

Our Ref: AJ
Your Ref:



19 December 2008

Rodgers Reidy
Chartered Accountants
333 George Street,
Sydney NSW 2000

Attention: Mr Geoffrey Reidy

Dear Sir

Collective Olive Groves Limited (Administrator Appointed)

We refer to your notice to shareholders of 15 December 2008.

We act for Huntley Management Limited which is the responsible entity for all 6 Projects which are being carried out on the land owned by COGL and subject to the lease to our client, such lease being scheme property and therefore transferring to our client pursuant to section 601FT of the Corporations Act, 2001.

In relation to the matters referred to under the heading "Current Position of the Company", please note that the assertions of the directors upon which you rely is inconsistent with statements made through their lawyers in relation to other legal proceedings. We enclose a copy of a letter from the lawyers of Australian Olive Holdings Pty Ltd, Harris & Harris dated 24 October 2008 where it is made quite clear that the obligations will not be enforced by them against the above company.

We note that in any event we are instructed to query the claim by AOL for the replacement value of the equipment. We note that:

1. in the following product rulings, it is stated that the Growers are entitled to a deduction relating to water facilities (e.g. irrigation):
 - PR 2004/7 – Project 6 - paragraphs 55 and 56
 - PR 2003/26 – Project 5 – paragraphs 57, 57, 64-66
 - PR 2001/66 – Project 4 – paragraph 68
 - PR 2000/36 – Project 3 – paragraph 55
2. In order for the Growers have been entitled to the deductions for the stated expenditure in the Product Rulings on the water facilities, the Growers must have been the entity which incurred the expenditure.

Lawyers
ABN 42 843 327 183
Level 23
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Telephone +61 2 9253 9999
Facsimile +61 2 9253 9900
DX 10216
Sydney Stock Exchange

www.piperalderman.com.au

**Sydney • Melbourne
Brisbane • Adelaide**

Partner:
Alan Jessup
Direct Phone +61 2 9253 9911
Email: ajessup@piperalderman.com.au

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3. If the Growers have incurred the expenditure on the water facilities then the water facilities are their property. The licence agreements for each of the above Projects provide for the Growers to remove structures, plant and equipment that belong to them at the end of the term of the Project and COGL would only be entitled to the equipment if the Growers did not remove the same.
4. If the water facilities for which the expenditure was incurred is the water and reticulation equipment installed by AOL at Yallamundi, then our client on behalf of the Growers claims title to that equipment.

Further we note that there is also a dispute resolution clause in the contract which ought to be invoked given the large amount claimed when, according to our instructions, the expert advice is that the amount claimed by Australian Olive Holdings Pty Ltd is way in excess of the replacement value.

Yours faithfully
Piper Alderman

Per:

Alan Jessup
Partner

A handwritten signature in black ink, appearing to read "Alan Jessup", written over the typed name and extending upwards and to the right.



Harris & Harris

ABN 79 801 622 820

BARRY HARRIS Senior Partner
LLB (Hons) (Syd)

MICHAEL HARRIS Solicitor
BAppFin LLB (Hons)

Our Ref: MJH:LP:1309

Solicitors

Hunters Hill
Garibaldi Complex
Suite 3, Level 2, Building B
37 Alexandra Street
Hunters Hill NSW 2110

T: +61 2 9816 2911
F: +61 2 9816 3822

All Mail To:
PO Box 1159
Hunters Hill West NSW 2110

24 October 2008

Mr. Alan Jessup
Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

By facsimile: 9253 9900

Dear Sir,

Australian Olive Holdings Pty Ltd -v- Huntley Management Limited

We refer to your letter dated 20 October 2008.

Consolidated Water Supply Agreement (CWSA)

Your client has denied being a party to, bound by or in any other way concerned with the CWSA (which we note you now refer to as an "alleged" agreement) and in those circumstances has no standing to enforce or require enforcement of its terms. We therefore do not see that our client has any obligation to respond to this aspect of your letter. However, we note that your client also purports to represent some of the shareholders of Collective Olive Groves Limited (COGL) and so we are instructed to respond as follows.

At present, the parties to the CWSA have agreed not to enforce clauses 7.1(b) and 7.1(c) of the CWSA, although no rights have been waived. We are instructed that COGL does not have sufficient funds either to pay for the pumping and reticulation equipment or to pay for water pursuant to a water supply agreement on substantially the same terms as the CWSA. In those circumstances, we are instructed that the directors of COGL have taken the view that compliance with clauses 7.1(b) and/or 7.1(c) would render the company insolvent. Our client has at present not enforced compliance with clause 7.1(b) as it does not consider it to be in its interests to enter into agreements with a company which it reasonably believes will be unable



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to comply with those agreements. Further, we understand that Australian Olives Limited has taken the same view in relation to clause 7.1(c) and so even if our client enforced clause 7.1(b), COGL would be unable to supply water to the Groves as it would have no pumping and reticulation equipment with which to do so.

Further, COGL has no obligation to water the Groves, that being an obligation of the Responsible Entity pursuant to the Grove Agreements. Nor does COGL have any right to receive sufficient fees (such as management fees) to pay for the water our client would supply pursuant to the agreement/s contemplated by clause 7.1(b). However, we are instructed that, should your client agree to be jointly and severally liable with COGL for the costs associated with enforcement of clauses 7.1(b) and 7.1(c) of the CWSA, being the costs of valuing and purchasing the pumping and reticulation equipment and any fees payable pursuant to a new water supply agreement, then COGL will consider entering into such arrangements, together with an agreement with your client to supply water to the Groves in Projects 4, 5 and 6.

Lease

As you are aware, our client accepted your client's repudiation of the CWSA and terminated it on 2 October 2008. By clause 16.4 of the Lease, it was automatically terminated by termination of the CWSA. Further, your client has failed to pay or offer to pay rent under the Lease, and so clause 15.06 applies and our client was entitled to (and did) re-enter the leased premises without prior notice.

Accordingly, without taking a view on whether section 601FC(2) would otherwise apply in circumstances where your client has asserted that the underlying agreement does not form part of the scheme, there is no property to which section 601FC(2) can attach.

Kind regards,



Lisa Peterson
Solicitor

Lisa@harrisandharris.com.au

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