat form. You indemnify McMahon Clarke Legal for any loss or damage they suffer as a result of signing the caveat form as your solicitors.

### Declarations

By signing the Application and Power of Attorney Form, you make the following declarations:

- That you have read the PDS for the 2007 Macgrove Project to which this Application Form relates.
- That you acknowledge that Maccacorp Ltd has the right to accept or reject your Application.
- That you agree to be bound by the Constitution and irrevocably appoint Maccacorp Ltd as your attorney to enter into the Sub-lease and the Management Agreement.
- That you understand that by becoming a party to the Constitution and the Management Agreement you irrevocably appoint Maccacorp Ltd as your attorney to enter into any agreement for the sale of the macadamia nuts.

## Part 3. All Applicants to Complete

### Your Macgroves

Number of Macgroves applied for:	Macgroves
<b>Amount payable:</b> @ \$11,000 per Macgrove (inclusive of \$1,000.00 GST)	\$
<b>Amount</b> enclosed with this application:	\$
<b>Amount</b> subject to finance:	\$

NB: Further payments of rent and Management Fees will be due each year.

*If subject to finance from Maccfinance Pty Limited, a completed, signed and witnessed application is also enclosed.*

### Method of Payment

**Cheque enclosed** (all cheques must be made payable to "Maccacorp Ltd - 2007 Macgrove Project" and crossed "Not Negotiable")

**Return this booklet to the office of Maccacorp Ltd** (Please see page 1 of this booklet for details of Maccacorp's offices)

# Part 4. Individual Applicants to Complete

To be completed by the Advisor

Please read parts 1 and 2  
before signing this form.

PLEASE COMPLETE IN BLOCK LETTERS

	Advisor's Stamp	Advisor's Name:
		Company Name:
		Telephone:
		Facsimile:
		Email:

## Your Details

Full Name: Dr / Mr / Mrs / Ms / Miss

Address:

Suburb / Town / City:

State:

Postcode:

Date of Birth (dd/mm/yyyy):

ABN:

Are you registered for GST?: Yes  No

Telephone:

Work:

Home:

Mobile:

Fax:

Email Address:

DATE OF SIGNING:     /     /

Signed: X

Witness: X













# Part 7. Joint Venture Applicants to Complete *(continued)*

## SECOND Joint Venture Applicants *(continued)*

### 1. COMPLETE A, B or C *(See previous page for sections A & B)*

#### C. Trust or Superannuation Funds

Name of Trust or Superannuation Fund:

ABN:

Is the Trust or Superannuation Fund registered for GST?: Yes  No

#### Trustee #1

Full Name *(individual or company)*: Dr / Mr / Mrs / Ms / Miss

#### Trustee #2

Full Name *(individual or company)*: Dr / Mr / Mrs / Ms / Miss

Where trustee is a company, sign below.

Where trustees are individuals, sign below.

*Executed in accordance with its constitution by:*

Director:

Trustee #1 signed:

Print Name: \_\_\_\_\_

Witness:

Director / Secretary:

Trustee #2 signed:

Print Name: \_\_\_\_\_

Witness:

### 2. ALL APPLICANTS TO COMPLETE

Address:

Suburb / Town / City:

State:

Postcode:

Date of Birth:  /  /

Occupation:

Telephone:

Work:

Home:

Mobile:

Fax:

Email Address:

DATE OF SIGNING:  /  /

Designed & produced by creativehq



MACCACORP LTD

2007 Macgrove Project

*Product Disclosure Statement*