



14 August 2008

To: AOL Project 3 members

Dear Member,

**MEETING OF MEMBERS
AUSTRALIAN OLIVES PROJECT No. 3 (PROJECT 3)**

You will have recently received correspondence relating to a meeting of members for the above Project to be held on 29 August 2008. The purpose of that meeting is for members to vote on the proposal to replace AOL with Huntley Management Limited (“HML”) as the responsible entity of Project 3.

It is in the best interests of the Project 3 members for you to appoint AOL as your proxy in order to vote against the proposed resolutions, for the reasons set out below.

The facts are;

- (i) HML have said they intend to collapse the Project.**
- (ii) HML have refused to pay for water used for other Projects and owe approximately \$250,000 to the water owner.**
- (iii) HML have refused to honour the forward supply agreement with Viva and have not sold the olives from the 2008 harvest and legal action from Viva is imminent.**
- (iv) HML will not manage the Project(s) long term and have stated that their involvement will be no longer than 1 year.**
- (v) HML have unilaterally changed Project constitutions without the Project members voting.**
- (vi) Your vote in favour of HML will see you subsidise members in other Projects.**
- (vii) Your vote in favour of HML may result in the ATO reviewing and reversing your tax benefits gained.**
- (viii) AOL manages the Project(s) to the highest level of industry standards and has invested heavily in the Australian olive industry.**

Growing investments for financial freedom.

For the reasons set out above, we believe that it is in your best interests to vote against the proposed resolutions.

Please find attached a Proxy Form for the forthcoming Project 3 meeting to appoint AOL as your proxy. Kindly sign and return the Proxy Form (either by mail or to fax no. 07 3250 0606) as a matter of urgency (and in any event not later than 1.00 p.m. on Tuesday 26 August 2008) to ensure your vote counts.

We urge you to consider carefully the aforementioned and the further information provided to you below:

- HML has no management plan other than to collapse all AOL Projects. The ATO's Product Ruling requires that members remain in the Project until its completion. You should seek a **guarantee from HML** that your tax position will not be prejudiced by any future collapse.
- If HML collapses the current structure, it will not be able to guarantee the supply of water to your groves, the sale of your olives or the ultimate sale of the land on which the Project lies. The fact that AOL has honoured the water supply agreement together with the fact that AOL owns the pumping and reticulation equipment by which the water reaches your groves, **only AOL is in a position to ensure the supply of water and access to the water.**
- The reversion from a managed investment scheme interest to a crude form of private shareholding (as proposed by HML) is not guaranteed and will not be able to adequately deal with the qualitative difference between your (more mature) interest in the scheme and the less mature and less valuable interest of members in Projects 4, 5 and 6.
- Criticisms by HML of the Projects and AOL's management of those Projects, must be read in light of their stated objective of collapsing the scheme. **HML offer no substantial farm management alternative** but rather seek control of your Project in order to achieve the collapse of the scheme, which is a flawed outcome for the reasons detailed in this letter and one designed to benefit the interests of HML and the members of the Projects of which HML are already the Responsible Entity, **at the expense of the members of the older more mature Projects.**
- HML have unilaterally altered the constitution for Projects 4, 5 and 6 without the members voting. The ATO's Product Ruling requires that there be no changes that make the scheme "materially different". You should seek an undertaking from HML that they will not effect such changes to your Project, or if they do, they will only do so with your consent and they will give you a **guarantee** that your tax position will not be prejudiced.
- The ATO's Product Ruling (which we will provide you on request and is already available on the AOL website www.olives.net) provides that if the responsible entity is removed, the ATO's Product Ruling ceases to have effect. You should seek a **guarantee** from HML that any such removal will not affect your tax position.

- If the scheme is ultimately collapsed by HML, **your vote in favour of HML will see you subsidise members in other less mature Projects and benefit HML at your expense.**
- Any vote by members replacing AOL with HML for Project 3 will trigger mechanisms in the AOHL water supply agreement, whereby COGL must purchase the existing pumping and reticulation equipment from AOL for (at a minimum) the current replacement cost. **This replacement cost will be in the millions of dollars and will be a liability on the part of COGL.**

As COGL has minimal cash reserves and cannot encumber its major asset i.e. the Yallamundi property, drastic measures will need to be taken to avoid insolvency.

- HML have previously claimed that they will charge lower management fees but instead have charged members in other Projects the same fees as AOL but payable in advance and **without any payment discounts**. HML have misrepresented these discounts to members and **they have denied any liability to pay for water.**
- AOL is experienced and committed to the success of the Project and uses its economies of scale and vertical integration to benefit you, the member. Our on-farm practises remain at the highest level of industry standards.
- AOL is a key player in the industry via its large investments in farm plant and equipment, olive processing facilities and ownership of Viva. We are fully committed and heavily invested in the development of the Australian olive industry.
- AOL will seek to align your management fees with harvest returns. We remind you that during drought conditions AOL subsidised the Project's harvest cost in excess of \$250,000 in the past 3 years. AOL confirm that we are willing to negotiate with members to improve the financial performance of the schemes but as a significant stakeholder in the Australian olive industry, AOL will not be blindsided by the misrepresentations of HML.
- You should seek a **guarantee** from HML that if AOL is removed as responsible entity, **COGL will not be liable to pay millions of dollars** to purchase assets thus resulting in an adverse affect on you. You should seek a **guarantee from HML that if COGL is liquidated, your share capital will not be lost.**

Finally, we observe that in the notes accompanying the notice of meeting, reference is made to the Court proceedings concerning Project 4. You should be aware that these legal proceedings were instituted by AOL due to the wrongful exclusion of votes by the Chairman of the meeting (Mr. Spyridon Livadaras of Stantins) at which AOL was purportedly removed as responsible entity. If the votes had not been excluded, AOL would remain as responsible entity for Project 4.

Please be aware that even if the legal proceedings brought by AOL are unsuccessful, a further meeting will immediately be called to seek the re-appointment of AOL as responsible entity.

If you wish to discuss these matters further, then please contact either the undersigned or Mr Simon Beddoe, Investor Relations Manager on (07) 3250 0600 at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Blake Ammit', written in a cursive style.

Blake Ammit
Executive Director
AUSTRALIAN OLIVES LIMITED