

21 November 2013

Company Announcements Platform
Australian Securities Exchange

<p>AGRICULTURAL LAND TRUST (AGJ)</p> <p>PROPOSED RESTRUCTURE OF AGRICULTURAL LAND TRUST (ALT)</p>

On 28 October 2013, Agricultural Land Management Limited (ALML) in its capacity as trustee of ALT announced to the market details of a proposed restructure of the ALT business via an Implementation Agreement with Elders Limited. Under the Implementation Agreement, unit holder approval of certain matters is required for the restructure to proceed.

Attached is an Explanatory Booklet and Notice of Meeting of unit holders to be held on Monday 16 December 2013 at 11:00am (Perth time) at the premises of Bennett & Co, Lawyers, 28 The Esplanade, Perth WA. A detailed timetable is included in the Notice of Meeting as are details of unit holder voting steps and a proxy form.

The Directors advise that the Explanatory Booklet and Notice of Meeting will be distributed to all unit holders today, 21 November 2013.

The Explanatory Booklet covers all details of the components of the Restructure (including a summary of the Implementation Agreement and an explanation of the resolutions to be put to unit holders at the meeting). As previously advised to the market in the above announcement, an independent expert has been engaged to opine as to whether the restructure is fair and reasonable to the independent ALT unit holders; the Explanatory Booklet includes the Independent Expert's report.

For further information contact:

Tom Pascarella
Chairman 0407 890 933

Alan Herald
Acting General Manager (08) 8425 5022

Dear ALT Unitholder

Please find enclosed with this letter:

- the Annual Report of the Agricultural Land Trust (**ALT**) for the financial year ending 30 June 2013; and
- a Notice of Meeting for a meeting of ALT Unitholders to be held on Monday 16 December 2013 at 11:00am (Perth time) at the premises of Bennett & Co, Lawyers, 28 The Esplanade, Perth WA.

The Notice of Meeting relates to the restructure of ALT via an Implementation Agreement with Elders Limited as announced to the ASX and market on 28 October 2013 (**Restructure**). The approval of ALT Unitholders is required in relation to a number of matters before the Restructure can be implemented. The Restructure and the approvals required from ALT Unitholders are explained in detail in the enclosed Notice of Meeting.

As set out in the Notice of Meeting, the Restructure will involve a pro-rata, non-renounceable rights issue on the basis of 3 new ALT Units for every 4 ALT Units held at a price of \$0.085 per new ALT Unit. Further documentation in relation to the rights issue, including an offer booklet and entitlement and acceptance forms, will be dispatched to ALT Unitholders following the meeting to be held on 16 December 2013 provided that all relevant approvals are obtained at the meeting.

The independent directors of Agricultural Land Management Limited (**ALML**), being the responsible entity of ALT, recommend that ALT Unitholders support the Restructure by voting in favour of the relevant resolutions. As explained in more detail in the Notice of Meeting, the independent directors are of the view that the implementation of the Restructure is necessary to ensure the future viability of ALT.

The independent directors appointed Equity & Advisory Ltd as the independent expert to assess the merits of the Restructure. The independent expert's report is contained in the Notice of Meeting and the independent expert has concluded that the Restructure is fair and reasonable.

The Restructure is complex and involves many interrelated elements. ALT Unitholders should consider the Notice of Meeting carefully, including the independent expert's report, in deciding whether or not to vote in favour of the relevant resolutions.

Yours sincerely,



Thomas Pascarella

Chairman

Agricultural Land Management Limited in its capacity as responsible entity of Agricultural Land Trust

18 November 2013

Agricultural Land Trust

ARSN 096 588 046

Explanatory Booklet

**FOR THE PROPOSED RESTRUCTURE OF THE AGRICULTURAL
LAND TRUST TO CREATE A SUSTAINABLE RURAL PROPERTY
BUSINESS**

VOTE YES

**Your Independent Directors unanimously recommend that
you vote in favour of the Resolutions in the absence of a
superior proposal**

**The Independent Expert has concluded that the
Transaction is fair and reasonable.**

<p>This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the Resolutions.</p> <p>If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.</p>
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Important Notices

General

This document is important. You should read it in full before making any decision as to how to vote on the Resolutions to be considered at the Unitholder Meeting. A Proxy Form for the Unitholder Meeting is enclosed.

Purpose of this Explanatory Booklet

This Explanatory Booklet comprises a Notice of Meeting and an explanatory memorandum issued by ALML as responsible entity of ALT. This Explanatory Booklet provides ALT Unitholders with information which is material to your decision whether or not to vote in favour of the Resolutions to be considered at the Unitholder Meeting.

ASX and ASIC

A copy of this Explanatory Booklet has been lodged with ASX and ASIC. None of ASX, ASIC nor any of their officers takes any responsibility for the contents of this Explanatory Booklet.

Preparation and responsibility

Other than as set out below, this Explanatory Booklet has been prepared by ALML as responsible entity of ALT.

Equity & Advisory Ltd (Independent Expert) has prepared the Independent Expert's Report contained in Annexure A of this Explanatory Booklet and is responsible for that report and any statements based on it. The Independent Expert is not responsible for any other information contained in this Explanatory Booklet. ALT Unitholders should read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

Mr Caratti has been responsible for preparing the Caratti Information. Ms Bazzo has been responsible for preparing the Bazzo Information. Elders Limited takes no responsibility for any part of the Explanatory Booklet.

Investment decisions

This Explanatory Booklet does not take into account the investment objectives, financial situation, tax position or requirements of any particular person. The information contained in this Explanatory Booklet is not financial product advice. This Explanatory Booklet should not be relied on as the sole basis for any investment decision in relation to ALT Units. You should seek independent financial and taxation advice before making any decision in relation to ALT Units or the Resolutions to be considered at the Unitholder Meeting. It is important that you read this Explanatory Booklet in full before making any decision as to how to vote on the Resolutions to be considered at the Unitholder Meeting.

Forward looking statements

This Explanatory Booklet contains forward looking statements which are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of ALT, or the effect or implementation of the Proposed Transaction, to vary materially from those expressed or implied in such forward looking statements.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations

are both normal and to be expected. None of ALML (in any capacity) or any person named in this Explanatory Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements. The forward looking statements in this Explanatory Booklet reflect views held only as at the date of this Explanatory Booklet.

Notice to foreign persons

This Explanatory Booklet has been prepared to comply with the requirements of the laws of Australia, which may differ from the requirements in jurisdictions outside of Australia.

Privacy and personal information

ALML as responsible entity of ALT and the Registry may collect personal information in the process of implementing the Transaction. The personal information may include the names, addresses, other contact details, bank account details and details of the holdings of ALT Unitholders, and the names of individuals appointed by ALT Unitholders as proxies, corporate representatives or attorneys at the Unitholder Meeting. The collection of some of this information is required or authorised by the Corporations Act. ALT Unitholders who are individuals and the other individuals in respect of whom personal information is collected have certain rights to access the personal information collected in relation to them. Such individuals should contact ALML at jbolton@agriculturalandtrust.com.au if they wish to exercise those rights. If the information outlined above is not collected, ALT may be hindered in, or prevented from, conducting the Unitholder Meeting or implementing the Transaction effectively or at all.

The information may be disclosed to related bodies corporate of ALML, third party service providers, including print and mail service providers and parties otherwise involved in the conduct of the Unitholder Meeting, professional advisers and to regulatory authorities, and also where disclosure is otherwise required or allowed by law. ALT Unitholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Unitholder Meeting should ensure that they inform that individual of the matters outlined above.

Defined terms and financial information

Certain terms used in this Explanatory Booklet have been defined in the Glossary in Section 7 of this Explanatory Booklet. All financial and operational information contained in this Explanatory Booklet is stated as at the date of this Explanatory Booklet, unless otherwise specified. Currency amounts are in Australian dollars, unless otherwise specified.

Date

This Explanatory Booklet is dated 18 November 2013.

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Letter from the Chairman

Dear ALT Unitholder

Restructure of ALT

1. Restructure of ALT's business model and balance sheet

On 28 October 2013, ALML announced that it had entered into an Implementation Agreement with Elders Limited to implement a transaction (**Transaction**) that will change ALT's business model, strengthen its balance sheet, satisfy the requirements of its lenders and remove its complete reliance on Elders.

2. Background to the Transaction

The background to the Transaction, including the rationale of the Independent Directors for implementing the Transaction and the other options considered by the Board is set out in detail in Sections 1.3 to 1.7 of this Explanatory Booklet.

As explained more fully in Section 1.3, ALT's business model consists of leasing properties owned by it to Elders for the purposes of growing plantation timber. ALT uses the rent collected from Elders to repay senior debt owed to a syndicate of lenders, as well as to repay a subordinated debt owed to Elders.

In light of the difficult economic circumstances for the forestry industry which are discussed in Section 1.4, Elders has announced its intention to exit the forestry industry. In addition, ALT's syndicated lenders have made it a condition of extending the syndicated debt that ALT undertake a divestment program for its property assets.

The aim of the Transaction is to allow ALT to reduce its debt levels, effect a separation from Elders and allow an exit from the forestry industry.

3. Summary of Transaction

The Transaction is explained in detail in Section 1, however by way of summary it will involve the following:

- the surrender of all leasehold interests in ALT's Western Australian property in Esperance (totalling 8,937 hectares) known as Linkletters by Elders;
- Elders will pay ALT approximately \$4.5 million, forgive approximately \$8.5 million of debt owed by ALT to Elders and agree to the cancellation of 60,536,628 ALT Units held by Elders (for an analysis of Elders' holding in ALT post-Transaction, please refer to Section 5.3);
- the repayment of a portion of ALT's syndicated bank debt to a level at which the syndicate of lenders will continue to finance ALT until 31 July 2016, on the basis that ALT prepays interest for the period to 31 July 2016;
- the raising of additional funds of not less than \$1.5 million via a mezzanine finance arrangement;
- the provision by Elders of a deferred farm supplies account to ALT for up to \$1 million;
- the raising of additional funds of not less than \$2 million under a pro-rata, non-renounceable rights issue on the basis of 3 new ALT Units for every 4 ALT Units held at a price of \$0.085 per new ALT Unit; and

- ALT entering into an agreement with Mammoth Construction, an entity associated with Mr Allen Caratti, for the remediation of Linkletters. The contract fee will be capped and on arm's length terms.

The Transaction is subject to certain conditions outlined in section 6.2.

4. Impact on control of ALT

The Transaction has a significant impact on the control of ALT.

The cancellation of the majority of Elders' interest in ALT will mean that the percentage ownership of each other ALT Unitholder in ALT will approximately double before the potential impact of the rights issue is considered.

This will result in the Caratti Entities, being companies controlled by or associated with Mr Allen Caratti, increasing their percentage holding of ALT Units from 26.03% to 49.56%, again excluding the impact of the rights issue.

Elders and Mr Caratti's ultimate voting power will depend on the extent of the participation of ALT Unitholders in the rights issue. Please see Section 1.2 for a detailed discussion of the impact of the Transaction, including the rights issue, on the control of ALT.

Elders has also informed ALML that it has entered into a separate arm's length transaction with Guce Farms Pty Ltd (**Guce**). The sole director and shareholder of Guce is Ms Tina Bazzo. ALML is of the view that Guce is an associate of the Caratti Entities. Under that separate transaction, Elders has agreed to sell the shares in ALML to Guce or a nominee of Guce. Please see Section 1.2 for further details in relation to the sale of ALML to Guce or its nominee.

Accordingly, if the Transaction is implemented Mr Caratti will effectively gain control of ALT.

5. Risks and Benefits of the Transaction

Sections 3 and 4 of this Explanatory Booklet respectively set out the reasons why you may wish to vote for or against the Transaction.

The benefits that would flow from the Transaction include:

- improving ALT's balance sheet by reducing debt and raising additional funds via the rights issue;
- maximising the return from Linkletters by remediating the land so that it can be used for grazing and cropping purposes instead of forestry plantations; and
- removing ALT's exposure to Elders at a time when Elders is in difficult financial circumstances.

The risks involved in the Transaction include:

- the impact on the control and governance of ALT as noted above;
- the possibility of an unfavourable market reaction to a new majority, controlling ALT Unitholder and owner of ALML;
- the loss of Elders as ALT's major tenant and the rental income that flows from the Linkletters Lease;
- the possibility of a superior proposal emerging; and
- the risk that agricultural property values may decline.

6. Independent Expert

Your Independent Directors appointed Equity & Advisory Ltd as the Independent Expert to assess the merits of the Transaction.

The Independent Expert has concluded that the Transaction is fair and reasonable and is in the best interests of ALT Unitholders (who are not associated with Elders and its Related Bodies Corporate, and the Caratti Entities).

A complete copy of the Independent Expert's Report is included in Annexure A of this Explanatory Booklet.

7. Independent Directors' recommendation

Your Independent Directors unanimously recommend that you vote in favour of the Resolutions, in the absence of a superior proposal, for the reasons described above.

As at the date of this Explanatory Booklet, Mr Peter Zachert is the only director of ALML who has a Relevant Interest in any ALT Units. Mr Zachert has an indirect interest in 127,777 ALT Units and has been informed by the owner of the ALT Units of their intention to vote all ALT Units in favour of the Resolutions.

8. Next steps

Some aspects of the Transaction require the approval of ALT Unitholders at the Unitholder Meeting to be held at 11.00am (Perth time) on Monday 16 December 2013 at the premises of Bennett & Co, Lawyers, 28 The Esplanade, Perth WA.

The Resolutions to be put to ALT Unitholders for approval are summarised in more detail in Section 6.

We encourage you to attend the Unitholder Meeting or appoint a proxy, attorney or corporate representative (in the case of corporate ALT Unitholders) to vote on your behalf by completing and returning the Proxy Form by 2.00pm (Melbourne time) on 14 December 2013.

Please read this Explanatory Booklet carefully as it contains important information and will assist you in making an informed decision on how to vote.

9. Further information

If you require any further information, please call John Bolton on +61 8 8425 4260.

Yours sincerely,



Thomas Pascarella

Chairman

Agricultural Land Management Limited in its capacity as responsible entity of Agricultural Land Trust

Key Dates

Date of this Explanatory Booklet	18 November 2013
Latest date and time for receipt of Proxy Forms or powers of attorney for the Unitholder Meeting	2.00pm (Melbourne time) on 14 December 2013
Time and date for determining eligibility to vote at the Unitholder Meeting	7.00pm (Melbourne time) on 13 December 2013
Unitholder Meeting to be held at the premises of Bennett & Co, Lawyers, 28 The Esplanade, Perth WA for the purpose of considering the approval of the Resolutions	11.00am (Perth time) on 16 December 2013
Time and date for determining eligibility to participate in the Rights Issue	7.00pm (Melbourne time) on 27 December 2013
Closing date for the Rights Issue	5.00pm (Melbourne time) on 16 January 2014
If the Transaction is approved by ALT Unitholders and all other conditions satisfied	
Completion Date of Implementation Agreement	30 January 2014

The above timetable is indicative only and ALT reserves the right to vary these times and dates. Any changes to the above timetable will be announced through ASX and notified on ALT's website at www.agriculturallandtrust.com.au.

All references to time in this Explanatory Booklet are references to Melbourne time unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.

Independent Expert's opinion

The Independent Expert has concluded that the Transaction is fair and reasonable.

Your Independent Directors appointed the Independent Expert, Equity & Advisory Ltd, to prepare an independent assessment of the Transaction. Equity & Advisory Ltd has concluded that the Transaction is fair and reasonable.

A copy of the Independent Expert's Report is contained in Annexure A to this Explanatory Booklet.

Independent Directors' Recommendation

The Independent Directors comprise Thomas Pascarella and Robert Walter.

The Independent Directors consider that the Transaction is in the best interests of ALT Unitholders and unanimously recommend that ALT Unitholders vote in favour of the Resolutions.

In making this recommendation, your Independent Directors have considered the following key supporting reasons:

- the impact on ALT and ALT Unitholders of the uncertainty and instability that ALT would face if ALT was not restructured so as to secure the ongoing support of ALT's syndicated lenders and to mitigate the risks attaching to its current relationship with Elders and the exposure of ALT to the forestry MIS sector;
- the advantages, disadvantages, impacts and risks of the Transaction detailed in Sections 3 and 4 of this Explanatory Booklet;
- the potential alternative options for ALT and the commercial, execution and financial risks and benefits associated with these; and
- the opinion of the Independent Expert.

Non-Independent Director

Peter Zachert is a non-independent director of ALML.

ALML is a wholly owned subsidiary of Elders Limited. EFML, another wholly owned subsidiary of Elders Limited, has entered into various lease agreements with ALT in relation to the properties owned by ALT. Mr Zachert is the chairman of the board of directors of EFML, and has previously been the Chief Financial Officer of Elders.

Due to this relationship, Mr Zachert has abstained from making any recommendation in relation to the Transaction or the Resolutions.

As at the date of this Explanatory Booklet, Mr Zachert is the only director of ALML who has a Relevant Interest in the ALT Units. Mr Zachert has an indirect interest in 127,777 ALT Units and has been informed by the owner of the ALT Units of their intention to vote all ALT Units in favour of the Resolutions.

1 What is the proposed Transaction?

1.1 Overview

The Transaction comprises a series of transactions under which:

- Elders has agreed to:
 - the cancellation of all of its ALT Units, other than 5,700,000 ALT Units;
 - forgive approximately \$8.5 million of subordinated debt owed by ALT to Elders; and
 - make a payment of approximately \$4.5 million to ALT.
- The leases granted by ALT to EFML over Linkletters will be terminated.
- ALT will repay a proportion of its syndicated bank debt to a level at which the syndicate of lenders will continue to finance ALT.
- ALT will raise additional debt funding of not less than \$2.5 million by way of a \$1.5 million mezzanine finance arrangement with a mezzanine debt provider and a \$1 million deferred farm supplies account with Elders.
- ALT will raise additional equity of not less than \$2 million under a pro-rata, non-renounceable rights issue on the basis of 3 new ALT Units for every 4 ALT Units held at a price of \$0.085 per new ALT Unit.
- ALT will enter into a remediation agreement with Mammoth Construction, an entity associated with Mr Caratti, to provide for the clearance and remediation of Linkletters. The contract fee will be capped and on arm's length terms.

The above steps constitute the **Transaction**.

Other than Linkletters, all ALT properties have now been sold, with those sales either settled or due to settle prior to the date of the Unitholder Meeting. In connection with the sale of ALT's Queensland properties, Elders has or will provide total consideration of \$9.1 million in consideration for the termination of the leases. The cancellation of the Linkletters Lease with the relevant Elders subsidiary will result in the loss of approximately \$3.2 million in rental income per annum.

1.2 Impact on Control

Unit Cancellation

The cancellation of the majority of Elders' interest in ALT will mean that the percentage ownership of each other ALT Unitholder in ALT will approximately double before the potential impact of the rights issue is considered.

This will result in the Caratti Entities increasing their percentage holding of ALT Units from 26.03% to 49.56%, again excluding the impact of the rights issue.

Elders and Mr Caratti's ultimate voting power will depend on the extent of the participation of ALT Unitholders in the rights issue.

Rights Issue

Westralia, a Caratti Entity which directly holds ALT Units, has committed to participating in the rights issue by subscribing and paying for, and procuring that other ALT Unitholders subscribe and pay for, ALT Units to an aggregate value of not less than \$2 million. In addition, Elders has committed not to participate in the rights issue.

If no other ALT Unitholder participates in the rights issue, Elders and the Caratti Entities' ultimate indirect voting power in ALT would be 6.3% and 63.23% respectively.

If all ALT Unitholders excluding Elders participate in full, Elders and the Caratti Entities' ultimate indirect voting power in ALT would be 5.05% and 51.44% respectively.

Depending on the participation of the other ALT Unitholders, the voting power of the Caratti Entities could therefore be as high as 63.23%.

Please refer to Section 5.3 for a detailed analysis of the impact of the Transaction on the control of ALT.

Responsible Entity

Elders has also informed ALML that it has entered into a separate arm's length transaction with Guce. ALML is of the view that Guce is an associate of the Caratti Entities. Its sole director and shareholder is Ms Tina Bazzo. Under that separate transaction, amongst other things, Elders has agreed to sell the shares in ALML, the responsible entity of ALT, to Guce or its nominee. Approval of the Transaction by ALT Unitholders is a condition of the transfer of the ALML shares to Guce or its nominee.

Accordingly, the transfer of the ALML Shares, the cancellation of the majority of Elders' ALT Units and the rights issue will together effectively give control of ALT to Mr Caratti.

1.3 Strategy

The Transaction involves a change in strategy for ALT.

Presently, ALT's business model is to collect rent from Elders and uses it to service the principal and interest on its debt, cover operating expenses and provide distributions to ALT Unitholders (when available).

ALT's objective had been to eventually return its land to other agricultural uses once the Elders leases expire and realise properties where profitable to do so. However, in order to satisfy the requirements of ALT's syndicated lenders it has accelerated the realisation of its properties without waiting for the Elders leases to expire. ALT has now sold all of its properties other than its Western Australian property in Esperance known as Linkletters, its major asset. As set out below, Elders has provided ALT with fair compensation in connection with the early termination of the forestry leases over the properties that have been sold.

The directors of ALML consider that the Transaction presents the best opportunity to generate value for ALT Unitholders. ALT has been under significant pressure from its lenders to reduce its borrowings. Although the sale of ALT's properties other than Linkletters has gone part of the way to satisfy this need, given the circumstances of the various stakeholders of ALT, the Transaction presents the only feasible pathway to further reduce debt to a level satisfactory to ALT's lenders and to remain listed on the ASX.

In the absence of the various measures that comprise the Transaction, ALT would not be able to meet the requirements of its lenders and would likely need to sell Linkletters.

1.4 Background

ALT's properties were previously all leased for the purposes of growing plantation forestry timber.

Unfortunately, the plantations have not performed well due to:

- the significant appreciation of the Australian dollar against the US dollar which, despite the recent fall in the Australian dollar, has made the Australian woodchip industry less competitive relative to other global options;

- demand for woodchips has been impacted by both the global financial crisis and the Japanese earthquake / tsunami event in 2011, which has reduced woodchip demand from Japanese pulp and paper companies;
- significant and increasing woodchip supply is coming out of the South East Asian region at significantly lower prices than can be sold out of Australia; and
- the market over-supply situation has been compounded due to other Australian forestry managers delaying the sale of wood which has created a further backlog (or 'surplus on the stump') in timber produce and resulted in likely depressed woodchip prices for the foreseeable future.

In addition, in respect of the Linkletters plantations, the costs of harvesting, haulage, processing and handling wood from these plantations are very high, particularly since port infrastructure at Esperance necessary to handle the export of woodchips in a cost effective manner has not been developed and is not expected to be developed.

As a result, the costs to harvest, process and ship the wood from ALT's plantations was expected to exceed the revenue that can be derived from this wood. As the plantations are not viable for the Growers, Elders held meetings on 2 September 2013 with the Growers at which they agreed to surrender their interests in the plantations in return for a cancellation payment.

In October 2012 Elders announced its intention to exit its forestry management business. A further Market Update was released by Elders on 10 September 2013 which set out the additional steps taken by Elders to exit the forestry industry.

ALT's exposure to Elders is compounded by the fact that Elders owns 51.96% of ALT Units on issue and a wholly-owned subsidiary of Elders, ALML, is the responsible entity of ALT.

Given the current relationship between ALT and Elders, the stability of ALT and the performance of ALT Unitholders' investments are highly exposed to Elders.

In light of the outlook for the plantation forestry industry, over the last 12 months the ALT Board has implemented a number of initiatives to address ALT's operational arrangements and improve ALT's financial position and performance. These include:

- the extension of ALT's syndicated banking facilities and subordinated facilities provided by Elders through to 18 December 2013; and
- the commencement of a property divestment program, which has resulted in the sale of all properties other than Linkletters with property sale cash proceeds being used to reduce the syndicated bank debt.

Whilst the ALT Board has made significant progress in mitigating the risks faced by ALT, a number of risks and structural challenges still remain for ALT, primarily in connection with ALT's relationship with Elders and the sustainability of ALT's debt position.

Although ALT's lenders have in the past extended its syndicated banking facilities, such extensions have only been short term. As currently structured, ALT would be unable to pay down its debt facilities within the timeframe specified by the syndicated lenders. Unless ALT is able to restructure as contemplated by the Transaction, the temporary support provided by the syndicated lenders is expected to be withdrawn.

1.5 Alternative options

The ALT Board has been actively considering a range of strategies to address the risks and challenges posed by the relationship with Elders and its debt position.

As outlined to the market in its announcement dated 28 October 2013, ALT had put all of its properties including Linkletters on the market in order to satisfy the requirements of its lenders. Although ALT has been able to sell all of its other properties, Linkletters has been on the market for some time and ALML has not received any reasonable offers to purchase it on an encumbered basis. ALML has received a number of offers to purchase

Linkletters on an unencumbered basis, but the offer price together with the compensation that could be negotiated with the lessee did not represent a viable option for ALT Unitholders.

Given the circumstances, and taking into account the desire expressed to the ALT Board and management by a number of ALT Unitholders to continue to invest in Linkletters via ALT, no better alternative to the Transaction has been identified that would address those risks and challenges whilst remaining listed on the ASX.

The ALT Board considers that the Transaction with Elders will remove the threat to the stability of ALT posed by both the relationship with Elders and the broader issues that ALT is facing.

1.6 What is the rationale for the Transaction?

The rationale behind the Transaction was to find a viable solution to position ALT for a sustainable future as a listed entity. In order to achieve this, the various steps of the Transaction assist to:

- eliminate ALT's subordinated debt and reduce senior debt due in December 2013 – ALT relies on the support of its bankers, and has only been able to secure short term extensions since July 2013. This Transaction will place ALT on a more solid financial footing with an extension of the senior debt facility until 31 July 2016;
- enable the Linkletters property to be fully remediated (at a capped cost and on arm's length terms), to return it to a productive grazing and cropping asset by late 2016;
- eliminate ALT's reliance on the Elders rental stream and Elders funding of ALML;
- reduce Elders' holding in ALT, thus significantly increasing the percentage ownership of all other investors; and
- complete the separation from Elders by facilitating the transfer of ALT's responsible entity from Elders to Guce (or its nominee), whose controller has experience in agricultural property and land management.

1.7 What happens if the Transaction does not proceed?

If the Transaction does not proceed, ALT Unitholders will continue to be exposed to the benefits and risks associated with an investment in ALT under the current circumstances.

Without the Transaction proceeding, ALT is likely to be unable to extend its syndicated debt facilities and ALT's syndicated lenders are expected to exercise their rights under the loan agreement to call upon the outstanding debt. In such a situation, ALML may be forced to sell Linkletters to a third party purchaser to satisfy its debt obligations. A forced sale of Linkletters in the short term, whether by ALML or a receiver appointed by the syndicated lenders, would likely result in Linkletters being sold at a significant discount to the price which could be achieved following remediation of the land for cropping and grazing purposes as is contemplated by the Transaction.

In addition, the existing structural and operational relationship between ALT and Elders would remain in place, under which Elders is:

- the majority, controlling ALT Unitholder, with an indirect holding of 51.96% of the ALT Units on issue;
- the owner of (with responsibility for funding) the responsible entity of ALT; and
- ALT's major tenant,

in circumstances where there is some uncertainty as to the future of Elders.

In relation to that uncertainty, it has been widely reported that Elders' financial performance has deteriorated over recent years and that the Elders group continues to be under significant financial pressure.

In its independent audit report dated 19 November 2012 with respect to Elders' financial statements for the year ended 30 September 2012, Ernst & Young concluded that there is material uncertainty as to whether Elders will continue as a going concern and meet its obligations as and when they fall due. In reaching that conclusion, Ernst & Young noted Elders' reliance on the achievement, timing and quantum of proceeds received from the sale of assets to meet debt repayment obligations. Ernst & Young repeated this warning in its report dated 31 May 2013 with respect to Elders' half year accounts.

On 23 September 2013, Elders announced that it has secured an extension of its term debt facilities until 31 December 2014, however that extension remains subject to a number of conditions, including milestones for the repayment of debt. Subsequently, on 11 November 2013 Elders announced that there would be a number of impairments in its full year accounts to be released on 18 November 2013. When combined with the previously announced statutory loss of \$303 million as at 31 March 2013, Elders' statutory loss for the full year will be in the order of \$510 million.

ALT can give no assurance as to the likely actions of Elders, either under the control of the Elders board or in external administration, if the Transaction does not proceed.

1.8 Transaction – Specific Matters

Lease surrenders and property sales

The Implementation Agreement contemplates that, in the event that ALT sells either its Caravan Hill or Fishtail properties in Northern Queensland prior to implementation of the Transaction, the leases granted by ALT to EFML over the relevant property will be surrendered and Elders will pay an agreed cash amount to ALT and forgive an agreed portion of the subordinated debt at the time the sale completes (each of which will be offset against the cash paid and debt forgiven upon implementation of the Transaction).

This will bring forward the improvements to ALT's balance sheet and other benefits to ALT that would otherwise result from those steps being taken upon implementation of the Transaction.

As announced by ALT on 30 August 2013 and 2 October 2013, ALT has entered into contracts for the sale of the Fishtail and Caravan Hill properties. Settlement of these property sales is expected to occur prior to the date of the Unitholder Meeting.

The sale price for Fishtail and Caravan Hill, together with compensation to be paid for the cancellation of the leases, amounts to \$5.218 million and \$4.329 million respectively. Accordingly, at the settlement of each respective sale Elders will pay ALT \$1.5 million as the agreed cash amount in respect of Fishtail and \$1.080 million as the agreed cash amount in respect of Caravan Hill. The cash payment of approximately \$4.5 million to be paid by Elders to ALT at completion of the Transaction will be correspondingly reduced by these amounts.

Elders will also forgive the subordinated debt by an amount of \$2.718 million in respect of Fishtail and \$1.549 million in respect of Caravan Hill at completion of each respective sale. Again, the amount of the subordinated debt to be forgiven at completion of the Transaction will be reduced by these amounts.

Following settlement of the Fishtail and Caravan Hill sales, the only property that will remain subject to a lease between ALT and EFML will be Linkletters. This lease will be terminated at the completion date for the implementation of the Transaction.

The additional funding to be raised via the mezzanine finance, the deferred farm supplies account with Elders and the rights issue will enable ALT to remediate Linkletters by changing the land use from primarily forestry to cropping and grazing which will support the future viability of ALT.

Cash payment

The cash payment to be paid by Elders to ALT at completion is to be \$4,490,000 less the amounts paid by Elders in respect of the sales of the Fishtail and Caravan Hill properties as discussed above.

Assuming that the Fishtail and Caravan Hill property sales settle before completion of the Transaction, Elders will be required to pay to ALT \$1,910,000.

Conditions of the Transaction

The Transaction is conditional on a range of agreements being entered into or actions taken as described in Section 6.2.

Rights Issue

Subject to all of the Resolutions being passed at the Unitholder Meeting and satisfaction of the other conditions precedent to the Transaction as described more fully in Section 6.2, ALT will conduct a pro rata, non-renounceable rights issue to raise at least \$2 million in equity funding. The rights issue will be on the basis of 3 new ALT Units for every 4 ALT Units at a price of \$0.085 per new ALT Unit.

Further information in relation to the rights issue will be set out in an offer booklet to be sent to ALT Unitholders after the Unitholder Meeting (provided that all of the Resolutions are passed by ALT Unitholders), including instructions for ALT Unitholders who wish to participate in the rights issue.

Westralia has entered into a binding deed of undertaking with ALML under which it has agreed to participate in the rights issue by subscribing and paying for, and procuring that other ALT Unitholders subscribe and pay for, ALT Units to an aggregate value of not less than \$2 million.

In addition, Elders has committed under the Implementation Agreement not to participate in the rights issue.

If the rights issue is fully subscribed (that is, all ALT Unitholders who are eligible to participate except Elders subscribe for their entitlements to new ALT Units in full), ALT will raise a maximum of \$3.79 million. However, as the rights issue is not underwritten there can be no guarantee that any funds in excess of the \$2 million to which Westralia has committed will be raised.

Please refer to Section 1.2 for a detailed summary of the impact of the rights issue on the control of ALT.

2 What actions are required?

Step 1 - Read this Explanatory Booklet and seek advice as appropriate

This is an important document. You should read this Explanatory Booklet and the accompanying Notice of Meeting in full before deciding how to vote at the Unitholder Meeting.

If you are in any doubt as to what action you should take, you should seek financial, tax or other professional advice before making any decision in relation to your ALT Units and how to vote at the Unitholder Meeting.

Step 2 - Vote on the Resolutions at the Unitholder Meeting

You may vote on the Resolutions to be considered at the Unitholder Meeting if you are a registered on the Register at 7.00pm (Melbourne time) on 13 December 2013.

You may vote on the Resolutions by attending the Unitholder Meeting in person, or by proxy, attorney or, in the case of a corporation which is an ALT Unitholder, by corporate representative.

If you wish to vote in person, you should attend the Unitholder Meeting at the premises of Bennett & Co, Lawyers, 28 The Esplanade, Perth WA on 16 December 2013, commencing at 11.00am (Perth time).

If you wish to appoint a proxy for the Unitholder Meeting, you must complete and lodge the enclosed applicable Proxy Form so that it is received no later than 2pm (Melbourne time) on 14 December 2013.

Completed Proxy Forms must be lodged in accordance with the instructions set out in the enclosed Proxy Form.

Information on entitlements to vote, including if you are a joint holder of ALT Units, is contained in the Notice of Meeting which is attached as Annexure B to this Explanatory Booklet.

3 Reasons to vote in favour of the Transaction

The Independent Directors unanimously recommend that you vote in favour of the Resolutions at the Unitholder Meeting.

Your Independent Directors each consider that, for the reasons set out below, the Transaction is in the best interests of ALT Unitholders.

Some of the key advantages and reasons why ALT Unitholders may want to vote in favour of the Transaction include:

3.1 ALT's improved balance sheet

ALT currently relies on the support of its lenders. The Transaction places ALT on a more solid financial footing, reducing ALT's gearing from 64.2% to 42.2%, via:

Reduction in ALT's debt

The Transaction involves:

- the forgiveness of approximately \$8.5 million of subordinated debt owed by ALT to Elders as at the date of this notice of meeting. Should the Transaction not proceed, this amount will become due and payable immediately; and
- the payment of approximately \$4.5 million by Elders to ALT, which will be used to reduce the outstanding amount of ALT's senior debt facility, which is currently due to be repaid on 18 December 2013.

ALT has \$17.4 million of debt facilities with its syndicated lenders which will mature on 18 December 2013. Whilst ALT has so far been successful in extending the terms of that debt and ALT's gearing has since been reduced significantly with its asset sale program, since July 2013 ALT has only been able to secure short term extensions. A long-term solution to ALT's finance needs has not been achieved. However, if the Transaction is implemented, ALT's syndicated lenders have agreed to further extend its facilities until 31 July 2016 on revised terms which include a total facility limit of \$10 million on the basis that ALT prepays interest for the period to 31 July 2016.

Although the Transaction also involves new debt funding by way of mezzanine finance of at least \$1.5 million and a deferred farm supplies account of \$1 million, both of which may be used to fund remediation of Linkletters, ALT's overall debt will be reduced by \$18.6 million, from \$32.7 million as at 30 June 2013 to \$14.1 million following completion of the Transaction.

Increase in ALT's asset base

The Transaction will also increase ALT's asset base with the raising of at least \$2 million of equity by way of the rights issue.

As noted in Section 1 above, Westralia has committed to participating in the rights issue by subscribing and paying for, and procuring that other ALT Unitholders subscribe and pay for, ALT Units to an aggregate value of not less than \$2 million and Elders has committed not to participate in the rights issue.

The rights issue may in fact raise more than \$2 million if other ALT Unitholders participate. If the rights issue is fully subscribed (excluding Elders), ALT will raise a maximum of \$3.79 million. However, as the rights issue is not underwritten there can be no guarantee that any funds in excess of the \$2 million to which Westralia has committed will be raised.

Conclusion

Following the implementation of the Transaction, ALT will have an improved capital structure and asset base.

As set out in Section 5.2, ALT's net tangible asset position will improve by \$4.9 million, from \$12.6 million as at 30 June 2013 to \$17.5 million following completion of the Transaction.

Conditional upon the Transaction being approved and implemented, ALT has secured an extension to its bank debt facilities until 31 July 2016, providing a sustainable solution to its funding requirements.

3.2 Flexibility to maximise the return from ALT's land

Following the sale of ALT's Fishtail and Caravan Hill properties, Linkletters will comprise 100% of ALT's remaining land holding (totalling 8,937 hectares) and will be the only property remaining leased to wholly-owned subsidiaries of Elders, which has used the property for growing timber on behalf of Growers. Linkletters was, in turn, sub-leased by Elders to Growers. However, those sub-leases have now been terminated following approval by Growers on 2 September 2013.

Linkletters is located in Western Australia in an area recognised for reliable rainfall and productive soil profiles and is currently leased to Elders until the timber grown on the property is harvested (unless the lease is otherwise terminated earlier in accordance with their terms). Accordingly, ALT is restricted from dealing with Linkletters by the Linkletters Lease until the expiry of that lease.

ALT's present business model is very constrained by the Linkletters Lease and its debt facilities – ALT collects rent from Elders and uses those funds to service its debt.

ALT's objective has been to return its land to other agricultural uses once the leases to Elders expire. The Transaction will accelerate the realisation of that objective by the termination of the Linkletters Lease between ALT and Elders.

The effect of the Transaction will mean that ALT will give up the rental stream it receives from Elders in relation to Linkletters, which currently amounts to approximately \$3.2 million per year. However, following the termination of the Linkletters Lease, the land will be unencumbered by any leasehold interests and ALT will be free to maximise its return from the land by remediating the land so that it can be used for cropping and grazing purposes.

As set out in more detail in Section 6.2, ALML is required as a condition of the completion of the Transaction to enter into a remediation agreement with Mammoth Construction, an entity associated with Mr Caratti, under which Mammoth Construction will remediate Linkletters for this purpose. Fees under the agreement are capped and the terms are considered arm's length.

In addition, in return for the surrender of the leasehold interests, Elders will make a payment of approximately \$4.5 million to ALT and forgive \$8.5 million of subordinated debt owed by ALT as well as agree to reduce its holding in ALT to 5,700,000 Units.

Therefore, despite the fact that ALT will no longer receive rental on Linkletters due to the Transaction, ALT will be in a significantly better financial position and can immediately proceed to remove the uneconomic plantations on Linkletters and return the land to other agricultural uses.

3.3 Removal of ALT's exposure to Elders

ALT is currently highly exposed to Elders:

- **Rental revenue** – ALT currently derives 100% of its rental income from leases to wholly-owned subsidiaries of Elders.

- **ALT Unitholding** – Elders is the majority, controlling ALT Unitholder, with an indirect holding in 51.96% of ALT Units on issue.
- **Responsible entity of ALT** - a wholly-owned subsidiary of Elders, ALML, is the responsible entity of ALT.

In October 2012, Elders announced its intention to exit its forestry management business. This was reaffirmed in its Market Update on 10 September 2013 which advised additional steps taken to exit the forestry industry. Elders has now also sold its Futuris Automotive business and continues to assess its options with respect to its Elders Rural Services business. The Elders group remains under significant financial pressure with repeated warnings from Elders' auditors that there is material uncertainty as to whether Elders will continue as a going concern and meet its obligations as and when they fall due. Although Elders has recently secured an extension of its term debt facilities until 31 December 2014, that extension remains subject to a number of conditions including milestones for the repayment of debt.

Given the current relationship between ALT and Elders, the stability of ALT and the performance of ALT Unitholders' investments are highly exposed to the future of Elders. The Transaction will address this exposure.

ALT's rental revenue from Elders

This uncertainty around the future of Elders places significant doubt upon the future of ALT's revenue stream from Elders. The Transaction will terminate that revenue stream. ALT has sought to realise an alternative return from the properties currently leased to Elders, by selling all its properties other than Linkletters and by seeking to remediate Linkletters with a view to leasing that property for grazing and cropping purposes.

Elders' majority, controlling ALT Unitholding

The uncertainty around Elders' future also places into question the future of Elders' 51.96% holding in ALT Units. The potential for those ALT Units to be disposed of on unfavourable terms or for there to be an indeterminate period of uncertainty in relation to the future of those ALT Units is likely to create an "overhang" in ALT Units in the market. An actual or perceived overhang of the majority, controlling ALT Unitholding is highly likely to place downward pressure on both the value of ALT's properties and the trading price of ALT Units.

As part of the Transaction, 60,536,628 ALT Units currently held by Elders will be cancelled, reducing Elders' percentage holding from 51.96% down to a minimum of 5.05% and a maximum of 6.30% (for an analysis of Elders' percentage holding in ALT post-Transaction, please refer to Section 5.3). This will substantially remove any potential overhang in the form of the cancelled ALT Units and will result in the replacement of Elders as majority ALT Unitholder with Mr Caratti, a long-term investor and manager of rural properties.

Responsible entity of ALT

Elders has informed ALML that, as part of a separate transaction between Elders and Guce, Elders has also agreed to transfer all of the shares in ALML, the responsible entity of ALT, to Guce (or its nominee). ALML is of the view that Guce is an associate of the Caratti Entities.

Consistent with Elders' decision to exit the forestry industry, this separate transaction will secure the completeness of the separation of ALT from Elders as Elders will no longer control ALML.

The sole director and shareholder of Guce, Ms Tina Bazzo, has extensive experience in agricultural property. Guce owns several agricultural properties in the Esperance area which are used for growing trees subject to managed investment schemes. Please refer to Section 5.6 for further details regarding the intentions of Ms Bazzo in relation to ALML and ALT.

3.4 Independent Expert's opinion

The Independent Expert has concluded that the Transaction is fair and reasonable.

Your Independent Directors appointed the Independent Expert, Equity & Advisory Ltd, to prepare an independent assessment of the Transaction. Equity & Advisory Ltd has concluded that the Transaction is fair and reasonable.

A copy of the Independent Expert's Report is contained in Annexure A to this Explanatory Booklet.

4 Reasons why you may want to vote against the Transaction

Although your Independent Directors recommend that you vote in favour of the Resolutions in the absence of a superior proposal, you may be influenced by other factors, including those set out here, to vote against the Resolutions.

4.1 Impact on control and governance

Voting rights and ALT Units

If the Transaction is implemented, 60,536,628 ALT Units held by Elders will be cancelled, reducing Elders' indirect voting power from 51.96% to approximately 8.51% before the potential impact of the rights issue is considered.

The cancellation of those ALT Units would result in Mr Caratti's indirect voting power increasing from 26.03% to 49.56%, again excluding the impact of the rights issue.

However, Elders and Mr Caratti's ultimate indirect voting power will depend on the extent of the participation of ALT Unitholders in the rights issue.

Westralia has committed to participate in the rights issue by subscribing and paying for, and procuring that other ALT Unitholders subscribe and pay for, ALT Units to an aggregate value of not less than \$2 million. In addition, Elders has committed not to participate in the rights issue.

If no other ALT Unitholder participates in the rights issue, Elders and Mr Caratti's ultimate indirect voting power in ALT would be 6.3% and up to a maximum of 63.23% respectively. If all ALT Unitholders excluding Elders participate in full, Elders and Mr Caratti's ultimate indirect voting power in ALT would be 5.05% and 51.44% respectively. Please refer to Section 5.3 for a more detailed analysis of the impact of the Transaction on the control of ALT.

As an ALT Unitholder, Mr Caratti will be able to exert a degree of control on ALT commensurate with his indirect voting power. There is a risk that Mr Caratti will use his voting power to pursue interests that differ from those of other ALT Unitholders.

In addition, as Mr Caratti will obtain his increased interest in ALT via the cancellation of Elders' ALT Units and participation in the rights issue, Mr Caratti will not be paying any control premium for that acquisition of control.

Responsible entity

Following the proposed meeting of Unitholders, and completion of the sale of the shares in ALML by Elders to Guce or its nominee, Guce or a nominee of Guce will become the owner of all of the shares in ALML, the responsible entity of ALT.

ALML would continue to be subject to a duty to act in the best interests of ALT Unitholders and all other applicable laws and the Listing Rules. However, as referred to in Sections 5.6 and 5.7, the board of ALML may change as determined by Ms Bazzo in her capacity as controller of ALML and Mr Caratti in his capacity as majority unitholder of ALT. Neither Mr Caratti nor Ms Bazzo has prior experience in registered managed investment schemes.

As the responsible entity of a listed managed investment scheme, ALML is required to hold an Australian Financial Services Licence (AFSL) which is subject to a number of financial requirements imposed by ASIC. Currently, ALML relies on an eligible undertaking for up to \$5.5 million provided by Elders to ensure compliance with those financing requirements. If the Transaction is implemented and the transfer of the shares in ALML to Guce or its nominee is completed by Elders, Elders' eligible undertaking will

be replaced by an eligible undertaking from Guce or one or more entities associated with Guce.

4.2 Market reaction to a new majority, controlling ALT Unitholder and owner of ALML

Whilst ALT already has a majority, controlling ALT Unitholder and sole owner of ALML in the form of Elders, there is a risk that investors will discount ALT Units as a result of control of ALT passing to Mr Caratti and the decreased likelihood of the majority ALT Unitholding being available for sale to a third party, thereby reducing the likelihood of a takeover bid for ALT.

4.3 Loss of Elders as ALT's major tenant

If the Transaction proceeds, Elders will no longer be a tenant of ALT. An immediate effect of this will be the loss of the rental revenue currently paid by Elders in relation to Linkletters. ALT may not be able to lease the land surrendered by Elders, for the same rent that Elders is currently paying or otherwise, and may be unable to sell that land. In the event that the Linkletters Lease was not terminated and Elders was to continue its business activities beyond 2013, ALT could potentially have the benefit of the rental revenue under the Linkletters Lease, which is guaranteed by Elders.

However, for the reasons set out in Section 3 of this Explanatory Booklet, your Independent Directors consider that the anticipated advantages of the termination of the Linkletters Lease, and the other elements of the Transaction, outweigh this and the other potential disadvantages. Your Independent Directors consider that the Transaction will deliver a superior outcome to the continuation of the existing circumstance in which Elders is ALT's majority tenant.

4.4 Possibility of a superior proposal emerging

The Independent Directors consider that the potential for a superior proposal to emerge in the foreseeable future is low. However, you may disagree with this assessment.

If ALT Unitholders approve the Resolutions and the other conditions precedent to the Transaction are satisfied or waived, ALT must proceed with the Transaction and will not be able to enter into any other arrangement with another party, even if the Independent Directors consider that it is a superior proposal.

However, as at the date of this Explanatory Booklet, no superior proposal has emerged. In addition, if a superior proposal does emerge before the Unitholder Meeting, the Independent Directors retain the right to change their recommendation that ALT Unitholders vote in favour of the Resolutions. If the Resolutions are then not approved, ALML has the ability to terminate the Implementation Agreement and would be free to pursue the superior proposal.

4.5 Agricultural property values

If the Transaction proceeds, ALT's only remaining property will be Linkletters, which will be remediated for use for cropping and grazing purposes.

There is a risk that values for agricultural property used for such purposes may fall in future, which would have an adverse effect on ALT's balance sheet.

4.6 You may disagree with the recommendation of the Independent Directors or the conclusion of the Independent Expert

You may disagree with the opinion of the Independent Directors, or the conclusion of the Independent Expert, that the Transaction is fair and reasonable and in the best interests of ALT Unitholders.

5 Impact of the Transaction on ALT

5.1 Overview of ALT

ALT is an Australian managed investment scheme listed on the ASX that was registered under the Corporations Act on 7 May 2001.

The principal activity of ALT is to operate as an agricultural land trust with the focus on the ownership of rural property for the purpose of deriving profits through the collection of rental income and capital appreciation. Properties are funded through a combination of ALT Unitholder equity and debt funding. Since 2012, ALT has initiated a program to divest certain properties with sale proceeds being applied to reduce debt. Concurrent with this divestment program, ALT is reviewing its strategic and capital management alternatives with the objectives to maximise returns to ALT Unitholders.

ALT currently owns approximately 8,937 hectares of rural property located in Western Australia and forming part of its Linkletters property. All other properties of ALT have been sold, with settlement of those sales either complete or due to complete prior to the date of the Unitholder Meeting. Linkletters is leased to EFML.

All leases contain land remediation provisions together with a rent mechanism that ensures a rental margin above ALT's interest costs. The leases to EFML are guaranteed by Elders.

5.2 Impact of the Transaction on ALT's financial position

This Section provides relevant financial information for ALT Unitholders to consider when assessing the Transaction, including details of the financial impact of voting to approve the Transaction.

Set out below is the audited balance sheet of ALT as at 30 June 2013 as disclosed in ALT's annual report released to the market on 5 August 2013, and a pro forma balance sheet which shows the impact of the Transaction as at 30 June 2013.

All information in this Section assumes that the Transaction took place on 30 June.

Basis of preparation

The financial information has been prepared by ALML as responsible entity for ALT.

	Audited Balance Sheet as at 30 June 2013 \$000's	Notes	Tranche 1 ¹ Proforma Balance Sheet as at 30 June 2013 \$000's	Notes	Tranche 2 ² Proforma Balance Sheet as at 30 June 2013 (on a remediation basis) \$000's
Current Assets					
Cash and cash equivalents	799	3,5	599	1,2,3,4	287
Settlement receivables	1,225		-		-
Trade and other receivables	1,484		1,484		1,484
Prepayments	50		50		50
Assets held for sale	41,750	1,2,3,4			
	<u>45,308</u>		<u>2,133</u>		<u>1,821</u>
Non Current Assets					
Investment Property		4	18,000	1,5	29,800
Security deposit					
	<u>-</u>		<u>18,000</u>		<u>29,800</u>
Total assets	<u>45,308</u>		<u>20,133</u>		<u>31,621</u>
Current Liabilities					
Trade and other borrowings	- 776		- 776		- 776
Provision for dividend	- 2,852	5	-		-
Interest bearing loans and borrowings					
-Syndicated loan - Banks	20,111	1,2,3	- 10,000	3	- 10,000
-Subordinated debt - Elders	- 8,966	2,3		4	- 1,205
-Mezzanine debt				4	- 2,115
Elders credit account					
	<u>- 32,705</u>		<u>- 10,776</u>		<u>- 14,096</u>
Total liabilities	<u>- 32,705</u>		<u>- 10,776</u>		<u>- 14,096</u>
Net assets attributable to unit holders	<u>12,603</u>		<u>9,357</u>		<u>17,525</u>

¹ "Tranche 1" reflects the aspects of the Transaction up to the point in time when the units held by Elders are cancelled.

² "Tranche 2" reflects the aspects of the Transaction after units held by Elders are cancelled, the property has been remediated and the property has been transformed in to cropping and grazing property. It is assumed that this transformation will be completed by 31 October 2016.

Number of units on issue (000's)	101,128	5,6	66,951	2	111,533
Net tangible asset backing per unit (cents)	12.46		13.98		15.71

Notes:

Proforma balance sheet as at 30 June 2013 - Tranche 1

Tranche 1 reflects the aspects of the Transaction up to the point in time when the units held by Elders are cancelled.

1. Sale of Queensland Properties

The remaining Queensland properties owned by ALT were either sold and settled or contracts for sale signed. The proforma balance sheet reflects the sales as having been completed. The net proceeds of the sales have been used to reduce syndicated debt.

2. Compensation Paid for the Cancellation of the Leases on the Queensland Properties.

The sales of the properties were on an unencumbered basis and compensation was paid by the lessee to compensate ALT for the cancellation of the lease attached to each property. The Directors took independent advice to ensure that the compensation paid, together with the sale proceeds from the sale of the property, was reasonable. The proceeds from the cancellation of leases were applied against the syndicated and subordinated debt.

3. Compensation Paid for the Cancellation of the Lease on the Linkletters properties.

The property known as Linkletters will not be sold, however, the lease will be cancelled and compensation paid by the lessee to ALT. Compensation will be paid by a mixture of cash, forgiveness of debt and cancellation of units held by Elders. The proceeds from this compensation will be applied against syndicated debt and subordinated debt and there will be cash received by ALT to be used for further reduction of debt and future development of Linkletters.

4 Investment Property – Linkletters

This property is currently classified as "held for resale". However, as this property will not be sold it has been re-classified as "investment property". The leases between Elders and the Growers and between Elders and ALT will have been cancelled; however, a lease on certain buildings and structures on the property will remain in place as it is not considered to have any detrimental effect on the future use of the property as a cropping and grazing property. An independent valuation has been obtained on this property. The valuation reflects the value of the property as if it were a cropping and grazing property which is remediated and buildings and structures. The value attributed to Linkletters in the Tranche 1 has been adjusted to take account the cost of remediating the property and the cost of holding the property during remediation.

Following remediation of Linkletters, which is expected to be completed by 31 October 2016, the directors of ALML are of the view that the value of Linkletters will be approximately \$29.8 million. The opinion of the directors of ALML has been informed by two independent valuations, which valued Linkletters at between \$28.5 million and \$29.8 million following the remediation.

The material assumptions underlying this valuation are as follows:

- Terminal value of investment property calculated by escalating current Greenfields values by forecasted inflation (based on 10 year Access Economics projections) until expiration of respective leases and then deducting a provision for disposal costs of 2.15%

- Rental income and expenses in accordance with the lease terms and assuming BBSY as per Australian Financial Markets Association (as at March 2013) and a landlord funding cost of 350 – 370 basis points (reflecting valuer's assessment of average margins available to a purchaser of the properties at the date of valuation)
- Discount rates ranging between 10% and 12.5% depending principally on length of lease term
- The discounted cash flows are then further reduced by a provision for acquisition costs that a purchaser of the properties would expect to pay. The provision for acquisition costs varies by state depending on legislation relating to stamp duty but is generally exceeds 5% of the leased investment values.
- The Greenfield value referred to above has been determined on the basis of direct comparison and summation methodologies applied in the assessment of the underlying market value of the land and fixed improvements of the Linkletters property.

If this valuation is achieved, the net tangible asset backing per ALT Unit following the remediation would be 15.71 cents per ALT Unit.

5. Payment of Distribution

A distribution was paid on 27 September 2013. An analysis of the distribution is as follows:

	Total \$000's	Elders \$000's	Caratti \$000's	Others \$000's
Cash paid	589			589
Units issued under elections made under Distribution Re-investment Plan	2,263	1,401	706	156
	2,852	1,401	706	745
Number of units issued	127,488	66,237	33,182	28,069

6. Cancellation of Units

As part of the compensation paid by Elders, Elders have requested that 60,536,628 units held by them be cancelled as part of the Transaction.

Proforma balance sheet as at 30 June 2013 - Tranche 2

Tranche 2 reflects the aspects of the Transaction after units held by Elders are cancelled, the property has been remediated and the property has been transformed in to cropping and grazing property. It is assumed that this transformation will be completed by 31 October 2016. The remediation will require to be funded and ALT will enter in to various funding agreements to ensure this remediation takes place.

1. Remediation of Property

ALT proposes to enter into a fixed price contract with interests associated with Mr Caratti to remediate the property. It will also ensure that the property is planted and the appropriate fencing installed. The remediation of the property will be for a capped fee and otherwise on arm's length terms and will enable the valuation attributable to the property, after remediation, to be achieved.

2. Rights Issue

ALT will undertake a non-renounceable rights issue to raise up to \$3.79m at a price of 8.5 cents per new ALT Unit. Westralia has entered in to a binding agreement whereby it and other unit holders will subscribe for a minimum of \$2 million worth of ALT Units.

3. Current loan facility

The banking syndicate will continue to support ALT by extending its current loan facility to a maximum of \$10m. The facility will expire on 31 July 2016 and interest on the facility will be paid in advance.

4. Additional borrowing facilities

ALT has negotiated two additional borrowing facilities. The first is a mezzanine finance arrangement for \$1.5m which will expire on 30 November 2016. Interest will be capitalised to date of expiry. The second facility is a deferred farm supplies credit account from Elders for the supply of seeds, fencing and other products. This facility will also expire on 30 November 2016.

5. Investment Property - Linkletters

An independent valuation has been obtained on this property. The valuation reflects the value of the property as if it were a cropping and grazing property which is remediated and unencumbered apart for the lease on certain buildings and structures. The value attributed to Linkletters in the Tranche 2 has been based on lease values for cropping and grazing that can be obtained today.

Table: Impact of the Transaction on ALT's gearing³ as at 30 June 2013

	Audited Balance Sheet as at 30 June 2013	Tranche 1 Pro Forma Balance Sheet as at 30 June 2013	Tranche 2 Pro Forma Balance Sheet as at 30 June 2013
Investment Properties	\$41.750 million	\$18.00 million	\$29.8 million
Group cash	\$3.508 million	\$2.083 million	\$ 1.771 million
Total debt drawn	\$29.007 million	\$10.00 million	\$13.32 million
ALT gearing ⁴ (%)	64.2%	49.8%	42.2%

ALT proposes to draw down further on its facilities to meet operating costs as well as land clearing and remediation before income from rentals or sales are received. This will cause an increase in gearing in the short term.

5.3 Impact of the Transaction on control of ALT

The following table outlines the voting power of substantial ALT Unitholders as at the date of the Explanatory Booklet:

³ The summarised pro forma balance sheet balances in the figure above have been derived from ALT's audited financial statements for the year ended 30 June 2013 and reflect adjustments set out in Section 5.2 of this Explanatory Booklet.

⁴ Gearing defined as total borrowings divided by total property and cash at hand as at 30 June 2013.

	Number of ALT Units	Voting power (%)
Elders Limited (and associates)	66,236,628	51.96%
Mr Caratti (and associates)	33,181,856	26.03%
Emerald Securities Pty Limited	5,603,364	4.4%

The following table outlines the voting power of substantial ALT Unitholders upon implementation of the cancellation of 60,536,628 ALT Units held by Elders:

	Number of ALT Units	Voting power (%)
Mr Caratti (and associates)	33,181,856	49.56%
Elders Limited (and associates)	5,700,000	8.51%
Emerald Securities Pty Limited	5,603,364	8.37%

The following table outlines the maximum and minimum possible voting power of substantial ALT Unitholders following implementation of the cancellation of 60,536,628 ALT Units held by Elders, the participation by Westralia and other Caratti Entities in the rights issue and the non-participation of Elders in the rights issue (depending on the participation of the other ALT Unitholders in the rights issue):

	Number of ALT Units		Voting power (%) – No other ALT Unitholders participate in rights issue		Voting power (%) – All other ALT Unitholders participate in rights issue (except for Elders)	
	Minimum	Maximum	Min	Max	Min	Max
Mr Caratti (and associates)	56,711,268	58,068,248	62.68%	63.23%	50.85%	51.44%
Elders Limited (and associates)	5,700,000	5,700,000	6.3%	6.3%	5.05%	5.11%
Emerald Securities Pty Limited	5,603,364	9,805,887	6.09%	6.19%	8.69%	8.79%

5.4 Impact of the Transaction on ALTs cash flow and earnings

The precise impact of the Transaction on ALT's cash flow and earnings will depend on:

- how quickly ALT implements the removal of the plantations on Linkletters and return it to other agricultural usage;
- the final costs associated with clearing, remediation and other activities such as fencing;
- whether ALT decides to earn income from the land once cleared by leasing it to agricultural concerns or sell the land; and
- whether ALT decides to sell some of the land with the plantations remaining and allow other parties to remove the plantations.

However, if no clearing or remediation activities are conducted and Linkletters is not sold, the principal impacts on ALT's cash flow of the Transaction in the first year to 31 December 2014 are:

- ALT's annual rental income will reduce from approximately \$3.2 million to \$2.1 million;
- ALT's interest costs will reduce from \$1.3 million to \$0.72 million (assuming no change to interest rates or margins).

5.5 Taxation Implications

At the present time, ALT is a non-tax paying entity as it carries on a leasing business. If the leasing business ceases and ALT commences a farming business then it could cause ALT to be considered to be a public trading trust, and therefore be taxed as a company. However, as outlined in Section 5.6 below, it is currently Mr Caratti's intention to continue the leasing business of ALT.

The tax implications of the Transaction have been considered by ALML and there are no adverse tax implications that would affect ALT.

Unitholders should seek independent taxation advice before making any decision in relation to ALT Units or the Resolutions to be considered at the Unitholder Meeting.

5.6 Overview and Intentions of Ms Bazzo

The responsible entity of ALT, ALML, is currently a wholly owned subsidiary of Elders. Upon completion of the separate arm's length transaction between Elders and Guce, which is subject to the Transaction, ALML will become a wholly owned subsidiary of Guce, an entity controlled by Ms Tina Bazzo, or a nominee of Guce.

This Section sets out the intentions of Ms Bazzo in relation to ALML and ALT.

The intentions below are based on information concerning ALML and ALT, its business and the business environment which is known to Ms Bazzo at the date of this document.

Final decisions regarding these matters will only be made by Ms Bazzo in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section are statements of current intention only, which may change as new information becomes available or as circumstances change.

Ms Bazzo has the following intentions in relation to ALT following the acquisition by Guce or its nominee of ALML and the implementation of the Transaction.

The ALT Board is currently comprised of the following directors:

- Thomas Pascarella
- Robert Walter
- Peter Zachert.

ALT's Property responsible manager is Phillip Melville.

Ms Bazzo understands that if the Transaction is implemented, Mr Zachert intends to resign as an officer of ALML. Ms Bazzo intends to replace Mr Zachert with another director who is yet to be identified.

Ms Bazzo intends to engage with the remaining directors to determine if mutually acceptable terms of retainer can be agreed. If so, Messrs Pascarella and Walter may be retained as directors of ALML. Should this not be the case, Ms Bazzo will replace either or both of Messrs Pascarella and Walters with other suitably qualified and independent directors.

The ultimate composition and skill set of the board will determine if a responsible manager is required, as is currently the case. If a responsible manager is required, an appropriately qualified person will be retained.

Otherwise, Ms Bazzo intends that ALML will perform the role of responsible entity in accordance with the constitution of ALT and all applicable regulatory requirements.

5.7 Overview and Intentions of Mr Caratti

Should the transaction be implemented, Westralia and its associates will become the largest unitholders of ALT. These entities are controlled by Mr Allen Caratti, a long-term investor and manager of rural properties.

This Section sets out the intentions of Mr Caratti in relation to ALT.

The intentions below are based on information concerning ALT, its business and the business environment which is known to Mr Caratti at the date of this document.

Final decisions regarding these matters will only be made by Mr Caratti in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section are statements of current intention only, which may change as new information becomes available or as circumstances change.

Mr Caratti is supportive of the Transaction contemplated in this Notice of Meeting. It is Mr Caratti's intention that the Transaction be implemented and the strategic plan of:

1. rehabilitating and remediating Linkletters;
2. returning Linkletters to productive broadacre farming; and
3. leasing Linkletters to a high quality tenant

be carried out with a medium term view of significantly increasing the value of Linkletters and generating rental income and profits for ALT.

In support of this strategic plan, Mr Caratti has committed via Westralia to support the rights issue for \$2 million and has procured Mammoth Constructions to enter into a capped price services agreement with ALT to undertake rehabilitation and remediation works on Linkletters on arm's length terms.

6 Additional information relating to the Resolutions

6.1 Resolutions inter-conditional

Resolutions 1 to 3 (inclusive) set out in paragraphs 6.3, 6.4 and 6.5 are inter-conditional. That is, each of the Resolutions must be passed for the approvals sought to be effective, and for the Transaction to proceed.

6.2 Summary of the Implementation Agreement

On 28 October 2013, ALML, Elders and various subsidiaries of Elders entered into an Implementation Agreement in relation to the Transaction under which ALML agreed to (among other things) seek the approval of the Transaction by ALT Unitholders. The Implementation Agreement also sets out the obligations of the various parties in respect of the other transactions that are being proposed and which are described in more detail in Section 1 of this Explanatory Booklet.

The Implementation Agreement contains terms and conditions that are standard for these types of agreements, including in relation to the parties' obligations to implement the Transaction.

Conditions Precedent

Implementation of the Transaction will occur 5 business days after the last of the following transactions and conditions have occurred or been satisfied or waived (as the case may be):

- the approval by ALT Unitholders of the Resolutions set out in this Explanatory Booklet;
- the completion of the Third Party Land Sale Contracts;
- the satisfaction or waiver of the ALT Financing Condition;
- the satisfaction or waiver of the Remediation Condition; and
- the satisfaction or waiver of the Elders Financing Condition.

The Third Party Land Sale Contracts are contracts for the sale of certain properties owned by ITC Timberlands, a wholly owned subsidiary of Elders, and which were leased to Growers as part of the Projects. ITC Timberlands is under an obligation under the Implementation Agreement to ensure, to the extent possible, that the Third Party Land Sale Contracts settle by 31 October 2013. Settlement of the Third Party Land Sale Contracts is a condition to completion of the Transaction as Elders will require receipt of the sale proceeds in order to meet its obligations to ALT under the Implementation Agreement.

The ALT Financing Condition comprises the following elements which ALML must either satisfy or waive:

- obtaining the consent of its syndicated lenders to the Transaction and the extension of ALT's senior debt facilities;
- entering into a binding letter of offer with a mezzanine finance provider for the mezzanine debt of at least \$1.5 million;
- entering into a binding agreement with the Caratti Entities in relation to the Caratti Entities' participation in the rights issue by subscribing and paying for ALT Units to an aggregate value of not less than \$2 million;

- agreeing a deferred farm supplies account with Elders at an interest rate of 15% per annum for 3 years from the date of completion of the Implementation Agreement; and
- following the Unitholder Meeting and if all Resolutions are approved, raising not less than \$2 million under the rights issue.

In relation to the rights issue, ordinarily ALML would be entitled under the constitution of ALT to a fee of up to 5% of the funds raised under the rights issue. However, under the Implementation Agreement, ALML has waived its right to receive any such fee.

The Remediation Condition requires that ALML use all reasonable endeavours to enter into an agreement with Mr Caratti for the remediation of Linkletters on terms acceptable to ALML. The remediation agreement will be negotiated on arm's length terms and will require that Mr Caratti (or an entity controlled by him) remediate Linkletters so that it can be used for grazing purposes for a fixed fee.

Under the Elders Financing Condition, Elders must obtain the consent of its syndicated lenders to the Transaction.

Implementation of the Transaction under the Implementation Agreement cannot occur until the above transactions have been completed and conditions satisfied or waived. Therefore, if one of the above transactions or conditions does not occur or is not satisfied or waived by 31 January 2014, the Transaction will not proceed.

Termination Events

Any party to the Implementation Agreement can terminate that agreement if:

- completion has not occurred by 31 January 2014;
- the ALT Unitholders do not pass the Resolutions following there being a superior proposal being made to ALT Unitholders prior to the date of the Unitholder Meeting;
- another party is in material breach of the Implementation Agreement, and the party wishing to terminate has given written notice to the other parties setting out the relevant circumstances and stating an intention to terminate, and the relevant circumstances continue to exist 20 business days from the time the notice is given; or
- a court or government agency has taken any action permanently restraining or otherwise prohibiting the Transaction and the action has become final and cannot be appealed.

In relation to the superior proposal termination event noted above in the second dot point, the ALT Board does not have the ability to terminate the Implementation Agreement in the event that a superior proposal is made. Rather, if a superior proposal is made, the ALT Board will proceed to convene the Unitholder Meeting for the purpose of considering the Resolutions, but the Independent Directors may withdraw their recommendation that ALT Unitholders vote in favour of the Resolutions. If the ALT Unitholders then subsequently do not pass the Resolutions, the Implementation Agreement can be terminated.

6.3 Resolution 1 – Amendments to the Constitution to implement the Unit Cancellation

As part of the Transaction, 60,536,628 ALT Units held by Elders group companies will be cancelled. In order for those ALT Units to be cancelled, it is necessary to amend the constitution of ALT to give ALML the power to cancel the ALT Units.

Although ALML believes that the Transaction is in the best interests of ALT Unitholders and this is supported by the findings of the Independent Expert, ALML considers that this should be determined by all ALT Unitholders, rather than by ALML making a unilateral amendment to the constitution of ALT.

On that basis, ALT Unitholders are being asked to approve the amendment to the constitution necessary for the Unit Cancellation to be implemented.

6.4 Resolution 2 – Termination of the Linkletters Lease

(a) Listing Rule 10.1 – Disposal and acquisition of substantial assets

Listing Rule 10.1 provides that approval of holders of an entity's ordinary securities is required where an entity proposes to dispose of a substantial asset to, or acquire a substantial asset from, a second entity that is a substantial holder, or an "associate" of that second entity.

For these purposes:

- a person is a substantial holder if the person and the person's "associates" (as that term is defined in section 12 of the Corporations Act) have a Relevant Interest, or had a Relevant Interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities;
- an asset is a substantial asset if its value, or the value of the consideration for it, is 5% or more of the equity interests of ALT as set out in the latest accounts of ALT given to ASX under the Listing Rules; and
- separate transactions will be aggregated if, in ASX's opinion, they form part of the same commercial transaction with Elders which is currently a substantial holder for the purposes of Listing Rule 10.1.

The aggregate value of the rental payments under the Linkletters Lease which is proposed to be terminated exceed 5% of the equity interests of ALT set out in ALT's accounts for the year ended 30 June 2013.

Whilst there is a view that the surrender of the Linkletters Lease does not amount to a disposal of an asset for the purposes of Listing Rule 10.1, it is still proposed that, ALT Unitholder approval be obtained for the termination of the Linkletters Lease under Listing Rule 10.1.

Under Listing Rule 10.10, the notice of meeting is required to contain a report on the transaction from an independent expert stating whether the transaction is fair and reasonable to holders of ALT's ordinary securities whose votes are not to be disregarded. The report from the Independent Expert is set out in Annexure A of this Explanatory Memorandum. The Independent Expert has concluded that the Transaction (of which the termination of the Linkletters Lease forms a part) is fair and reasonable to ALT Unitholders who are not associated with Elders and the Caratti Entities.

ALT Unitholders are advised to consider the Independent Expert's Report carefully before deciding how to vote on Resolution 2.

(b) Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act) requires that a responsible entity of a registered scheme, or an entity that the responsible entity controls, must not give a financial benefit out of scheme property to the responsible entity or a related party of the responsible entity without the approval of the scheme's members and must give the benefit within 15 months after the approval, unless the giving of the benefit falls within an exception under the Corporations Act.

The effect of section 228 of the Corporations Act is that an entity that is controlled by another entity which controls a responsible entity will be a related party of the responsible entity.

Given that EFML and ALML are each controlled by Elders, they are all related parties for the purposes of section 228 of the Corporations Act.

“Financial benefit” is defined broadly in section 229 of the Corporations Act. Section 229(3) expressly states that “giving a financial benefit” to a related party includes releasing an obligation of a related party.

Under the Transaction, ALT will terminate the Linkletters Lease, thereby releasing the EFML and Elders from further obligations under that lease. On that basis, the Transaction involves the provision of a financial benefit to a related party. Whilst there is a view that the surrender of the Linkletters Lease is being done on arm's length terms, it is still proposed that ALT Unitholder approval be obtained for the purposes of Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act).

Under section 219 of the Corporations Act and ASIC Regulatory Guide 76, the following information is provided to ALT Unitholders to allow them to assess the termination of the Elders Leases:

- the identity of the related party: Resolution 2 would permit a financial benefit to be given to EFML as tenant and Elders as guarantor of EFML's obligations under the Linkletters Lease, each of which are a related party of ALML, the responsible entity of ALT;
- the nature of the financial benefit: The nature of the financial benefit given by ALML, the responsible entity of ALT, to EFML and Elders is the release of EFML and Elders from any further obligations under the Linkletters Lease.
- the recommendation of each director of ALML and their reasons for giving, or declining to give such a recommendation: See the Independent Directors' Recommendation and statement of the Non-Independent Director on page 7.
- the interest of each director in the outcome of the resolution: See the Independent Directors' Recommendation and statement of the Non-Independent Director on page 7.
- other information reasonably required by members: Other than the information provided in the Explanatory Booklet, ALT and the ALT Board are not aware of any information that would be reasonably required by ALT Unitholders in order to decide whether or not it is in ALT's interests to pass Resolution 2.
- valuation of financial benefit: See Sections 5.2 and 5.3 of the Independent Expert's Report.
- related party's existing interest: See the first table in Section 5.3 for the voting interests of Elders as at the date of this Explanatory Booklet.

(c) Resolution 2 - Voting Exclusion Statement

ALT will disregard any votes cast on Resolution 2 by Elders, the Caratti Entities and any of their associates (as defined in sections 11 – 17 of the Corporations Act).

However, ALT need not disregard a vote if it is cast by Elders, the Caratti Entities or any of their associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or if it is cast by a representative of Elders, the Caratti Entities or any of their associates chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

6.5 Resolution 3 – Approval of Caratti Entities' increased Relevant Interest

(a) Chapter 6 of the Corporations Act

The Corporations Act sets out a number of regulatory requirements that must be satisfied in relation to the increase in Mr Caratti's Relevant Interest the subject of Resolution 3.

Pursuant to sections 604 and 606 of the Corporations Act, a person must not acquire a Relevant Interest in issued voting interests in a listed registered scheme if the person

acquiring the interest does so through a transaction in relation to interests entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in ALT increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

The voting power of a person in a registered scheme is determined in accordance with sections 604 and 610 of the Corporations Act. The calculation of a person's voting power in a listed registered scheme involves determining the voting interests in ALT in which the person and the person's associates have a Relevant Interest.

A person (**second person**) will be an associate of the other person (**first person**) if:

- the first person is a body corporate and the second person is:
 - (1) a body corporate the first person controls;
 - (2) a body corporate that controls the first person; or
 - (3) a body corporate that is controlled by an entity that controls the person;
- the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of ALML's board or the conduct of ALT's affairs; or
- the second person is a person with whom the first person is acting or proposed to act, in concert in relation to ALT's affairs.

A person has a Relevant Interest in voting interests in ALT if they:

- are the holder of the voting interests;
- have the power to exercise, or control the exercise of, a right to vote attached to the interests; or
- have power to dispose of, or control the exercise of a power to dispose of, the interests.

As a result of the Transaction, in particular the cancellation of Elders' 60,536,628 ALT Units and the rights issue, the Caratti Entities' voting power in ALT will increase from 26.03% as at the date of this Explanatory Booklet up to a maximum of 63.23% following completion of the Transaction. Section 5.3 provides further detail on the Caratti Entities' potential voting power in ALT as a result of the Transaction.

However, under item 7 of section 611 of the Corporations Act, acquisitions of Relevant Interests that are previously approved at a meeting of security holders are exempt from the prohibition in section 606 of the Corporations Act.

In order that the Caratti Entities do not breach section 606 of the Corporations Act as a result of the Transaction, the approval of ALT Unitholders under item 7 of section 611 of the Corporations Act is sought.

(b) Specific information required by item 7 section 611 of the Corporations Act, ASIC Regulatory Guide 6 and ASIC Regulatory Guide 74

The information set out below is required to be provided to ALT Unitholders under the Corporations Act and ASIC Regulatory Guides 6 and 74 in respect of approval of the acquisition of the Caratti Entities' additional Relevant Interest pursuant to the Transaction under item 7 of section 611 of the Corporations Act.

ASIC Regulatory Guide 74 provides that the following information is required to be disclosed to ALT Unitholders:

- the identity of the person proposing to make the acquisition in ALT and their associates: see Sections 5.6, 5.7 and 6.5(a) of the Explanatory Booklet;

- the maximum extent of the increase in that person's voting power in the scheme: see Section 5.3 of the Explanatory Booklet;
- the voting power the person would have as a result of the acquisition: see Section 5.3 of the Explanatory Booklet;
- the maximum extent of the increase in the voting power of each of the acquirers' associates that would result from the acquisition: see Section 5.3 of the Explanatory Booklet; and
- the voting power that each of the acquirer's associates would have as a result of the acquisition: see Section 5.3.

ALT Unitholders are also referred to the Independent Expert's Report.

(c) **Resolution 3 - Voting Exclusion Statement**

In accordance with item 7 of section 611 of the Corporations Act, ALT will disregard any votes cast on Resolution 3 by the Caratti Entities and any of their associates (as defined in sections 11 – 17 of the Corporations Act).

7 Glossary and interpretation

7.1 Glossary

The meanings of the terms used in this Explanatory Booklet are set out below:

ALML	Agricultural Land Management Limited ACN 072 899 060
ALML Share	a fully paid ordinary share in the capital of ALML.
ALT	Agricultural Land Trust ARSN 096 588 046
ALT Board	the board of directors of ALML.
ALT Financing Condition	the condition precedent to the Transaction described in Section 6.2
ALT Unit	a fully paid ordinary unit in the capital of ALT.
ALT Unitholder	each person registered in the Register as a holder of ALT Units.
ALT Unitholding	a unitholding in ALT.
ASIC	Australian Securities and Investments Commission.
ASIC Regulatory Guide 6	ASIC Regulatory Guide 6 – Takeovers: Exceptions to the general prohibition dated June 2013.
ASIC Regulatory Guide 74	ASIC Regulatory Guide 74 – Acquisitions approved by members dated December 2011.
ASX	ASX Limited.
Australian Auditing Standards	Auditing standards made under section 336 of the Corporations Act.
Bazzo Information	the information contained in Section 5.6.

Caratti Entity	Means each of: 1 Allen Caratti; 2 Westralia; 3 Mammoth Construction; 4 Richtide Investments Pty Ltd ACN 118 462 365; 5 TAAC Pty Ltd ACN 124 395 553, and any associate of any of them (including Tina Bazzo and Guce) and Caratti Entities means any one or more of them or any associate of them.
Caratti Information	the information contained in Section 5.7.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Director	each member of the ALT Board.
EFML	Elders Forestry Management Limited ACN 081 643 147.
Elders	Elders Limited ACN 004 336 636.
Elders Financing Condition	the condition precedent to the Transaction described in Section 6.2
Elders Forestry	Elders Forestry Pty Limited ACN 069 762 634
Esperance Plains Property	the property known as Esperance Plains with title details Volume 1641 Folio 903 (Lot 15 on Plan 7062).
Explanatory Booklet	this document.
Guce	Guce Farms Pty Ltd ACN 156 168 893.
Growers	the members of the Projects.
Growers Leases	the subleases granted by EFML to Growers in the Projects.
Grower Resolutions	the resolutions passed by Growers at the meetings of Growers convened by EFML.

Implementation Agreement	the Implementation Agreement between ALML and the Elders Entities dated 28 October 2013. A summary is set out in Section 6.2, and a full copy can be obtained from the ALT website www.agriculturalandtrust.com.au .
Independent Directors	Thomas Pascarella and Robert Walter.
Independent Expert	Equity & Advisory Ltd ACN 077 487 944
Independent Expert's Report	the report prepared by the Independent Expert dated 18 November 2013 set out in Annexure A.
ITC Timberlands	ITC Timberlands Pty Ltd ACN 089 781 840.
Linkletters	<p>the property known as "Linkletters" with title details:</p> <p>Linkletters North:</p> <ol style="list-style-type: none"> 1 Volume 2513 Folio 320 (Lot 301 on Deposited Plan 30664) 2 Volume 1660 Folio 221 (Lot 22 on Plan 7061) 3 Volume 1525 Folio 129 (Lot 270 on Deposited Plan 168907) 4 Volume 1819 Folio 571 (Lot 27 on Plan 7061) 5 Volume 1660 Folio 223 (Lot 26 on Plan 7061) 6 Volume 1660 Folio 222 (Lot 25 on Plan 7061) 7 Volume 1660 Folio 219 (Lot 24 on Plan 7061) 8 Volume 1284 Folio 178 (Lot 126 on Plan 7987) <p>Linkletters South:</p> <ol style="list-style-type: none"> 1 Volume 1274 Folio 198 (Lot 134 on Plan 7988) 2 Volume 1274 Folio 197 (Lot 135 on Plan 7988) 3 Volume 1274 Folio 196 (Lot 136 on Plan 7988) 4 Volume 1819 Folio 571 (Lot 27 on Plan 7061) 5 Volume 1660 Folio 223 (Lot 26 on Plan 7061) 6 Volume 1660 Folio 222 (Lot 25 on Plan 7061) 7 Volume 1660 Folio 219 (Lot 24 on Plan 7061) 8 Volume 1284 Folio 178 (Lot 126 on Plan 7987)
Linkletters Lease	means the leasehold agreements between ALML as landlord, EFML as tenant and Elders as guarantor in relation to Linkletters.
Listing Rules	the ASX Listing Rules.
Mammoth Construction	Mammoth Construction Pty Ltd ACN 149855925.
Melbourne time	the local time in Melbourne, Victoria.
MIS	a managed investment scheme as regulated by the Corporations Act.

Notice of Meeting	the notice of meeting relating to the Unitholder Meeting which is contained in Annexure B.
Projects	the following forestry MIS's managed by EFML on behalf of Growers: <ul style="list-style-type: none"> • ITC Pulpwood Project 2004 (ARSN 108 058 439); • ITC Pulpwood Project 2005 (ARSN 112 286 334); • ITC Pulpwood Project 2006 (ARSN 117 764 673); • ITC Pulpwood Project 2007 (ARSN 124 103 724); • ITC Diversified Forestry Project 2007 (ARSN 123 283 625); and • ITC Diversified Forestry Project 2008 (ARSN 126 253 638).
Proxy Form	the proxy form which accompanies this Explanatory Booklet.
Register	the unit register of ALT.
Registry	Computershare Investor Services Pty Limited.
Relevant Interest	has the same meaning as given by sections 608 and 609 of the Corporations Act.
Remediation Condition	the condition precedent to the Transaction described in Section 6.2.
Resolutions	the resolutions as set out in Sections 6.3, 6.4 and 6.5 together with the Notice of Meeting, in the Explanatory Booklet.
Subsidiaries	has the meaning given to it in the Corporations Act.
Third Party Land Sale Contracts	the contracts for the sale of certain land owned by ITC Timberlands, a wholly owned subsidiary of Elders, to various third parties.
Unitholder Meeting	the meeting of ALT Unitholders convened by ALML.
Westralia	Westralia Property Holdings Pty Ltd ACN 130 230 607

7.2 Interpretation

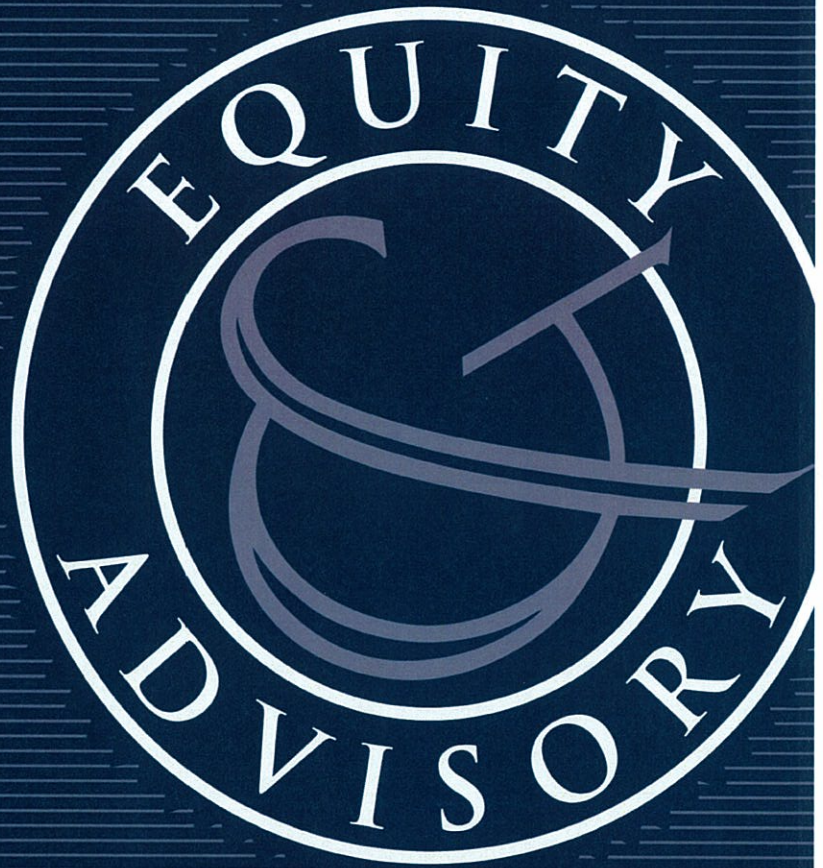
In this Explanatory Booklet:

- (a) other words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words of any gender include all genders;

- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section or annexure, is a reference to a section of or annexure of, to this Explanatory Booklet as relevant;
- (f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Explanatory Booklet;
- (h) a reference to time is a reference to Melbourne time unless otherwise stated;
- (i) a reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia;
- (j) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- (k) the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

Annexure A

Independent Expert's Report



Agricultural Land Trust

Independent Expert Report

18 November 2013



18 November 2013

Independent Directors
Agricultural Land Trust
Level 3, Elders House
27 Currie Street
ADELAIDE, SA 5000

Dear Directors

Independent Expert Report - Proposed Restructure of the Agricultural Land Trust

The Independent Directors, on behalf of the non-associated Agricultural Land Trust (**ALT**) Unitholders, have commissioned Equity & Advisory Ltd to prepare an Independent Expert Report (**IER**) in relation to the Proposed Transaction between ALT and Elders Limited (**Elders**).

The Proposed Transaction involves a number of land and lease transactions including unit cancellation, debt forgiveness and cash consideration between ALT and Elders (**Proposed Transaction**).

In particular, ALT has requested an Independent Expert to opine on whether the Proposed Transaction is fair and reasonable for the non-associated ALT Unitholders.

In our opinion, the Proposed Transaction is fair.

In arriving at this opinion, we have assessed the consideration provided by Elders in compensation for ALT releasing Elders from its leasehold obligations, including rental obligations, for its Linkletters property.

We have completed a Discounted Cashflow (**DCF**) analysis of the future expected rental revenue to be derived from the Linkletters property under the terms of the existing Elders lease, and have estimated that the compensation to be paid by Elders as part of the Proposed Transaction is likely to be in excess of the Net Present Value (**NPV**) of the expected future rental revenue to be derived from the Linkletters property.

The following table provides a high-level summary of our quantitative assessment of the Proposed Transaction:

Assessment of Gross Premium	Low	High
Elders consideration (<i>Section 5.1</i>)	13,685,864	14,557,591
NPV of future Elders lease payments (<i>Section 5.2</i>)	11,688,459	10,947,962
'Gross' premium	1,997,405	3,609,629

The consideration provided by Elders is in excess of the NPV of future lease payments under the terms of the Linkletters lease. As such, the Proposed Transaction, and the associated resolutions giving effect to the transaction, is fair.

However, it should be noted that the above assessment does not take into consideration the remediation costs to be incurred by ALT in the event the Proposed Transaction proceeds.

Equity & Advisory understands that the contract for remediation with Mammoth Construction Pty Ltd (**Mammoth**), should the Proposed Transaction proceed, is for less than commercial arms-length consideration. In the event an adjustment was made for an arms-length Remediation Contract, the NPV of the future Elders lease payments would increase and the 'Gross' premium would be significantly less or diminished in entirety.

As the Proposed Transaction involves certainty in respect of the cost of remediation we have taken the approach of eliminating this cost from both scenarios.

In our opinion, the Proposed Transaction is reasonable.

In accordance with ASIC Regulatory Guide 111, an offer is reasonable if it is fair.

In arriving at this opinion, we have also had regard to the following factors:

- The 18 December 2013 expiry date of ALT's existing finance facilities, and the banking syndicates indications regarding the potential extension of existing facilities, should the Proposed Transaction not proceed;
- The credit risk associated with Elders capacity to meet its commitments over the remaining term of the lease;
- The potential for ALT Unitholders to realise the value of a remediated Linkletters property if the Proposed Transaction proceeds;
- The reduction in ALT's debt to the banking syndicate and also the Elders subordinated loan;
- The likely outcome for Unitholders if the Proposed Transaction is not approved; and
- The lack of any commercially realistic alternatives to the Proposed Transaction.

The opinion of Equity & Advisory is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Our procedures and enquiries did not include verification work, nor did they constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body, and therefore the information used in undertaking our work may not be reliable.

We encourage you to read the IER in its entirety.

Yours faithfully,
Equity & Advisory



Stephen Young
Executive Chairman



Mark Vartuli
Managing Director

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1. Introduction

1.1 Significant Parties to the Proposed Transaction

1.1.1 Agricultural Land Trust

Agricultural Land Trust (**ALT**) is an ASX listed property trust (ASX: AGJ) focusing on rural property in Australia, for the purpose of generating rental income and capital appreciation.

The responsible entity of ALT is Agricultural Land Management Limited (**ALML**), which is a wholly owned subsidiary of Elders Limited (**Elders**).

Elders is also the largest Unitholder of ALT, with approximately 51.96% of the units on issue, held through four of its wholly owned subsidiaries set out below in Table 1.1.1 (**Elders Parties** or **Elders Associates**):

Table 1.1.1

Elders Parties	Number of Units	Unitholding Percentage
Elders Finance Pty Ltd (EFPL)	48,926,527	38.38%
ALML	10,559,700	8.28%
Prestige Property Holdings Pty Ltd (PPH)	5,558,200	4.36%
Futuris Administration Pty Ltd (FA)	1,192,201	0.94%
Total	66,236,628	51.96%

Source: Computershare Investor Services Pty Ltd

ALT has entered into lease agreements with Elders Forestry Management Limited (**EFML**) and Elders Forestry Pty Ltd (**Elders Forestry**) in relation to certain properties it owns. The leases with EFML and Elders Forestry are guaranteed by Elders (**Elders Guarantee**).

Through the ownership of ALT and lease agreements, Elders directly or indirectly controls both the Trust and the income streams from which Unitholders expected a commercial return.

Elders has subordinated debt owing from ALT in the amount of \$8.5 million immediately prior to the Proposed Transaction. The subordinated debt has previously been secured against the ALT properties; ranking behind that of the banking syndicate.

1.1.2 Elders Limited

Elders (formerly Futuris Corporation Limited) is an ASX listed investment company (ASX: ELD), which in recent times has pursued an extensive restructuring program to position itself as a 'pure-play' rural services business. As part of the restructuring program, Elders has made a strategic decision to exit its existing forestry business and all forestry related investments.

The Elders forestry business was conducted through Elders Forestry and EFML. The forestry business included the management of a number of Managed Investment Schemes (**MIS**).

Elders also has an investment in ALT as shown above in Table 1.1.1.

The following table (Table 1.1.2) provides a summary of Elders financial performance in recent years and its reliance on debt as part of its capital structure.

Table 1.1.2

Elders Financial Summary	FY08	FY09	FY10	FY11	FY12	FY13
Net profit / (loss) (\$m)	36	(466)	(218)	(395)	(61)	(505)
Market capitalisation (\$m)	859.0	197.0	260.0	130.0	112.0	50.1
Net gearing (%)	36.4%	118.5%	41.5%	57.1%	53.3%	552.0%
Debt / equity (%)	55.2%	170.9%	49.5%	70.6%	69.9%	638.0%

Source: www.comsec.com.au

Elders is reliant upon debt as part of its capital structure, as shown by the above gearing and debt-to-equity ratios. Elders has experienced a challenging operating environment in recent years, through both general economic conditions and industry specific factors, and its performance in this time reflects a business under significant financial pressure.

Elders has subordinated debt owing from ALT in the amount of \$8.5 million immediately prior to the Proposed Transaction. The subordinated debt has previously been secured against the ALT properties; ranking behind that of the banking syndicate.

1.1.3 Mr Allen Caratti

ALT's second largest Unitholder is Mr Allen Caratti (**Caratti**), who holds approximately 26.03% of ALT through three entities (**Caratti Parties**) being:

Table 1.1.3

Caratti Parties	Number of Units	Unitholding Percentage
Westralia Property Holdings Pty Ltd (Westralia)	30,403,500	23.85%
Richtide Investments Pty Ltd (Richtide)	1,493,971	1.17%
Indian Ocean Capital (WA) Pty Ltd (IO)	1,284,385	1.01%
Total	33,181,856	26.03%

Source: Computershare Investor Services Pty Ltd

Per the Explanatory Booklet, Equity & Advisory understands that should the Proposed Transaction proceed, it is Caratti's intention to:

- Rehabilitate and remediate Linkletters;
- Return Linkletters to productive broadacre farming; and
- Lease Linkletters to a high-quality tenant.

Caratti intends for the above actions to be carried out with a medium term view of significantly increasing the value of Linkletters and generating rental income and profits for ALT.

1.2 Existing ALT Operations

ALT essentially collects rent from Elders and applies this rental income to service the principal and interest on its debt to the banking syndicate. At the date of this report, the bank syndicate were owed \$17.4 million, which is due for repayment on 18 December 2013.

As a result of Elders financial position outlined in Table 1.1.2, the outlook for forestry plantation assets, ALT's exposure to Elders counterparty credit risk and the current ALT business model, the existing ALT banking syndicate have indicated an unwillingness to continue to provide finance facilities to support the present operations of ALT. Accordingly, ALT has actively pursued an asset sale program, essentially over the past twelve months, to reduce interest bearing loans and borrowings.

Previously, ALT's objective had been to eventually return its land to other agricultural uses once the Elders leases expire and realise properties where profitable to do so. However, in order to satisfy the requirements of ALT's syndicated lenders, ALT has accelerated the realisation of its properties in conjunction with negotiating early termination compensation with Elders.

At 30 June 2013, ALT held three properties ('Fishtail', 'Caravan Hill' and 'Linkletters') all of which were leased to Elders Parties. Fishtail and Caravan Hill have been sold and are due to settle prior to the Unitholder meeting referred to in the Explanatory Booklet. The leases to Elders Parties have been cancelled in exchange for cash payments of \$1.50 million and subordinated debt forgiveness of \$2.72 million with regard to Fishtail, a total of \$4.22 million,

and a cash payment of \$1.08 million and subordinated debt forgiveness of \$1.55 million with regard to Caravan Hill, a total of \$2.63 million.

Equity & Advisory has been advised that the Fishtail and Caravan Hill transactions did not require Unitholder approval due to the fact that they were conducted on arms' length terms.

Following the asset sale program executed over the past twelve months, ALT retains ownership of a single property known as 'Linkletters' in the Esperance region of Western Australia.

Linkletters is presently disposed as eleven adjoining allotments or parcels of rural land, extending in a southerly direction from Fisheries Road toward the coast and covering an area of approximately 8,937 hectares. The land is described as essentially flat fertile plains, with some rising ground to its north-west corner and some wetter swamp areas and rock outcrops to the southern end. Linkletters is located in an area with reliable rainfalls and productive soil profiles. The holding is essentially run as a single operation and has a total of 7,599 hectares planted to Eucalyptus globulus (in 2006 and 2007). Linkletters is subject to a lease from ALT to Elders.

With regards to Linkletters, there is a further lease over all structural improvements in favour of Badah Pty Ltd. This lease is for a term of 15 years from 1 February 2006 expiring 31 January 2021, with one option for renewal for a further 10 years. The lease entitles Badah Pty Ltd rent free occupation of the structural improvements and certain land and access corridors, for the term of the lease and any renewal periods. A caveat has been lodged on the subject titles protecting this right.

Following the Proposed Transaction, ALT will no longer receive rental income from Elders on Linkletters. Should the Proposed Transaction proceed, the intention is to immediately proceed to remove the non-viable plantations and return the land to cropping and / or grazing activities.

1.3 Implementation Agreement

Consistent with Elders stated intention of exiting the forestry business due to its underperformance and Elder's financial position, Elders has put forward a proposal to ALT to terminate its lease and guarantee obligations in relation to ALT's remaining property Linkletters. Elders and ALT have similar syndicated lenders and ALT requires a long-term solution to its financing needs.

Whilst the termination of lease and forestry commitments in respect of the two sales involving the Fishtail and Caravan Hill properties have been concluded, the termination of the remaining obligations in respect of Linkletters is more complex and the transaction requires Unitholder approval. The requirement for Unitholder approval is set-out in the Explanatory Booklet.

In response, ALT is seeking compensation from Elders for release from its lease and guarantee obligations.

On 28 October 2013, ALT announced the signing of an Implementation Agreement. The Implementation Agreement outlines a number of land and lease transactions (**Proposed Transaction**) which effectively restructure ALT's capital structure, business model and Balance Sheet.

Significantly, the Proposed Transaction eliminates any future involvement by Elders from a control or operating perspective, although they become a minority holder of ALT units.

The Proposed Transaction as agreed in the Implementation Agreement will facilitate a reduction in ALT's gearing and overall debt level, which will enable ALT to pursue its stated strategy of remediating Linkletters over an 18 month period in order to return the property to cropping and / or grazing activities.

1.4 Proposed Transaction

The cancellation of the lease in relation to Linkletters with EFML will result in the loss of approximately \$3.20 million in rental income per annum for ALT, for which Elders will pay consideration in the form of cash, forgiveness of debt and cancellation of ALT units held by Elders.

As outlined in the Explanatory Booklet, the Proposed Transaction involves:

- Elders paying ALT \$4.49 million in cash, which is reduced to approximately \$1.91 million after Fishtail and Caravan Hill settlements are included, forgiving approximately \$3.93 million of subordinated debt owed by ALT and cancelling 60,536,628 ALT Units held by Elders, in exchange for the termination of all leasehold interests in ALT's Western Australian property in Esperance known as Linkletters;
- the repayment of a portion of ALT's syndicated bank debt, to a level at which the syndicate of lenders will continue to finance ALT for a period of three years, on the basis that ALT prepays interest for the period, to 31 July 2016;
- the raising of additional funds of not less than \$1.50 million via a mezzanine finance arrangement;
- the provision of a deferred farm supplies account by Elders to ALT for up to \$1.00 million;
- the raising of additional funds of not less than \$2.00 million under a pro-rata, non-renounceable rights issue, on the basis of 3 new ALT Units for every 4 ALT Units held, at a price of \$0.085 per new ALT Unit, of which Westralia (a Caratti Party) has entered into a binding deed of undertaking with ALML under which it has agreed to participate in the rights issue by subscribing and paying for, and procuring that other ALT Unitholders subscribe and pay for, ALT units to an aggregate value of not less than \$2.00 million.
- ALT entering into a \$1.11 million fixed price contract with Mammoth Construction Pty Ltd (**Mammoth**), an entity associated with Caratti, for the remediation of Linkletters.

The cancellation of the majority of Elders' interest in ALT will mean that the percentage ownership of each non-associated ALT Unitholder will approximately double before the potential impact of the rights issue is considered.

The cancellation of ALT units held by Elders will result in the Caratti Entities, being companies controlled by Mr Caratti, increasing their percentage holding of ALT Units from 26.03% to 49.56%, again excluding the impact of the rights issue.

Elders and Mr Caratti's ultimate voting power will depend on the extent of the participation of non-associated ALT Unitholders in the rights issue.

Westralia (a Caratti Party) has entered into a binding deed of undertaking with ALML under which it has agreed to participate in the rights issue by subscribing and paying for, and procuring that other ALT Unitholders subscribe and pay for, ALT units to an aggregate value of not less than \$2.00 million. In addition, Elders has committed not to participate in the rights issue.

If no other ALT Unitholder participates in the rights issue, Elders and Mr Caratti's ultimate indirect voting power in ALT would be 6.3% and 62.68% respectively. If all ALT Unitholders excluding Elders participate in full, Elders and Mr Caratti's ultimate voting power in ALT would be 5.11% and 50.85% respectively.

Elders has informed ALML that, as part of a separate transaction between Elders and Guccie Farms Pty Ltd (**Guccie**) (a Caratti related party), Elders has also agreed to sell all of the shares in ALML, the responsible entity of ALT, to Guccie or a nominee. That separate transaction with Guccie also involves the transfer of certain land from Elders to Guccie in return for the early termination of various leases.

ALML, the responsible entity for ALT, has previously charged ALT a management fee based on a percentage of assets under management for the ongoing management of the trust. In FY13, this management fee was \$472k.

The cancellation of the majority of Elders' ALT units and the rights issue, together with the transfer of the ALML units to Guce, will effectively give control of ALT to Caratti.

Should the Proposed Transaction gain approval, the strategy for ALT going-forward is stated as follows:

- ALT will own a single property (Linkletters);
- Remediate the Linkletters land over an 18 month period through a \$1.11 million fixed price contract with Mammoth (a related party of Caratti);
- Progressively crop the land as remediated in order to generate an income return; and
- At the end of the 18 month remediation period, the Directors of ALML are of the opinion that the Linkletters property will be a viable cropping and / or grazing property, with an estimated value of approximately \$29.8 million and debt owing of approximately \$13.3 million.

Per the Explanatory Booklet, Equity & Advisory understands that should the Proposed Transaction proceed, it is Caratti's intention to:

- Rehabilitate and remediate Linkletters;
- Return Linkletters to productive broadacre farming; and
- Lease Linkletters to a high-quality tenant.

Caratti intends for the above actions to be carried out with a medium term view of significantly increasing the value of Linkletters and generating rental income and profits for ALT.

1.5 Understanding the Proposed Transaction

The Proposed Transaction essentially contemplates Elders providing ALT with compensation in lieu of future lease payments regarding ALT's Linkletters property.

Linkletters is subject to a lease from ALT to Elders, which would effectively otherwise conclude at 30 June 2018. The Proposed Transaction terminates the existing lease and as such, approximately 4.75 years of rental income which ALT would have otherwise received from Elders under the existing lease agreement over the remaining term of the lease.

With regards to Equity & Advisory's assessment of the Proposed Transaction, we estimate the NPV of the future lease payments in relation to Linkletters to be in the range of \$10.95 to \$11.69 million. Please refer to Section 5 *Assessment of the Proposed Transaction* for further discussion regarding the valuation of future lease payments under the existing Linkletters lease.

The consideration provided by Elders in compensation for the early termination of the Linkletters lease, includes a combination of a reduction of its equity investment in ALT (providing value to other ALT Unitholders), forgiveness of amounts owed from ALT to Elders, and a cash payment.

Subject to the successful completion of the Proposed Transaction, ALT will hold Linkletters without the Elders lease and will be free to remediate the property, effective immediately, with the objective of returning the property to cropping and / or grazing activities.

In order to finance the required remediation work to achieve such an objective, whilst servicing the residual syndicated bank debt, mezzanine finance of \$1.50 million will be raised and a rights issue to raise not less than \$2.00 million will be completed. This is expected to be

sufficient funding to undertake the necessary remediation works and fund the operations through to such a time as income can be generated from cropping and / or grazing activities.

1.5.1 Debt Forgiveness and Cash Payment

As announced by ALT on 30 August 2013, ALT has entered into contracts for the sale of the 'Fishtail' and 'Caravan Hill' properties. Settlement of these property sales is expected to occur prior to the date of the Unitholder Meeting noted in the Explanatory Booklet.

The sale price for Fishtail and Caravan Hill, together with compensation to be paid for the cancellation of the leases, amounts to \$5.22 million and \$4.33 million respectively, as set-out in the table below.

Table 1.5.1

Consideration received	Fishtail	Caravan Hill
Cash payment	1,500,000	1,080,000
Debt forgiveness	2,718,000	1,549,000
Elders compensation	4,218,000	2,629,000
Sale price	1,000,000	1,700,000
Total proceeds	5,218,000	4,329,000

Accordingly, at settlement of the respective Fishtail and Caravan Hill property sales, Elders will pay ALT \$1.50 million as the agreed cash amount in respect of Fishtail and \$1.08 million as the agreed cash amount in respect of Caravan Hill. The cash payment of approximately \$4.49 million to be paid by Elders to ALT on account of the cancellation of all lease and forestry commitments at completion of the Proposed Transaction will be correspondingly reduced by these amounts. It is therefore anticipated that Elders will be required to pay ALT \$1.91 million on account of the termination of the Linkletters obligations

Elders will also forgive subordinated debt of \$2.72 million in respect of Fishtail and \$1.55 million in respect of Caravan Hill at settlement of each respective sale. Again, the \$8.50 million in subordinated debt to be forgiven on account of the termination of all lease and forestry commitments at completion of the Proposed Transaction will be reduced by these amounts. It is therefore anticipated that Elders will forgive debt of approximately \$4.23 million in relation to the Proposed Transaction.

1.5.2 Rights Issue

Subject to all of the Resolutions being passed at the Unitholder Meeting, and satisfaction of the other conditions precedent to the Proposed Transaction, ALT will conduct a pro rata, non-renounceable rights issue to raise at least \$2.00 million in equity funding. The rights issue will be on the basis of 3 new ALT Units for every 4 ALT Units at a price of \$0.085 per new ALT Unit.

Westralia (a Caratti Party) has entered into a binding deed of undertaking with ALML under which it has agreed to participate in the rights issue by subscribing and paying for, and procuring that other ALT Unitholders subscribe and pay for, ALT units to an aggregate value of not less than \$2.00 million, subject to the Proposed Transaction being approved by the Unitholders.

Elders has committed under the Implementation Agreement not to participate in the rights issue.

If the rights issue is fully subscribed (that is, all ALT Unitholders who are eligible to participate except Elders subscribe for their entitlements to new ALT units in full), ALT will raise a maximum of \$3.79 million. However, as the rights issue is not underwritten, there can be no guarantee that any funds in excess of the \$2.00 million to which the Caratti Entities have committed will be raised.

Funds raised in excess of the minimum \$2.00 million will be utilised to remediate Linkletters and reduce debt.

1.6 Rationale for the Proposed Transaction for Non-associated Unitholders

The rationale for the Proposed Transaction is:

- ALT's existing finance facilities expired on 31 July 2013. The banking syndicate agreed to an extension given the contemplation of the Proposed Transaction by the ALT board. The banking facilities are currently due to expire on 18 December 2013, two days following the proposed meeting date of Unitholders to vote on the Proposed Transaction. Should the Proposed Transaction not proceed, ALT may not be able to extend its syndicated debt facilities and ALT's syndicated lenders may require the outstanding debt to be repaid immediately. In this respect, non-associated Unitholders should note that some members of the ALT banking syndicate are also members of the Elders banking syndicate;
- The banking syndicate have indicated they are prepared to continue to provide finance facilities should the Proposed Transaction be executed, for a period of three years to 31 July 2016, provided interest is prepaid for the entire facility period and a number of further conditions are met. ALT relies on the support of its bankers and this Proposed Transaction will place ALT on a more solid financial footing;
- To enable the Linkletters property to be fully remediated and return it to a productive grazing and / or cropping asset within 18 months;
- To eliminate ALT's reliance on the Elders rental stream, which is at risk due to Elders recurrent losses and the uncertainty associated with a syndicated lenders willingness to continue to support those losses;
- To reduce Elders' holding in ALT, thus significantly increasing the percentage ownership of all other investors; and
- To repay the Elders subordinated debt which is secured behind the banking syndicate but ranks before the Unitholders.

1.7 Conditions Precedent to the Proposed Transaction

The Implementation Agreement also sets out the obligations of the various parties in respect of other transactions that are being proposed and are precedent to the Proposed Transaction.

The Implementation Agreement contains terms and conditions that are standard for these types of agreements, including in relation to the parties' obligations to implement the Proposed Transaction.

Implementation of the Proposed Transaction will occur five business days after the last of the following transactions and conditions have occurred, been satisfied or waived:

- the approval by ALT Unitholders of the Resolutions set out in the Explanatory Booklet;
- the completion of the Third Party Land Sale Contracts;
- the satisfaction or waiver of the ALT Financing Condition;
- the satisfaction or waiver of the Remediation Condition; and
- the satisfaction or waiver of the Elders Financing Condition.

The Third Party Land Sale Contracts are contracts for the sale of certain properties owned by ITC Timberlands, a wholly owned subsidiary of Elders, and which were leased to Growers as part of the MIS Projects. ITC Timberlands is under an obligation as part of the Implementation Agreement to ensure, to the extent possible, that the Third Party Land Sale Contracts settle by 8 November 2013. Settlement of the Third Party Land Sale Contracts is a condition to completion of the Proposed Transaction, as Elders will require receipt of the sale proceeds in order to meet its obligations to ALT under the Implementation Agreement.

The ALT Financing Condition comprises the following elements which ALML must either satisfy or waive:

- obtaining the consent of its syndicated lenders to the Proposed Transaction and the extension of ALT's senior debt facilities;
- entering into a binding letter of offer with a mezzanine finance provider for the mezzanine debt of at least \$1.50 million;
- entering into a binding agreement with the Caratti Entities in relation to the Caratti Entities' participation in the rights issue by subscribing and paying for ALT Units to an aggregate value of not less than \$2.00 million;
- agreeing a deferred farm supplies account with Elders at an interest rate of 15% per annum for 3 years from the date of completion of the Implementation Agreement; and
- following the Unitholder Meeting and if all Resolutions are approved, raising not less than \$2.00 million under the rights issue.

In relation to the rights issue, ordinarily ALML would be entitled under the constitution of ALT to a fee of up to 5% of the funds raised under the rights issue. However, under the Implementation Agreement, ALML has waived its right to receive any such fee.

The Remediation Condition is satisfied via ALT entering into a \$1.11 million fixed price contract with Mammoth, an entity associated with Caratti, for the remediation of Linkletters.

Under the Elders Financing Condition, Elders must obtain the consent of its syndicated lenders to the Proposed Transaction.

Implementation of the Proposed Transaction under the Implementation Agreement cannot occur until the above transactions have been completed and conditions satisfied or waived. Therefore, if one of the above transactions or conditions does not occur or is not satisfied or waived by 31 January 2014, the Proposed Transaction will not proceed.

Any party to the Implementation Agreement can terminate that agreement if:

- completion has not occurred by 31 January 2014;
- the ALT Unitholders do not pass the Resolutions following there being a superior proposal being made to ALT Unitholders prior to the date of the Unitholder Meeting;
- another party is in material breach of the Implementation Agreement, and the party wishing to terminate has given written notice to the other parties setting out the relevant circumstances and stating an intention to terminate, and the relevant circumstances continue to exist 20 business days from the time the notice is given; or
- a court or government agency has taken any action permanently restraining or otherwise prohibiting the Proposed Transaction and the action has become final and cannot be appealed.

In relation to the superior proposal termination event noted above, the ALT Board does not have the ability to terminate the Implementation Agreement in the event that a superior proposal is made. Rather, if a superior proposal is made, the ALT Board will proceed to convene the Unitholder Meeting for the purpose of considering the Resolutions, but the Independent Directors may withdraw their recommendation that ALT Unitholders vote in favour of the Resolutions. If the ALT Unitholders then subsequently do not pass the Resolutions, the Implementation Agreement can be terminated.

1.8 Taxation Disclaimer

The impact of the Proposed Transaction on the tax position of individual ALT Unitholders depends on the individual circumstances of each Unitholder. Unitholders should consult their own professional advisor if in doubt as to the taxation consequences of the Proposed Transaction.

ALT management have obtained advice regarding the potential tax outcomes of executing the Implementation Agreement. The advice obtained indicates the Proposed Transaction should not be subject to any adverse tax implications for Unitholders.

We further understand there should be no adverse tax consequences regarding Caratti's stated intention of remediating the Linkletters property and leasing it to a high-quality tenant.

1.9 Independent Expert Report

This IER evaluates the terms of the Proposed Transaction and whether the Proposed Transaction is in the best interests of the non-associated ALT Unitholders; essentially whether the Proposed Transaction is fair and reasonable.

Necessarily, this IER examines the value of existing ALT Unitholders' interest in ALT prior to the Proposed Transaction against the value they would be likely to receive if the Proposed Transaction were implemented.

1.10 Purpose of the IER

Equity & Advisory Ltd has been engaged by the Directors of ALML to prepare an IER stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the existing and non-associated ALT Unitholders. Pursuant to section 219 of the Corporations Act, Listing Rule 10.10 and ASIC Regulatory Guides 76 and 111, Equity & Advisory has evaluated whether the termination of the Linkletters lease is fair and reasonable.

Equity & Advisory has not been engaged under the Implementation Agreement to provide an opinion on the merits of the other elements of the transaction as set out in the resolutions of the Notice of General Meeting and further described in the Explanatory Booklet to Unitholders.

Unitholder approval is being sought under Listing Rule 10.1 and Listing Rule 10.10, which requires an IER to accompany the Notice of Meeting (Explanatory Booklet) provided to Unitholders. It is also common for directors, and consistent with guidance in ASIC Regulatory Guides 74 and 76, to commission an IER to assist them in their duties to provide Unitholders with proper and full disclosure, to enable them to assess the merits of the Proposed Transaction. We understand that on 28 October 2013, the Directors advised existing ALT Unitholders that an IER will be dispatched as part of the Explanatory Booklet prepared for the existing ALT Unitholders by the Directors.

This IER has been prepared for the Directors to assist them in their duties to provide Unitholders with proper and full disclosure, and to enable the non-associated Unitholders of ALT to assess the merits of the Proposed Transaction. This IER is not provided for any other reason whatsoever and may not be relied upon by any person, other than the Unitholders of ALT, for any purpose other than as an expression of Equity & Advisory's opinion as to whether the Proposed Transaction is fair and reasonable.

The Directors have requested that this report be made available to the following four (4) parties:

- 1) The Unitholders of ALT;
- 2) The Australian Securities and Investments Commission ("ASIC");
- 3) The Australian Stock Exchange ("ASX"); and
- 4) The Court (if necessary).

Equity & Advisory accepts no responsibility for the use of this IER by any of the abovementioned four (4) parties which the Directors have requested the IER be made available to.

Furthermore, this IER is not to be reproduced or made available to any other party without our written consent. Equity & Advisory therefore accepts no responsibility for use of the IER by any other party or for any other purpose.

In preparing this IER, Equity & Advisory have assumed the usual definition of value, being the price that would be negotiated between a willing but not anxious buyer and a willing but not anxious seller, both of whom are knowledgeable about the asset in question, given a reasonable period in which to consider and settle the Proposed Transaction and acting at arms-length.

1.11 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this IER:

Publicly Available Information

- the Explanatory Booklet (including earlier drafts);
- Annual Reports of ALT;
- press releases, public announcements, media and analyst presentation material and other public filings by ALT including information available on their websites; and
- unit market data and related information on Australian and international listed companies engaged in similar industries and / or transactions.

Non-public Information provided by ALT

- Elders / ALT Subordination Deed;
- Remediation Services Agreement (ALT and Mammoth Construction Pty Ltd);
- Desktop Market Appraisal, Linkletters North and South, Colliers International, 14 October 2013;
- Valuation Report, Linkletters, CBRE, 14 August 2013;
- Valuation Report, Linkletters North and South, Colliers International, 26 February 2013;
- Banking syndicate Letter of Offer for finance facilities;
- Draft Proposed Mezzanine Finance Facility Agreement;
- Independent Taxation Advice in relation to the consequences of the Proposed Transaction;
- Management budget accounts for ALT for the 12 months to 30 June 2013;
- Discussions with ALT management;
- Management year-to-date accounts for the 3 months to 30 September 2013; and
- Other confidential documents, board papers, presentations and working papers.

1.12 Basis of Assessment

The terms 'fair' and 'reasonable' have no legal definition although over time commonly accepted meanings have evolved.

ASIC Regulatory Guide 111 'Content of Independent Experts Reports' attempts to provide a precise definition of fair and reasonable. 'Fairness' is said to involve a comparison of the offer price with the value that may be attributed to the securities which are the subject of the offer based on the value of the underlying businesses and assets. In determining fairness, any existing entitlements to units by the offeror is to be ignored. 'Reasonableness' is said to involve an analysis of other factors that Unitholders might consider prior to accepting an offer, such as:

- Any existing Unitholding of the offeror;
- Other significant Unitholdings;
- The probability of an alternative offer; and
- The liquidity of the market for ALT units.

For the purpose of this IER, Equity & Advisory has treated 'fair' and 'reasonable' as separate terms in accordance with Regulatory Guide 111. Fairness is a more demanding criteria. A 'fair' offer will always be 'reasonable' but a 'reasonable' offer may not necessarily be 'fair'.

In forming our opinion as to whether the Proposed Transaction is fair and reasonable to the Unitholders of ALT, we have had regard to, amongst other things, the following:

- The assessed value of the Linkletters rental revenue stream;
- The assessed value of Elders' consideration to ALT;
- The probability of an alternative higher offer; and
- Other benefits and disadvantages associated with the Proposed Transaction.

ASIC Regulatory Guide 111 also outlines the principles and matters which it expects a person preparing an expert report under Section 623 of the Law to consider. Paragraph 21 of the Regulatory Guide states that *'what is fair and reasonable for non-associated Unitholders should be judged in all the circumstances of the proposal. The report must compare the likely advantages and disadvantages for the non-associated Unitholders if the proposal is agreed to, with the advantages and disadvantages to those Unitholders if it is not. Comparing the value of the units to be acquired under the proposal and the value of the consideration to be paid is only one element of this assessment'*.

1.13 Limitations and Reliance on Information

Equity & Advisory believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Equity & Advisory's opinion is based on economic, unit market, business trading, financial and other conditions prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, our opinion could be different in these changed circumstances. However, except as required by the Corporations Act, Equity & Advisory has no obligation or undertaking to advise any person of any change in circumstances which has come to its attention after the date of this report or to review, revise or update this report or opinion. This IER is based upon financial and other information provided by executives and management of ALT. Equity & Advisory has not verified any information supplied by the executives of ALT and has not conducted an audit or any other form of due diligence on any

of the financial or other records of ALT in the course of preparing this IER. Certain information relied on by Equity & Advisory in formulating its opinion represents the opinion and judgement of executives and management of ALT, and is not capable of external verification.

A draft of this IER was provided to the executives and management of ALT for the purpose of undertaking a factual accuracy review.

Equity & Advisory issued the directors of ALML with a copy of our original final report on 4 November 2013.

An important part of the information used in forming an opinion of the kind expressed in this IER is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Equity & Advisory has audited in any way the management accounts or other records of ALT. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

In forming its opinion, Equity & Advisory has also assumed that:

- Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- The information set out in the accompanying Explanatory Booklet is complete, accurate and fairly presented in all material respects;
- The publicly available information relied on by Equity & Advisory in its analysis was accurate and not misleading;
- The Proposed Transaction will be implemented in accordance with its terms; and
- The legal mechanisms to implement the Proposed Transaction are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Equity & Advisory assumes no responsibility and offers no legal opinion or interpretation on any issue.

2. Profile of ALT

2.1 Company Background

ALT is an Australian managed investment scheme listed on the ASX that was registered under the Corporations Act on 7 May 2001.

The principle activity of ALT is to operate as an agricultural land trust, with the focus on the ownership of rural property, for the purpose of deriving profits through the collection of rental income and capital appreciation. Properties are funded through a combination of ALT Unitholder equity and debt funding. Since 2012, ALT has initiated a program to divest certain properties with sale proceeds being applied to reduce debt. Concurrent with this divestment program, ALT is reviewing its strategic and capital management alternatives with the objective of maximising returns for ALT Unitholders.

ALT's single remaining property asset is Linkletters. All other properties of ALT have been sold, with settlement of those sales either complete or due to complete prior to the date of the Unitholder Meeting. Linkletters is leased to EFML.

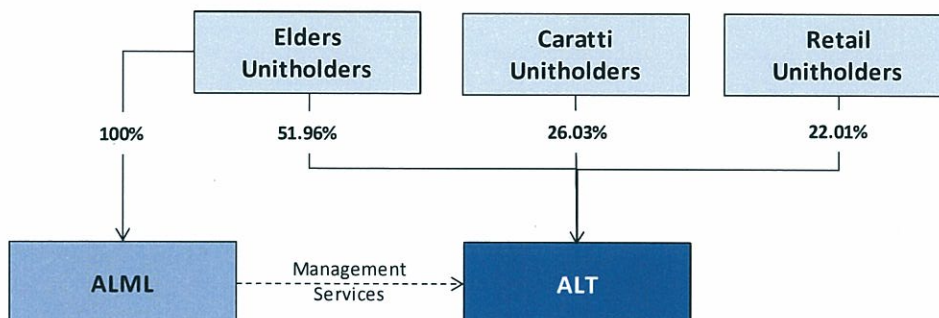
The Linkletters lease contains land remediation provisions together with a rent mechanism that ensures a rental margin above ALT's interest costs. The lease is guaranteed by Elders.

2.2 Corporate Structure

ALT consists of 101,128,000 units at 30 June 2013.

Total Net Tangible Assets (NTA) attributable to Unitholders at 30 June 2013 totals \$12,603,000 which equates to 12.46 cents per unit.

Elders Limited is the largest Unitholder of ALT with 51.96% of the units through the holdings of four of its wholly owned subsidiaries: Elders Finance Pty Ltd (EFPL) owns 48,926,527 units (38.38%) of the issued units, ALML owns 10,559,700 (8.28%), Prestige Property Holdings Pty Ltd (PPH) owns 5,558,200 (4.36%) and Futuris Administration Pty Ltd (FA) owns 1,192,201 units (0.94%).



Elders is the ultimate parent entity of Elders Forestry Management Limited and is also the ultimate parent entity of ALML, which acts in its capacity as the Responsible Entity of ALT.

A 'Responsible Entity' performs the role of manager / trustee in a MIS. ALML charges a management fee in connection with its role as Responsible Entity based on a percentage of assets under management. In FY13, ALML's management fee was \$472k (FY12: \$605k).

2.3 Directors

The following individuals are Directors of ALT:

- Mr Tom Pascarella (Chairman) (Independent);
- Mr Robert Walter (Non Exec. Director) (Independent); and
- Mr Peter Zachert (Non Exec. Director) (Non-Independent).

2.4 Existing ALT Capital Structure

At 27 September 2013, there were 127,487,994 ALT units on issue (undiluted), trading at 10.5 cents per ordinary unit. This implies a market capitalisation of approximately \$13.4 million.

Table 2.4

Top 20 Unitholders	Units	%
ELDERS FINANCE PTY LTD	48,926,527	38.38%
WESTRALIA PROPERTY HOLDINGS PTY LTD	28,741,529	22.54%
AGRICULTURAL LAND MANAGEMENT LTD	10,559,700	8.28%
EMERALD SECURITIES PTY LTD <EMERALD INVESTMENT A/C>	5,603,364	4.40%
PRESTIGE PROPERTY HOLDINGS PTY LTD <ALT (AGJ) TRADING A/C>	5,558,200	4.36%
WESTRALIA PROPERTY HOLDINGS PTY LTD	1,661,971	1.30%
RICHTIDE INVESTMENTS PTY LTD <RICHTIDE TRADING A/C>	1,493,971	1.17%
ANN CATHCART PTY LTD <ANN CATHCART EXEC S/F A/C>	1,350,000	1.06%
INDIAN OCEAN CAPITAL (WA) PTY LTD <INDIAN OCEAN SUPERFUND A/C>	1,284,385	1.01%
FUTURIS ADMINISTRATION PTY LTD	1,192,201	0.94%
MR KEVIN JOHN THOM	1,120,474	0.88%
MRS LILIANA TEOFILOVA	799,764	0.63%
LIGHT SEVEN PTY LTD	778,373	0.61%
MR IANAKI SEMERDZIEV	700,000	0.55%
MRS THANIKESWARI SIVANANTHAN	660,405	0.52%
ANNE JUELLA THOMPSON + JOHN HARLEY THOMPSON	455,246	0.36%
MR PHILLIP JOHN HARVEY + MS GERALDINE LUCY HARVEY	445,656	0.35%
MR SHANE STEPHENSON	443,000	0.35%
JOJAMAN PTY LTD <SUPER FUND A/C>	431,550	0.34%
MR JOHANNES HENRICUS KUYPER	385,306	0.30%
TOTALS: TOP 20 HOLDERS OF ORDINARY UNITS (TOTAL)	112,591,622	88.32%
TOTAL REMAINING HOLDERS BALANCE	14,896,372	11.68%
ALL	127,487,994	100.00%

Source: Computershare Investor Services Pty Ltd

2.5 Effects of Proposed Transaction on Units Issued and Unit Ownership

This section outlines the resultant impact of the Proposed Transaction on the ownership structure of ALT.

The following table outlines the voting power of substantial ALT Unitholders immediately prior to the Proposed Transaction:

Table 2.5.1

Substantial Holders	Number of Units	Voting Power
Elders Limited (and associates)	66,236,628	51.96%
Mr Caratti (and associates)	33,181,856	26.03%
Emerald Securities Pty Ltd	5,603,364	4.40%
Other Unitholders	22,466,146	17.61%
All Unitholders	127,487,994	100.00%

Source: Computershare Investor Services Pty Ltd

Caratti will effectively acquire a controlling interest in ALT on completion of the Proposed Transaction, as shown below:

Table 2.5.2

Substantial Holders	Number of Units	Voting Power
Mr Caratti (and associates)	33,181,856	49.57%
Elders Limited (and associates)	5,700,000	8.51%
<u>Emerald Securities Pty Ltd</u>	<u>5,603,364</u>	<u>8.37%</u>

Source: Computershare Investor Services Pty Ltd

The Proposed Transaction will mean existing ALT Unitholders interest will effectively double.

2.6 Key Issues Currently Affecting the Linkletters Property

2.6.1 The Linkletters Trees are not of Harvestable Quality

Below average rainfall in a number of years since establishment has put the Linkletters trees under stress and has made them more susceptible to damage from insects and disease. This has affected the productivity of the Linkletters trees and yields are projected to be significantly lower than those assumed at establishment.

2.6.2 Access to Port Infrastructure

EFML had an in principle agreement with the Port of Esperance to work towards obtaining a formal agreement to construct a woodchip export terminal within the port on land leased from the Esperance Port Authority (EPA).

In order to meet the scheduled harvesting period of the Esperance trees, which have an approximate rotation period between 10 and 12 years, construction of port infrastructure needed to commence in 2010 and complete a year later. However, construction of the woodchip terminal did not commence as a result of the following factors:

- The sharp decrease in Japanese imports from 2008 and the strengthening of the \$AUD, which reduced demand for Australian woodchips;
- Promoter insolvency, which reduced investment in the broader forestry industry and is likely to limit the establishment of new plantations in the Esperance region and investment in the required infrastructure;
- The withdrawal of the EPA's permission for EFML to lease land at the port following an increase in the cost of constructing the required infrastructure; and
- The lack of suitable locations for the terminal based on the current configuration of the port.

Given the high construction cost of a woodchip handling terminal, estimated to be in the vicinity of AUD \$30 million, in conjunction with the above factors, Elders is unlikely to be willing or capable to fund construction of the terminal at the Port of Esperance. In the unlikely event that an alternative investor could be found to fund construction of a woodchip handling terminal, the risk surrounding identifying a suitable location are likely to remain. Furthermore, the relatively small size of the plantation estate and the improbability of further planting in the area is likely to result in a high throughput cost.

In the absence of a woodchip handling terminal being constructed at the Port of Esperance, the trees of Linkletters would need to be transported to the nearest alternative port capable of handling the woodchips, which is the port of Albany. The distance between Linkletters and Albany is in the order of 400 kilometres. At this distance, the haulage costs would be such that investors would likely not receive positive stumpage return for their woodchips.

2.6.3 Poor Outlook for Woodchips Exported from Australia

Australian woodchip producers are currently faced with a deteriorating pricing environment and weakened demand. Australia has historically been the world's largest supplier of hardwood woodchips to the Asia Pacific market, where Japan has traditionally been the largest importer of woodchips and Australia's most significant customer. However, in recent times, Japanese demand for woodchips has stagnated as a result of the country's static growth and natural disasters in the region.

The price gap between Australian woodchips and South East Asian woodchips (Vietnam, Thailand and Indonesia) is now so significant that paper companies cannot justify utilising Australian woodchips.

Compounding the effect of the increasing and cheaper supply from South East Asia is the increasing supply capacity in Australia, reflecting the large volume of plantations established in Australia in the early 2000's and the low volumes harvested in recent years due to unattractive prices.

As a result of the above factors, there is a significant backlog of trees available for wood-chipping should conditions improve and as such, the challenging market conditions are likely to persist for several years.

2.7 Challenges to the Existing Business Model

ALT's previous properties were all leased for the purposes of growing forestry plantation timber.

Unfortunately, the plantations have not performed well due to:

- the significant appreciation of the Australian dollar against the US dollar, which has made the Australian woodchip industry less competitive relative to other global options;
- demand for woodchips has been impacted by both the global financial crisis and the Japanese earthquake / tsunami event in 2011, which has reduced woodchip demand from Japanese pulp and paper companies, a significant customer historically;
- significant and increasing woodchip supply is coming out of the South East Asian region at significantly lower prices than can be sold out of Australia; and
- the market over-supply situation has been compounded due to other Australian forestry managers delaying the sale of wood which has created a further backlog (or 'surplus on the stump') in timber produce and resulted in likely depressed woodchip prices for the foreseeable future.

The costs of harvesting, haulage, processing and handling wood from these plantations are very high, particularly since port infrastructure at Esperance necessary to handle the export of woodchips in a cost effective manner has not been developed and is not expected to be developed.

As a result, the costs to harvest, process and ship the wood from ALT's plantations is expected to exceed the revenue that can be derived from this wood.

As the plantations are not viable for the Growers, Elders has held meetings of the Growers at which they agreed to surrender their interests in the plantations in return for a cancellation payment. In addition, in October 2012 Elders announced its intention to exit its forestry management business.

ALT's exposure to Elders is compounded by the fact that Elders owns 51.96% of ALT units on issue and a wholly-owned subsidiary of Elders, ALML, is the responsible entity of ALT. Given the current relationship between ALT and Elders, the stability of ALT and the performance of ALT Unitholders' investments are highly exposed to Elders.

In light of the outlook for the plantation forestry industry, over the last twelve months the ALT Board has implemented a number of initiatives to address ALT's operational arrangements and improve ALT's financial position and performance. These include:

- the extension of ALT's syndicated banking facilities to 18 December 2013 and the extension of ALT's subordinated facilities provided by Elders through to 18 December 2013 (two days following the Unitholders meeting to vote on the Proposed Transaction); and
- the commencement of a property divestment program, which has resulted in the sale of all properties other than Linkletters, with property sale proceeds being used to reduce the syndicated bank debt and subordinated loan with Elders.

Whilst the ALT Board has made significant progress in mitigating the risks faced by ALT, a number of risks and structural challenges still remain for ALT, primarily in connection with ALT's relationship with Elders and its banking syndicate if it continues to remain exposed to the Elders credit risk.

The ALT Board has been actively considering a range of strategies to address the risks and challenges posed by the relationship with Elders; however, no better alternative to the Proposed Transaction has been identified that would address those risks and challenges inherent in the existing business model.

2.8 ALT Unit Price History

The following graphic depicts the ALT unit price over the previous twelve months.

Table 2.8.1



ALT is a relatively illiquid stock, as demonstrated by the relatively low volumes depicted above in Table 2.8.1, which has traded in a range between \$0.09 and \$0.14 over the previous twelve months.

The average monthly volume for the previous twelve months is 668,857 units per month, representing approximately 0.66% of the total units on issue at 30 June 2013.

The Volume Weighted Average Price (**VWAP**) for 1 month, 3 months, 6 months and 12 months to the date of this IER are shown in the below table:

Table 2.8.2

Period	Volume (units)		\$ VWAP (cents)
1 month	669,394	60,880	9.09
3 months	902,190	83,585	9.26
6 months	1,557,680	163,464	10.49
12 months	8,026,288	795,519	9.91

Source: Orient Capital Pty Ltd

As shown in Table 2.8.2 above, the units have traded at a discount to the NTA backing per unit of \$0.1246 at 30 June 2013.

3. Financial Information of ALT Limited

3.1 Historical Financial Performance

The following table provides a summary of the historical financial performance of ALT:

Table 3.1

Historic Profitability (\$'000)	FY09	FY10	FY11	FY12	FY13
Rental income	7,493	6,311	9,726	9,672	8,055
Lease compensation revenue	-	-	-	-	1,335
Other income	39	87	174	80	62
Interest revenue	123	83	88	197	58
Total Revenue	7,655	6,481	9,988	9,949	9,510
Responsible Entity Mgt Fees	-	-	(615)	(605)	(472)
Other expenses	(343)	(290)	(328)	(360)	(1,449)
Underlying EBIT	7,312	6,191	9,045	8,984	7,589
Interest costs	(4,958)	(4,032)	(6,263)	(5,717)	(4,271)
Underlying NPBT	2,354	2,159	2,782	3,267	3,318
Decrement in carrying value of investments	(5,818)	-	(263)	(13,845)	(9,359)
Net loss from discontinued operations	346	(190)	(47)	(14)	-
Reported NPBT	(3,118)	1,969	2,472	(10,592)	(6,041)
<i>Rental Income (\$'000)</i>	<i>7,493</i>	<i>6,311</i>	<i>9,726</i>	<i>9,672</i>	<i>8,055</i>
<i>Value of Investment Properties (\$'000)</i>	<i>105,592</i>	<i>105,592</i>	<i>105,330</i>	<i>80,484</i>	<i>41,750</i>
Rental Yield on Book Value of Investments	7.1%	6.0%	9.2%	12.0%	19.3%

Source: ALT Annual Reports

ALT has consistently delivered a positive underlying earnings contribution from its property portfolio.

ALT derives rental income from its property portfolio through long-term lease agreements with Elders. Revenue has historically been relatively stable as a result; however, it should be noted that revenue will drop significantly in FY14 as a result of the sale of the majority of properties owned by ALT.

It should also be noted, considering the financial position of Elders, that the current business model and the associated degree of exposure to Elders which results presents a significant counterparty credit risk for ALT should the Proposed Transaction not proceed.

'Other Expenses' in FY'13 includes significant costs associated with the sale of investment properties.

Interest costs are recovered through rental calculations with tenants under their lease agreements and ensure a positive underlying NPBT contribution each year.

ALT's reported NPBT has been significantly impacted by non-cash write-downs to its property portfolio in-light of the significant downturn in the forestry industry, coupled with decreasing equity and property values arising from the GFC.

3.2 Balance Sheet

The following table provides a summary of the historic Balance Sheet of ALT:

Table 3.2

Historic Balance Sheet (\$'000)	FY09	FY10	FY11	FY12	FY13
Current Assets					
Cash	1,900	1,199	1,612	4,075	799
Trade & other receivables	1,721	1,907	2,963	2,583	2,759
Assets held for sale	-	-	-	39,134	41,750
Total Current Assets	3,621	3,106	4,575	45,792	45,308
Non Current Assets					
Other Financial Assets	187	-	-	-	-
Investment Properties	105,592	105,592	105,330	41,350	-
Total Non Current Assets	105,779	105,592	105,330	41,350	-
Total Assets	109,400	108,698	109,905	87,142	45,308
Current Liabilities					
Trade & other payables	2,806	2,585	3,812	4,910	3,628
Interest bearing loans and borrowings	-	72,719	-	60,885	29,077
Total Current Liabilities	2,806	75,304	3,812	65,795	32,705
Non Current Liabilities					
Interest bearing loans & borrowings	73,719	-	71,688	-	-
Total Non Current Liabilities	73,719	-	71,688	-	-
Total Liabilities	76,525	75,304	75,500	65,795	32,705
Net Assets attributable to Unitholders	32,875	33,394	34,405	21,347	12,603
<i>Net Tangible Assets per Unit (cents)</i>	37.96	37.47	36.37	21.35	12.46
<i>External syndicated debt LVR (%)</i>	59%	58%	57%	64%	48%
<i>Total debt gearing LVR (%)</i>	70%	69%	68%	76%	70%

Source: ALT Annual Reports

The decrease in 'Investment Properties' between FY11 and FY12 clearly evidences the impairment and sale of properties in recent years. At 30 June 2013, all remaining investment properties were classified as 'Current Assets' as they were held for sale.

The decrease in 'Interest Bearing Loans and Borrowings' across the same period reflects the sale of investment properties and application of funds received to reducing debt.

NTA per unit has been steadily declining since FY11, reflecting the asset sale program and the unwinding of NPV on the remaining investment property portfolio as the leases move closer to expiry. The NTA per unit at 30 June 2013 was 12.46 cents.

In-light of the declining forestry industry and associated reduction in its property valuations, ALT's syndicated financiers have encouraged ALT Directors to undertake an asset sale program in order to reduce gearing (LVR) and pay down debt associated with ALT's property portfolio.

3.3 Cash Flow

The following table provides a summary of the historic Cashflow Statement of ALT:

Table 3.3

Historic Cash Flows (\$'000)	FY09	FY10	FY11	FY12	FY13
Cash Flows From Operating Activities					
Rent Received	5,996	6,141	9,509	11,092	9,866
Lease surrender compensation	-	-	-	-	1,335
Interest & other income received	690	220	113	211	192
Borrowing costs paid	(3,887)	(4,165)	(5,904)	(5,930)	(5,172)
Fees & other expenses paid	(702)	(341)	(1,600)	(2,213)	(2,808)
Net Cash Inflow from Operating Activities	2,097	1,855	2,118	3,160	3,413
Cash Flows from Investing Activities					
Payments for investment properties	(15,549)	-	-	-	-
Proceeds from disposal of investment properties	-	-	-	11,000	28,150
Net Cash Flow from / (used in) Investing Activities	(15,549)	-	-	11,000	28,150
Cash Flows from Financing Activities					
Distributions paid to unit holders	(2,941)	(1,844)	(1,705)	(1,409)	(3,180)
Distributions reinvested by unit holders	606	402	834	712	149
Distributions to minority interests	(365)	(114)	-	-	-
Capital Raising Costs	(18)	-	-	-	-
Proceeds from syndicated loans	6,400	-	-	-	-
Proceeds from related party subordinated loan	5,315	-	-	-	-
Repayment of syndicated loans	(247)	-	(834)	(8,500)	(30,709)
Repayment of related party subordinated loan	-	(1,000)	-	(2,500)	(349)
Banking syndicate - Security Deposit	-	-	-	-	(750)
Net Cash Flow from / (used in) Investing Activities	8,750	(2,556)	(1,705)	(11,697)	(34,839)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	(4,702)	(701)	413	2,463	(3,276)
Cash and cash equivalents at the beginning of the period	6,602	1,900	1,199	1,612	4,075
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	1,900	1,199	1,612	4,075	799

Source: ALT Annual Reports

ALT has a history of generating positive operating cash flows commensurate with the underlying NPBT contribution of the business.

This strong operating cashflow has been used to pay out high distribution yields to Unitholders.

Historical asset acquisitions have been funded through debt, whilst asset disposals have been applied to debt reductions.

'Rent received' is now sourced exclusively from Elders and as such, exposes ALT to counterparty credit risk associated with Elders.

Based on negotiations with the banking syndicate regarding future finance facility extensions, there will be no further distributions to unit holders until all remaining facilities are extinguished.

4. Valuation Methodology

4.1 Overview of Valuation Methodologies

The task of the valuer is to determine the value of the units and businesses on the basis of what a hypothetical prudent purchaser, who is a willing but not anxious buyer, would be prepared to pay to a vendor, who is willing but not anxious to sell, in circumstances where both buyer and seller are fully informed of all operational and financial details. The willing but not anxious buyer would consider the financial benefits which they would obtain by being the owner of the units and any inherent risks associated with it.

ASIC Regulatory Guide 111 "Content of Expert Reports" provides guidance on the methodologies that an Independent Expert should consider when valuing a company. Regulatory Guide 111 "Content of Experts' Reports" deems the following valuation methods as appropriate for an Independent Expert to consider:

- The discounted cash flow method and the estimated realisable value of any surplus assets;
- The application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- The amount that would be available for distribution to security holders on an orderly realisation of assets;
- The quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
- Any recent genuine offers received for any business units or assets as a basis for valuation of those business units or assets; and
- the amount that an acquirer would be willing to offer if all of the units in ALT were available for purchase.

ASIC does not suggest that this list is exhaustive or that an expert should use all of the methods of valuation listed above. Rather, each or all of the above valuation methodologies has application in different circumstances. These circumstances include the nature, profitability and financial position of the business being valued and the quality of the information available.

The value ascribed to the business using any of the above methodologies is on the basis of its fair market value as a going concern, defined as the maximum price that would be realised in an open market over a reasonable period of time assuming potential buyers and full information.

4.1.1 Asset Based Methods

Asset based methods estimate the market value of a business based on the realisable value of its identifiable net assets and as such include the following methods:

- Net tangible assets;
- Orderly realisation of assets; and
- Liquidation of assets.

The **net tangible assets method** is based on the value of the net assets of the business less certain liabilities, at book values, adjusted to market value.

The orderly realisation of assets method involves valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets and is most commonly applied to businesses which are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with on-going trading.

This methodology involves reviewing the book value of the assets and liabilities of the business at a particular point in time and adjusting those values for potential differences that may exist between those book values and the proceeds that can be reasonably expected from an orderly realisation.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter period, under a "distressed seller" scenario.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable, the company is not actively trading or a significant proportion of the company's assets are liquid.

4.1.2 Market Based Methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its units or the market value of comparable companies. Market based methods include:

- Capitalisation of maintainable earnings;
- Analysis of a company's recent unit trading history;
- Value to an alternative acquirer; and
- Industry specific methods.

The capitalisation of maintainable earnings method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and the stream of income that it generates. A multiple can be applied to earnings before depreciation and amortisation, interest and tax ("EBITDA"), earnings before interest and tax ("EBIT") or net profit after tax ("NPAT"). These are referred to respectively as EBITDA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the unit market. EBITDA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing can be influenced by the acquirer.

Application of this valuation methodology involves the determination of three company specific parameters:

- selection of the level of earnings that a purchaser would utilise for valuation purposes, having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance;
- determination of an appropriate capitalisation multiple having regard to the market rating of comparable companies, the extent and nature of competition, the time period of earnings, the quality of earnings, growth prospects and relative business risk; and
- the identification of any surplus assets or liabilities. That is, the estimated realisable value of assets and liabilities associated with the business but not affecting operations, are added or deducted to the value derived by the capitalisation of maintainable earnings approach.

The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable and comparable companies have similar cost structures.

The most recent unit trading history method involves the valuation of an entity based on its actively traded equities, which represent the unit capital of the entity in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- the liquidity of the quoted equity based on the volume and frequency of trading;
- the number of 'unusual' and/or 'abnormal' trades that occur; and
- the timing and level of dissemination of information to the market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the 'fair' market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

Value to an alternative acquirer method involves a consideration of the strategic value of the business to an alternative acquirer, having regard to the business' operations and positioning in the market. This requires an assessment of the possible relationships of the acquirer to the target and the synergistic benefits that may exist if the acquirer could gain control.

Industry specific methods estimate market value using industry specific benchmarks which involve rules of thumb typically consisting of capitalisation of gross revenues or gross margins at an appropriate multiple. These methods generally provide less persuasive evidence on market value of a company, as they may not account for company specific factors. Industry specific methods are only used as a cross check to the primary valuation methodology.

4.1.3 Discounted Cash Flow Method

Discounting of projected cash flows has a strong theoretical basis and is often used to value companies where there is expected to be substantial growth in earnings and cashflow commonly found in early stage companies.

The methodology considers economic cash flows. It recognises that money has a time value, and explicitly allows for both the business risk (the nature of the industry in which the business operates) and financial risk (the extent to which debt funding is used to finance operations) of the enterprise to be incorporated in the methodology, via an estimate of the discount rate.

Discounted cash flow valuations involve calculating the net present value of projected cash flows. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream. Considerable judgment is required in estimating future cash flows and the valuer generally places great reliance on the medium to long term projections prepared by management. Typically the net present value is extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicated with any accuracy, particularly beyond the first two or three years.

The net present value is generally also very sensitive to small changes in the discount rate used.

4.2 Selection of Valuation Methodology

The primary factor in determining which methodology to use is the actual practice adopted by purchasers and sellers of the type of business being valued.

The use of each approach depends upon the nature of the business to be valued. For example, the capitalisation of maintainable earnings approach is typically applied to businesses which are a going concern with relatively stable earnings while the discounted cash flow approach is particularly suited to finite life projects or businesses with high growth potential e.g. resource companies and "start-up" projects. Other valuation methods may be used depending on the nature of the transaction in question and the change in control or ownership involved.

In selecting our methodology we have considered the following:

- The nature of the Proposed Transaction;
- The likely alternative outcome if the Proposed Transaction is not approved;
- Specific characteristics of the operations of ALT; and
- Access to publicly available valuation benchmarks and comparable company information.

5. Assessment of the Proposed Transaction

We consider in this Section our assessment of the Proposed Transaction.

Equity & Advisory's approach has focussed on an assessment of the consideration to be provided by Elders in compensation for ALT foregoing future rental income from the Linkletters property.

5.1 Elders Consideration

The consideration to be provided by Elders as part of the Proposed Transaction is comprised of the following three elements:

- Cancellation of 60,536,628 ALT units held by Elders;
- Forgiveness of debt owed by ALT to Elders; and
- Cash payment.

The following table provides a summary of the assessed value determined by Equity & Advisory of the proposed Elders consideration in respect of the Proposed Transaction.

Table 5.1

Elders Consideration	Low	High
Cancellation of ALT units (<i>Section 5.1.1</i>)	7,542,864	8,414,591
Subordinated debt forgiveness (<i>Section 5.1.2</i>)	4,233,000	4,233,000
Cash payment (<i>Section 5.1.3</i>)	1,910,000	1,910,000
Elders consideration	13,685,864	14,557,591

We have assessed the value of Elders' consideration to be provided to ALT to forego future rental income in relation to the Linkletters property to be in the range of \$13.69 million to \$14.56 million.

Equity & Advisory's determination of the value of the above elements is considered in detail below.

5.1.1 Cancellation of 60,536,628 ALT units held by Elders

An element of the Elders consideration involves Elders cancelling 60,536,628 ALT units held by Elders. In determining the value to ascribe to this element of the consideration as part of the Proposed Transaction, we have considered a number of factors not limited to the following:

- The trading range of ALT units in the open market in the previous twelve months;
- The NTA per unit of ALT at 30 June 2013 and immediately prior to the Proposed Transaction;
- The controlling nature of Elders stake in ALT;
- The relative illiquidity of ALT units in the open market;
- The outcomes of the Proposed Transaction and the perceived benefits of the minimisation of the counterparty credit risk associated with Elders;
- The alternative outcomes should the Proposed Transaction not proceed; and
- The indication from ALT's existing banking syndicate that they are unlikely to continue to provide finance facilities under the current business model.

Given the above factors, we consider that the appropriate value to ascribe to Elders surrender of ALT units is likely to be the NTA per unit. The NTA per unit at 30 June 2013 was 12.46 cents. Per the Explanatory Booklet, the NTA per unit immediately prior to the Proposed Transaction is 13.90 cents.

The following table provides a high and low range for the value attributed to the cancellation of ALT units held by Elders using the NTA per unit at 30 June 2013 (12.46 cents) and immediately prior to the Proposed Transaction (13.90 cents) according to the Explanatory Booklet.

Table 5.1.1

Cancellation of ALT units	Low	High
ALT units to be cancelled (units)	60,536,628	60,536,628
NTA per unit (cents)	12.46	13.90
Cancellation of ALT units	7,542,864	8,414,591

We have assessed the value of the cancellation of ALT units held by Elders to be in the range of \$7.54 million to \$8.41 million based on the NTA per unit at 30 June 2013 (12.46 cents) and immediately prior to the Proposed Transaction (13.90 cents) according to the Explanatory Booklet.

5.1.2 Debt Forgiveness

Elders has agreed to forgive the subordinated debt by an amount of \$2.72 million in respect of Fishtail and \$1.55 million in respect of Caravan Hill at completion of each respective sale. The remaining subordinated debt of \$4.23 million will be forgiven should the Proposed Transaction proceed.

The following table calculates the amount of the debt forgiveness value attributable to the Proposed Transaction.

Table 5.1.2

Subordinated Debt Forgiveness	Low	High
Total Subordinated debt	8,500,000	8,500,000
Less: 'Fishtail' component	(2,718,000)	(2,718,000)
Less: 'Caravan Hill' component	(1,549,000)	(1,549,000)
Subordinated debt forgiveness	4,233,000	4,233,000

As per Table 5.1.2, the total subordinated debt forgiveness is \$4.23 million in relation to the Proposed Transaction.

There is no subjective component with regards to the value ascribed to the forgiveness of subordinated debt, so there is no difference between the low and high range provided.

5.1.3 Cash Payment

The contracted sale price for Fishtail and Caravan Hill of \$1.00 million and \$1.70 million respectively, together with compensation to be paid for the cancellation of the leases, amounts to \$5.22 million and \$4.33 million respectively. At the settlement of each respective sale, Elders will pay ALT \$1.50 million as the agreed cash amount in respect of Fishtail and \$1.08 million as the agreed cash amount in respect of Caravan Hill as compensation for the cancellation of the leases. Accordingly, the total proceeds received from the sale of Fishtail is \$5.22 million and \$4.33 million from the sale of Caravan Hill. The cash payment of approximately \$4.49 million to be paid by Elders to ALT at completion of the Proposed Transaction will be correspondingly reduced by these amounts paid in respect of Fishtail and Caravan Hill.

The following table calculates the amount of the cash payment value attributable to the Proposed Transaction.

Table 5.1.3

Cash Payment	Low	High
Cash payment	4,490,000	4,490,000
Less: 'Fishtail' component	(1,500,000)	(1,500,000)
Less: 'Caravan Hill' component	(1,080,000)	(1,080,000)
Cash payment	1,910,000	1,910,000

As per Table 5.1.3, the total cash payment equates to \$1,910,000 attributable to the Proposed Transaction.

There is no subjective component with regards to the value ascribed to the cash payment, so there is no difference between the low and high range provided.

5.2 Assessment of ALT Future Rental Income Surrendered

We have assessed the future lease payments being surrendered by ALT under the Proposed Transaction using a DCF analysis. Under this approach, the net income over the remaining lease term is discounted on an annual basis. The rental income has been determined in accordance with the lease terms which require an allowance for acquisition costs associated with the purchase of the property.

It should be noted that the future values quoted for the property, rents and costs are a projection formed on the basis of information currently available to us and are not representations or projections of what the value of the property will be at a future date.

We have adopted a WACC of 13% and 14% in calculating a 'low' and 'high' value range with regards to the NPV of future rental income from the Linkletters property.

For our high-value range, we have also assumed nil escalation in rental income in future periods based on an existing Linkletters lease clause relating to 'market adjustments' and the fact that the current rent calculated under the lease appears to be in excess of that which could ordinarily be obtained in the open market.

The following table summarises Equity & Advisory's assessment of the NPV of the future income surrendered under the Proposed Transaction:

Table 5.2.1: Low Value Range

NPV Calculation @ 14% WACC	Total	FY14	FY15	FY16	FY17	FY18
Rental income	16,431,017	2,461,537	3,364,101	3,448,203	3,534,408	3,622,768
Discount factor		0.91	0.80	0.70	0.61	0.54
Discounted cashflows	11,417,395	2,231,145	2,674,764	2,404,941	2,162,338	1,944,207

We have assessed the low value NPV of the future rental stream from the Linkletters property, when adopting a WACC of 14%, to be \$11.42 million.

Table 5.2.2: High Value Range

NPV Calculation @ 13% WACC	Total	FY14	FY15	FY16	FY17	FY18
Rental income	15,302,809	2,416,233	3,221,644	3,221,644	3,221,644	3,221,644
Discount factor		0.91	0.81	0.71	0.63	0.56
Discounted cashflows	10,947,962	2,204,601	2,601,299	2,302,034	2,037,198	1,802,830

We have assessed the high value NPV of the future rental stream from the Linkletters property, when adopting a WACC of 13%, to be \$10.95 million.

Further details in relation to the assumptions adopted in assessing the value of the NPV of the rental payments surrendered under the Proposed Transaction are discussed below.

5.2.1 Calculation of Lease Payments

With regards to calculating the rent as per the Linkletters lease agreement, the rent equals BBSY (or 4%) plus the Elders banking syndicate finance margin above BBSY plus 0.25%. The income is calculated by applying the rent rate as per the above (BBSY, banking syndicate margin finance margin plus 0.25%) (8.25%) to property values (initial greenfields value plus statutory acquisition costs indexed annually by CPI).

ALT has advised the most recent property value for calculating the rent under the Linkletters lease is \$39,001,478.

5.2.2 Discount Rate

The discount rate to equate future cash flows of an asset or business to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the asset or business being valued.

Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market pricing data and the risks and circumstances specific to the asset or business being valued.

For ungeared cash flows, discount rates are determined based on the cost of a company's debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the Weighted Average Cost of Capital (WACC).

In determining an appropriate discount rate, we have considered the following factors:

- Cost of equity capital;
- Cost of debt capital;
- Equity and debt mix;
- Risk free rate;
- Equity market risk premium;
- An appropriate industry Beta;
- Specific company risk premium; and
- The long-term inflation rate.

Please refer to Appendix 1 for further detail regarding the calculation of the discount rate used in our assessment of the Proposed Transaction.

We note that the risk associated with the cashflow of Linkletters is directly linked to Elders' financial guarantee and the expected underlying land value growth in the medium to long-term.

We also note there is no guarantee that Elders will continue to meet their rental obligations under the lease for the foreseeable future.

The following table provides a summary of the key inputs we have considered in our calculated WACC.

Table 5.2.3

WACC Inputs	Low	High
Cost of equity capital (%)	15.9%	17.7%
Cost of debt capital (%)	9.0%	9.5%
Debt to enterprise value ratio (%)	40.0%	40.0%
Tax rate (%)	0.0%	0.0%
WACC (%)	13.2%	14.4%
Selected WACC (%)	13.0%	14.0%

Equity & Advisory has determined the appropriate WACC for the purpose of discounting the Elders lease payments is between the range of 13% and 14%.

It is important to note, the lower the WACC, the higher the value of the present value of cashflows, and vice-versa.

5.3 Assessment of Elders Compensation for Release of Future Lease Obligations

The following table provides a summary of our quantitative analysis of the Proposed Transaction:

Table 5.3

Assessment of Gross Premium	Low	High
Elders consideration (Section 5.1)	13,685,864	14,557,591
NPV of future Elders lease payments (Section 5.2)	11,688,459	10,947,962
'Gross' premium	1,997,405	3,609,629

Though there appears to be a premium to the NPV of future Elders lease payments under the Linkletters lease, the above assessment does not take into consideration the remediation costs to be incurred by ALT in the event the Proposed Transaction proceeds.

Under the existing lease agreement with Elders, at the expiration of the lease term, Elders is required to remediate the Linkletters property to a condition consistent with that prior to the commencement of the plantation activities conducted by Elders.

Should the Proposed Transaction proceed, it has been proposed that ALT would enter into a Remediation Services Agreement with Mammoth, a related party of Mr Allen Caratti, for the remediation of the Linkletters property for an approximate cost of \$1.11 million to be completed over an approximate 18 month period.

Equity & Advisory understands that the contract for remediation with Mammoth Construction, should the Proposed Transaction proceed, is for less than commercial arms-length consideration. In the event an adjustment was made for an arms-length Remediation Contract, the value of the excess is likely to be significantly less or diminished in entirety.

5.4 Advantages of the Proposed Transaction for Non-Associated Unitholders

5.4.1 Continuation as a Going Concern

ALT's banking facilities expired on 31 July 2013. The banking syndicate agreed to an extension given the contemplation of the Proposed Transaction. The banking facilities are currently due to expire on 18 December 2013, two days following the proposed meeting date. Without the Proposed Transaction proceeding, it is unlikely ALT will be able to extend its syndicated debt facilities. ALT's syndicated lenders may require the outstanding debt to be repaid immediately. In this respect, non-associated Unitholders should note that some members of the ALT banking syndicate are also members of the Elders banking syndicate.

ALT considers that the refinancing of existing facilities with alternative finance providers is unlikely, given the existing complex business model, the poor outlook for forestry plantation assets and the current reliance on Elders for rental income.

ALT considers the Proposed Transaction to be the most attractive course of action in reducing current debt to a level which will be supported by the existing bank syndicate, while also reducing future credit risk through the minimisation of ALT's relationship with Elders.

Should the Proposed Transaction not be approved, a significant risk exists that ALT's finance providers will call the outstanding loans owing at the expiration of current facility agreements on 18 December 2013, placing ALT in a precarious position, where the Directors may have to appoint an Administrator.

In these circumstances, it is unlikely that the non-associated Unitholders will obtain the benefits to the current consideration levels of the Elders compensation and also the potential Unitholder value increase expected to be realised from remediating the land and returning the property to cropping and / or grazing activities.

5.4.2 ALT's Improved Balance Sheet

ALT currently relies on the support of Elders and its banking syndicate. The Proposed Transaction, together with the sales of Fishtail and Caravan Hill, reduces ALT's debt to \$14.1 million from \$29.1 million.

ALT has \$19.7 million of debt facilities that expired on 31 July 2013. Whilst ALT was successful in extending the terms of that debt, and ALT's gearing has since been reduced significantly with its asset sale program, a long-term solution to ALT's finance needs has not been achieved.

If the Proposed Transaction is implemented, ALT's lenders have agreed to further extend its facilities until 31 July 2016 on revised terms which include a total facility limit of \$10.00 million.

In the event the Proposed Transaction is not implemented, the ALT banking syndicate is unlikely to continue to support ALT.

Although the Proposed Transaction also involves new debt funding by way of mezzanine finance of at least \$1.50 million, ALT's overall debt will be reduced by approximately \$18.6 million, from \$29.1 million at 30 June 2013 to \$14.1 million following completion of the Proposed Transaction. In addition, Elders has offered a farm supply facility of up to \$1.0 million to fund the purchase of supplies through the remediation period.

The Transaction will also increase ALT's asset base with the raising of at least \$2.00 million of equity by way of the rights issue.

Westralia (a Caratti Party) has entered into a binding deed of undertaking with ALML under which it has agreed to participate in the rights issue by subscribing and paying for, and procuring that other ALT Unitholders subscribe and pay for, ALT units to an aggregate value of not less than \$2.00 million. Elders has committed not to participate in the rights issue.

The rights issue may in fact raise more than \$2.00 million if other ALT Unitholders participate. If the rights issue is fully subscribed (excluding Elders Unitholding), ALT will raise a maximum of \$3.79 million. However, as the rights issue is not underwritten, there can be no guarantee that any funds in excess of the \$2.00 million to which the Caratti Entities have committed will be raised.

The Proposed Transaction also allows ALT to draw down on a mezzanine finance facility of \$1.50 million.

ALT's NTA position is forecast to improve by approximately \$4.9 million, from \$12.6 million as at 30 June 2013 to \$17.5 million following completion of the Proposed Transaction.

5.4.3 Ability to Maximise the Return from Linkletters

As detailed in Section 2.6 *Key Issues Currently Affecting the Linkletters Property*, the existing forestry plantation is not, nor is it expected to become, of harvestable quality. There is no commercially viable access to port for the export of woodchips and the overall short to medium term outlook for woodchip export is poor for Australia.

ALT's objective has always been to return its land to other agricultural uses once the leases to Elders expire. The Proposed Transaction will accelerate the realisation of that objective by the termination of the Linkletters lease between ALT and Elders.

The effect of the Proposed Transaction will mean that for receiving a guaranteed accelerated payment from Elders today, ALT will forego the ongoing rental stream it receives from Elders in relation to Linkletters, which currently amounts to approximately \$3.2 million per year. However, following the termination of the leases, the land will be unencumbered by any leasehold interests and ALT will be free to maximise its return from the land by remediating the land and returning it to cropping and / or grazing purposes.

In this regard, an opportunity exists to generate cropping and grazing income following the remediation of the land earlier than previously expected.

Furthermore, once the Linkletters property is fully remediated for cropping and / or grazing purposes, Colliers have estimated its value would be approximately \$29.5 million.

5.4.4 Removal of ALT's Exposure to Elders

ALT is currently highly exposed to Elders:

- Rental revenue – ALT currently derives 100% of its rental income from leases to wholly-owned subsidiaries of Elders which use the property for growing timber on behalf of Growers.
- ALT Unitholding – Elders is the majority, controlling ALT Unitholder, with an indirect holding in 51.96% of ALT Units on issue.
- Responsible entity of ALT - a wholly-owned subsidiary of Elders, ALML, is the responsible entity of ALT.

The uncertainty around the future of Elders exposes ALT's rental income to risk as it is reliant on Elders remaining a going concern until 30 June 2018. Elders remains under significant financial pressure, with the company having released a number of profit downgrades together with the auditors of Elders in their Audit Opinion letter advising there is material uncertainty as to whether Elders will continue as a going concern and to meet its obligations as and when they fall due. The Proposed Transaction will eliminate ALT's reliance on the Elders rental stream, which is at risk due to Elders recurrent losses and the uncertainty associated with a syndicated lenders willingness to continue to support those losses.

ALT has sought to realise an alternative return from the properties currently leased to Elders, by selling all its properties other than Linkletters and by seeking to remediate Linkletters with a view to leasing that property for grazing and / or cropping purposes under a lease or leases that are expected to deliver superior risk-adjusted returns compared to the leases with Elders.

Should the Proposed Transaction not complete, ALT would require the support / approval of Elders to complete any other such future transaction contemplated in order to restructure the business. In this situation, as previously outlined, the ALT banking syndicate is unlikely to continue to support ALT based on Elders credit risk, the weaker loan to valuation ratio, the Elders subordinated loan facility and may request that ALT repays the loan and / or sells the Linkletters property either through a formal or informal administration process.

5.5 Potential Disadvantages of the Proposed Transaction for Non-Associated Unitholders

5.5.1 Impact on Control and Governance

If the Proposed Transaction is implemented, 60,536,628 ALT Units held by Elders will be cancelled, reducing Elders' indirect voting power from 51.96% to approximately 8.51% before the potential impact of the rights issue is considered.

The cancellation of those ALT Units would result in Mr Caratti's indirect voting power increasing from 26.03% to 49.56%, again excluding the impact of the rights issue. However, Elders and Mr Caratti's ultimate indirect voting power will depend on the extent of the participation of ALT Unitholders in the rights issue.

Westralia (a Caratti Party) has entered into a binding deed of undertaking with ALML under which it has agreed to participate in the rights issue by subscribing and paying for, and procuring that other ALT Unitholders subscribe and pay for, ALT units to an aggregate value of not less than \$2.00 million. In addition, Elders has committed not to participate in the rights issue.

If no other ALT Unitholder participates in the rights issue, Elders and Mr Caratti's ultimate indirect voting power in ALT would be 6.30% and 62.68% respectively. If all ALT Unitholders excluding Elders participate in full, Elders and Mr Caratti's ultimate indirect voting power in ALT would be 5.11% and 50.85% respectively.

As an ALT Unitholder, Mr Caratti will be able to exert a degree of control on ALT commensurate with his indirect voting power. There is a risk that Mr Caratti will use his voting power to pursue interests that differ from those of other ALT Unitholders.

In addition to the increase in Mr Caratti's increased voting power as an ALT Unitholder, the Proposed Transaction will result in an associated entity of Mr Caratti owning all of the units in ALML, the responsible entity of ALT.

Whilst ALML would continue to be subject to a duty to act in the best interests of ALT Unitholders and all other applicable laws and the Listing Rules, as an associate of the sole Unitholder in ALML, Mr Caratti would have significant control over the governance of ALT.

The outcomes described above represent a change in the voting and governance dynamic of ALT and Mr Caratti may pursue interests which differ from those of minority ALT Unitholders.

The emergence of Caratti as the major Unitholder of ALT may increase the uncertainty and risks that a potential acquirer of the units would be exposed to in relation to the conduct of the major Unitholder, including the following:

- it can control the composition of the board of directors;
- it can control the distribution policy of the entity;
- it can control the appointment of senior management; and
- it can control all investment, financing and strategic decision-making.

5.5.2 Market Reaction to Caratti Controlling Unitholding

Whilst ALT already has a majority, controlling Unitholder and sole owner of ALML in the form of Elders, there is a risk that investors will discount ALT Units as a result of control of ALT passing to Mr Caratti and the decreased likelihood of the majority ALT Unitholding being available for sale to a third party, thereby reducing the likelihood of a takeover bid for ALT.

5.5.3 Risk of Generating Future Cropping / Grazing Income

Should the Proposed Transaction proceed, Elders will no longer be a tenant of ALT. An immediate effect of this will be the loss of the rental revenue currently paid by Elders in relation to Linkletters. ALT may not be able to lease the land surrendered by Elders for the same rent that Elders is currently paying or otherwise. ALT may not be able to generate sufficient income from cropping and / or grazing activities following the remediation to the level required to support the remediated value ascribed by Colliers.

In the event that the Elders' lease was not terminated and Elders was to continue its business activities beyond 2013, ALT could potentially have the benefit of the rental revenue under the Linkletters lease, which is guaranteed by Elders.

However, as previously outlined, the banking syndicate is unlikely to continue to provide finance facilities to ALT post the expiration of existing facilities on 18 December 2013 as a result of the poor outlook for forestry plantation assets and the Elders credit risk.

5.5.4 Remediation Costs

The existing Linkletters lease agreement stipulates that at the conclusion of the lease term, the lessee (Elders) is responsible for remediation of the site to a condition consistent with that prior to the commencement of the lease.

Under the terms of the Proposed Transaction, Elders compensation incorporates any obligation to remediate the Linkletters property. ALT will enter into a binding Remediation Services Agreement with Mammoth (a Caratti related party) for the remediation of the Linkletters property for a fixed fee of \$1.11 million subject to certain caveats.

As such, under the Proposed Transaction, ALT will incur \$1.11 million in additional costs in relation to the remediation of the Linkletters property than would have otherwise been the case in the event the Elders lease ran its full term and Elders had the financial capacity to honour such obligations.

5.6 Alternatives

As stated in the Explanatory Booklet, should the Proposed Transaction not proceed, ALT is unlikely to be able to extend its syndicated debt facilities. As a result, ALT's syndicated lenders may exercise their rights under the loan agreement to call upon the outstanding debt.

In such a situation, ALML may be forced to sell Linkletters to a third party purchaser to satisfy its debt obligations. A forced sale of Linkletters in the short term, whether by ALML or a receiver appointed by the syndicated lenders, would likely result in Linkletters being sold at a significant discount to the price which could otherwise be achieved following remediation of the land for cropping and / or grazing purposes as is contemplated by the Proposed Transaction.

Nevertheless, if the Proposed Transaction does not proceed and Linkletters remains the property of ALT, the existing structural and operational relationship between ALT and Elders would remain.

Elders appears to be under significant financial pressure. In its independent audit report dated 18 November 2013, with respect to Elders' financial statements for the year ended 30 September 2013, Elders' auditors concluded that there was material uncertainty as to whether Elders would continue as a going concern and meet its obligations as and when they fall due. In reaching that conclusion, Elders' auditors noted Elders' reliance on the achievement, timing and quantum of proceeds received from the sale of assets to meet debt repayment obligations.

Equity & Advisory has also reviewed the following recent market announcements made by Elders, which provide further information regarding current trading performance:

- 4 October 2013 – Live Cattle Trading Investigation Update – Elders estimate the impact on inventory values concerning the discovery of discrepancies and issues in relation to the reporting and recognition of livestock values in its live cattle export division to be approximately \$18 million.
- 10 September 2013 – Market Update – Elders underlying earnings for FY13 are expected to be an underlying net loss after tax in the range of \$32 million to \$39 million before mark-to-market adjustments.
- 31 July 2013 – Elders Announces Sale of Futuris Automotive Business – Elders crystallise a \$28 million loss on sale of the Futuris Automotive business.

5.7 Discussion Regarding Control Premium

The Proposed Transaction will result in a change of control of ALT from Elders to Caratti.

As part of the Proposed Transaction, on cancellation of Elders' 60,536,628 ALT units, if no other ALT Unitholder participates in the rights issue, Elders and Mr Caratti's ultimate indirect voting power in ALT would be 6.30% and 62.68% respectively. If all ALT Unitholders excluding Elders participate in full, Elders and Mr Caratti's ultimate indirect voting power in ALT would be 5.05% and 51.44% respectively.

An overview of the level of ownership and their implications for control is provided below:

Levels of Ownership			
100%	Absolute control including direct access to cash flow.		
50.1% to 99.9%	Ability to control the composition of the board and management, ability to determine dividend policy, ability to control the strategic direction of the Company and absolute voting majority for simple resolutions but only for special resolutions if 75% is held. However, the controlling Unitholder has to deal with the Company on an arm's length basis and cannot group the Company for tax purposes;	90% to 99.9%	Can proceed to compulsory acquisition under Part 6A.2 of the Corporations Act.
		75% to 89.9%	Can pass all special resolutions (75% vote required)
		50.1% to 74.9%	Can pass all normal Unitholder resolutions, but may not be able to pass all special resolutions.
20% to 49.9%	Ability to block special resolutions if the unitholding is 25% or more, significant influence and possibly control of strategic direction of the Company depending on the size and number of other unitholdings; and	25% to 49.9%	Will be able to block passing of special resolutions and exert considerable influence on normal Unitholder resolutions.
		20% to 24.9%	Can usually exert considerable influence on normal Unitholder resolutions.
Less than 20%	Typically considered portfolio interests.	5% to 19.9%	Considered a substantial holder under Part 6c.1 of the Corporations Act.
		Less than 5%	Can exert little influence on outcomes of Unitholder resolutions.

Caratti will obtain control of ALT under the terms of the Proposed Transaction without effectively paying a control premium. Transactions which result in a change of control commonly involve a control premium as part of the consideration paid by the party obtaining control.

As outlined in Section 1.6 *Rationale for the Proposed Transaction*, the restructure of ALT has been proposed as a result of the imminent expiration of the trust's finance facilities and the preference of eliminating ALT's reliance on the Elders rental stream, which is subject to the counterparty credit risk of the Elders Guarantee.

Although Caratti is an integral part of the Proposed Transaction, he is not a party to the Implementation Agreement between Elders and ALT. Caratti has made no direct offer which would result in him obtaining control of ALT. If the Proposed Transaction proceeds, Caratti will obtain control of ALT indirectly as a result of transactions between ALT and Elders. As such, due to the nature of the Proposed Transaction, there is no control premium.

5.8 Resolutions

5.8.1 Amendments to the Constitution to implement the Unit Cancellation (Resolution 1)

As part of the Proposed Transaction, 60,536,628 ALT Units held by Elders group companies will be cancelled. In order for those ALT Units to be cancelled, it is necessary to amend the constitution of ALT to give ALML the power to cancel the ALT Units.

ALML considers that this should be determined by all ALT Unitholders, rather than by ALML making a unilateral amendment to the constitution of ALT.

On that basis, ALT Unitholders are being asked to approve the amendment to the constitution necessary for the Unit Cancellation to be implemented.

Equity & Advisory are not required to provide an opinion in relation to Resolution 1.

5.8.2 Termination of the Elders Linkletters Leases (Resolution 2)

a) Listing Rule 10.1 – Disposal and acquisition of substantial assets

Listing Rule 10.1 provides that approval of holders of an entity's ordinary securities is required where an entity proposes to dispose of a substantial asset to, or acquire a substantial asset from, a second entity that is a substantial holder, or an "associate" of that second entity.

For these purposes:

- a person is a substantial holder if the person and the person's "associates" (as that term is defined in section 12 of the Corporations Act) have a Relevant Interest, or had a Relevant Interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities;
- an asset is a substantial asset if its value, or the value of the consideration for it, is 5% or more of the equity interests of ALT as set out in the latest accounts of ALT given to ASX under the Listing Rules; and
- separate transactions will be aggregated if, in ASX's opinion, they form part of the same commercial transaction with Elders which is currently a substantial holder for the purposes of Listing Rule 10.1.

The aggregate value of the rental payments under each of the Elders Leases which are proposed to be terminated exceed 5% of the equity interests of ALT set out in ALT's accounts for the year ended 30 June 2013.

Whilst there is a view that the surrender of the Linkletters lease does not amount to a disposal of an asset for the purposes of Listing Rule 10.1, it is still proposed that ALT Unitholder approval be obtained for the termination of the Linkletters Lease under Listing Rule 10.1.

b) Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act) requires that a responsible entity of a registered scheme, or an entity that the responsible entity controls, must not give a financial benefit out of scheme property to the responsible entity or a related party of the responsible entity without the approval of the scheme's members and must give the benefit within 15 months after the approval, unless the giving of the benefit falls within an exception under the Corporations Act.

The effect of section 228 of the Corporations Act is that an entity that is controlled by another entity which controls a responsible entity will be a related party of the responsible entity.

Given that EFML, Elders Forestry and ALML are each controlled by Elders, they are related parties for the purposes of section 228 of the Corporations Act.

"Financial benefit" is defined broadly in section 229 of the Corporations Act. Section 229(3) expressly states that "giving a financial benefit" to a related party includes releasing an obligation of a related party.

Under the Transaction, ALT will terminate the Elders Leases, thereby releasing the EFML and Elders Forestry from further obligations under those leases. On that basis, the Transaction involves the provision of a financial benefit to a related party, and therefore requires shareholder approval for the purposes of Chapter 2E of the Corporations Act (as modified by Part 5C.7 of the Corporations Act).

Under section 219 of the Corporations Act, the following information is provided to ALT Unitholders to allow them to assess the termination of the Elders Leases:

- Resolution 2 would permit a financial benefit to be given to EFML and Elders Forestry, each a related party of the responsible entity of ALT.
- The nature of the financial benefit given by ALML, the responsible entity of ALT, is the release of EFML and Elders Forestry from further obligations under the Elders Leases.
- Other than the information provided in the Explanatory Booklet, ALT and the ALT Board are not aware of any information that would be reasonably required by ALT Unitholders in order to decide whether or not it is in ALT's interests to pass Resolution 2.

c) Resolution 2 - Voting Exclusion Statement

ALT will disregard any votes cast on Resolution 2 by Elders, the Caratti Entities and any of their associates (as defined in sections 11 – 17 of the Corporations Act).

5.8.3 Approval of Caratti Entities' increased voting power (Resolution 3)

The Corporations Act sets out a number of regulatory requirements that must be satisfied in relation to the increase in Mr Caratti's indirect voting power, the subject of Resolution 3.

Pursuant to sections 604 and 606 of the Corporations Act, a person must not acquire a Relevant Interest in issued voting interests in a listed registered scheme if the person acquiring the interest does so through a transaction in relation to interests entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in ALT increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

The voting power of a person in a registered scheme is determined in accordance with sections 604 and 610 of the Corporations Act. The calculation of a person's voting power in a listed registered scheme involves determining the voting interests in ALT in which the person and the person's associates have a Relevant Interest.

As a result of the Proposed Transaction, in particular the cancellation of Elders' 60,536,628 ALT Units and the rights issue, the Caratti Entities' voting power in ALT will increase from 26.03% up to a maximum of 62.68% following completion of the Proposed Transaction.

However, under item 7 of section 611 of the Corporations Act, acquisitions of Relevant Interests that are previously approved at a meeting of security holders are exempt from the prohibition in section 606 of the Corporations Act.

In order that the Caratti Entities do not breach section 606 of the Corporations Act as a result of the Transaction, the approval of ALT Unitholders under item 7 of section 611 of the Corporations Act is sought.

In accordance with item 7 of section 611 of the Corporations Act, ALT will disregard any votes cast on Resolution 3 by Caratti and any of its associates (as defined in sections 11 – 17 of the Corporations Act).

5.9 Conclusion

In our opinion the Proposed Transaction, and the associated resolutions giving effect to the Proposed Transaction, is fair and reasonable.

5.9.1 The Proposed Transaction is Fair

In arriving at this opinion, we have assessed the consideration provided by Elders in compensation for ALT foregoing future rental revenue for its Linkletters property.

We have completed a DCF analysis of the future rental revenue to be derived from the Linkletters property under the terms of the existing lease, and have estimated that the compensation to be paid by Elders as part of the Proposed Transaction is likely to be in excess of the NPV of future rental revenue to be derived from the Linkletters property.

The table below summarises Equity & Advisory's assessment of the low and high value of gross premium generated from the Proposed Transaction:

Table 5.3

Assessment of Gross Premium	Low	High
Elders consideration (Section 5.1)	13,685,864	14,557,591
NPV of future Elders lease payments (Section 5.2)	11,688,459	10,947,962
'Gross' premium	1,997,405	3,609,629

Equity & Advisory has assessed the value offered by Elders under the Proposed Transaction to be in excess of the status quo by between \$1.997 million and \$3.610 million.

Whilst there appears to be a premium to the NPV of future Elders lease payments under the Linkletters lease, the above assessment does not take into consideration the remediation costs to be incurred by ALT in the event the Proposed Transaction proceeds.

Should the Proposed Transaction proceed, it has been proposed that ALT would enter into a Remediation Services Agreement with Mammoth, a related party of Mr Allen Caratti, for the remediation of the Linkletters property for an approximate cost of \$1.11 million, to be completed over an approximate 18 month period.

Equity & Advisory understands that the contract for remediation with Mammoth Construction, should the Proposed Transaction proceed, is for less than commercial arms-length consideration. In the event an adjustment was made for an arms-length Remediation Contract, the value of the excess is likely to be significantly less or diminished in entirety.

Notwithstanding this, the consideration provided by Elders is in excess of the NPV of future lease payments under the terms of the Linkletters lease. As such the Proposed Transaction, and the associated resolutions giving effect to the transaction, is fair.

5.9.2 The Proposed Transaction is Reasonable

In accordance with ASIC Regulatory Guide 111, an offer is reasonable if it is fair. On this basis, it is Equity & Advisory's opinion that the Proposed Transaction is reasonable.

However, in arriving at this opinion, we have considered the advantages and disadvantages of the Proposed Transaction and had particular regard to the following factors:

- The 18 December 2013 expiry date of ALT's existing finance facilities, and the banking syndicates indications regarding the potential extension of existing facilities, should the Proposed Transaction not proceed;
- The credit risk associated with Elders capacity to meet its commitments over the remaining term of the lease;
- The potential for ALT Unitholders to realise the value of a remediated Linkletters property if the Proposed Transaction proceeds;
- The reduction in ALT's debt to the banking syndicate and also the Elders loan;
- The likely outcome for Unitholders if the Proposed Transaction is not approved; and
- The lack of any commercially realistic alternatives to the Proposed Transaction.

In summary, notwithstanding if the Elders consideration was considered to not be fair, in Equity & Advisory's opinion the advantages outweigh the potential disadvantages of not proceeding with the Proposed Transaction, in the absence of a superior alternative.

6. Qualifications, Declarations and Consents

6.1 Qualifications

Equity & Advisory provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of its activities is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers, takeovers and corporate restructurings.

The individuals responsible for this report on behalf of Equity & Advisory are Stephen Young BEc FCA and Mark Vartuli MCom FCA. These individuals have been assisted by various professional staff having experience and qualifications appropriate for this report. Messrs Young and Vartuli are each an authorised representative of Equity & Advisory pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Law.

6.2 Declarations

Equity & Advisory does not have at the date of this report, and has not had within the previous five (5) years, any unitholding in or other relationship with ALT.

Equity & Advisory will receive an estimated per diem based fee of \$80,000 (excl. GST) for the preparation of this report. The fee is not contingent on the outcome of the Proposed Transaction. Equity & Advisory's out of pocket expenses in relation to the preparation of this Report will be reimbursed. Equity & Advisory will receive no other benefit for the preparation of this report. Equity & Advisory does not have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the preparation of this report.

Equity & Advisory considers itself to be independent in terms of Practice Note 42 issued by the Australian Securities Investment Commission.

In completing this report, Equity & Advisory had discussions with, and provided advanced drafts of this report to executives and management of ALT. Certain changes were made to the drafting of the report in relation to factual matters as a result of the circulation of these drafts. However there was no alteration to the methodology, overall valuation, conclusions or recommendations made to Unitholders.

Equity & Advisory issued the ALT board of directors with a copy of our original final report on 31 October 2013.

6.3 Consents

Equity & Advisory consents to the issuing of this report in the form and context in which it is included in the Explanatory Memorandum to be sent to Unitholders of ALT. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Equity & Advisory as to the form and context in which it appears.

6.4 Indemnity

ALT has agreed that to the extent permitted by law, it will indemnify Equity & Advisory and its respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated in the engagement letter dated 1 October 2013, in respect of any and all losses, claims, damages and liability arising out of or related to the performance of those services, and which arise from reliance on information provided by ALT which ALT knew or should have known to be false and/or arising from the failure to provide information which was material information ALT had in its possession and which ALT knew or should have known to be material and which was not provided to Equity & Advisory. This indemnity will not apply in respect of any negligence, wilful conduct or breach of law.

ALT has also agreed to indemnify Equity & Advisory and its respective officers and employees for time and costs incurred in relation to any inquiry or proceeding initiated by any person, except where Equity & Advisory or its respective officers and employees are found liable for, or guilty of, negligence, or breach of law in which case Equity & Advisory will bear such costs.

6.5 Other

This report is general financial advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Unitholders in ALT. Because of that, before acting in relation to their investment, Unitholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Unitholders should read the Explanatory Memorandum issued by ALT in relation to the Proposal.

Approval or rejection of the Proposal is a matter for individual Unitholders based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences (such as the extent to which capital gains tax will be payable) will vary widely across Unitholders. Unitholders will need to consider these consequences and, if appropriate, consult their own financial adviser.

Equity & Advisory has prepared a Financial Services Guide as required by the Corporations Act which is attached hereto as Appendix A. The Financial Services Guide is separately included in the documents sent by ALT to Unitholders.



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Financial Services Guide

The Corporations Act requires that all Australian Financial Service Licence (**AFSL**) holders provide to retail clients a document known as a Financial Services Guide (**FSG**) containing information about the licensee's services to assist investors in understanding and comparing the different types of investment advisory services available.

This document is the FSG of Equity & Advisory Ltd (**Equity & Advisory**).

Equity & Advisory is an innovative, corporate advisory firm, providing a full range of corporate advisory and strategic financial advisory services to business. It is comprised of approximately ten professional staff, the majority of which are Chartered Accountants and a number of whom have Masters Degrees in Finance, or MBA's with finance majors

It is a multi-disciplinarian firm drawing on the combined skills of business, finance, accounting and risk assessment and strategy specialists. Its professionals bring strong technical and industry knowledge to planning, negotiating and financing transactions.

Equity & Advisory has provided commercial and financial advice on numerous transactions and has extensive experience and expertise in advising on project structures, contractual arrangements, funding requirements, funding structures, project risk assessments, business valuations and overall commercial and financial support for new and existing projects.

Under its AFSL Equity & Advisory is authorised to assist investors with regard to:

- Managed investment schemes, excluding IDPS; and
- All securities including debentures.

Who is my Adviser?

Your adviser's contact details will be set out in Equity & Advisory's letter of engagement. You should provide any special instructions to your adviser.

Fees and Commissions

Details of Equity & Advisory's fees and other remuneration are set out in Equity & Advisory's letter of engagement to you.

Associations

Equity & Advisory does not have any associations or relationships which might reasonably be expected to influence any of its authorised services.

Complaints

Should you have any complaint you should refer the complaint in the first place to your adviser. If the complaint is not dealt with satisfactorily, you should speak to Equity & Advisory's complaints manager. If the matter is still not resolved and you are a retail client you may refer the matter to the Financial Industry Complaints Service (**FICS**), an independent complaints resolution organisation of which Equity & Advisory is a member (FICS Membership Number F-4020). A copy of the dispute resolution policy is available on request.

Provision of Personal Information to your Adviser

If you are a retail client then in order to provide financial advice relating to your circumstances and needs Equity & Advisory's advisers may need to collect further information about your personal circumstances and needs.

If you chose to provide personal information to your adviser, whether about your financial circumstances, goals or otherwise, your adviser may take these into consideration when making recommendations.

Any such information will be kept strictly confidential.

If you choose to provide this information you should ensure that your adviser becomes aware of any changes that may be relevant when advice is given in the future.



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General Risk Disclosure Statement and Guidance for Investors

Any risks are set out in Equity & Advisory's risk management policy.

Equity & Advisory only provides research specifically related to the transactions it is carrying out.

Research will mainly be conducted by Equity & Advisory via reference to annual reports, detailed appraisal of financial statements, interviews with the management of investee entities, reference to financial publications and other general enquiries.

Equity & Advisory's research is checked internally to ensure that it is not misleading or deceptive and that it does not breach any insider trading provisions under the Corporations Act.

Research is not used to recommend a set of products in the same manner as it might be with a stockbroking firm.

Most research is done in the context of finding information to be included in an information memorandum drafted by Equity & Advisory or a report by Equity & Advisory, often to listed companies, financial institutions and other sophisticated investors.

Research conducted does not generally generate a conflict of interest. Research will generally only be disclosed to wholesale clients. Where conflicts of interest do arise, these will be disclosed.

Often research is performed for Corporations Act or ASX Listing Rules purposes and complies with the relevant disclosure obligations under the Corporations Act or ASX Listing Rules.

Appendix 1: Discount rate

Introduction

The discount rate used to equate future cash flows of an asset or business to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the asset or business being valued.

The appropriate discount rate to be used in any valuation is derived from observing the rates of return available in the market, the risk of the asset or portfolio that is being valued and the required rate of return.

Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market pricing data and the risks and circumstances specific to the asset or business being valued.

Whilst the discount rate is in practice normally estimated based on a fundamental ground up analysis using one of the available models for estimating the cost of capital (such as the Capital Asset Pricing Model (CAPM)), market participants often use less precise methods for determining the cost of capital such as hurdle rates or target internal rates of return and often do not distinguish between investment type or region or vary over economic cycles.

Since our definition of fair market value is premised on the estimated value that a knowledgeable willing buyer would attribute to the asset or business, our selection of an appropriate discount rate needs to consider that buyers incorporate other alternatives to the typical CAPM approach in estimating the cost of capital.

For ungeared cash flows, discount rates are determined based on the cost of a company's debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital (WACC).

Equity & Advisory has primarily utilised CAPM to determine the appropriate discount rate. CAPM theory is the most widely endorsed method for calculating the WACC.

The WACC can be derived using the following formula:

$$WACC = K_e (E/V) + K_d (1-t) (D/V)$$

Where

K_e	=	The cost of equity capital (post corporate tax)
K_d	=	The cost of debt capital
t	=	The corporate tax rate (30%)
D	=	Market value of interest bearing debt
E	=	Market value of equity
V	=	Market value of the entity ($V = D + E$)

The adjustment of K_d by $(1 - t_c)$ reflects the tax deductibility of interest payments on debt funding.

Pre-Tax vs Post Tax WACC

Equity & Advisory have undertaken its assessment using a pre-tax WACC. The pre-tax WACC has been calculated by dividing the post-tax nominal WACC by $(1 - \text{corporate tax rate})$.

As Equity & Advisory has elected to use a pre-tax WACC, it has projected cash flows out on a before tax basis to ensure consistency between the cash flows and discount rate used.

Real vs Nominal WACC and Cash Flows

Equity & Advisory consider that a "nominal rate" WACC is an appropriate rate to utilise in discounting the cash flows expected from the Linkletters lease. The selection of an appropriate WACC should be consistent with the projected cash flows such that a "nominal rate" WACC is applied against "nominal" cash flows. Cash flow earnings for Linkletters have been projected in terms of nominal dollars, that is, escalated for inflation, and accordingly represent nominal earnings.

Cost of Equity Capital

The cost of equity can be calculated using two basic approaches: subjective and objective. Equity & Advisory has given consideration to the formula below in order to calculate a more objective after tax cost of equity which is based on CAPM theory. The CAPM establishes the cost of equity capital in a stock market context, as the expected rate of return for a particular stock market security. The classical CAPM model states that the expected return on a security is equivalent to the risk free rate of return plus a premium for relative risk, expressed as:

$$K_e = R_f + [R_m \times \text{Beta (equity)}]$$

Where

K_e	=	after tax cost of equity capital
R_f	=	the nominal risk free rate
R_m	=	the Australian market risk premium
Beta (equity)	=	the systematic risk of equity

Risk Free Rate

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long term Australian Government bond rate. The 10-year bond rate is a widely used and accepted benchmark for the risk free rate in Australia. This rate represents a nominal rate and thus includes inflation.

Adjusted Risk Free Rate

In applying CAPM theory to valuation, the yield on Government Bonds provides the most appropriate estimate of the risk free rate of return going forward as they are generally considered as the best proxy for a risk free asset.

Generally speaking the maturity chosen for the risk free rate should be equal to the length of the economic life of the asset being valued. However, very long-term bond markets are illiquid and consequently pricing is volatile. For this reason, E&A Limited have derived the risk free rate from the yield on ten-year Commonwealth bonds. A risk free rate of 4.00% has been assumed.

Risk free rates are at historically low levels and are not consistent with share market process, the observed volatility in the markets and general economic conditions. As a consequence, to adjust for the historically low risk free rate, Equity & Advisory has adopted a risk free rate premium of 1.00% in addition to the risk free rate (4.00%) in order to normalise the rate at 5.00%. The adoption of a risk free rate premium is to counter the historically low risk free rate to ensure the overall discount rate is considered appropriate.

Equity Market Risk Premium

The EMRP ($R_m - R_f$) represents the risk associated with holding a market portfolio of investments, that is, the excess return a shareholder can expect to receive for the uncertainty of investing in equities as opposed to investing in a risk free alternative. The size of the EMRP is dictated by the risk aversion of investors – the lower (higher) an investor's risk aversion, the smaller (larger) the equity risk premium.

The EMRP is not readily observable in the market and therefore represents an estimate based on available data. There are generally two main approaches used to estimate the EMRP, the historical approach and the prospective approach, neither of which is theoretically more correct or without limitations. The former approach relies on historical share market returns relative to the returns on a risk free security; the latter is a forward looking approach which derives an estimated EMRP based on current share market values and assumptions regarding future dividends and growth.

In evaluating the EMRP, we have considered both the historically observed and prospective estimates of EMRP.

Historical approach

The historical approach is applied by comparing the historical returns on equities against the returns on risk free assets such as Government bonds, or in some cases, Treasury bills. The historical EMRP has the benefit of being capable of estimation from reliable data; however, it is possible that historical returns achieved on stocks were different from those that were expected by investors when making investment decisions in the past and thus the use of historical market returns to estimate the EMRP would be inappropriate.

It is also likely that the EMRP is not constant over time as investors' perceptions of the relative riskiness of investing in equities change. Investor perceptions will be influenced by several factors such as current economic conditions, inflation, interest rates and market trends. The historical risk premium assumes the EMRP is unaffected by any variation in these factors in the short to medium term.

Historical estimates are sensitive to the following:

- the time period chosen for measuring the average
- the use of arithmetic or geometric averaging for historical data
- selection of an appropriate benchmark risk free rate
- the impact of franking tax credits
- exclusion or inclusion of extreme observations.

The EMRP is highly sensitive to the different choices associated with the measurement period, risk free rate and averaging approach used and as a result estimates of the EMRP can vary substantially.

Prospective approach

The prospective approach is a forward looking approach that is current, market driven and does not rely on historical information. It attempts to estimate a forward looking premium based on either surveys or an implied premium approach.

The survey approach is based on investors, managers and academics providing their long term expectations of equity returns. Survey evidence suggests that the EMRP is generally expected to be in the range of 6% to 8%.

The implied approach is based on either expected future cash flows or observed bond default spreads and therefore changes over time as share prices, earnings, inflation and interest rates change. The implied premium may be calculated from the market's total capitalisation and the level of expected future earnings and growth.

Selected EMRP

We have considered both the historically observed EMRP and the prospective approaches as a guideline in determining the appropriate EMRP to use in this report.

Recent Australian studies (particularly Officer (1979) which used more than 100 years of historical data) indicate that the long run average premium has been in the order of 6% to 7%, however there has been recent evidence of a decline in the historical MRP in more recent times. E&A Limited maintain the view that historical measures of the MRP should be one that spans a long time horizon – somewhere between 50 and 100 years, as this improves the statistical confidence that can be placed in the figure obtained.

In recent years it has been common market practice in Australia in expert's reports and regulatory decisions to adopt an EMRP of 6%.

The recent severe decline in equity values worldwide and the difficulty companies are experiencing in raising equity capital may be indicative of investors demanding a greater risk premium. In addition, with particular regard to expected future cash flows and observed bond default spreads, current prospective measures appear to indicate an increase in the EMRP.

Equity & Advisory considers that using historical market risk premiums provides a sound basis on which further adjustments can be made. The market risk premium can be further adjusted in an effort to account for structural changes in equity markets and other future expectations. For instance, today's equity markets are characterised by better information, faster and broader dissemination of relevant facts, larger and more sophisticated investors, and are bigger and more liquid than in the past. Conversely, future equity markets may operate within more uncertain environments due to continuing changes in exchange rate, interest rate, political, debt and other unknown risks. Accordingly, selecting an appropriate market risk premium to reflect the equity market environment going forward is very subjective in nature.

On this basis of historical market premiums and other comparable transactions, as well as on consideration of the subjective issues outlined above, Equity & Advisory has utilised a market risk premium range of 6% to 6.5%.

Beta Estimate

The beta coefficient measures the systematic risk or non-diversifiable risk of a company in comparison to the market as a whole. Systematic risk, as separate from specific risk as discussed below, measures the extent to which the return on the business or investment is correlated to market returns. A beta of 1.0 indicates that an equity investor can expect to earn the market return (i.e. the risk free rate plus the EMRP) from this investment (assuming no specific risks). A beta of greater than one indicates greater market related risk than average (and therefore higher required returns), while a beta of less than one indicates less risk than average (and therefore lower required returns).

Betas will primarily be affected by three factors which include:

- the degree of operating leverage employed by the firm in that companies with a relatively high fixed cost base will be more exposed to economic cycles and therefore have higher systematic risk compared to those with a more variable cost base
- the degree of financial leverage employed by a firm in that as additional debt is employed by a firm, equity investors will demand a higher return to compensate for the increased systematic risk associated with higher levels of debt
- correlation of revenues and cash flows to economic cycles, in that companies that are more exposed to economic cycles (such as retailers), will generally have higher levels of systematic risk (i.e. higher betas) relative to companies that are less exposed to economic cycles (such as regulated utilities).

The differences are related to the business risks associated with the industry.

The geared or equity beta can be estimated by regressing the returns of the business or investment against the returns of an index representing the market portfolio, over a reasonable time period. However, there are a number of issues that arise in measuring historical betas that can result in differences, sometimes significant, in the betas observed depending on the time period utilised, the benchmark index and the source of the beta estimate. For unlisted companies it is often preferable to have regard to sector averages or a pool of comparable companies rather than any single company's beta estimate due to the above measurement difficulties.

The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company. This is described as the levered beta.

The levered beta is often adjusted for the effect of the capital structure and tax position. This adjusted beta is referred to as the unlevered beta. The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the company.

In undertaking our analysis and determining an appropriate beta, Equity & Advisory has taken into consideration the following:

- The betas of comparable listed companies operating within the same industry sector as ALT;
- ALT share trading considerations; and
- Our assessment of the risk profile of ALT.

Research suggests that equity beta estimates for companies can be affected when share prices are not observable over identical intervals. Companies that are less frequently traded are all susceptible to problems caused by thin trading which can result in biased beta estimates.

ALT is a very thinly traded trust and as such the volatility in its share price is often a function of its low liquidity rather than actual movements in the underlying value of the units. Accordingly beta estimates calculated based on historical share prices, and as generally published by third party financial institutions, can be misleading.

The following table provides a summary of our calculated Beta:

Equity Beta	Low	High
Selected asset beta	1.30	1.40
Debt to asset Ratio	0.64	0.64
Equity to asset Ratio	0.60	0.60
Debt to equity ratio	0.40	0.40
Equity beta	1.82	1.96

Specific Company Risk Premium

The specific company risk premium adjusts the cost of equity for company specific factors, including unsystematic risk factors such as:

- company size and / or depth and quality of management;
- reliance on one key individual or a few key members of management;
- reliance on key customers and / or key suppliers;
- product diversity (limits on potential customers) and / or geographic diversity;
- labour relations, quality of personnel (union / non-union);
- capital structure, amount of leverage; and
- existence of contingent liabilities.

The CAPM assumes, amongst other things, that rational investors seek to hold efficient portfolios, that is, portfolios that are fully diversified. One of the major conclusions of the CAPM is that investors do not have regard to specific company risks (often referred to as unsystematic risk).

There are several empirical studies that demonstrate that the investment market does not ignore specific company risks. In particular, studies show that on average, smaller companies have higher rates of return than larger companies (often referred to as the size premium).

The premise of CAPM is that risky investments demand a premium to the return available on risk free investments. Setting the quantum of this premium can be difficult when the return on risk free investments exhibits significant volatility in response to current market conditions.

Conclusion on Cost of Equity

Based on the above discussed factors, Equity & Advisory have calculated the following Cost of Equity:

Cost of Ordinary Equity	Low	High
Adjusted Risk Free Rate	5.00%	5.00%
Equity beta	1.82	1.96
Market risk premium	6.0%	6.5%
Cost of ordinary equity	15.9%	17.7%

Cost of Debt

We have estimated the cost of debt for ALT to be 9.00%. This has been estimated after considering the following:

- The average current yield of corporate bonds issued in the Australian market for BBB rated borrowers, which are approximately 150 bps over equivalent government bonds.
- ALT current cost of debt and borrowing margin.

Debt and Equity Mix (Target Gearing Ratio)

In determining the WACC of ALT, it is most appropriate to apply the target level of debt gearing to be used as the debt ratio in the WACC formula. It should be noted that the WACC formula assumes the debt ratio is constantly rebalanced so as to remain constant over time. As such it is most appropriate to use the target debt ratio of the group going forward rather than the initial gearing level (which may be high in order to fund initial acquisition). In this way the calculated WACC will better reflect the economic life of the assets and discount future cash flows at the appropriate rate. The target debt level for ALT is approximately 40%.

Long Term Inflation Rate

The long term inflation rate has been calculated from historical information sourced from the Australian Bureau of Statistics (ABS), analysing the value of the Consumer Price Index (CPI). Information gathered from 1974 to the current year show an average increase of 5.7% per annum over this period. It should be noted in this average that a period of higher than average inflation occurred throughout the 1970's and 80's.

The Reserve Bank of Australia (RBA) has a target range for inflation of between 2% and 3% and since establishing this target range inflation has more often than not overrun the upper end of this target range (i.e. inflation has been greater than 3%).

Equity & Advisory have adopted a range of 2 to 3% to reflect the expected future inflation being lower than the historical average.

Conclusion on WACC

Based on the above outlined considerations, we have assessed the nominal pre-tax WACC for ALT as follows:

Weighted Average Cost of Capital	Low	High
Adjusted Risk Free Rate	5.00%	5.00%
Debt Risk Premium	4.00%	4.50%
Cost of debt - pre tax	9.00%	9.50%
Cost of debt - after tax	9.00%	9.50%
Debt to value ratio	40.0%	40.0%
Equity to value ratio	60.0%	60.0%
Weighted average cost of capital (Nominal Rate)	13.2%	14.4%
 Selected WACC	 13.0%	 14.0%

Annexure B

Notice of Meeting

NOTICE OF MEETING

Agricultural Land Trust
ARSN 096 588 046

Notice is given that a meeting of the unitholders of Agricultural Land Trust will be held at:

Time: 11.00am (Perth time)

Date: Monday, 16 December 2013

Place: Bennett & Co, Lawyers, 28 The Esplanade, Perth WA

Notice of Unitholder Meeting

ALML in its capacity as responsible entity of ALT

Notice of meeting

Notice is hereby given that a meeting of the holders of units in the Agricultural Land Trust will be held at the premises of Bennett & Co, Lawyers, 28 The Esplanade, Perth WA on Monday, 16 December 2013 at 11.00am (Perth time).

Business of meeting

The purpose of the Unitholder Meeting is to consider and, if thought fit, to pass the resolutions.

Resolutions

Resolution 1 – Amendments to the Constitution to implement the Unit Cancellation

To consider, and if thought fit, pass the following resolution as a special resolution:

"That, subject to each of resolutions 2 and 3 being passed, the Constitution of the Agricultural Land Trust ARSN 096 588 046 be amended by Agricultural Land Management Limited, as responsible entity, in the manner set out in Annexure C of the Explanatory Booklet accompanying the Notice of Meeting dated 18 November 2013 in accordance with section 601GC(1)(a) of the *Corporations Act 2001* (Cth)."

Resolution 2 – The termination of the Linkletters Lease

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to each of resolutions 1 and 3 being passed and for the purposes of ASX Listing Rule 10.1 and Chapter 2E (as modified by Part 5C.7) of the *Corporations Act*, and all other purposes, the termination of the Linkletters Lease under the Implementation Agreement be approved."

Resolution 3 – Approval of the increase in the Caratti Entities' Relevant Interest

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to each of resolutions 1 and 2 being passed and for the purposes of item 7 of section 611 of the *Corporations Act* and for all other purposes, approval of the acquisition by the Caratti Entities and its associates (including Guce) of an increased Relevant Interest in ALT Units as a result of the Transaction is given."

By order of the board of Agricultural Land Management Limited

A handwritten signature in black ink, appearing to read 'Craig Porter', written over a horizontal line.

Craig Porter

Company secretary

Dated: 18 November 2013

Explanatory notes

Material accompanying this notice

This notice of meeting and the Resolutions should be read in conjunction with the booklet of which this notice forms part (**Explanatory Booklet**). Terms used in this notice, unless otherwise defined, have the same meaning as set out in the Glossary in Section 7 of the Explanatory Booklet.

A Proxy Form also accompanies this notice.

Voting

The Independent Directors recommend that you vote in favour of the Resolutions.

As at the date of this Notice, Mr Peter Zachert is the only director of ALML who has a Relevant Interest in any ALT Units. Mr Zachert has an indirect interest in 127,777 ALT Units and has been informed by the owner of the ALT Units of their intention to vote all ALT Units in favour of the Resolutions.

Quorum

A quorum for a meeting of ALT Unitholders is 2 ALT Unitholders present at the meeting who are entitled to vote on a resolution at the meeting as at 7.00pm (Melbourne time) on 13 December 2013 (in person, by attorney, proxy or representative).

Majorities required

Resolution 1 must be passed by at least 75% of the votes cast by ALT Unitholders entitled to vote on the resolution. On a poll, an ALT Unitholder or their nominated proxy has one vote for each dollar of the value of the total interests that the ALT Unitholder has in ALT pursuant to sections 253C(2) and 253F of the *Corporations Act*.

Resolutions 2 and 3 are ordinary resolutions, requiring approval by at least a simple majority of votes cast by ALT Unitholders attending the Unitholder Meeting in person or by proxy and entitled to vote.

Determination of entitlement to attend and vote

For the purposes of the Unitholder Meeting, ALT Units will be taken to be held by the persons who are registered as Unitholders at 7.00pm (Melbourne time) on 13 December 2013. Accordingly, registrable transmission applications to transfers registered after this time will be disregarded in determining entitlements to vote at the Unitholder Meeting.

How to vote

If you are an ALT Unitholder entitled to attend and vote at the Unitholder Meeting, you may vote by:

- attending the Unitholder Meeting in person;
- appointing an attorney to vote on your behalf;
- appointing a proxy to attend on your behalf; or
- in the case of a corporation which is an ALT Unitholder, by appointing an authorised corporate representative to attend on its behalf.

Voting at the Unitholder Meeting will occur by poll

All persons attending the Unitholder Meeting are asked to arrive at least 30 minutes prior to the time the Unitholder Meeting is to commence, so that either their Unitholding may be checked against the Register, their power of attorney or appointment as corporate representative can be verified (as the case may be), and their attendance noted.

Jointly held securities

If the ALT Units are jointly held, each of the joint ALT Unitholders is entitled to vote. However, if more than one ALT Unitholder votes in respect of jointly held ALT Units, only the vote of the ALT Unitholder whose name appears first on the Register will be counted.

Voting in person

To vote in person at the Unitholder Meeting, you must attend the Unitholder Meeting to be held at Bennett & Co, Lawyers, 28 The Esplanade, Perth WA on Monday, 16 December 2013. The meeting will commence at 11.00am (Perth time).

An ALT Unitholder who wishes to attend and vote at the Unitholder Meeting in person will be admitted to the Unitholder Meeting and given a voting card on disclosure at the point of entry to the Unitholder Meeting of their name and address.

Voting by proxy

An ALT Unitholder entitled to attend and vote at the meeting is also entitled to appoint a proxy to vote on their behalf. The Proxy Form is enclosed with this Explanatory Booklet. You may appoint not more than 2 proxies to attend and act for you at the Unitholder Meeting. A proxy need not be an ALT Unitholder. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Unitholder Meeting.

A proxy will be admitted to the Unitholder Meeting and given a voting card on providing at the point of entry to the Unitholder Meeting written evidence of their name and address.

The sending of a Proxy Form will not preclude an ALT Unitholder from attending in person and voting at the Unitholder Meeting if the ALT Unitholder is entitled to attend and vote.

Please refer to the enclosed Proxy Form for instructions on completion and lodgement. Please note that Proxy Forms must be received by the Registry by no later than 2.00pm (Melbourne time) on 14 December 2013.

Voting by attorney

Powers of attorney must be received by the Registry, at the registered office of the Registry, by no later than 2.00pm (Melbourne time) on 14 December 2013 (or if the meeting is adjourned, at least 48 hours before the resumption of the meeting in relation to the resumed part of the Unitholder Meeting).

An attorney will be admitted to the Unitholder Meeting and given a voting card on providing at the point of entry of the Unitholder Meeting written evidence of their appointment, their name and address and the identity of their appointer.

The sending of a power of attorney will not preclude a Unitholder from attending in person and voting at the Unitholder Meeting if the ALT Unitholder is entitled to attend and vote.

Voting by corporate representative

To vote at the Unitholder Meeting (other than by proxy or by attorney), a corporation that is an ALT Unitholder must appoint a person to act as its representative. The appointment must comply with section 250D of the Corporations Act.

An authorised corporate representative will be admitted to the Unitholder Meeting and given a voting card on providing at the point of entry to the Unitholder Meeting written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

Lodgement of proxies and queries

Proxy Forms, powers of attorney and authorities should be sent to:

- the Registry using the enclosed reply paid envelope, or if you are outside of Australia or do not use the reply paid envelope, to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, Australia, 3001; or
- successfully transmitted by facsimile to the Registry on 1800 783 447 (within Australia) or +61 3 9415 4388 (outside Australia).

Annexure C

Constitutional Amendment

The amendments to the Constitution under Resolution 1 are set out in this Annexure C.

In this part, terms which are capitalised are as defined in the Constitution. These defined terms are not included in the Glossary.

Definitions

Insert the following definitions into Schedule 1 – Dictionary:

“Cancellation Transaction means the transaction described in the Explanatory Booklet.”

“Elders means, for the purposes of the Cancellation Transaction, each of Elders Finance Pty Ltd, Prestige Property Holdings Pty Ltd and Agricultural Land Management Limited.”

“Explanatory Booklet means the explanatory booklet and notice meeting sent to unitholders dated on or around 18 November 2013”

Power to cancel Elders’ Units

Insert a new section 8.5:

“Power to cancel Elders’ Units

The Responsible Entity may cancel 60,536,628 Units held by Elders for the consideration set out in the Explanatory Booklet for the purposes of the Cancellation Transaction”.